

MINUTES OF MEETING OF BOARD OF DIRECTORS  
October 13, 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 October 13, 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; Ms. Ginny Buschbom and Ms. Samantha Lacewell of the Peggy Wilson Elementary Playground Committee and Ms. Pamela Link of Peggy Wilson Elementary School; 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 September 8, 2011, previously distributed to the Board, were considered for review and approval. 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 minutes of the meeting of September 8, 2011, as presented.

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

3. **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. The President reported that Director Price and he met with Ms. Link, Ms. Buschbom and Ms. Lacewell on October 6, 2011 to review the latest proposal. He stated that the proposal has the requested

detail and phased approach. The President stated that he favored participating in the Peggy Wilson Elementary Playground Improvement Project. He reported that significant discounts may be achieved if the playground equipment is ordered by October 31, 2011. Ms. Link reported that a draft Interlocal Agreement has been drafted for District participation. She reported that the playground equipment vendors are on the Cypress-Fairbanks Independent School District approved vendor list. Ms. Link stated that she would arrange for any requested documentation to provide the District's attorney to demonstrate compliance with bidding requirements for the project. Director Phelps stated that the Board should determine how much it wants to allocate to community projects annually and have a budget item for such projects.

Upon motion by Director Price, seconded by Director Polansky, after full discussion and the question being put to the Board, the Board voted unanimously to authorize F&J to coordinate an Interlocal Agreement with Cypress-Fairbanks Independent School District to fund \$50,000 of the Peggy Wilson Elementary Playground Improvement Project.

4. **Convene Public Hearing on Proposed Tax Rate for 2011.** The President opened the hearing on the proposed tax rate. There were no comments. The President closed the hearing.

5. **Adopt Order Setting Tax Rate and Levying Tax for 2011.** The President reviewed the proposed Order Setting Tax Rate and Levying Tax for 2011, a copy of which is attached hereto as Exhibit "C." Ms. Rodriguez reported that the notice of the proposed tax rate was published in the newspaper as required by law.

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 Order Setting Tax Rate and Levying Tax for 2011, thereby levying a tax in the amount of \$0.215 per \$100 assessed valuation (\$0.00 for debt service and \$0.215 for maintenance and operations).

6. **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." Ms. Matuska reported receipt of an insurance payment of \$1,676.25 for the booster pump #1 repair. She noted that check #7540 to Fastsigns is for the water conservation signs.

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 accept the Bookkeeper's Report, and to authorize payment of check nos. 7529 through 7556 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report.

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 "E." Ms. Rodriguez reported that the District has collected 98.86% of its 2010 taxes.

Ms. Rodriguez reported that the resident requesting the installment plan last month has now arranged to pay the outstanding balance in full.

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 Tax Assessor and Collector's Report, and to authorize payment of check nos. 1350 through 1353 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

**8. 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 "F."

Mr. Demel reported that 21,650,000 gallons of water were purchased from the West Harris County Regional Water Authority ("WHCRWA") and 3,170,000 gallons were produced at Water Plant No. 1 during the month of September. He reported that water accountability for August was 101.9%.

Mr. Demel reviewed the maintenance and repairs performed by SWWC. He reported that necessary chlorinator repairs were identified during routine preventative maintenance. Mr. Demel reported that the chlorinator repairs cost approximately \$4,000 to \$5,000. Mr. Demel reported that four main waterline breaks occurred in September. He reported that SWWC replaced 10 water meters registering over one million gallons of usage in September. Mr. Demel reported that SWWC cleaned both lift stations as routine preventative maintenance.

Director Greer requested that Mr. Demel add a "Follow Up List" to the Operations Report for items that arise during Board meeting discussions that require additional research. Mr. Demel stated that he would add such list to the Operations Report.

Mr. Demel reported that Deerfield Park has not paid for the meter repair. He reported that Mr. Stoner of Deerfield Park did not request additional documentation regarding the meter repair. The Board authorized Mr. Demel to send a letter to Deerfield Park requesting payment or written notification of dispute of the meter repair invoice within ten days to avoid water service termination.

Upon review of the Daily Pumpage Report, Mr. Demel noted that some of the data is erroneous. Mr. Demel stated that he instructed the operator to arrange a water well test as soon as possible; however, he does not know if a well test has been performed and has no well test results to present at this time. Director Phelps reminded Mr. Demel that the Board also wants to review previous well test results to determine if there is a trend in submergence of the District's water well.

Director Phelps asked how many water meters in the District are under-reading and how many gallons were registered on Ms. Matuska's water meter. Mr. Demel stated that SWWC performs a rudimentary analysis of meter reads each month to identify drastic changes in usage. He reported that SWWC performs re-reads of water meters with inconsistent water usage and replaces the meter if the inconsistent usage occurs for two consecutive months. Director Phelps asked for the reasoning on replacing water meters registering over one million gallons of

usage. Mr. Demel stated that he will research the analysis performed by SWWC on the water meter reads and the reason behind the replacement at one million gallons.

Mr. Demel reviewed the Commercial Usage Report and Delinquent List with the Board.

Mr. Demel presented to and reviewed with the Board the photographs of the Master Control Center (“MCC”) at the Water Plant, a copy of which is attached hereto as Exhibit “G.” He reported that the operator has requested that the Board consider replacing the MCC. Mr. Demel reported that replacement of the MCC was discussed with Mr. Wempe, the District engineer, who estimated that replacement may cost approximately \$150,000 to \$200,000. Director Price noted that it was time for the annual tour of the District facilities. Mr. Demel reported that part replacement is an ongoing issue due to the age and condition of the existing MCC. The President requested the documentation to justify such an expense, including a five year history of MCC repairs. Mr. Demel stated that SWWC performs infrared testing on the MCC to identify hot spots. The President stressed the importance of performing all available and necessary diagnostic tests on the MCC to prevent equipment failure.

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

9. **Ratify voting machine contract, update on election procedures and take appropriate action.** Ms. Deitrick reported that upon Board authorization at the last Board meeting, the Rental of Equipment and Sale of Services Contract with ES&S for the May, 2012 election was signed on behalf of the District by Ms. Cogburn, the District attorney, a copy of which is attached hereto as Exhibit “H.” She requested Board ratification of the Rental of Equipment and Sale of Services Contract with ES&S.

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 ratify the Rental of Equipment and Sale of Services Contract with ES&S.

10. **Consider need for insurance proposals.** The President recognized Ms. Deitrick, who reported that the District’s insurance expires in January and asked if the Board would like proposals from insurance companies other than its current carrier. It was the consensus of the Board to obtain the renewal proposal from Highpoint Insurance Group.

11. **Review Drought Contingency Plan and take appropriate action.** The Board discussed whether to remove the District’s water conservation signs due to recent rain and cooler weather. It was the consensus of the Board not to remove the water conservation signs at this time.

Director Phelps asked about the two-sided signs. It was the consensus of the Board to have two-sided water conservation signs created for use in 2012.

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 the exercise station project proposal allocates payment for the equipment by the District and payment for installation, insurance and maintenance by the Deerfield Village Community Association. He reported that the Deerfield Village Community Association Board of Directors approved the exercise stations. He reported that the proposal will be presented to the Board at the November meeting.

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

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

16. **Discuss trash collection operations and take appropriate action.** Director Greer reported that recycling collection was missed on his street last Friday; however, he called the company and the recycling collection was gathered the next day. The President reported that his personal recycling container was damaged at the curb beyond use.

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 27,100,000 gallons of water per day was pumped from the City of Houston in September and that 33% of water usage in the WHCRWA is surface water. He reported that the City of Houston pumped 3,200,000,000 gallons of water in September. Director Price reported that the WHCRWA is supplementing the groundwater withdrawal permit to 17,400,000,000 gallons.

Director Price reported that the WHCRWA denied a request from Mission Bend Municipal Utility District for reimbursement of engineer fees in preparation for conversion to surface water which has now been delayed. He reported that the WHCRWA denied a request for reimbursement for damage to piping by the WHCRWA because the piping was not indicated on the as-built plans.

Director Price reported that the WHCRWA will scan the Paradise cemetery after accidentally excavating bodies located in an easement.

19. **Article for DVCA Newsletter.** Director Phelps stated that he would compose the DVCA Newsletter article.

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 November 10, 2011.

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President, Board of Directors

ATTEST:

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Secretary, Board of Directors

(DISTRICT SEAL)