

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 119
Minutes of Board of Directors Meeting
November 10, 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 November 10, 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"); Teresa Rosenbaum of Municipal Accounts & Consulting, L.P. ("MAC"); Ryan Fortner of Wheeler & Associates, LP ("Wheeler"); Troy Bordelon of A&S Engineers, Inc. ("A&S"); Craig Rathmann of Rathmann & Associates, LP; Johnny Smith of Republic Waste; Mike Kersey of AEI Engineers; William Manning, District resident; and David Marks of David M. Marks, P.C.

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, after noting there were none.

The Board next considered an amendment to the District Rate Order. Mr. Marks reviewed and discussed the current Rate Order with the Board. After discussion on the matter, Director Soileau moved that the Rate Order be amended to reflect an increase in the residential $\frac{3}{4}$ " tap fee from \$675 to \$975, that non-profit entities pay a tap fee in the amount equal to cost of use of the facilities, and that the base rates for residential water and sanitary sewer be increased by \$1.00 each. Director Phelps seconded said motion, which unanimously carried.

The Board next considered a proposal for providing Out of District Service to Klein Independent School District ("KISD") for service to a 125 acre tract. In that regard, Mr. Marks discussed the calculation of the tap fee and the rates charged to other out of district customers. After discussion on the matter, the Board authorized DMM to offer KISD a tap fee equal to the tap fee it would pay if it were an in-district customer and charge KISD 2½ times the in-district commercial water and sewer service rates.

The Board next reviewed and considered the approval of the minutes of the meeting held on October 13, 2008. After review and discussion of the minutes presented, Director Williams moved that the minutes of the meeting held on October 13, 2008, be approved as written. Director Phelps seconded said motion, which unanimously carried.

The Board next considered the appointment of a Director to fill the vacancy on the Board of Directors. In that regard, Mr. William Manning introduced himself to the Board, and expressed a desire to serve on the Board of Directors. After discussion, Director Soileau moved that Mr. Manning be appointed to serve on the Board of Directors for the unexpired term of Don Armagost. Director Williams seconded said motion, which unanimously carried.

The Board next considered acceptance of a Qualification Statement, Oath of Office, Affidavit of Current Resident and Election Not to Disclose Certain Information executed by Mr. Manning. The Board was then presented with evidence of the qualifications of Mr. Manning to serve on the Board of Directors. Mr. Marks advised that the qualification statement and oath of office required to be executed had been executed by Mr. Manning and that same would be filed with the Secretary of State in a timely manner. After discussion on the matter, it was moved by Director Phelps, seconded by Director Williams and unanimously carried that the Board approve and accept said qualification statement and oath, and appoint William Manning as a member of the Board of Directors of the District for the unexpired term of Don Armagost. Director Manning participated in the remainder of the meeting.

The Board next considered the report on the status of collection of taxes, the status of collection of delinquent tax accounts, and the payment of invoices in connection therewith for the month of October, a copy of which is attached hereto. Mr. Fortner reported that 1.29% of the District's 2008 taxes and 98.36% of the District's 2007 taxes had been collected through October 31, 2008. He then

presented check nos. 2558 through 2563, inclusive, for payment. After discussion of the report submitted, it was moved by Director Williams, seconded by Director Soileau and unanimously carried that said report be approved and that check nos. 2558 through 2563, inclusive, 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 November 6, 2008, which had been prepared by the District's delinquent tax attorney, Ted A. Cox, P.C., a copy of which is attached hereto. After discussion of the reports presented, Director Soileau moved that pursuant to Section 49.212(c), Texas Water Code, WDM should proceed with termination of water service on the Robert White account, since the account is still delinquent. Director Phelps seconded said motion, which unanimously carried.

The Board next authorized Mr. Rowe to discuss payment plans if a customer requests same and to get authorization from Director Soileau before entering into such plans.

Mr. Fortner exited the meeting at this time.

The Board next considered the report on the District's water, sanitary sewer and storm sewer systems for the month of October 2008, a copy of which is attached hereto. In that regard, Mr. Rowe reported that the water accountability percentage for the month is 98.95%. He stated that the District's facilities had been operating in compliance with their respective permits during the month.

Mr. Rowe next reported that there were no customer appeals of District charges or policies for the month.

Mr. Rowe next reported that the booster pump will be re-installed next week.

Mr. Rowe next reported on the status of the sewer line repair. He stated that he spoke with John Bettercoup of Triple B Services, who advised that since the contract was closed out some time ago, that Triple B was not responsible for the repair, and that he did not believe that his employees or his sub contractors made the repair.

Mr. Rowe next stated he received a bid, in the amount of \$7,200, to repair mixer no. 1 in the digester. After discussion, the Board requested that Mr. Bordelon investigate the matter to see if there is a better repair solution.

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

Mr. Rowe next requested that the Board consider authorizing WDM to turn over three (3) delinquent accounts to NCO Financial Systems ("NCO") for collection, in the total amount of \$207.67, and two (2) accounts in the amount of \$33.88 to be written off. After discussion on the matter, Director Soileau moved that WDM be authorized to turn over the three (3) accounts in the total amount of \$207.67 to NCO for collection, and to write off the two (2) accounts totaling \$33.88. Director Phelps seconded said motion, which unanimously carried.

Mr. Rowe next discussed the water, sanitary sewer and drainage report with the Board.

Mr. Rowe next advised that Harris County Municipal Utility District No. 386 is now off interconnect with the District. In connection therewith, the Board requested that Mr. Rowe prepare a summary report on the water purchased and the water sold during the interconnect period.

Mr. Rowe next discussed correspondence to customers relative to the North Harris County Regional Water Authority pumpage fee increase.

Mr. Rowe next discussed a proposal for the repairs to the sewage treatment plant building for damages caused by Hurricane Ike. He stated it will cost approximately \$5,700 to repair same. After discussion, the Board deferred said repairs and requested Mr. Rowe obtain other proposals for the repair of the said building.

Mr. Rowe next stated that he authorized the repair of the fence at the sewage treatment plant in the amount of \$900.

The Board next considered the status of reimbursement from the Federal Emergency Management Agency (FEMA) for expenses incurred relative to Hurricane Ike, including authorizing the preparation, filing and monitoring of claims for same. In connection therewith, Mr. Rowe stated that he will have an expense report to DMM by noon tomorrow. After

discussion on the matter, Director Williams moved to authorize the preparation, filing and monitoring of said claims. Director Soileau seconded said motion, which unanimously carried.

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 stated that he spoke with the project manager on the design of the surface water line. He stated he has not yet reviewed, but did look at the end connect on the Water Plant No. 2 site plan. Mr. Rowe then discussed using Water Well No. 2. He stated that the TCEQ has requested a control plan for blending water. After discussion, the Board concurred that Mr. Bordelon should meet with a blending specialist to discuss.

The Board next considered authorizing the design, advertisement for bids and/or award of construction contracts, status of construction contracts previously awarded, and acceptance of sites and easements. Mr. Bordelon presented a report relative to same, a copy of which is attached hereto. In connection therewith, the board deferred 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, after Mr. Bordelon noted that A&S has forwarded revised drawings and technical specifications to the TCEQ.

The Board next deferred the review of bids and concurrence in an award of a contract for the rehabilitation of the sanitary sewer lines.

The Board next deferred authorizing the preparation of plans and specifications for installation of additional diesel tanks and auxiliary power and installation of auxiliary power at the lift stations. Mr. Bordelon noted that A&S is currently gathering as-builts in order to provide the Board with a preliminary sizing and cost estimate for each facility.

Mr. Kersey next addressed the Board and discussed the utility requirements to serve the Singh property on the North side of Spring Cypress. He queried whether the need for the City of Houston standard lift station would be required. He then proposed installing a private grinder pump lift station with a wet well sized for future expansion. After discussion, the Board concurred a private grinder pump lift station would be acceptable, provided Dr.

Singh use two (2) pumps and agree to use the District's operator for maintenance of same.

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").

The Board next deferred consideration of the status of acceptance of the Memorial Creek Estates, Section 1 Detention Pond by HCFCD.

The Board next deferred consideration of the status of acceptance of 5 sections of conveyances and detention facilities in Memorial Springs by HCFCD.

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

The Board next deferred the approval of a Correction Dedication of Flood Control and Drainage Easement relative to the Memorial Springs Detention Ponds and Drainage Ditches. In that regard, Mr. Marks advised he has a meeting scheduled with Commissioner Eversole next Wednesday to discuss status of same.

The Board next deferred the approval of a Conveyance of Utility Facilities relative to the sanitary sewer line extensions constructed by Statewide to serve the Singh property.

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 is pending with the TCEQ.

The Board next considered the status of the Bond Application Report prepared in connection with the District's proposed Series 2008 Bonds. Mr. Marks advised that he has received the Order from the TCEQ relative to same.

The Board next considered the financial and investment reports and the invoices presented for payment. In connection therewith, Ms. Rosenbaum 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 Williams, seconded by Director Soileau, and unanimously carried, the Board approved said reports, and authorized payment on the Operating Account of check nos. 13717, 13718 and 13724 through 13758, inclusive, with one wire transfer, and on the Capital Projects Fund, being check no. 5487 and a wire transfer.

The Board next requested that MAC diversify the investment of the construction funds.

The Board next considered the approval of a new garbage collection contract with Republic Waste Services, Inc. ("Republic"), and/or authorizing the solicitation of proposals for garbage collection in the District. In connection therewith, Mr. Smith addressed the Board and discussed a proposal, dated February 4, 2008, a copy of which is attached hereto, charging \$11.47 plus \$2.75 per month for recycling or \$2.50 per month for every other week recycling. He advised that the District currently pays \$11 plus \$2 for recycling per month and noted that he would put a rate cap of \$3.50, meaning if fuel goes over \$3.50, a 1.4% rate increase would be applied to the contract rate for every \$0.25 increase, with recalculation done on a quarterly basis; 3 year contract term, with CPI increases in the second and third year; and District will have a thirty (30) day cancellation on the recycling provision. After discussion, Director Soileau moved to approve a new three (3) contract with Republic at a rate of \$11.47 plus \$2.00 for recycling twice per month, subject to receipt of an acceptable contract. Director Williams seconded said motion, which unanimously carried. The Board further authorized the President to authorize DMM to solicit proposals for garbage service if Republic's contract is not acceptable or if Republic does not accept the rate proposal.

The Board next considered confirmation of engagement of disclosure counsel in connection with the issuance of the Bonds. After discussion on the matter, Director Williams moved that the engagement of McCall, Parkhurst & Horton, LLP as the District's disclosure counsel be confirmed. Director Manning seconded said motion, which unanimously carried.

Mr. Rathmann next presented and reviewed with the Board the Preliminary Official Statement and Official Notice of Sale prepared in connection with the District's Series 2008 Unlimited Tax Bonds, a copy of which is attached hereto. Following discussion on the proposed Official Notice of Sale

and Preliminary Official Statement, Director Williams moved that the offering documents be approved and completed and that same be distributed to the various potential underwriters, rating services and insurance companies, in anticipation of a sale of the District's Series 2008 Unlimited Tax Bonds, and that such preliminary official statement be deemed to be final for all purposes with the exception of any additional materials or information relating to subsequent material events, offering prices, interest rates, selling compensation, identity of the underwriters, aggregate principal amounts and other similar information, terms and provisions to be specified in the competitive bidding process. Director Manning seconded said motion, which unanimously carried.

The next item considered by the Board was authorizing the District's financial advisor, Rathmann & Associates, L.P. ("Rathmann") to advertise for the sale of the District's Unlimited Tax Bonds, Series 2008. After discussion, Director Williams moved that the Board authorize Rathmann to advertise for the sale of the District's Series 2008 Unlimited Tax Bonds with bids to be received by the Board on Monday, December 8, 2008, at 5:30 p.m. The motion was seconded by Director Manning, which unanimously carried.

The Board next considered the designation of Paying Agent/Registrar in connection with the District's Unlimited Tax Bonds, Series 2008. Mr. Rathmann recommended that the Board consider designating Wells Fargo Bank, N.A. ("Wells Fargo") as the Paying Agent/Registrar for the Series 2008 bond issue. After discussion, Director Williams moved that Wells Fargo be designated as Paying Agent/Registrar in connection with the Series 2008 Unlimited Tax Bond Issue. Director Manning seconded said motion, which unanimously carried.

Mr. Rathmann next discussed with the Board the procedures and issues associated with obtaining confirmation of the District investment grade rating and commitments for issuance on the Bonds. After discussion, Director Williams moved that the District's financial advisor be authorized to submit the District's request for rating confirmation and issuance. Director Manning seconded said motion, which unanimously carried.

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

The Board next deferred a report regarding the status of development of property within the District.

The Board next considered the status of the web site design and operation of the District's website. In connection therewith, Mr. Rowe reported on same.

The Board next considered the status of implementation of energy efficiency programs. In connection therewith, Mr. Marks distributed correspondence from Legacy Energy Solutions, a copy of which is attached hereto.

The Board next deferred discussions relative to the purchase of park land, preparation of a park plan and authorizing the sale of park bonds.

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

/s/ John Soileau

John Soileau
Secretary

ATTACHMENTS

1. Tax Assessor/Collector Reports;
2. Ted Cox Report;
3. Operators Report, including correspondence;
4. Engineering Report, including correspondence;
5. Bookkeeper's Report;
6. Republic Waste correspondence;
7. Preliminary Official Statement; and
8. Legacy Energy Solutions correspondence.