

MINUTES OF MEETING OF BOARD OF DIRECTORS
July 10, 2008

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 July 10 2008; whereupon the roll was called of the members of the Board, to wit:

Neil Polansky, President
Jim Hewlett, Vice President
Harry Price, Second Vice-President
Jay Singleton, Secretary
Barry Greer, Assistant Secretary

Persons Attending. All members of the Board were present. Also attending all or parts of the meeting were Ms. Cathy Falke of Southwest Water Company (SWWC) operator for the District; Ms. Rose Montalbano of FMatuska, Inc, bookkeeper for the District; Ms Patty Rodriguez of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Robert Devillier of Turner Collie & Braden, Inc. ("TC&B"), engineers for the District, and Mr. Mike McCall of McCall, Gibson & Co., auditors 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,"

1. Minutes. Proposed minutes of the regular meeting of June 12, 2008, previously distributed to the Board, were considered for review and approval. Upon motion by Director Singleton, seconded by Director Price, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of June 12, 2008.

2. Comments from Residents. There were no comments from residents.

3. Bookkeeper's Report. The President recognized Ms. Montalbano, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "B." She also presented the revenue and expense report in the requested revised format and stated that this will continue to be a part of the monthly report.

Upon motion by Director Price, seconded by Director Hewlett, 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. 6600 through 6617 the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report.

4. Review Investment Policy and Accept Related Disclosures. Upon motion by Director Greer, seconded by Director Hewlett, after full review of the investment policy and the question being put to the Board, the Board voted unanimously to continue the current investment policy and to accept the related disclosures from the bookkeeper and the chief investment officer.

5. Approve Audit For Fiscal Year Ending March 31, 2008 . Mr. McCall presented a draft copy of the audit and reviewed it with the directors. He encouraged the directors to read carefully the section titled "Management's Discussion and Analysis". He stated that the management letter is unchanged from last year. He noted that the material weakness cited in the letter has to do with the District's lack of established internal controls over the preparation of its financial statements. He also noted that non-profit organizations have operated with this weakness for over 50 years and it is only being highlighted in writing due to the requirements of Statement of Auditing Standards No. 112 (SAS No.112). He indicated that the District is operating on a solid financial foundation. Upon motion by Director Singleton, seconded by Director Price, after full discussion and the question being put to the Board, the Board voted unanimously to approve the audit for fiscal year ending March 31, 2008, subject to review and comment by the District's attorney.

6. Tax Assessor and Collector's Report. 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." She reported that 98% of the 2007 taxes and 99.2% of 2006 taxes have been collected. She also presented an installment plan request from one delinquent taxpayer. After reviewing the plan, the directors agreed that it was acceptable. Ms Rodriguez provided a list of the top delinquent taxpayers and noted that letters from the tax lawyer would be going out to all delinquent accounts not on a payment plan.

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, to approve the installment plan request, and to authorize payment of check nos. 1167 through 1171 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

7. Review Tax Assessor-Collector Contract and Take Appropriate Action. Review of the contract was postponed until the August meeting. Ms. Rodriguez stated that she will bring to the next meeting a request to amend the contract to add mileage reimbursement.

8. Operations Report. The President recognized Ms. Falke, who presented and reviewed with the Board the Operations Report and Delinquent List, copies of which are attached hereto as Exhibit "D".

Ms. Falke reported that during the month of June the water wells were inspected during each working day to ensure proper operation and supplied 24,235,000 gallons of water through the end of the month. The 4-month water accountability is 94.0%.

Ms. Falke presented correspondence from customer Kelli Crisp concerning a water leak at her residence which resulted in large water bills. After reviewing the circumstances, the directors agreed that further review of the matter was warranted. They asked

Ms. Falke to get from Ms. Crisp a copy of the invoice she paid for plumbing repairs. After reviewing that invoice, the directors will decide on a course of action. Meanwhile, they requested that Ms. Crisp be removed from the delinquent account list.

Director Polansky brought up the subject of a water main break. At the location of the break he spoke with the SWWC technician, who stated that the water could have been shut off sooner had there been a valve location map at the water plant. Ms. Falke stated that the standard procedure is for each technician to have a map in his truck. However, due to the realignment of ECO Resources within Southwest Water Co., there are new technicians working in the District and they may not have yet received maps. She will make sure that there is a map at the water plant and that all technicians have maps.

Upon motion by Director Price, seconded by Director Hewlett, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Operations Report, make necessary repairs, and terminate service to those accounts listed on the Delinquent List.

9. Engineers Report. The President recognized Mr. Devillier, who presented and reviewed the Engineer's Report (Exhibit "E").

Concerning the surface water line project, Mr. Devillier stated that there are indications that TCEQ may be relaxing some of their requirements for the chemical injection systems. He stated they are following up with discussions to possibly eliminate the need for a new tank.

Mr. Devillier addressed the possibility of setting up a town hall meeting at Wilson Elementary. He contacted Cy-Fair ISD and obtained the necessary paperwork to request use of the school building. After discussing the issue, the directors agreed to first try to get one of the meeting rooms at the Deerfield Recreation Center. They chose as a target date August 21 or, as an alternate, any other day that week. Director Singleton will inquire as to the availability of meeting rooms. Mr. Devillier will contact WHCRWA to confirm their attendance. Director Polansky asked him to specifically request the WHCRWA engineer and our WHCRWA representative attend the meeting.

Mr. Devillier presented a map of Phase 1 point repairs using symbols and a legend to reference pipe problems. Problems are classified in one of four levels, ranging from 0 to 3. The directors agreed that it is an easily readable map. Director Polansky asked that, when the mapping work is finished, a complete set of maps be kept at the water plant. SWWC will proceed with the level 3 repairs.

10. Review Jackrabbit Road Contract. Action postponed until the August meeting. Ms. Falke will get a copy of the contract.

11. WHCRWA Meeting Report. Directors Price attended the meeting on July 9, 2008. Among the items discussed at the meeting were the surface water construction reimbursements of \$327,500.00 from MUD 250 and \$80,000.00 from MUD 149. There was no indication that amounts were less than the MUDs requested.

12. Newsletter Article. Director Singleton will prepare next article.

13. Review Agenda Items for Next Meeting. The agenda will have the regular items plus “Review the Tax Assessor-Collector Contract and Take Appropriate Action” and “Review the Jackrabbit Road Contract and Take Appropriate Action”.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

The above and foregoing minutes were passed and approved by the Board of Directors on August 20, 2008.

Original Signed by Neil M. Polansky
President, Board of Directors

ATTEST: Original Signed by J. J. “Jay” Singleton
SECRETARY, BOARD OF DIRECTORS

(DISTRICT SEAL)