

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 119
Minutes of Board of Directors Meeting
August 11, 2008

The Board of Directors ("Board") of Harris County Water Control and Improvement District No. 119 met at 9711 Landry Boulevard, Spring, Harris County, Texas, on August 11, 2008, in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted officers and members of the Board, as follows:

William E. Eckert, President
Andrew R. Phelps, Vice President
John Soileau, Secretary
Robert Williams, Treasurer

and all of said members were present, thus constituting a quorum.

Also present were David Rowe of Water District Management Co. ("WDM"); Lisa Hernandez of Municipal Accounts & Consulting, L.P. ("MAC"); Robin Humphrey of Wheeler & Associates, LP; Troy Bordelon of A&S Engineers, Inc. ("A&S"); Sherri Greenwood of BKD, LLP; Charles Orelup of Water Equipment and Treatment Services, Inc.; Jim Van Schuyver of Gemini Contracting Services, Inc.; and David Marks of David M. Marks, P.C. ("DMM").

The President called the meeting to order and declared it open for such business as might regularly come before it.

As the first order of business, the Board deferred consideration of comments from the public, as there were no District residents present at the meeting.

The Board next reviewed the minutes of the meeting held on July 14, 2008. After review and discussion of the minutes presented, Director Phelps moved that the minutes of the meeting held on July 14, 2008, be approved as written. Director Soileau seconded said motion, which unanimously carried.

The Board next considered the approval of an audit report for the fiscal year ended April 30, 2008. In connection therewith, Ms. Greenwood presented and reviewed the audit report prepared by BKD and the management letter with the Board, copies of which are attached hereto. After discussion concerning the audit presented, Director Williams moved that the audit report be approved, that the President or Vice President be authorized to execute the Annual Filing

Affidavit on behalf of the Board and District, and that such audit report and Annual Filing Affidavit be filed with the appropriate governmental authorities, including the TCEQ. Director Phelps seconded said motion, which unanimously carried.

The Board next considered the Tax Assessor-Collector's report and the Delinquent Tax Roll for the month of July, a copy of which is attached hereto. Ms. Humphrey reported that 97.08% of the District's 2007 taxes had been collected through July 31, 2008. She then presented check nos. 2533 through 2544, inclusive, and one (1) wire transfer for payment. After discussion of the report submitted, it was moved by Director Soileau, seconded by Director Phelps and unanimously carried that said report be approved and that check nos. 2533 through 2544, inclusive, and one (1) wire transfer be approved for payment, as identified in said report.

The Board next reviewed the delinquent collections list and there was a discussion regarding the status of District delinquent tax accounts. In connection therewith, Mr. Marks presented for the Board's review and information a written report dated August 8, 2008, which had been prepared by the District's delinquent tax attorney, Ted A. Cox, P.C., a copy of which is attached hereto.

The Board next considered the engineering report, a copy of which is attached hereto, including the approval of plans and specifications and authorization of advertisement for bids to convert the chlorination system at the District's three water plants to a chloramine system. In connection therewith, Mr. Bordelon advised that A&S received comments from the Texas Commission on Environmental Quality ("TCEQ") and that A&S has addressed said comments.

The Board next considered the approval of plans and specifications and authorization of advertisement for bids for rehabilitation of the sanitary sewer lines. In connection therewith, Mr. Bordelon stated that A&S is currently working on the design of said project and anticipates completing the design and submitting same to the TCEQ by the next meeting.

The Board next considered the status of the contract for construction of an arsenic removal system at Water Plant No. 2, including approval of termination of the contract. In that regard, Mr. Bordelon presented and discussed correspondence from Gemini Contracting Services, Inc., dated August 5, 2008, regarding the termination of the contract, a

copy of which is attached to the engineer's report. Mr. Van Schuyver and Mr. Orelup agreed to accept \$8,355.00 and \$52,892.06, respectively. Mr. Orelup advised that he may be able to use the vessels on another project, which would enable the District to recover \$42,820.00. After discussion on the matter, Director Phelps moved to authorize the total payment in the amount of \$61,247.06 in connection with the termination of the project. Director Soileau seconded said motion, which unanimously carried.

The Board next considered the status of the contract with Statewide for sanitary sewer line extensions to serve the Singh property. In connection therewith, Mr. Bordelon advised that the punch list items have been addressed and construction is complete. He noted that the contractor has submitted the as-built drawings and test results. Mr. Bordelon stated that A&S is awaiting receipt of the affidavit of bills paid and the final invoice to final the project.

The Board next considered approval of an Out of District Service Contract with Klein ISD for service to a 125 acre tract. In that regard, Mr. Marks reported that he has discussed and forwarded the contract to Mr. Adams and that same is proceeding.

Mr. Bordelon next reported that Don Skipton submitted revised plans and that he has provided comments to same.

The Board next considered the status of the NHCRWA, including the status of construction of a waterline to Water Plant No. 2. In connection therewith, Mr. Bordelon reported that the NHCRWA is working on the design of the waterline to Water Plant No. 2. He then discussed whether to take Water Plant No. 1 out of service when the District starts receiving water from the NHCRWA. After discussion, the Board requested that Mr. Bordelon and Mr. Rowe prepare a financial analysis to determine the cost of keeping water plant no. 1 in service.

Mr. Rowe next presented to the Board the operation and maintenance report for the month of July 2008, a copy of which is attached hereto. In that regard, Mr. Rowe reported that the water accountability percentage for the month is 99.82%. He stated that the District's facilities had been operating in compliance with their respective permits during the month.

Mr. Rowe next presented and discussed correspondence received from Shannon Sayer-Petillon, at 17410 Courtney Pine Circle, requesting an adjustment to her bill due to a sprinkler leak occurring while she was on vacation, a copy of which is attached hereto. After discussion, Director Soileau moved to reduce the billed usage over 24,000 gallons to \$1.05 per 1,000 gallons, plus the NHCRWA assessment. Director Williams seconded said motion, which unanimously carried.

Mr. Rowe next presented and discussed correspondence received from Beverly Lawrence, at 9714 John Banks, requesting an adjustment to her high usage bill while she was out of town, a copy of which is attached hereto. After discussion, Director Phelps moved to reduce the bill for usage over the minimum amount to \$1.05 per 1,000 gallons, plus the NHCRWA assessment. Director Williams seconded said motion, which unanimously carried.

Mr. Rowe next presented and discussed correspondence received from Carol Grado, at 9731 Birsay St., requesting an adjustment to her high usage bill while she was out of town, a copy of which is attached hereto. After discussion, Director Soileau moved to reduce the bill for usage over the minimum amount to \$1.05 per 1,000 gallons, plus the NHCRWA assessment. Director Phelps seconded said motion, which unanimously carried.

Mr. Rowe next presented and discussed correspondence received from Emmett and Ruth Stacy, at 9626 Kilrenny, requesting an adjustment to her high usage bill due to toilet leaks, a copy of which is attached hereto. After discussion, Director Soileau moved to adjust the charge for usage over the average of the last six months usage to \$1.05 per 1,000 gallons, plus the NHCRWA assessment. Director Williams seconded said motion, which unanimously carried.

Mr. Rowe next reported that booster pump no. 2 at Water Plant No. 3 has been pulled and repaired and will be re-installed tomorrow.

Mr. Rowe next reported on the status of the ultrasonic level indicator on the chlorine tank at Water Plant No. 3. He advised that the meter can be repaired for approximately \$4,200 or a new meter can be installed for approximately \$3,200. He stated he will obtain quotes to present at the next meeting.

Mr. Rowe next reported that the flushing valve work has not yet been performed.

Mr. Rowe next reported on the status of the sink hole located on Landry Boulevard. He stated that WDM has forwarded correspondence to Triple B for repair costs, a copy of which is attached hereto, but has not yet received a response.

Mr. Rowe next advised that there were no warm water calls and no odor complaints during the month.

Mr. Rowe next requested that the Board consider authorizing WDM to turn over four (4) delinquent accounts to NCO Financial Systems ("NCO") for collection, in the total amount of \$230.49. He further stated that there is one (1) account with an outstanding balance of less than \$25.00 to be written off. After discussion on the matter, Director Soileau moved that WDM be authorized to turn over the accounts in the total amount of \$230.49 to NCO for collection and to write off one (1) account in the amount of \$6.50. Director Phelps seconded said motion, which unanimously carried.

Mr. Rowe next reported relative to the billing to No. 367 for interconnect usage. In that regard, he advised that No. 367 and No. 383 have paid the work invoice, however, have not yet paid the June or July invoices.

The Board next deferred action relative to the repairs to the sewage treatment plant road.

The Board next deferred consideration of the status of acceptance of the Memorial Creek Estates, Section 4 Detention Pond by Harris County Flood Control District ("HCFCD"), after Mr. Bordelon noted he is waiting on Mr. O'Bryant at Lennar to provide information and authorize work.

The Board next deferred consideration of the status of acceptance of the Memorial Creek Estates, Section 1 Detention Pond by HCFCD, after Mr. Bordelon noted that he is waiting on Mr. O'Bryant at Lennar to provide information and authorize work.

The Board next considered of the status of acceptance of the Pilot Gully by HCFCD. In that regard, Mr. Bordelon reported that he received an email from the HCFCD, stating there are no further issues and is just waiting on the letter relative to same.

The Board next considered the status of acceptance of 5 sections of conveyances and detention facilities in Memorial Springs by HCFCD. In connection therewith, Mr. Bordelon advised that he met with the HCFCD and reviewed all projects.

The Board next deferred the approval of a Special Warranty Deed to MSII Development, Ltd., relative to Memorial Springs, Section 8 drainage ditch pending acceptance by HCFCD.

The Board next deferred the approval of a Correction Easement relative to Memorial Springs - 1.43 acre, 5.60 acre, 2.78 acre, 2.85 acre & 5.19 acre Detention and Memorial Springs, Sections 3, 4, 6 & 8 - Detention Pond/Drainage Ditch, pending acceptance by HCFCD.

The Board next considered the status of a Resolution Requesting Release of Escrowed Bond Proceeds (Series 2004 Bonds), Change in Use of Project and Use of Surplus Construction Funds relative to larger scale sanitary sewer collection system rehabilitation. Mr. Marks reported that same has not yet been filed with the TCEQ, as the signed plans have not yet been received on the project.

The Board next considered the status of the Bond Application Report ("Report") prepared in connection with the District's proposed Series 2008 Bonds. In connection therewith, Mr. Marks reported that same is at the TCEQ and was declared administratively complete on July 30, 2008.

The Board next deferred the issuance of utility commitments, after noting no requests were made.

The Board next deferred the approval of a letter agreement with Sam Yager Incorporated relative to the installation of an irrigation system for the North Detention Pond system in Memorial Springs.

The Board next deferred consideration of the developer's report.

The Board next considered the status of the web site design and operation of the District's website. In connection therewith, Mr. Rowe discussed the status and the documents to be included on the site. Mr. Marks advised that he has not yet received the executed contract from The Texas Network.

The Board next considered the status of implementation of energy efficiency programs. In that regard, Mr. Bordelon stated that he had nothing new to report.

Ms. Hernandez next distributed to the Board the attached bookkeeping report, investment report, pledged securities report, bills presented for payment and profit and loss statement for the District's fiscal year, prepared by MAC, the District's bookkeeper. After review and discussion of the reports presented, upon motion duly made by Director Soileau, seconded by Director Williams, and unanimously carried, the Board approved said reports, and authorized payment on the Operating Account of check nos. 13601, 13602 and 13609 through 13647, inclusive, with a wire transfer, and on the Capital Projects Fund, being check nos. 5479 through 5481.

The Board next deferred the appointment of a new director to fill the vacancy on the Board of Directors.

The Board next deferred the acceptance of Qualification Statement, Oath of Office, Affidavit of Current Resident and Election Not to Disclose Certain Information for the new director.

The Board next considered the attorney's report. In that regard, Mr. Marks presented correspondence dated June 23, 2008, from Texas State Bank relative to Notification of Transfer of Safekeeping Custodian, which requests acknowledgement by the Board President, relative to the transfer of funds. After discussion, Director Williams moved that the President be authorized to execute said Notice to authorize the transfer of funds, on behalf of the Board and the District. Director Soileau seconded said motion, which unanimously carried.

There being no further business to come before the Board, the meeting was adjourned.

/s/ John Soileau

John Soileau
Secretary

ATTACHMENTS

1. Draft Management Letter;
2. Draft Audit Report;
3. Tax Assessor/Collector Reports;
4. Ted Cox Report;
5. Engineering Report, including correspondence;
6. Correspondence from Shannon Petillon;
7. Correspondence from Beverly Lawrence;
8. Correspondence from Carol Grado;
9. Correspondence from Ruth Stacy;
10. Operators Report, including correspondence; and
11. Bookkeeper's Report.