

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 119
Minutes of Board of Directors Meeting
April 13, 2009

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 April 13, 2009, 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, except Director Manning, thus constituting a quorum.

Also present were David Rowe of Water District Management Co. ("WDM"); Teresa Rosenbaum of Municipal Accounts & Consulting, L.P. ("MAC"); Troy Bordelon of A&S Engineers, Inc. ("A&S"); Sherri Greenwood of BKD, LLP; 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 members the public, as no one wished to speak.

The Board next reviewed and considered the approval of the minutes of the meeting held on March 9, 2009. After review and discussion of the minutes presented, Director Phelps moved that the minutes of the meeting held on March 9, 2009, be approved as written. Director Williams 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 March, a copy of which is attached hereto. Mr. Marks distributed the report which states that 94.25% of the District's 2008 taxes had been collected through March 31, 2009. The Board then reviewed check nos. 2601 through 2612, which were presented for payment and two (2) wire transfers. After discussion of the report submitted, it was moved by Director Phelps, seconded

by Director Williams and unanimously carried that said report be approved and that check nos. 2601 through 2612, and the two (2) wire transfers, 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, which had been prepared by the District's delinquent tax attorney, Ted A. Cox, P.C. ("Cox").

Mr. Marks next presented a Memorandum prepared by Cox relative to the termination of water to enforce payment of delinquent taxes, a copy of which is attached hereto. He reviewed and discussed said Memorandum with the Board. After discussion, Director Williams moved that Cox and WDM be authorized to proceed with the termination of water service to enforce payment of delinquent taxes. Director Phelps seconded said motion, which unanimously carried.

Mr. Marks next advised the Board that pursuant to Section 33.07 of the Property Tax Code, as amended, the Board is authorized to impose, under certain conditions, an additional penalty not to exceed twenty percent (20%) of the total taxes, penalty and interest due the District on July 1 on taxes that remain delinquent as of July 1 of the year in which they become delinquent. After discussion on the matter, Director Williams moved that the Resolution Authorizing Additional Penalty on Delinquent Taxes, a copy of which is attached hereto, be adopted by the Board and District. Director Phelps seconded said motion, which unanimously carried.

Ms. Greenwood entered the meeting at this time.

Ms. Greenwood of BKD, next presented a proposal for the Board's consideration and made a presentation to the Board regarding BKD's qualifications relative to the performance of auditing procedures regarding the District's audit. She stated that BKD's fee for the preparation of the District's audit for the fiscal year ending April 30, 2009, was estimated to be \$15,900.00, plus expenses estimated at \$400.00. After discussion on the matter, Director Phelps moved that the Board engage BKD to prepare the District's audit report for the fiscal year ending April 30, 2009. Director Williams seconded said motion, which unanimously carried.

Director Soileau entered the meeting at this time.

The Board next considered correspondence received from Season Lynch of 9923 Memorial Crossing, discussing her high water bill, a copy of which is attached hereto. After discussion, no action was taken on the matter as Ms. Lynch did not request any action from the Board.

The Board next considered the report on the District's water, sanitary sewer and storm sewer systems for the month of March 2009, a copy of which is attached hereto. In that regard, Mr. Rowe reported that the water accountability percentage for the month is 93.9%. He stated that the District's facilities had been operating in compliance with their respective permits during the month.

Mr. Rowe next reported that two (2) mixers are out of service and it will cost approximately \$7,200 each to replace same. After discussion, Director Phelps requested that the operator and engineer investigate possible alternatives to correct the problems.

Mr. Rowe next reported that the insurance claim has been paid.

Mr. Rowe next reported it will cost approximately \$2,700 to install sliding gates at the sewage treatment plant site. After discussion, Director Soileau moved that WDM be authorized to install said gates. Director Phelps seconded said motion, which unanimously carried.

The Board next discussed the repairs of the sewage treatment plant road. Mr. Rowe stated it will cost approximately \$5,500 for WDM to repair the road, or \$3,500 to repair only the part at the plant, which does not include construction of a road base. After discussion, Director Soileau moved that WDM to authorized to repair the part of the road at the sewage treatment plant. Director Phelps seconded said motion, which unanimously carried.

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 \$254.48. After discussion on the matter, Director Williams moved that WDM be authorized to turn over the three (3) delinquent accounts in the total amount of \$254.48 to NCO for collection. Director Phelps seconded said motion, which unanimously carried.

Mr. Rowe next reported it will cost approximately \$1,320 to perform cathodic protection maintenance on Water Plant No. 2. After discussion, Director Phelps authorized that said maintenance be performed. Director Soileau seconded said motion, which unanimously carried.

The Board next considered authorizing WDM to prepare the draft Consumer Confidence Report ("CCR") for review by the Board. After discussion, Director Phelps moved that WDM be authorized to prepare said draft CCR. Director Williams seconded said motion, which unanimously carried.

Mr. Rowe next discussed sludge hauling alternatives with the Board. He stated the wedquire box process costs approximately \$0.525 per gallon. After discussion, the Board concurred that it is interested in trying the new process, after the digester has been cleaned. The Board concurred requested that the contractor who will be performing the wedquire box trial should perform such work as a sub-contractor under WDM.

Mr. Rowe next advised that WDM received no water quality calls during the month.

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 stated that the claim is pending. Mr. Marks queried whether any of the claim is duplicative of the claim paid by the district's insurance carrier. Mr. Rowe advised that he would check into same and report his findings to the Board at the next meeting.

The Board next considered the status of the NHCRWA, including the status of construction of a waterline to Water Plant No. 2 and the use of Water Well No. 2 for blending requirements. In that regard, Mr. Bordelon advised that a pre-construction meeting was held approximately 6 weeks ago.

The Board next considered the Financial Advisor's report relative to developer qualification for reimbursement relative to the New Quest development. In that regard, it was noted that the District's Financial Advisor had not yet submitted a report relative to same.

The Board next considered authorizing the design, advertisement for bids and/or award of construction contracts. 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 approval from the TCEQ, and advised that the City of Houston is now reviewing same.

The Board next considered authorizing the preparation of plans and specifications for installation of additional diesel tanks for auxiliary power and installation of auxiliary power at the lift stations. After discussion, the Board deferred action at this time.

The Board next deferred the approval of plans and specifications relative to water and sanitary sewer extensions to serve the Singh property located on the north side of Spring Cypress, after Mr. Bordelon noted that A&S has not yet received any plans or specifications regarding the project.

The Board next deferred authorizing the preparation of plans and specifications for modifications to Water Plant No. 2 to enable blending with surface water.

The Board next considered the status of the contract with Lopez Utilities Contractor, LLC ("Lopez") for rehabilitation of the sanitary sewer lines. In that regard, Mr. Bordelon discussed proposed change order no. 1 in the amount of \$397,400.20, with the Board. After discussion, Director Phelps moved that A&S be authorized to file the proposed change order with the TCEQ for approval. Director Williams seconded said motion, which unanimously carried.

The Board next deferred consideration of approval of an Out of District Service Contract with Klein Independent School District for service to a 125 acre tract.

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, after noting that Dr. Singh has not yet returned same.

The Board next considered the approval of a proposal 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 that regard, Mr. Bordelon advised that he has not heard from HCFCD, but will give them a call. Mr. Rowe then presented a cost estimate in the amount of \$23,950.00, from Champions Hydro-Lawn, Inc. for clearing and grubbing of

the Memorial Springs Detention Channel. After discussion, the Board deferred action at this time.

The Board next deferred the status of acceptance of the Memorial Creek Estates, Section 4 Detention Pond by HCFCD.

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

The Board next deferred 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.

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 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 advised that the website is still under construction.

The Board next deferred discussion relative to the addition of online bill payment options.

The Board next considered the status of implementation of energy efficiency programs. In connection therewith, Mr. Marks advised that Legacy is in the process of implementing the program.

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 Phelps, seconded by Director Soileau, and unanimously carried, the Board approved said reports, and authorized payment on the Operating Account being check nos. 13888 through 13890, 13894, 13895, 13918 and 13936 through 13974, inclusive, with check nos. 13894, 13895, 13918 and 13942 being voided, and on the Capital Projects Account being check nos. 5505 through 5507, and a wire transfer, as set out in said report.

Ms. Rosenbaum next presented and reviewed with the Board an operating budget for the District's fiscal year ending April 30, 2010, a copy of which is attached hereto, which had been prepared by the District's bookkeeper, MAC. After discussion on the subject budget, Director Phelps moved that same be adopted by the Board and District, subject to any consultant revisions. Director Soileau seconded said motion, which unanimously carried.

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. Memorandum from Ted Cox;
4. Resolution Authorizing Additional Penalty on Delinquent Taxes;
5. Correspondence from Season Lynch;
6. Operators Report, including correspondence;
7. Engineering Report, including correspondence;
8. Bookkeeper's Report;
9. Budget.