

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 119
Minutes of Board of Directors Meeting
May 11, 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 May 11, 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, thus constituting a quorum.

Also present were David Rowe of Water District Management Co. ("WDM"); Teresa Rosenbaum and Lisa Hernandez of Municipal Accounts & Consulting, L.P. ("MAC"); Troy Bordelon of A&S Engineers, Inc. ("A&S"); 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 April 13, 2009. After review and discussion of the minutes presented, Director Soileau moved that the minutes of the meeting held on April 13, 2009, be approved as corrected. 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 April, a copy of which is attached hereto. Ms. Humphrey reported that 95.32% of the District's 2008 taxes had been collected through April 30, 2009. She then presented check nos. 2613 through 2625, inclusive, for payment and a wire transfer. After discussion of the report submitted, it was moved by Director Manning, seconded by Director Williams and unanimously

carried that said report be approved and that check nos. 2613 through 2625, inclusive, and the 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, which had been prepared by the District's delinquent tax attorney, Ted A. Cox, P.C. ("Cox"). He noted that three delinquent accounts were scheduled for water termination tomorrow. After discussion, the Board concurred that Cox and WDM proceed with the water termination of the subject accounts.

Mr. Marks next advised the Board that pursuant to Section 33.11 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 delinquent personal property taxes, penalty and interest due the District on April 1 on taxes that remain delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent. After discussion on the matter, Director Phelps moved that the Resolution Authorizing Additional Penalty on Delinquent Personal Property Taxes, a copy of which is attached hereto, be adopted by the Board and District. Director Williams seconded said motion, which unanimously carried.

The Board next considered the report on the District's water, sanitary sewer and storm sewer systems for the month of April 2009, a copy of which is attached hereto. In that regard, Mr. Rowe reported that the water accountability percentage for the month is 98.69%. He stated that the District's facilities had been operating in compliance with their respective permits during the month.

Mr. Rowe next reported there were no appeals for the month of April.

Mr. Rowe next reported on the status of water quality in the District and noted that the fluoride level exceeded the secondary limit. He stated that WDM will be forwarding notice of same to the residents, a copy of which is attached hereto.

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 \$192.25, and to write off three (3) accounts

in the total amount of \$26.56. After discussion on the matter, Director Soileau moved that WDM be authorized to turn over the three (3) accounts in the total amount of \$92.25 to NCO for collection, and to write off the three (3) accounts totaling \$26.56. Director Manning seconded said motion, which unanimously carried.

Mr. Rowe next reported that the sewage treatment plant digester clean out project has not yet started.

The Board next considered the status of repairs to the sewage treatment plant road. In connection therewith, Mr. Rowe stated that said repairs have not yet began.

The Board next considered the approval of a Consumer Confidence Report ("CCR") and authorizing the distribution of same. After discussion on the matter, Director Phelps moved that said CCR be approved and distributed to consumers in the District. Director Soileau seconded said motion, which carried unanimously.

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. Marks stated that the claim is still pending and that he is working with FEMA relative to the claim already paid by the District's insurance carrier relative to Hurricane Ike.

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 nothing new has happened since the pre-construction meeting last month.

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 requested that same be removed from the agenda.

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 considered 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. Mr. Bordelon projected the conversion will cost approximately \$300,000 to \$400,000 at Water Plant No. 2 and approximately \$100,000 at each Water Plant No. 1 and Water Plant No. 3. After discussion, Director Phelps moved that the plans and specification be approved and that A&S be authorized to advertise the project for bid. Director Soileau seconded said motion, which unanimously carried.

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 considered the status of the contract with Lopez Utilities Contractor, LLC ("Lopez") for rehabilitation of the sanitary sewer lines. In that regard, Mr. Bordelon stated that a Notice to Proceed will be issued May 18, 2009, with the Board.

The Board next considered the status of application to the TCEQ for approval of proposed change order no. 1 in the amount of \$397,400.20, relative to the Lopez contract. After discussion on the matter, the Board concurred that Director Eckert be authorized to sign the letter and send the application for approval to the TCEQ.

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 a report on the storm water permitting for the District detention ponds. In connection therewith, Mr. Bordelon stated that the permit needs to be renewed on behalf of the developer, then can transfer the permit to the District relative to the Memorial Springs large pond. He further stated that the permit for the North

pond was never obtained, so will need to send the final documents to get the permit, then will transfer the permit to the District. After discussion on the matter, Director Soileau moved that Mr. Bordelon be authorized to proceed with obtaining the necessary permits.

The Board next considered the status of the 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 spoke to Clay Haynes with HCFCD, who advised that the letter was forwarded to Joe Meyers with HCFCD and that they are examining the cost relative to same.

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 and that he will pursue completion of the web design.

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, Ms. Rosenbaum noted that Karen Sears with 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 Williams, seconded by Director Manning, and unanimously carried, the Board approved said reports, and authorized payment on the Operating Account being check nos. 13942, 13971, 13972 and 13975 through 14112, inclusive, with check no. 13942 being voided, and on the Capital Projects Account being check no. 5508, and a wire transfer, as set out in said report. Ms. Rosenbaum next advised the Board that she is leaving MAC, and that Ms. Hernandez would handle the District's accounts from this point forward.

The Board next reviewed a report prepared by Arbitrage Compliance Specialists, Inc. to determine whether tax-exempt debt issues are subject to arbitrage rebate and/or yield restriction regulations, a copy of which is attached hereto.

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, Mr. Williams stated that he spoke with the President of the Memorial Springs Homeowner's Association ("HOA"), who advised that there is one HOA board member holding up the agreement and that same will be on hold for another month.

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. Water Termination List;
4. Resolution Authorizing Additional Penalty on Delinquent Personal Property Taxes;
5. Operators Report, including correspondence;
6. Secondary Fluoride Violation Notice;
7. Engineering Report, including correspondence;
8. Bookkeeper's Report;
9. Arbitrage Compliance Specialists Report.