

MINUTES OF MEETING OF BOARD OF DIRECTORS
February 11, 2016

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 February 11, 2016; 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 Price. Also attending all or parts of the meeting were Ms. Rose Montalbano of F. Matuska, Inc., bookkeeper for the District; Mr. Keith Arrant of Municipal Operations & Consulting, Inc. ("MOC"), operator for the District; Ms. Patty Rodriguez of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Bob Wempe of AECOM Technical Services, Inc. ("AECOM"), engineer for the District; Mr. Parks Cobb of SYR Solutions; and Ms. Yvette Deitrick of Norton Rose Fulbright US LLP ("NRF"), 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 January 14, 2016, previously distributed to the Board, were considered for review and approval. Director Phelps reported that he provided edits to Ms. Deitrick on the discussion of the condition of the Ground Storage Tanks. 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 January 14, 2016, as revised.

2. **Public comments.** There were no public comments.

3. **Review Bookkeeper's Report, investment report and authorize payment of bills.** Ms. Montalbano presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "B."

Ms. Montalbano presented to and reviewed with the Board the Quarterly Investment Report, included in the Bookkeeper's Report.

Ms. Montalbano reviewed with the Board the draft budget for the fiscal year ending March 31, 2017, included in the Bookkeeper's Report. The President suggested a

separate item for the possible Lift Station repairs and fencing. Mr. Wempe reported that he would provide a summary of recommended repairs and expenses for the next Board meeting.

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, to authorize payment of check nos. 8768 through 8789 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report, and to approve the Quarterly Investment Report.

4. **Adopt budget for fiscal year ending March 31, 2017.** This item was deferred.

5. **Renew electricity contract.** The President recognized Mr. Cobb, who presented to and reviewed with the Board the Electricity Usage, Contract Update and Renewal Proposals, a copy of which is attached hereto as Exhibit "C." Mr. Cobb reviewed the quotes from Hudson Energy, Crius Energy, Direct Energy, Reliant Energy, Champion Energy, Summer Energy, Kona Energy, MP2 Energy, Ambit Energy and Green Mountain. Mr. Cobb reported that Direct Energy had the lowest quotes.

Director Phelps asked if adjusting the District's electricity contract to end in a different time of the year could possibly improve electricity quotes. Mr. Cobb reported that previously spring and fall were optimal for electricity pricing. Mr. Cobb stated that the impact of seasonality has reduced over the years.

Director Phelps asked Mr. Cobb what his fee is and if the fee is included in the quote. Mr. Cobb stated that his fee is \$0.003 per kilowatt and included in the quotes. Director Phelps stated that previously Mr. Cobb stated that his fee was \$0.002 per kilowatt. Mr. Cobb stated that a fee of \$0.002 per kilowatt was acceptable to him.

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 to execute a three year term contract with Direct Energy if the proposed rate does not exceed \$0.046 per kilowatt, with inclusion of a \$0.002 fee to SYR Solutions.

6. **Review Tax Assessor and Collectors Report, authorize payment of bills, take action on delinquent tax accounts, including water termination.** 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 "D." Ms. Rodriguez reported that the District has collected 94.9% of its 2015 taxes.

Upon review of the Delinquent List, Ms. Rodriguez reported that Mr. Obaro is current with his payment plan. Ms. Rodriguez reported that Harris County is filing suit against the Shoenfelt account. She reported that the person being sued is avoiding service of the lawsuit petition. Ms. Rodriguez reported that the District's delinquent tax attorney will join the lawsuit once the defendant has been served. Ms. Rodriguez asked the Board if it wanted to terminate water service to the Shoenfelt residence. She reported that a Water Termination Letter will be sent to the Shoenfelt residence and they may appeal the impending water termination at the next Board meeting. Ms. Rodriguez reported that water termination may be approved at the next Board meeting.

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 Tax Assessor and Collector's Report, to authorize payment of check nos. 1078 through 1083 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report, and to authorize Hal R. Gordon to provide the Water Termination Letter to the Shoenfelt taxpayer.

7. Security service with Deerfield Village Community Association and take appropriate action. The President reported that he attended the Deerfield Village Community Association ("DVCA") subcommittee security meeting. He reported that adding a Harris County Constable's Contract was discussed. The President stated that he received Deerfield Village resident comments regarding security that indicated additional research is needed before taking action. The President reported that he is reviewing the SEAL Security reports to determine if there is a clear indication that criminal activity in Deerfield Village is increasing. The President reported that Ms. Cogburn, the attorney for the District, opined that the District has to manage the Harris County Constable contract, if the District is funding the contract. The Board discussed the advantages and disadvantages of getting involved with security services for Deerfield Village. The President stated that he will relay the Board's thoughts to Mr. Toureilles of the DVCA, and suggest additional research into increased security for Deerfield Village.

8. Review Engineer's Report, Jackrabbit Road Public Utility District matters, Asset Management Plan, and take appropriate action on engineer's recommendations. Mr. Wempe reported that both hydropneumatic tanks require immediate interior and exterior coating. He reported that the Ground Storage Tanks will require recoating in 12 to 24 months. Mr. Wempe asked the Board if it wanted to proceed with both the hydropneumatic tanks or the hydropneumatic tanks and the Ground Storage Tanks. Mr. Wempe reported that recoating the Ground Storage Tanks should not be performed in the summer. Mr. Wempe estimated that recoating of the hydropneumatic tanks will cost \$35,000 to \$45,000 per tank. Mr. Wempe reported that an inspector will be present when the hydropneumatic tanks are cleaned, who will measure the tank thickness and determine if any repair is required. Mr. Wempe estimated that it would cost \$70,000 to replace a hydropneumatic tank. Mr. Arrant noted that the exterior of the hydropneumatic tanks are not failing. Mr. Wempe reported that he could include replacement of the hydropneumatic tanks as an alternate item. He reported that plans will need to be prepared and approved if the hydropneumatic tanks are replaced. Director Phelps reviewed one of the hydropneumatic tank reports and noted that the report did not indicate the need to recoat the exterior of the tank. Director Greer suggested an alternate bid item to recoat the exterior of the hydropneumatic tanks so the Board will know the additional cost for recoating the exterior and decide at that time.

Mr. Wempe reported that there is insufficient time to prepare plans and bid recoating of the Ground Storage Tanks prior to summer. Mr. Wempe suggested reviewing bids for recoating of the Ground Storage Tanks in October so the work may be performed during the winter. Mr. Wempe and Mr. Arrant estimated that recoating of the Ground Storage Tanks may cost about \$400,000.

9. Discuss Lift Station repairs and fencing, and take appropriate action. Mr. Wempe reported that the existing fence around Lift Station #2 does not allow for a portable generator to be secured within the fenced area. He asked the Board if it wanted the fenced area expanded to permit for securing of equipment, such as a portable generator. Mr.

Wempe stated that an additional thirty feet of fencing on the west side of Lift Station #2 would permit sufficient space to secure equipment. Mr. Arrant stated that extra room in the secured area is preferred. Mr. Wempe reported that there is no Texas Commission on Environmental Quality requirement on secured space for lift stations. It was the consensus of the Board to replace the existing fence with an eight-foot tall fence, at the same location.

Mr. Wempe reported that the shape of the tract for Lift Station #1 is unusual. He reported that the tract is near DVCA property, but it is feasible to expand the secured space at Lift Station #1. Mr. Wempe stated that the existing hedge around Lift Station #1 will be removed for the fence installation. Mr. Wempe reported that a small space between a fence and slab causes maintenance issues with vegetation growth. It was the consensus of the Board to install an eight-foot fence near the lift station slab. The Board asked Mr. Arrant to obtain fence proposals for the Board's consideration at the next Board meeting.

The President presented to and reviewed with the Board the West Harris County Regional Water Authority ("WHCRWA") letter to the DVCA regarding surveyors, engineers and other contractors accessing property to complete work, a copy of which is attached hereto as Exhibit "E." The President stated that the District should be notified of all activity in the right-of way.

10. Review Operations Report, authorize repairs, and authorize termination of services to delinquent accounts. Mr. Arrant reported that MOC inspected 5011 Hartwell Drive and determined that the sinkhole is related to a storm sewer line. Mr. Arrant reported that Harris County was contacted to repair the sinkhole.

Mr. Arrant reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "F."

Mr. Arrant reviewed the Cut-Off List, a copy of which is included in the Operations Report.

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 Operations Report; to terminate service to those accounts listed on the Cut Off List; and to authorize necessary repairs.

11. Discuss and approve District's Water Smart Application. Mr. Arrant presented to and reviewed with the Board the District's Water Smart Application. Upon motion by Director Phelps, seconded by Director Singleton, after full discussion and the question being put to the Board, the Board voted unanimously to approve the District's Water Smart Application.

12. Update on Exercise Stations. The President reported that installation of phase two of the exercise stations is complete. The President reported that the DVCA is coordinating touch-up painting of the existing exercise stations as needed.

13. Discuss renewal of Hazardous Household Waste Collection contract. Ms. Deitrick reported that the current contract with WM Curbside LLC will automatically renew if not terminated by March 1, 2016. Director Singleton reviewed with the Board the 2015 collection statistics and expense. Director Singleton reported that Jerrell Wolff of Residential Recycling of Texas estimated that the hazardous waste collection events cost

approximately \$10,000 to \$13,000 per event. Upon motion by Director Singleton, seconded by Director Phelps, after full discussion and the question being put to the Board, the Board voted unanimously to terminate the Hazardous Household Waste Collection contract with WM Curbside LLC.

14. **Discuss temporary closure and updating of District website and take appropriate action.** The President reported that the Legal Requirements for Water District Web Sites seminar at the Association of Water Board Directors Conference was very informative. He reported that utility districts are not required to have web sites. The President reported that the speaker reviewed a list of things required to be on a web site, and how items are to be portrayed on the web site. The President reported that all information should be one or two mouse clicks from the homepage, according to the seminar. The President suggested temporary closure of the District web site until it can be updated or only have the District web site homepage with contact information available until the web site can be updated. It was the consensus of the Board to have Director Price coordinate temporary closure of the District web site until it can be updated or only have the District web site homepage with contact information available until the web site can be updated.

Director Greer left the meeting.

15. **Review Drought Contingency Plan and take appropriate action.** No action was taken on this item.

16. **Discuss incentives for conversion to low flow toilets and take appropriate action.** No action was taken on this item.

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

18. **Review Rate Order and take appropriate action.** No action was taken on this item.

19. **Discuss hazardous waste collection program and take appropriate action.** No action was taken on this item.

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

21. **Article for DVCA Newsletter.** Director Singleton reported that he would compose the DVCA Newsletter article.

22. **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 March 10, 2016.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)