

MINUTES OF MEETING OF BOARD OF DIRECTORS
January 13, 2011

THE STATE OF TEXAS
COUNTY OF HARRIS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136

The Board of Directors of Harris County Municipal Utility District No. 136 (the "District") met in regular session, open to the public, at 4045 Deerfield Village Drive, Houston, Texas at 6:00 p.m. on January 13, 2011; whereupon the roll was called of the members of the Board, to wit:

Neil Polansky, President
Barry Greer, Vice President
Harry L. Price, Second Vice President
Jay Singleton, Secretary
Brent Phelps, Assistant Secretary

Persons Attending. All members of the Board were present. Also attending all or parts of the meeting were Mr. Jason Demel of SouthWest Water Company ("SWWC"), operator for the District; Ms. Rose Montalbano of F. Matuska, Inc., bookkeeper for the District; Ms. Patty Rodriguez of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Eric Toureilles, President of the Deerfield Village Community Association Board of Directors; and Ms. Yvette Deitrick of Fulbright & Jaworski L.L.P. ("F&J"), paralegal for the District.

Call to Order. The President called the meeting to order and, in accordance with notice posted pursuant to law, copies of Certificates of Posting of which are attached hereto as Exhibit "A," the following business was transacted:

1. **Minutes.** Proposed minutes of the meeting of December 9, 2010, previously distributed to the Board, were considered for review and approval. Upon motion by Director Price, seconded by Director Greer, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of December 9, 2010, as presented.

2. **Review Bookkeeper's Report and authorize payment of bills.** Ms. Montalbano presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "B." Ms. Montalbano reported that the CenterPoint Energy credit has been fully utilized.

Ms. Montalbano presented to and reviewed with the Board the Quarterly Investment Report, included in the Bookkeeper's Report.

The President asked which budget category would include the proposed Jackrabbit Public Utility District ("Jackrabbit PUD") Flow Monitoring Study costs. Ms.

Montalbano reported that she would research the matter and report her findings at the next Board meeting.

Upon motion by Director Greer, seconded by Director Price, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report, to authorize payment of check nos. 7325 through 7348 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report and to approve the Quarterly Investment Report.

3. Review Tax Assessor and Collector's Report and authorize payment of bills. The President recognized Ms. Rodriguez, who presented to and reviewed with the Board the Tax Assessor and Collector's Report, a copy of which is attached hereto as Exhibit "C." Ms. Rodriguez reported that the District has collected 67% of its 2010 taxes.

In connection with a review of the Top Delinquent Taxpayers, Ms. Rodriguez reported that Mr. Carpenter has stopped making his installment payments. She asked the Board whether to send a letter and provide Mr. Carpenter ten days to provide a payment or to void the payment contract. It was the consensus of the Board to provide Mr. Carpenter notification and an opportunity to provide payment. Ms. Rodriguez confirmed that the home on Mountfield Drive is vacant. It was the consensus of the Board to send the tax account on Mountfield Drive to the delinquent tax attorney for collection.

Upon motion by Director Price, seconded by Director Phelps, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor and Collector's Report, to authorize payment of check no. 1308 from the Tax Account in the amount, to the person, and for the purpose listed in such report, to authorize the tax assessor and collector to provide Mr. Carpenter notification and an opportunity to provide payment and to authorize Hal R. Gordon to begin collection on the delinquent tax account on Mountfield Drive.

4. Consider Property Tax Exemptions. The President reviewed with the Board the Order Adopting Exemption from Taxation for Individuals Who are Disabled or are 65 Years of Age or Older (the "Order"), a copy of which is attached hereto as Exhibit "D." Ms. Rodriguez reported that last year the District had an exemption in the amount of \$15,000 of the appraised value of residence homesteads within the District for individuals who are disabled or are 65 years of age or older. She reviewed with the Board the impact on tax revenues with changes in the current exemption.

Upon motion by Director Price, seconded by Director Greer, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Order with an exemption of \$20,000 of the appraised value of residence homesteads within the District for individuals who are disabled or 65 years of age or older.

5. Authorize Hal R. Gordon to enforce the collection of delinquent 2010 taxes. The President recognized Ms. Deitrick, who reported that the District's current delinquent tax attorney, Hal R. Gordon, currently has an evergreen contract with the District that will automatically renew unless cancelled by the District. No action was taken on this item.

6. **Adopt Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code.** The President reviewed with the Board the Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code (the "Resolution"), a copy of which is attached hereto as Exhibit "E."

Upon motion by Director Singleton, seconded by Director Greer, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Resolution.

7. **Comments from residents.** The President recognized Mr. Toureilles, who reported that Harris County Flood Control District ("HCFCD") planted approximately 280 trees along the northwest side of the Deerfield Village greenbelt. He reported that the Deerfield Village Community Association ("DVCA") currently assists with maintenance of the greenbelt because HCFCD only mows the greenbelt a few times a year. Mr. Toureilles stated that the greenbelt maintenance costs will increase because of the recent tree planting. He reported that HCFCD did not contact the DVCA prior to the tree planting. Mr. Toureilles reported that when he contacted the HCFCD regarding the tree planting, the HCFCD stated it is HCFCD property. Mr. Toureilles stated that he will send a letter to HCFCD to request a meeting to discuss the tree planting and that the Directors are welcome to attend the meeting with HCFCD. The Board discussed the HCFCD motivation for such tree planting. The President requested that the Board be kept apprised of the discussion with HCFCD.

Mr. Toureilles reported that a home on Longcliffe Drive has plumbing issues and that the residents are removing the clean-out cap to allow sanitary sewer flow out into the storm sewer. He reported that the Health Department has issued a citation to stop the dumping and that the Texas Commission on Environmental Quality ("TCEQ") has been contacted regarding the home. Mr. Demel reported that it is a Harris County Sheriff's Office matter because it is a public street. Mr. Toureilles reported that the Sheriff's Office has issued citations with no results. The Board asked Mr. Demel to determine what steps may be taken by the District to terminate water service and/or stop the unplugging of the clean-out cap and dumping of sanitary sewer flow.

8. **Review Operations Report, authorize repairs, and authorize termination of services to delinquent accounts.** The President recognized Mr. Demel, who presented to and reviewed with the Board the Operations Report and Delinquent List, a copy of which is attached hereto as Exhibit "F."

Mr. Demel reported that 11,215,000 gallons of water were purchased from the West Harris County Regional Water Authority ("WHCRWA") during the month of December. Mr. Demel reported that no water was pumped from Water Plant #1 because the well motor soft start was not installed until last week. He reported that water accountability was 100% for December.

Mr. Demel reviewed the maintenance and repairs performed by SWWC. He reported that SWWC performed the annual infrared survey at Water Plant #1. Mr. Demel reported that SWWC performed the preventative maintenance on the chlorinator and inspected

the fluoridation and polyphosphate equipment at Water Plant #1. He reported that SWWC will install coupling guards on the booster pumps at Water Plant #1 as a safety precaution.

Mr. Demel presented to and reviewed with the Board the breakdown of the street repair costs related to the water main break at Deerfield Village Drive and Heathersage Drive, a copy of which is attached hereto as Exhibit "G."

Mr. Demel reported that SWWC performed the annual flushing valve inspection.

Mr. Demel reported that the water well #1 control room roof replacement is complete.

Director Singleton asked if the appropriate fill procedure was followed post-repair on the recently fenced sinkhole in the District. Mr. Demel reported that SWWC is investigating whether the appropriate time passed for fill compaction before installation of the landscaping after the repair. Mr. Demel reported that he would look into possible changes to SWWC's procedures for compacting the fill.

Upon motion by Director Price, seconded by Director Greer, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Operations Report, to make necessary repairs, and to terminate service to those accounts listed on the Delinquent List.

9. Review Engineer's Report, Water Well No. 2 capping and take appropriate action on engineer's recommendations. The President reviewed with the Board the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "H." The President reported that Jackrabbit PUD did not make a decision on the Flow Monitoring Study cost allocation at the January meeting.

Director Phelps presented to and reviewed with the Board the Electrical Contract Summary with usage breakdowns, a copy of which is attached hereto as Exhibit "I." He reviewed the terms, usage and charges of the District's electricity contract. Director Phelps recommended that that District proceed with the submission of the Modification Form to remove the water well #2 electrical facilities and payment of the early termination charge as approved at the last Board meeting.

10. Review Status Report on Subcommittee Recommendations on Water Rates, Review Rate Order and take appropriate action. This item was deferred.

11. Jackrabbit Road Public Utility District matters and take appropriate action. No action was taken on this item.

12. Consider TechRadium, Inc. proposal and take any action. No action was taken on this item.

13. Discuss trash collection operations and take appropriate action. No action was taken on this item.

14. **Update on selling water conservation credits and take appropriate action.** No action was taken on this item.

15. **Report on WHCRWA monthly meeting.** Director Singleton reported that Mr. Wayne Ahrens and Ms. Barbara Payne are preparing a public information release regarding radiation in the water. He noted that fluoride and chromium were not mentioned at the meeting. Director Singleton reported that Mr. Ahrens stated that the second source right-of-way acquisition and permitting process are expected to be complete by the end of 2012. He reported that two new storage tanks are in operation. Director Singleton reported that 30% of the WHCRWA water providers' water usage is surface water.

16. **Article for DVCA Newsletter.** Director Singleton stated that he would compose the Deerfield Village Community Association Newsletter article. He noted that the tax exemption will be included in the article.

17. **Discuss incentives for water conservation products and take appropriate action.** No action was taken on this item.

18. **Review agenda items for next meeting.** The Board discussed items to be addressed at the next Board meeting.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The above and foregoing minutes were passed and approved by the Board of Directors on February 10, 2011.

Original Signed by Neil M Polansky
President, Board of Directors

ATTEST:

Original Signed by John J Singleton
Secretary, Board of Directors

(DISTRICT SEAL)

