

MINUTES OF MEETING OF BOARD OF DIRECTORS
August 11, 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 August 11, 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; Mr. Bob Wempe of AECOM, Inc., engineer for the District; Ms. Ginny Buschbom and Ms. Samantha Lacewell of the Peggy Wilson Elementary Playground Committee, Ms. Pamela Link of Peggy Wilson Elementary School; Mr. Joe Andress and Mr. Rick Benson of Texas Trash; 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 July 14, 2011, previously distributed to the Board, were considered for review and approval. The President advised that under item #10, the phrase “interesting aspects of pipe deterioration” should be revised to “possible causes of pipe deterioration.” He advised that under item #11 the phrase “DVCA would assume ongoing maintenance of and liability for the exercise stations” should be revised to “DVCA would consider assuming ongoing maintenance of and liability for the exercise stations.”

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 July 14, 2011, as revised.

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

3. **Discuss Texas Trash Contract and take appropriate action.** The President recognized Mr. Andress and Mr. Benson. Mr. Andress reported that Texas Trash began managing the District's solid waste collection in January 2010. He reported that the landfill cost has increased five percent each April and fuel expense has increased as well since January 2010. Mr. Andress requested the Board approve a 3% increase in the solid waste collection rate of \$11.90 to \$12.26 with the recycling rate of \$3.15 to remain unchanged.

Director Greer reported that the sanitation workers leave debris in the street in the process of garbage collection. Ms. Lacewell reported that liquid leaking from the garbage truck has been observed on a couple of occasions.

The Board requested that Texas Trash provide a letter requesting the solid waste collection rate increase with backup documentation for the increase for consideration at the next Board meeting.

4. **Peggy Wilson Elementary Playground Committee request for support and any necessary action.** The President recognized Ms. Link, Ms. Buschbom and Ms. Lacewell, who presented to and reviewed with the Board the Peggy Wilson Playground Committee plan, a copy of which is attached hereto as Exhibit "B." Ms. Link reported that the Peggy Wilson Playground Improvements have been divided into three phases. She reported that the first phase will cost approximately \$35,000, the second phase will cost approximately \$30,000 and the third phase will range in cost from \$35,000 to \$70,000, depending on the play structures acquired. Ms. Link reviewed the fundraising efforts with businesses and neighboring municipal utility districts. Ms. Link presented to and reviewed with the Board the proposals from McKenna Contracting, Inc., Noah's Park and Creative Components, copies of which are attached hereto as Exhibit "C." The President reported that the "Prairie Wagon" play structure may attract vandalism.

Ms. Link reported that all of the vendors are on the Cypress-Fairbanks Independent School District ("Cy-Fair ISD") approved vendor list. She reported that Cy-Fair ISD will manage the bid process and oversee installation. Ms. Link reported that the new American with Disability legislation is effective January 1, 2012.

Director Phelps stated that the Board should review the budget to identify whether any discretionary funds are available for such community projects. He stated that the Board should determine how much it wants to allocate to community projects and create criteria for evaluating proposals.

The President requested a schematic of the proposed placement of the equipment and trees. He suggested increasing the number of proposed trees for the playground. The President suggested temporary irrigation for the trees while they get established.

Ms. Link invited the Directors to attend the Peggy Wilson Playground Committee meeting. No action was taken on this item.

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 "D."

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. 7485 through 7503 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report.

6. **Review Investment Policy and accept related party disclosures from bookkeeper and investment officer.** The President recognized Ms. Deitrick, who presented to and reviewed with the Board the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto (the "Resolution Reviewing the Investment Policy"), a copy of which is attached hereto as Exhibit "E." Ms. Deitrick reported that the Public Funds Investment Act requires the Board to review the District's investment policy annually. She reported that there are no recommended changes at this time.

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 approve the Resolution Reviewing the Investment Policy and to maintain the current investment policy.

7. **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 98.6% of its 2010 taxes.

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. 1343 and 1344 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

8. **Addendum to Agreement for Services of Tax Assessor Collector with Bob Leared Interests.** The President recognized Ms. Rodriguez, who presented to and reviewed with the Board the Addendum to Contract, a copy of which is attached hereto as Exhibit "G." Ms. Rodriguez reported that the Addendum to Contract authorizes Brenda McLaughlin to sign documents on behalf of Bob Leared Interests.

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 Addendum to Contract with Bob Leared Interests.

9. **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 "H."

Mr. Demel reported that 19,786,000 gallons of water were purchased from the West Harris County Regional Water Authority ("WHCRWA") and 6,069,000 gallons were produced at Water Plant No. 1 during the month of July. He reported that water accountability for July was 99.6%. Mr. Demel stated that the District pumped 1,222,000 gallons from Water Plant No. 1 on June 20, 2011, because the WHCRWA stopped the water supply to the District

that day. Director Price reported that the WHCRWA stated at the WHCRWA meeting that the WHCRWA members should be equipped to meet water demand automatically without notification from the WHCRWA that the water supply would decrease. He stated that if the District had concerns regarding meeting water demands, it was to notify the WHCRWA of such concerns. Mr. Demel stated that the WHCRWA operator is aware that the District has only one water well. Director Price reported that the City of Houston is limiting water supply to residents, but not to the WHCRWA.

Mr. Demel reviewed the maintenance and repairs performed by SWWC. Mr. Demel reported that three main waterline breaks occurred in July. He reported that SWWC replaced 40 water meters registering over one million gallons of usage in June and July.

Upon review of the Daily Pumpage Report, the Board discussed the capacity of the water well and the last water well test to discern if there is a trend in the submergence level.

Director Price inquired why the Thirty Day Receivables on the Customer Billing Report does not match the total on the Delinquent List. Mr. Demel stated that he would research the variance between the amounts.

Mr. Demel reported that he is coordinating clarification of the Commercial Usage Report, which is not included in the Operations Report this month.

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, and to terminate service to those accounts listed on the Delinquent List.

10. 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 reviewed the 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 (at an approximate cost of \$250,000), would add a second source of water for the subdivision in case a waterline breaks. Mr. Wempe reported that the access via Barker Cypress Road may cost approximately \$125,000. The Board discussed the percentage of homes that would benefit from such project and the length of time the homes would be without water service. Mr. Demel reported that the District was without water for approximately ten hours when the twelve inch water line broke recently. It was the consensus of the Board not to pursue the additional waterline at this time.

11. Review Drought Contingency Plan and take appropriate action. Director Price reported that the City of Houston will provide the WHCRWA the amount of water stated in the contract. The President stressed the importance of increasing public awareness of the need to conserve water during this extreme drought. Mr. Demel presented to and reviewed with the Board the FastSigns proposal, a copy of which is attached hereto as Exhibit "I." The President suggested the approximate wording of ALERT Harris County MUD 136 Water Conservation No Outside Watering between the hours of 10 am and 6 pm log on to <http://www.hcmud136.org/> for more information.

Director Phelps stated that the District should have signs and door tags prepared for all stages of the District's Drought Contingency Plan so it is ready for implementation and does not have to wait for the production of signs in emergency situations. He stated that raising water rates will encourage residents to conserve water. The Board discussed the option of decreasing water pressure to reduce water consumption.

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 authorize SWWC to order twelve signs with the water conservation message and install the signs throughout the District. Director Price stated that he would place the image of the sign on the District web site home page.

12. **Exercise Stations for the greenbelt with DVCA and take appropriate action.** No action was taken on this item.

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.** It was the consensus of the Board to terminate the contract with 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 Price reported that the WHCRWA denied utility district requests for waiver of late payment penalties because of a history of late payments. Director Price reviewed the WHCRWA management of its electricity contract to minimize costs. He reported that according to a recent audit, the WHCRWA owes the City of Houston approximately \$2,600,000.

19. **Article for DVCA Newsletter.** Director Singleton stated that he would compose the DVCA Newsletter article and include water conservation.

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 September 8, 2011.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)