

**HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 119**  
**Minutes of Board of Directors Meeting**  
**December 8, 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 December 8, 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  
William Manning, Director

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. ("MA"); Robin Humphrey of Wheeler & Associates, LP ("Wheeler"); Troy Bordelon of A&S Engineers, Inc. ("A&S"); Craig Rathmann of Rathmann & Associates, LP; Robert Robertson and Michelle Herman with Klein Independent School District; 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 was nobody in attendance wishing to speak.

The Board next reviewed and considered the approval of the minutes of the meeting held on November 10, 2008. After review and discussion of the minutes presented, Director Soileau moved that the minutes of the meeting held on November 10, 2008, be approved as written. Director Phelps seconded said motion, which unanimously carried.

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 November, a copy of which is attached hereto. Ms. Humphrey reported that 6.63% of the District's 2008 taxes and 98.30% of the District's 2007 taxes had been collected through November 30, 2008. She

then presented check nos. 2564 through 2582, inclusive, for payment and two (2) wire transfers. After discussion of the report submitted, it was moved by Director Soileau, seconded by Director Manning and unanimously carried that said report be approved and that check nos. 2564 through 2582, 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 December 4, 2008, which had been prepared by the District's delinquent tax attorney, Ted A. Cox, P.C., a copy of which is attached hereto.

As the next order of business, it was announced that, pursuant to notice published as required by law, public bids for the sale of the District's proposed \$2,785,000 Unlimited Tax Bonds, Series 2009, were to be received at this time and place. In connection therewith, the District's financial advisor, Mr. Rathmann, discussed the issues relating to the underlying rating and noted that Moody's dropped its rating on two insurance companies to AA, which then made the insurance companies undesirable. However, he stated that Standard & Poor's ("S&P") had not dropped its rating on issues, so he persuaded S&P to issue a rating on the District and S&P issued a rating of BBB+, which he noted is a higher rating than that issued by Moody's. Mr. Rathmann further stated that as a result of the S&P rating, two (2) bidders submitted bids with insurance and one (1) bidder submitted a bid with no insurance for a total of three (3) bids being received. A copy of the bid results is attached hereto. He advised the Board that the apparent low bid was submitted by Vining-Sparks IBG, Limited Partnership, Inc. at a net effective interest rate of 6.618749%. He further advised that the Bonds will be insured by Assured Guaranty Corp. Mr. Rathmann advised that accuracy of the bids had been confirmed and recommended that the Board award the sale of the bonds to Vining-Sparks IBG, Limited Partnership. After a lengthy discussion, it was then moved by Director Soileau, seconded by Director Williams and unanimously carried that the Board accept the low bid of Vining-Sparks IBG, Limited Partnership for the purchase of all of the District's proposed \$2,785,000 Unlimited Tax Bonds, Series 2009 at a net effective interest rate of 6.618749%.

There was next presented the attached Bond Order for the issuance of the District's \$2,785,000 Unlimited Tax Bonds, Series 2009. Mr. Marks reviewed in detail the provisions of said Bond Order. After discussion regarding same, it was duly moved by Director Williams, seconded by Director Manning and unanimously carried that said Bond Order be passed and adopted.

As the next order of business, there was a discussion regarding the completion of the Final Official Statement to be prepared by the District's financial advisor in connection with the Series 2009 Bond Issue. After discussion on the matter, Director Williams moved that the financial advisor be authorized to complete the Final Official Statement and that same be adopted by the Board and District. Director Manning seconded said motion, which unanimously carried.

The Board next considered and reviewed a Paying Agent/Registrar Agreement by and between the District and Wells Fargo Bank, N.A. relative to the \$2,785,000 Unlimited Tax Bonds, Series 2009. Mr. Marks reviewed the various provisions of the Agreement with the Board. After discussion of the Agreement presented, Director Williams moved that said Agreement be approved and that the President be authorized to execute the Agreement and the Secretary to attest same on behalf of the Board and District. Director Manning seconded said motion, which unanimously carried.

As the next order of business, the Board considered acting upon any other matters relative to the District's \$2,785,000 Unlimited Tax Bonds, Series 2009. Mr. Marks presented and reviewed with the Board the General Certificate, the Signature and No-Litigation Certificate with Letter of Instruction to the Attorney General, Federal Tax Certificate and the initial bonds relative to the sale of such bonds. After further discussion, the Board authorized the District's officers to execute said documents, and authorized David M. Marks, P.C. to handle all matters relative to such bond sale, including submission of a transcript of proceedings to the Attorney General of the State of Texas.

The Board next considered approval of an Out of District Service Contract with Klein Independent School District ("KISD") for service to a 125 acre tract. In that regard, Mr. Robertson addressed the Board and distributed a spread sheet relative to rates, a copy of which is attached hereto. Mr. Bordelon then distributed and reviewed a tap fee analysis with the Board, a copy of which is attached hereto.

After discussion on the matter, Mr. Robertson stated that he will review the tap fee calculation and advise if same is acceptable to KISD. If acceptable, Director Eckert stated that the Board could hold a special meeting to approve an Out of District Service Contract at a rate of 2.25 times the in-district commercial water and sewer service rates plus the tap fee calculated at 1 time the in District rates.

Mr. Rowe next presented and discussed correspondence from Eric J. Steffel, a copy of which is attached hereto. After discussion on the matter, the Board concurred to take no action at this time.

The Board next considered the report on the District's water, sanitary sewer and storm sewer systems for the month of November 2008, a copy of which is attached hereto. In that regard, Mr. Rowe reported that the water accountability percentage for the month is 96.24%. He stated that the District's facilities had been operating in compliance with their respective permits during the month.

Mr. Rowe next reported that the chlorine level indicator was installed at Water Plant No. 3.

Mr. Rowe next reported on the status of the roof repairs at the sewage treatment plant building caused by Hurricane Ike. He stated that he received a bid from Access Roof in the amount of \$5,200 for said repair. After discussion, Director Phelps moved that WDM be authorized to hire Access Roof to perform said repair work. Director Soileau seconded said motion, which unanimously carried.

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

The Board next deferred authorizing the painting of the curb side address numbers.

Mr. Rowe next requested that the Board consider authorizing WDM to turn over five (5) delinquent accounts to NCO Financial Systems ("NCO") for collection, in the total amount of \$430.98, and three (3) accounts in the amount of \$0.81 to be written off. After discussion on the matter, Director Soileau moved that WDM be authorized to turn over the five (5) accounts in the total amount of \$430.98 to NCO for collection, and to write off the three (3) accounts totaling \$0.81. Director Williams seconded said motion, which unanimously carried.

The Board next considered the status of reimbursement from the Federal Emergency Management Agency ("FEMA") for expenses incurred relative to Hurricane Ike. In connection therewith, Mr. Rowe reviewed said claim with the Board and advised that same has been filed with FEMA.

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 has received drawings for the connection to Water Plant No. 2.

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 received new comments from the TCEQ and are currently addressing same.

The Board next deferred the review of bids and concurrence in an award of a contract for the rehabilitation of the sanitary sewer lines until January 2009.

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 working with Shrader Engineering Company on providing the board with options and estimated costs of construction.

The Board next deferred the approval of plans and specifications relative to water and sanitary sewer extensions to serve the Singh property on the North side of Spring Cypress.

Mr. Bordelon next reported on the status of Water Plant No. 2 and the surface water conversion. He stated that the Board needs to decide whether it wants well to be placed back in use and then to determine the modifications required to meet the blending requirements. The Board concurred that Mr. Bordelon should investigate and report to the Board on the modification that would be required and the estimated costs of same.

The Board next deferred the approval of a Maintenance Agreement relative to a private lift station to serve the Singh property on the North side of Spring Cypress.

The Board next considered authorizing the President to send correspondence to the Harris County Flood Control District ("HCFCD") and Commissioner Eversole offering a lump sum payment for the remaining facility repairs in exchange for final acceptance by HCFCD. In connection therewith, Mr. Bordelon, Mr. Marks and Director Phelps discussed the meeting with Commissioner Eversole. Mr. Bordelon then reviewed a cost estimate of the amount to bring the Memorial Springs facilities to meet HCFCD specifications. The board then requested that the proposal be expanded to include the Memorial Creek Estates, Sections 1 and 4 detention facilities. After discussion on the matter, Director Soileau moved that the President be authorized to send an officer to HCFCD in exchange for final acceptance of the facilities. Director Phelps seconded said motion, which unanimously carried.

The Board next considered the status of acceptance of the Memorial Creek Estates, Section 4 Detention Pond by HCFCD. In connection therewith, Mr. Bordelon stated that Lennar is in the process of looking for documents to include in the package to HCFCD.

The Board next considered the status of acceptance of the Memorial Creek Estates, Section 1 Detention Pond by HCFCD. In connection therewith, Mr. Bordelon stated that Lennar is in the process of preparing a cost summary for inclusion in the package to HCFCD.

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 the 5 sections will be included in the package to 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.

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. In connection therewith, Mr. Marks advised that same has been forwarded to Dr. Singh for execution.

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 been approved by the TCEQ.

The Board next considered the approval of a Surplus Funds Resolution relative to the sanitary sewer collection rehabilitation project. After discussion on the matter, Director Phelps moved that said Surplus Funds Resolution be approved. Director Soileau 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 that the website address is [www.HWCID119.com](http://www.HWCID119.com).

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. After discussion on the matter, Director Phelps moved that a new garbage collection contract with Republic be approved, with a charge of \$2.75 per month for recycling. Director Soileau seconded said motion, which unanimously carried.

The Board next considered the status of implementation of energy efficiency programs. In connection therewith, Ms. Rosenbaum advised that MA will be providing an analysis of the District's past 12 month energy usage at the next meeting.

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 Soileau, seconded by Director Williams, and unanimously carried, the Board approved said reports, and authorized payment on the Operating Account of check nos. 13756 through 13800, inclusive, with one wire transfer.

Ms. Rosenbaum next presented and reviewed with the Board a Quarterly Investment Report which had been prepared by MAC, relative to the District's Debt Service Fund, Construction Fund and Operating Fund for the reporting period August 1, 2008, through October 31, 2008, a copy of which is attached hereto. After review of the Quarterly Investment Report and upon motion duly made by Director Soileau, seconded by Director Williams and unanimously carried, said Quarterly Investment Report was approved and the District's Investment Officer was authorized to execute same on behalf of the Board and District.

The Board next considered discussions relative to the purchase of park land, preparation of a park plan and authorizing the sale of park bonds. In connection therewith, the Board discussed acquiring land by the Homeowner's Association pool. Mr. Bordelon advised that he would try to obtain a title report on said site so the District can contact the property owner relative to the acquisition of same.

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

/s/ John Soileau

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John Soileau  
Secretary

## ATTACHMENTS

1. Tax Assessor/Collector Reports;
2. Ted Cox Report;
3. Bond Bid Results;
4. Residential water bill calculations;
5. Calculation of Tap Fee for KISD;
6. Eric Steffel correspondence;
7. Operators Report, including correspondence;
8. Engineering Report, including correspondence;
9. Bookkeeper's Report; and
10. Quarterly Investment Report.