

MINUTES OF MEETING OF BOARD OF DIRECTORS
March 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 March 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. 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; Ms. Patty Rodriguez of Bob Leared Interests ("BLI"), tax assessor and collector for the District; 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 February 10, 2011, previously distributed to the Board, were considered for review and approval. 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 minutes of the meeting of February 10, 2011, as presented.

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

3. **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 "B." Ms. Matuska reported that a District resident paid his tax payment to SWWC and that check no. 7382 is for the transfer of the payment to the District's tax account.

Upon review of the budget, Ms. Matuska reported that the Jackrabbit Road Public Utility District ("Jackrabbit") Wastewater Treatment Plant Improvements did not occur in the current fiscal year and will be in the District's next fiscal year budget. She reported that the contractor has not invoiced the District for the water well no. 2 capping. Ms. Matuska stated that

the water well no. 2 capping expense will be allocated to the current fiscal year because that is when the work was performed.

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 Bookkeeper's Report, to authorize payment of check nos. 7368 through 7386 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report.

4. **Adopt Budget for fiscal year ending March 31, 2012.** Ms. Matuska presented to and reviewed with the Board the proposed budget for the fiscal year ending March 31, 2012, a copy of which is attached to the Bookkeeper's Report. Ms. Matuska reported that the Sanitary Sewer Rehabilitation Phase Two Repairs expense was reduced to \$30,000 for the proposed budget upon Mr. Demel's recommendation.

Ms. Matuska reported that telephone expense will decrease upon termination of the telephone line to water well no. 2. Mr. Demel reported that the District has five telephone lines, two of which are telemetry lines. He reported that he is coordinating with AT&T to terminate the correct telephone line.

Mr. Demel reported that chemical expense is reduced in the proposed budget because the District uses a minimal amount of chemicals now that the District is on surface water from West Harris County Regional Water Authority ("WHCRWA"). He reported that chemicals will be used when the District's well is exercised. The Board asked if the chemicals become ineffective over time. Mr. Demel stated that he would research chemical aging and report his findings to the Board.

Ms. Rodriguez reported that the Maintenance Tax Revenue could be increased because the proposed budget is based on an assessed valuation of \$178,726,083, while the current valuation for the District is \$188,241,129.

Director Greer reported that the Jackrabbit Flow Monitoring Study costs will be allocated among the participating districts on the sharing ratios set forth in the joint participant agreements.

Director Phelps asked why the SWWC sign "WARNING: Low Water Pressure" at Tarnbrook Drive was still at the repair location. Mr. Demel stated that he would research the reason for the sign and remove the sign, if appropriate. Director Phelps reported that on review of the District's utility map, it appears that there is no waterline loop to Deerfield Village, Section Six. He reported that if there is a major waterline break, that subdivision could be out of water service for an extended period of time because there is no other waterline to the subdivision. Director Phelps asked if there were other subdivisions in the District that only have one waterline source. He asked if a budget item should be added for the cost to create an additional waterline source to Deerfield Village, Section Six. The Board asked Mr. Demel to determine how many areas in the District are without redundancy in the waterline distribution system.

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 adopt the proposed budget for fiscal year ending March 31, 2012, as amended to incorporate the changes discussed for the Maintenance Tax Revenue and the Jackrabbit Flow Monitoring Study costs.

5. 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 96% of its 2010 taxes. She reported that the transfer to the General Fund is performed via wire or check is based on the amount of the tax transfer.

Ms. Rodriguez reported that Mr. Carpenter called a week after the February Board meeting and she informed him that his installment contract was terminated and his delinquent account was transferred to Hal R. Gordon for collection.

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 Tax Assessor and Collector's Report, and to authorize payment of check nos. 1313 through 1325 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

6. 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 "D." The Board requested that Mr. Demel provide double-side reports in the future.

Mr. Demel reported that 9,762,000 gallons of water were purchased from the "WHCRWA" during the month of February. He reported that the new water well motor at Water Plant No. 1 was installed and operational. Mr. Demel reported that SWWC filed the insurance claim for the well motor and soft start. Mr. Demel reported that water accountability decreased to 89% because of the water lost from the main waterline break. The Board discussed water loss from the house fire in the District in February.

Mr. Demel reviewed repairs included in the February invoice and repairs that will be invoiced in the future. He reported that SWWC will install bollards in front of the fire hydrants to prevent vehicle damage in the future. Mr. Demel reported that an insurance claim could not be filed on the fire hydrant repair because no police report was filed.

Mr. Demel reported that the lift station painting is complete. He reported that the lift station pump stands are installed. He reported that SWWC fabricated pipe stands will be installed. Director Phelps recommended that SWWC perform touch-up painting every six months to prevent rust.

Mr. Demel reported that Harris County Municipal Utility District No. 183 received 656,000 gallons of water from the District in January, which will be paid back in kind.

Mr. Demel reported that Water Well No. 1 will be exercised as needed and will be used when water pressure becomes low. Director Phelps asked for the specifics of the water well exercise plan. Mr. Demel stated that he would research the water well exercise plan and report his findings. Director Phelps asked what is the maximum pumping capacity for the District's connection to the WHCRWA. Mr. Demel stated that he would research the maximum capacity and report his findings.

Upon review of the Commercial Usage Report, the Board discussed that the District does not supply water to Prosperity Bank, which is on the Commercial List. The Board reported that Harris County Utility District No. 6 ("UD 6") supplies water to Prosperity Bank on Clay Road. The President reported that the District charges Prosperity Bank for wastewater treatment per the water supplied by UD 6. Mr. Demel reported that he would review the accounts on the Commercial Usage Report and update it as appropriate. Director Phelps asked for a summary of the amount of wastewater treatment provided to out-of-district customers.

Director Singleton asked why District customers that were on the Delinquent List last month, remain on the Delinquent List this month if their water service was terminated. The Board discussed the high balances for the customers on the Delinquent List. Mr. Demel reviewed the District's Rate Order and reported that the customer has to pay the delinquent balance greater than sixty days to prevent water termination. The Board asked if the customer was charged for the water termination door hanger notice. Mr. Demel reported that the customer is not charged for the water termination door hanger notice. The Board discussed adding a charge for the water termination door hanger notice and to require the customer to pay all delinquent balances to prevent water termination. It was the consensus of the Board to institute new delinquent account policies in June to allow for notification to the District residents. The Board requested that Mr. Demel place a message on the April and May water bills regarding procedures for delinquent water accounts.

Director Price reported that TechRadium contacted him regarding training on the Immediate Response Information System ("IRIS"). He reported that the District's information has been loaded into the IRIS database. Directors Price and Phelps volunteered to be trained for IRIS. Director Price requested that the Rate Order be modified to permit for electronic notification of water termination to delinquent account customers.

Mr. Demel reported that the sinkhole with the orange netting it not related to any District infrastructure. Director Singleton reported that he would coordinate for the Deerfield Village Community Association ("DVCA") to manage the repair.

Mr. Demel reported that SWWC does not utilize water in the process of packing in backfill in excavation restoration because it requires water and a hose. He reported that a packer or tamper can be rented for packing backfill, if the Board so chooses.

Mr. Demel reported that there is a break in the main waterline underneath the tree by the DVCA marquee. He reported that SWWC has isolated the section of waterline and that no District customers are out of water service. The Board discussed possible re-routing of the waterline to save the DVCA tree. The Board requested that Mr. Demel consult with Mr. Wempe

to determine the cost to repair the line and the cost to reroute the line to save the tree and tree replacement costs.

Director Phelps asked if Mr. Demel had reviewed the lift station pumping history to discern the reason for the increase in the lift station electricity usage in the past year. Mr. Demel reported that he was gathering data and converting the information from paper to electronic form to perform the analysis.

Upon motion by Director Greer, seconded by Director Singleton, 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.

7. **Discuss and Approve District's Water Smart Application.** The President recognized Mr. Demel, who reported that the District's Water Smart Application is nearly complete. 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 submittal of the District's Water Smart Application.

8. **Review Engineer's Report, Water Well No. 2 capping and take appropriate action on engineer's recommendations.** The Board reviewed the Engineer's Report, a copy of which is attached hereto as Exhibit "E."

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.** Director Price reported that he attended the Jackrabbit meeting along with Director Phelps. He reported that Jackrabbit decided to allocate the Flow Monitoring Study costs among the participating districts on the sharing ratios set forth in the joint participant agreements.

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 an offer of \$1.25 per 1,000 gallons for 11,000,000 gallons of Groundwater Credits, Series B. 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 offer of \$1.25 per 1,000 gallons for 11,000,000 gallons of Groundwater Credits, Series B.

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.

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 April 14, 2011.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)