

MINUTES OF MEETING OF BOARD OF DIRECTORS
February 10, 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 February 10, 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, except Director Polansky. Also attending all or parts of the meeting were Mr. Jason Demel of SouthWest Water Company ("SWWC"), operator for the District; Ms. Fran Matuska of F. Matuska, Inc., bookkeeper for the District; Mr. Bob Wempe of AECOM, Inc. ("AECOM"), engineer for the District; Ms. Patty Rodriguez of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Chris Swedlund of McCall Gibson Swedlund Barfoot, P.L.L.C. ("McCall"), auditor for the District; and Ms. Yvette Deitrick of Fulbright & Jaworski L.L.P. ("F&J"), paralegal for the District.

Call to Order. The Vice 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 January 13, 2011, previously distributed to the Board, were considered for review and approval. Upon motion by Director Phelps, seconded by Director Singleton, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of January 13, 2011, as presented.

2. **Comments from Residents.** There were no resident comments.

3. **Engage Auditor for fiscal year ending March 31, 2011.** The Vice President recognized Mr. Swedlund, who presented to and reviewed with the Board a proposed auditor engagement letter for the fiscal year ending March 31, 2011, a copy of which is attached hereto as Exhibit "B." Mr. Swedlund presented to the Board a letter and questionnaire regarding the Statement of Auditing Standard No. 99. Mr. Swedlund reported that the directors are an integral part of fraud reporting and requested the directors contact him with any concerns they have. Mr. Swedlund requested that the Board consider engaging the services of McCall to

prepare the District's annual audit for fiscal year ending March 31, 2011, at an estimated cost of \$9,500 to \$11,500.

Upon motion by Director Singleton, seconded by Director Phelps, after full discussion and the question being put to the Board, the Board voted unanimously to engage the services of McCall to prepare the District's audit for fiscal year ending March 31, 2011, and to authorize the execution of the engagement letter.

4. **Review Bookkeeper's Report and authorize payment of bills.** Ms. Matuska presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "C." Ms. Matuska reported that Hudson Energy billed the District approximately \$2,000 for the termination fee for removing the Water Well No. 2 location from the District's existing electricity contract.

Ms. Matuska reported that the proposed Jackrabbit Public Utility District ("Jackrabbit PUD") Flow Monitoring Study costs will be included in the Jackrabbit PUD Wastewater Treatment Plant Improvements budget for fiscal year ending March 31, 2012.

Upon motion by Director Phelps, seconded by Director Singleton, 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. 7349 through 7366 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report.

5. **Adopt budget for fiscal year ending March 31, 2012.** Ms. Matuska presented to and reviewed with the Board the draft budget for fiscal year ending March 31, 2012, a copy of which is attached hereto as Exhibit "D." Ms. Matuska reviewed the assumptions used for the draft budget. Ms. Matuska stated that she is awaiting additional consultant input for the budget. No action was taken on this item.

6. **Review Tax Assessor and Collector's Report and authorize payment of bills.** The Vice 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 "E." Ms. Rodriguez reported that the District has collected 94% of its 2010 taxes.

In connection with a review of the Top Delinquent Taxpayers, Ms. Rodriguez reported that Mr. Carpenter has stopped making payments on his installment contract. Ms. Rodriguez reported that she sent a letter to Mr. Carpenter requesting payment within ten days; however, no payment was received. Ms. Rodriguez reported that she left a voice message with Mr. Carpenter to contact her prior to the Board meeting to discuss payment; however she received no reply. Ms. Rodriguez asked the Board if it wanted to terminate the installment contract with Mr. Carpenter and transfer his account to Hal R. Gordon, the District's 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 nos. 1309 through 1312 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report, to

authorize the tax assessor to terminate the installment contract with Mr. Carpenter and to authorize Hal R. Gordon to begin collection on Mr. Carpenter's delinquent tax account.

7. Review Operations Report, authorize repairs, and authorize termination of services to delinquent accounts. The Vice 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 8,423,000 gallons of water were purchased from the West Harris County Regional Water Authority ("WHCRWA") during the month of January. Mr. Demel reported that 682,000 gallons were purchased from Harris County Municipal Utility District No. 183 ("MUD 183"). He reported that MUD 183 received water from the District due to a water plant issue. Mr. Demel reported that when the issue was resolved and the MUD 183 water plant was operational, water flowed to the District because the interconnect valve was left open. He reported that the District received more water than MUD 183 received, so the District will repay the water in kind to MUD 183. The Board asked how much water was provided to MUD 183. Mr. Demel stated that he would research the amount of water provided to MUD 183 and report his findings to the Board.

Mr. Demel reported that water accountability was 99% for January.

Mr. Demel reviewed the maintenance and repairs performed by SWWC. He reported that SWWC installed the Water Plant No. 1 well motor soft start. Mr. Demel reported that the well motor failed. He reported that it will cost \$11,355 to repair the well motor and \$15,468 to replace the well motor. Mr. Demel asked the Board for authorization to replace the well motor at a cost of \$15,468. Mr. Demel reported that SWWC is working with the insurance adjuster for reimbursement. The Board discussed the benefits and disadvantages of variable frequency drive and soft start.

Mr. Demel reported that the hydropneumatic tank no. 2 sensor line froze last week because a booster pump tripped. He reported that the line is now wrapped and reported on all cold weather precautions performed on the District's facilities.

Mr. Demel reported that SWWC repaired fifteen fire hydrants per the annual fire hydrant survey. He reported that SWWC is repairing the sidewalk and landscaping that shifted after installation. Mr. Demel reported that SWWC has a new excavation and maintenance manager for the District which should prevent further occurrence of post landscaping repair settling.

Mr. Demel reported that SWWC is arranging for repair of the fire hydrant hit by the car on February 5, 2011. The Board discussed filing a police report for insurance purposes. Mr. Demel reported that he will research the procedures for filing a police report.

Mr. Demel reported that SWWC installed a ten-inch check valve on lift pump no. 3 at the lift station. Director Phelps reported that the lift station electricity usage has been higher this year than last year. Mr. Demel stated that he would review the electricity usage at the lift station for any possible issues. He reported that the lift station stands have been installed.

Mr. Demel reported that SWWC requested an inspection certificate from the residence on Longcliffe Drive with respect to the plumbing issues. The Board requested an update on the plumbing issues at the residence.

Director Phelps asked if SWWC has a telephone line connected to water well no. 2. Mr. Demel stated that a remote sensor line may be connected to water well no. 2. Director Phelps stated that the AT&T service for the remote sensor line to the capped well should be cancelled. Mr. Demel stated that he would discuss the AT&T service with Ms. Matuska and follow-up on the issue.

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 accept the Operations Report, to make necessary repairs, to terminate service to those accounts listed on the Delinquent List, and to authorize SWWC to replace the Water Plant No. 1 water well motor at a cost of \$15,468.

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

Mr. Wempe reported that CenterPoint Energy has completed its work for the water well no. 2 capping. He reported that the electrical poles have been taken down but remain on the site. Mr. Wempe reported that he will contact CenterPoint Energy to check on the status of retrieval of the electrical poles. He reported that AECOM will schedule a final walk through of the site. Director Phelps asked if a dead-end section of piping remains at Water Plant No. 1 following the water well no. 2 capping from where the piping section was removed. He noted that a dead-end pipe could cause bacteriological issues. Mr. Wempe and Mr. Demel stated that they would review the remaining piping at Water Plant No. 1 for any potential bacteriological issues.

Mr. Wempe provided updated sets of the District utility layout maps to each Director and to Mr. Demel for SWWC and its field personnel.

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

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

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

12. Update on selling water conservation credits and take appropriate action. Ms. Deitrick reported that the District received approximately \$852 from a groundwater credit sale in January.

13. **Report on WHCRWA monthly meeting.** No action was taken on this item.

14. **Article for DVCA Newsletter.** Director Singleton stated that he would compose the Deerfield Village Community Association Newsletter article. He noted that the bubbles in the water due to the cold weather will be included in the article.

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

16. **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 March 10, 2011.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)

