

MINUTES OF MEETING OF BOARD OF DIRECTORS  
July 14, 2011

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

The Board of Directors (the “*Board*”) 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 July 14, 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 Singleton. 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; Mr. Bob Wempe of AECOM, Inc., engineer for the District; Ms. Ginny Buschbom of the Peggy Wilson Elementary Playground Committee, Ms. Pamela Link of Peggy Wilson Elementary School, Mr. Joseph Ellis of McCall, Gibson, Swedlund Barfoot P.L.L.C., auditor for the District; Mr. Eric Tourelles, 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 June 9, 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 June 9, 2011, as presented.

2. **Approve audit for fiscal year ended March 31, 2011.** The President recognized Mr. Ellis, who presented to and reviewed with the Board a draft of the audit for the District for fiscal year ending March 31, 2011, a copy of which is attached hereto as Exhibit “B.” Mr. Ellis noted that the West Harris County Regional Water Authority (“WHCRWA”) reimbursement, the bond retirement and the Deerfield Park water supply and waste disposal contract are noted in the audit footnotes.

Mr. Ellis presented to and reviewed with the Board the management letter noting material weaknesses in the District's internal controls over financial reporting, a copy of which is attached hereto as Exhibit "C." He noted that the management letter includes a draft response by the Board which is substantially the same as the previous year.

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 draft of the audit for the District for fiscal year ending March 31, 2011 and to approve the Board's response in the management letter.

3. **Comments from Residents.** Ms. Deitrick reported that a District resident asked about online water bill payment options. Mr. Demel reported that SWWC has Pay My Utility Bill as a credit card online payment option. He reported that the resident pays the credit card transaction fee. Mr. Demel reported that SWWC does not provide electronic billing. The Board asked Mr. Demel to contact the District customer to explain the available payment options.

Ms. Rodriguez reported that new legislation requires that tax assessors provide tax bills and assessed valuations via email, if requested.

4. **Peggy Wilson Elementary Playground Committee request for support and any necessary action.** The President recognized Ms. Link and Ms. Buschbom, who presented to and reviewed with the Board the Peggy Wilson Playground Committee presentation, a copy of which is attached hereto as Exhibit "D." Ms. Link reported that once a Cypress-Fairbanks Independent School District constructs a school, it is the school's responsibility to fund maintenance, replacement and improvements to the school's playground equipment. Ms. Link reported that the Peggy Wilson Playground Committee has raised \$6,593 for playground equipment. She reviewed the combined proposals from Noah's Park, PlayWell and LH Exteriors. Ms. Link reported that drainage improvements, existing equipment repairs and planting trees for shade would be priority items. She reported that the wheelchair accessible play structure may be the first new equipment due to anticipated legislation requiring such equipment. Ms. Link reported that the Peggy Wilson Playground Committee plans to meet in September to assess fundraising and establish a plan. She reported that Cypress-Fairbanks Independent School District has to approve plans and requires the use of approved vendors. Ms. Deitrick reported that regardless of the amount of the District's participation in the project, the school will have to solicit three proposals for a project between \$25,000 and \$50,000, and advertise for bids for a project over \$50,000. It was the consensus of the Board that they would like to review a prioritized list with costs.

5. **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 "E." Ms. Matuska reported that a stop payment was issued for check #7455 to Texas Trash and check #7461 was issued to replace the lost check. Ms. Matuska noted that the CenterPoint Energy and Hudson Energy checks are for bills based on estimated reads.

Upon review of the budget, Ms. Matuska noted increased water revenue due to the drought. Mr. Demel reported that the sanitary sewer rehabilitation, phase two repairs are complete.

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, and to authorize payment of check nos. 7461 through 7484 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report.

**6. 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 "F." Ms. Rodriguez reported that the District has collected 98.5% of its 2010 taxes.

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, and to authorize payment of check nos. 1338 through 1342 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

**7. 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 "G."

Mr. Demel reported that 18,213,000 gallons of water were purchased from the West Harris County Regional Water Authority ("WHCRWA") and 8,605,000 gallons were produced at Water Plant No. 1 during the month of June. He reported that water accountability for June was 102.7%. Mr. Demel stated that he would research the reason for the District pumping 8,605,000 gallons from Water Plant No. 1.

Mr. Demel reviewed the maintenance and repairs performed by SWWC. Mr. Demel reported that main waterline breaks are occurring more frequently due to the drought. He reported that SWWC will install a new fire hydrant at 4003 Heathersage Drive. Mr. Demel reported that he instructed the SWWC field representative to check the fire hydrant at the Deerfield Village Community Center and photograph water in the hydrant to document that the hydrant is operating.

Upon review of Operations Charges, Mr. Demel noted that main waterline breaks account for a significant portion of water distribution repair charges. He reported that the main waterline break at 3908 Heathersage Drive required removal of two concrete road sections.

Upon review of the Daily Pumpage Report, Mr. Demel reported that he would research the reason for pumping 1,222,000 gallons from Water Plant No. 1 on June 20, 2011. The President noted that at the June WHCRWA meeting, it was reported that water supply would be reduced to lower priority utility districts.

The President stated that he wants to promote water conservation in the District, even though the District has sufficient capacity to meet water demand. He asked what signs Mr. Demel has for water conservation. Ms. Deitrick reported that the Drought Contingency Plan may be amended to add a trigger based on total daily gallons of combined well and surface water usage. Mr. Demel stated that the water conservation signs are stored at Water Plant No. 1 and that he would photograph the signs for the Board's review to determine if the signs should be placed in the District.

Upon review of the Commercial Usage Report, Director Price reported that the District does not provide water to Prosperity Bank. Mr. Demel stated that he would research the utility service provided to Prosperity Bank. Mr. Demel stated that he would research separating the commercial customers by water and sanitary sewer service for clarification.

Mr. Demel presented to the Board the photograph of the recently trimmed pine tree next to the ground storage tank. He reported that all of the trees at the District's facilities have been trimmed in the last two months.

Mr. Demel reported that a SWWC field representative created a service order for lowering a fire hydrant on Wilstone Drive; however, he is unaware of any request by a resident. He reported that there is a twelve inch extension on the fire hydrant which is painted the same color as the hydrant. Mr. Demel estimated that it would cost approximately \$400 to lower the fire hydrant. It was the consensus of the Board not to lower the fire hydrant at this time.

Mr. Demel reviewed the Delinquent List with the Board. He reported that the new delinquent policy became effective in June.

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, to authorize the President to review the water conservation signs and approve SWWC placement of signs, if appropriate, and to terminate service to those accounts listed on the Delinquent List.

8. **Review Drought Contingency Plan and take appropriate action.** This item was covered under the Operation's Report.

9. **Review Engineer's Report, additional waterline(s) to Deerfield Village, Section Six and take appropriate action on engineer's recommendations.** The President recognized Mr. Wempe, who reported on options to create an additional waterline source for Deerfield Village, Section Six. He reported that installing approximately 1,500 feet of waterline along Keith Harrow Boulevard to Deerfield Village, Section Six, would add a second source of water for the subdivision in case a waterline breaks. He estimated that the additional waterline would cost approximately \$200,000. Mr. Wempe reported that easement acquisition may be required for such installation. He reported that the location of the waterline break could still preclude the subdivision from receiving water. Mr. Wempe reviewed additional options of installing the waterline on Manorhaven Lane or in Barker Cypress Road and cutting between two homes into the subdivision. Mr. Wempe stated that access via Barker Cypress Road may cost less than \$100,000. Mr. Wempe reported that he would inspect the lots for potential easements.

He stated that such approach may create an issue if the residents provide easements and subsequently have house foundation issues. Mr. Wempe stated that the residents may look to the District for reparation because of the easement for the waterline. The President reported that the WHCRWA's planned installation of a 96 inch waterline may compromise the District's waterlines. Mr. Wempe stated that he would research the Barker Cypress Road access feasibility and discuss the installation of waterlines within the subdivision with the City of Houston.

10. **Discuss incidence and frequency of residential water pipe failures in District and take appropriate action.** The President reported that he heard at the Association of Water Board Directors Conference that residential water pipe failures may occur more often after conversion to surface water. Mr. Demel stated that galvanized steel pipes in residential water service have a useful life of thirty to forty years. He reported that the pipes in Deerfield Village are reaching their useful life. Mr. Wempe stated that it cannot be stated for certain how much surface water contributes to pipe deterioration. The Board discussed the possible causes of pipe deterioration. No action was taken on this item.

11. **Exercise Stations for the greenbelt with DVCA and take appropriate action.** The President asked the Board whether it favored researching the installation of exercise stations along the greenbelt. Mr. Toureilles stated that the Deerfield Village Community Association ("DVCA") would consider assume ongoing maintenance of and liability for the exercise stations if the District funds the initial capital expenditure. The Board discussed whether the exercise stations would be utilized, the potential for increased property values and surveying Deerfield Village residents on whether to install exercise stations. It was the consensus of the Board to proceed with researching the possibility further with the DVCA recreational committee.

12. **Interlocal Agreement for Harris-Galveston Subsidence District Water Wise.** The President recognized Ms. Deitrick, who presented to and reviewed with the Board the Harris-Galveston Subsidence District Interlocal Agreement, a copy of which is attached hereto as Exhibit "H." Ms. Deitrick stated that the agreement is for the District's participation in the Water Wise program through the purchase of water conservation kits for the school children of Wilson Elementary and that the price for the kit is \$34.50 each. 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 Harris-Galveston Subsidence District Interlocal Agreement for one-half of the fifth grade students at Wilson Elementary.

13. **Review Status Report on Subcommittee Recommendations on Water Rates, Review Rate Order and take appropriate action.** No action was taken on this item.

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

15. **Update on Immediate Response Information System and take appropriate action.** Director Price reported that Tech Radium is researching the mailers to collect updated resident contact information. He reported that Ms. Ley is no longer working for Tech Radium.

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

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

18. **Report on WHCRWA monthly meeting.** Director Phelps reported that the WHCRWA had record electricity usage in June. Director Phelps reported that the WHCRWA was concerned about operators under-reading the meters for the pumpage billing. He reported that the WHCRWA denied two utility district requests for waiver of late payment penalties.

19. **Article for DVCA Newsletter.** Director Phelps stated that he would compose the DVCA Newsletter article and include water conservation. Mr. Demel stated that he would add a water conservation message to the District's water bills.

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

21. **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 August 11, 2011.

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President, Board of Directors

ATTEST:

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Secretary, Board of Directors

(DISTRICT SEAL)