

MINUTES OF MEETING OF BOARD OF DIRECTORS
September 8, 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 September 8, 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 meetings of August 11, 2011 and August 28, 2011, previously distributed to the Board, were considered for review and approval. 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 minutes of the meeting of August 11, 2011, as presented. 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 minutes of the meeting of August 28, 2011, as presented.

2. **Comments from Residents.** The Board reviewed the resident email asking the Board to provide customers the option of viewing the water bill online and to have it emailed to customers. Mr. Demel stated that SWWC is required by state law to mail the water bills to District customers. He reported that the new billing system being developed for SWWC will provide customers the ability to view their water bill online. Mr. Demel stated that the new billing system is expected to be operational in early 2012. The Board requested that Mr. Demel work on meeting the customer's needs until the new billing system is operational. Director Price offered to notify the customer to contact Mr. Demel to coordinate resolution of the matter.

3. **Discuss Texas Trash Rate Increase and take appropriate action.** The Board reviewed the Texas Trash rate increase request letter, a copy of which is attached hereto as Exhibit "B."

Upon motion by Director Price, seconded by Director Singleton, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Texas Trash request for 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) effective October 1, 2011.

4. **Review Status Report on Subcommittee Recommendations on Water Rates, Review Rate Order and take appropriate action.** The Board discussed whether to pass the solid waste collection rate increase on to District customers. No action was taken at this time.

5. **Peggy Wilson Elementary Playground Committee request for support and any necessary action.** The President stated that Ms. Lacewell reported that Harris County Municipal Utility District No. 183 ("MUD 183") agreed to match the District's contribution up to \$15,000 with the specification that the MUD 183 funds are used for playground equipment. The Board discussed how much the District should participate in the Peggy Wilson Elementary School playground improvement project. The President stated that more detailed plans are necessary prior to the District committing to the project. Director Phelps stated that the Board should determine how much it wants to allocate to community projects annually and create criteria for evaluating proposals. The President stated that he would request the playground plans for the Board prior to the next Board meeting and ask Ms. Lacewell if a participation commitment from the District is required at this time. No action was taken on this item.

6. **Consider the 2011 Tax Rate and Authorize Necessary Publications.** The President recognized Ms. Rodriguez, who reported that the District's assessed valuation decreased approximately 3%. She presented to and reviewed with the Board a Tax Rate Spreadsheet, a copy of which is attached hereto as Exhibit "C." Ms. Rodriguez noted that the rollback tax rate is \$0.23226.

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 adopt the Order Designating Officer to Calculate and Publish Tax Rate, a copy of which is attached hereto as Exhibit "D," thereby indicating its intent to set a tax rate of \$0.215 per \$100 assessed valuation to fund maintenance and operating expenditures, and directing Ms. Rodriguez to publish the proposed tax rate in the Houston Chronicle.

7. **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 the West Harris County Regional Water Authority and CenterPoint Energy invoices have not been received.

Upon motion by Director Phelps, seconded by Director Greer, 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. 7504 through 7526 from the

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

8. **Review Investment Policy and take appropriate action.** The President recognized Ms. Deitrick, who reported that F&J has revised the District's Investment Policy to comply with new legislation related to the Public Funds Investment Act. She 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 "F."

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

Ms. Deitrick reported that due to high demand for voting machines for the presidential primary in May 2012, F&J is recommending that utility districts enter into voting machine contracts prior to September 30, 2011. She requested Board authorization to authorize the President or F&J to enter into a voting machine contract on behalf of the District, contingent upon no costs incurred to the District unless an election occurs. 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 authorize the President or F&J to enter into a voting machine contract contingent upon no costs incurred to the District unless an election occurs.

9. **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 "G." Ms. Rodriguez reported that the District has collected 98.7% of its 2010 taxes.

Ms. Rodriguez reviewed with the Board the customer request for an installment plan provided by Hal R. Gordon, a copy of which is attached hereto as Exhibit "H." She reported that the customer requested monthly payments of \$25 per month and has an outstanding balance of \$581.95, which includes penalty and interest and the 20% collection fee. Ms. Rodriguez stated that 1% interest will be charged whether the customer is delinquent or has an installment agreement with the District. She reported that Hal R. Gordon collection efforts will cease if the Board approves the payment plan.

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 approve the Tax Assessor and Collector's Report, to authorize payment of check nos. 1345 through 1349 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report, and to authorize an installment plan of \$25 per month for the customer with full payment by December 31, 2011.

10. **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 "I."

Mr. Demel reported that 22,979,000 gallons of water were purchased from the West Harris County Regional Water Authority ("WHCRWA") and 6,851,000 gallons were produced at Water Plant No. 1 during the month of August. He reported that water accountability for August was 100.4%. Mr. Demel reported that the WHCRWA stops the water supply to the District without notification. 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.

Mr. Demel reviewed the maintenance and repairs performed by SWWC. Mr. Demel reported that four main waterline breaks occurred in August. He reported that SWWC will install temporary steel plates in driveways that have been excavated for waterline breaks until the driveways are restored.

Mr. Demel reported that SWWC back-charged Deerfield Park for the meter repair. Mr. Demel reported that he provided the meter repair documentation to Deerfield Park. He reported that Deerfield Park paid the water portion of its bill. Mr. Demel reported that SWWC will not terminate service to Deerfield Park at this time and provide more time for payment of the meter repair. Mr. Demel stated that he will ask F&J to assist with collection if Deerfield Park refuses to pay for the meter repair.

Mr. Demel reported that the Thirty Day Receivables on the Customer Billing Report matches the total on the Delinquent List at the time the Delinquent List is generated; however, subsequent payments are made which create the variance between the two amounts.

Upon review of the Daily Pumpage Report, Mr. Demel reported that the last well test was performed in June and that the next well test is scheduled for December. He reported that a well test costs approximately \$400 to \$500. It was the consensus of the Board to have a well test performed as soon as possible to determine the submergence level and to discern if there is a trend in the submergence level.

Upon review of the Commercial Usage Report, Mr. Demel reported that Prosperity Bank only receives sanitary sewer service from the District.

Mr. Demel reported that a letter was sent to CenterPoint Energy asking when the District will receive new digital meters.

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, to terminate service to those accounts listed on the Delinquent List, and to authorize SWWC to arrange a well test as soon as possible.

11. Review Drought Contingency Plan and take appropriate action. The Board discussed having a subcommittee revise the District's Drought Contingency Plan. Directors Singleton and Polansky volunteered to be on the subcommittee to revise the District's Drought Contingency Plan.

12. Review Engineer's Report and take appropriate action on engineer's recommendations. No action was taken on this item.

13. **Exercise Stations for the greenbelt with DVCA and take appropriate action.** The President reported that he is working with Mr. Eric Toureilles, President of the Deerfield Village Community Association Board of Directors, to research options for preparation of proposals to present to the District and the Deerfield Village Community Association.

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

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

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

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

18. **Article for DVCA Newsletter.** Director Singleton stated that he would compose the DVCA Newsletter article.

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

20. **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 October 13, 2011.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)

