

MINUTES OF MEETING OF BOARD OF DIRECTORS
March 10, 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 March 10, 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. Also attending all or parts of the meeting were Ms. Fran Mutaska 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. Joseph Ellis of McCall Gibson Swedlund Barfoot PLLC, auditor for the District; Ms. Emerald Lagow, paralegal of Norton Rose Fulbright US LLP ("NRF"), attorneys for the District; and Ms. Elaine Mills, Ms. Kay McGuyre, Ms. Colleen Vera, and Ms. Marie Nugent, residents of 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 February 11, 2016 and February 27, 2016, previously distributed to the Board, were considered for review and approval.

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 February 11, 2016, as presented.

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 minutes of the meeting of February 27, 2016, as presented.

2. **Public comments.** The President recognized Ms. Vera, who asked whether the District had mailed ballots to residents requesting to vote by mail in the District's election as required by law. The Board noted that its directors election will be held in November as a joint election with Harris County. Ms. Lagow confirmed that NRF is aware of the changes to election procedures and, in response to Ms. Vera, stated that the District will follow all applicable requirements under the election code when administering its election.

In response to a question from Ms. Nugent, the President confirmed that the District is considering the proposal presented by the Deerfield Village Community Association (“DVCA”) to obtain security services from the Harris County Constable (“HCCO”) or Sheriff’s (“HCSO”) offices. He stated that, should the Board choose to obtain security services, it would be in addition to, and would not limit the number of officers or frequency of patrol under its existing contract with SEAL.

Discussion ensued regarding a recent news report claiming that SEAL did not honor its contracted patrol hours. The President noted that the Board reviewed SEAL Security reports and found no indication of an increase in criminal activity for Deerfield Village.

The President recognized Elaine Mills, who reviewed concerns regarding patrol in the community. The President noted that an advantage of obtaining the services of either the HCCO or the HCSO was their ability to regulate traffic. In response to Ms. Mills, the President stated that the Board ultimately determines whether the District will obtain additional security services, but that input from the community is welcomed.

3. Review Bookkeeper’s Report, investment report and authorize payment of bills. The President recognized Ms. Matuska, who presented to and reviewed with the Board the Bookkeeper’s Report, a copy of which is attached hereto as Exhibit “B.”

Ms. Matuska reviewed with the Board a draft budget for the fiscal year ending March 31, 2017, included in the Bookkeeper’s Report. She reviewed changes to the budget, noting that she included an estimate provided by the engineer for the sanitary sewer phased rehabilitation project, and added a line item for preparation of the District’s asset management plan. In response to a question from the President, Director Phelps confirmed that the District has already paid for preparation of an asset management plan. Ms. Matuska noted that the District can amend its budget at any time, and stated that she will hold off on budgeting for security until the Board decides whether it will seek additional services.

Discussion ensued regarding the amount budgeted for WHCRWA fees. Mr. Arrant noted that the budgeted amount was extrapolated from the District’s expenses in 2015, and that it includes a margin allowing for the impact of seasonal variance and unanticipated weather.

In response to a question from Director Greer, Ms. Mutaska stated that she will remove the line item for household hazardous waste from the budget.

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. 8792 through 8815 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper’s Report..

4. Adopt budget for fiscal year ending March 31, 2017. 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 budget for the fiscal year ending March 31, 2017, as revised.

5. Engage Auditor for fiscal years ending March 31, 2016 and March 31, 2017. The President recognized Mr. Ellis, who presented to and reviewed with the Board a two-year audit engagement letter from McCall Gibson Swedlund Barfoot PLLC, a copy of which is attached hereto as Exhibit “C.” He noted that the annual audit fee is the same as the previous

year, ranging between \$10,500 and \$11,500. In response to the President, Mr. Ellis confirmed that there were no changes to auditing procedures.

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 engage McCall Gibson Swedlund Barfoot PLLC to prepare the District's audit for its fiscal years ending March 31, 2016 and March 31, 2017, and to authorize the President to execute the letter.

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 96.4% 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 the owner of the Shoefelt account passed away and that the daughter is living at the residence. Ms. Rodriguez reported that the will is being processed by the probate court, and that the daughter will address the delinquent tax bill once she is appointed as executor of the account. She reported that, in light of the situation, Hal R. Gordon decided not to terminate service to the residence.

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 Tax Assessor and Collector's Report, and to authorize payment of check nos. 1084 through 1087 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

7. Security service with Deerfield Village Community Association and take appropriate action. The President noted that no action will be taken on the security proposal at this meeting, and invited attending residents to provide comments on the proposal to the Board for consideration.

8. Review Engineer's Report, Jackrabbit Road Public Utility District matters, Asset Management Plan, and take appropriate action on engineer's recommendations. The President noted that there is no report.

9. Review hydropneumatic tank recoating proposals and award project. The Board deferred action on this item to the next meeting.

10. Review Lift Station fencing proposals and award project. Mr. Arrant reviewed with the Board a set of plans provided by the District's engineer of options proposed for Fence Improvements at Lift Stations #1 and #2, a copy of which is attached hereto as Exhibit "E."

In response to a question from the Board, Mr. Arrant noted that the District may need to obtain easements depending on the size and placement of the fence. In response to a question from Director Greer, Mr. Arrant stated that having a larger fence would make it easier for trucks to access the lift station for cleaning and other maintenance work.

In response to a question from Director Greer, Mr. Arrant stated that third option would be to extend the North/South fence to the existing lift station fence, noting that this option has not been priced.

In response to a question from Director Singleton, Mr. Arrant stated that Lift Station #2 is paved, and that he will look into whether mowing or landscaping maintenance is needed at Lift Station #1.

Mr. Arrant reported that the Texas Commission on Environmental Quality requires that lift station fences at or under 6-feet in height have barbed wire. He noted that the existing fence is eight feet tall.

The President proposed inviting a DVCA representative to the next meeting to discuss the project's impact on the hedges surrounding the lift station.

The Board asked that the operator obtain quotes for replacing the fence at Lift Station #1 with an 8-foot wrought iron fence and the plan for option 1.

The Board reviewed options for replacing the fence at Lift Station #2. In response to a question from Director Greer, Mr. Arrant confirmed that he will obtain a quote for moving the gate to the front of Lift Station #2. The Board discussed options for materials to replace the fence at Lift Station No. 2. It was the consensus of the Board to use wood.

11. **Discuss Lift Station repairs and take appropriate action.** No action was taken on this item.

12. **Review Operations Report, authorize repairs, and authorize termination of services to delinquent accounts.** 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. He noted that the lowered accountability percentage is due inspection of the District's water tanks, and estimated the water lost due to inspection to be 700,000 gallons per tank. Mr. Arrant reviewed the tank inspection process.

Mr. Arrant reported that MOC repaired a water line leak this month. In response to a question from Director Phelps, Mr. Arrant estimated that 7% of the water loss reported for the month is unaccounted for, and the remaining 93% is due to the tank inspections.

Discussion ensued regarding the effect of flushing on accountability. Mr. Arrant noted that water flushed is reported under a separate line item, and explained that flushing is typically performed when there is lowered water demand in order to prevent sand and other particles from settling in the system.

Mr. Arrant reported that his report includes five checks to STP Services relating to replacement of booster pump #1, and replacement of a check valve and control arm repairs in November and December, 2015.

Mr. Arrant reported that MOC submitted the District's application for participation in the 2016 Water Smart Program, and provided the District's annual water usage report to the West Harris County Regional Water Authority.

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 terminate service to those accounts listed on the Cut Off List; and to authorize payment of the checks to STP Services for necessary repairs.

13. **Discuss updating of District website and take appropriate action.** The President recognized Director. Price, who proposed closing the website due to minimal activity. Ms. Vera opposed this stating that information provided on the website should be made accessible/available to the District's taxpayers. The President noted that the website has outdated information and will require significant maintenance to meet state requirements.

Director Phelps suggested changing the home page to an "under construction" sign and a note providing contact information for the attorney for visitors to contact to obtain information on the District as a temporary solution. The Board deferred action to the next meeting.

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

15. **Discuss incentives for conversion to low flow toilets and take appropriate action.** Director Price noted that the low flow toilets can save the average home (assuming 5 flushes per day) approximately 10,000 gallons of water per day.

Discussion ensued regarding organizations who may participate by offering a discount on the units, who would install the units, and if the program would offer residents a rebate in the form of water credits or less expensive toilets.

It was the consensus of the Board to obtain the attorney's opinion on whether the District can coordinate with a retail home improvement store to offer residents a rebate on the purchase/installation of low flow toilets and, if so, on what terms. The President asked Director Price to obtain pricing information from Home Depot and Lowes for consideration.

16. **Discuss trash collection operations and take appropriate action and discuss hazardous waste collection program and take appropriate action.** The President recognized Ms. Aguilar, who distributed her contact information to the Board and stated that Board members may provide her cell phone number to residents to address their concerns regarding trash collection. The President stated that bagged yard waste was not picked up during collection last Tuesday on Mountfield Drive in the District.

In response to a question from Director Phelps, she stated that WCA sub-contracts hazardous waste recycling and that she can look into the cost of offering this service for the District. She noted that most districts use this service once per year. Discussion ensued regarding the status of termination of the District's Hazardous Household Waste Collection contract with WM Curbside, LLC. Ms. Lagow stated that NRF will follow up with the Board regarding the date that the termination letter was sent.

Ms Aguilar stated that WCA will prepare a proposal for consideration the next meeting. The Board noted that a representative of the WCA need not attend regular Board meetings, but may attend quarterly.

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

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

19. **Article for DVCA Newsletter.** No action was taken on this item.

20. **Review agenda items for next meeting.** The President asked that all items, except adoption of the budget, be carried over to the next 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 April 14, 2016.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)