

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

Also present were David Rowe of Water District Management Co. ("WDM"); Lisa Hernandez of Municipal Accounts & Consulting, L.P. ("MAC"); Troy Bordelon of A&S Engineers, Inc. ("A&S"); Yvonne Leuvano of Wheeler & Associates, Inc. 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 June 8, 2009. After review and discussion of the minutes presented, Director Phelps moved that the minutes of the meeting held on June 8, 2009, be approved as written. Director Manning 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 June, a copy of which is attached hereto. Ms. Leuvano reported that 97.79% of the District's 2008 taxes had been collected through June 30, 2009. She then presented check nos. 2640 through 2657, inclusive, for payment and two (2) wire transfers. After discussion of the report submitted, it was moved by Director Williams, seconded by Director Manning and unanimously carried that said report be approved and that check nos. 2640 through 2657, inclusive, and the two 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"), a copy of which is attached hereto.

Ms. Leuvano next stated that the District's 2009 preliminary value is \$392,928,926 plus personal property. She noted that the District's 2008 personal property value was \$8,453,147.

The Board next considered the report on the District's water, sanitary sewer and storm sewer systems for the month of June 2009, a copy of which is attached hereto. In that regard, Mr. Rowe reported that the water accountability percentage for the month is 99.04%. 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 appeals for the month of May.

Mr. Rowe next reported that four (4) booster pumps at water plan no. 3 tripped. He stated that WDM replaced the phase motor and will replace the contacts. Mr. Rowe further stated that the capacitors were taken off line, but will be put back online this week.

The Board next considered the status of repairs to the sewage treatment plant road. In connection therewith, Mr. Rowe stated that said repairs have been put on hold.

Mr. Rowe next requested that the Board consider authorizing WDM to turn over four (4) delinquent accounts to Collections Unlimited of Texas ("CUT") for collection, in the total amount of \$424.79. After discussion on the matter, Director Williams moved that WDM be authorized to turn over the four (4) accounts in the total amount of \$424.79 to CUT for collection. Director Manning seconded said motion, which unanimously carried.

Mr. Rowe next reported that the well motor claim, at water plant no. 3, is pending with the insurance company.

Mr. Rowe next presented and reviewed the TCEQ Homeland Security Contact Update and Information Form with the Board.

Mr. Rowe next reported that since WDM has installed water conservation signs in the District, the daily pumpage has reduced approximately 500,000 gpd, the well run time is down from 16 to less than 14 hours per day and the pressure in the system has been reduced.

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 reported that FEMA has stated it will not be paying the claim, since the District has already received payment from the District's insurance carrier. He noted that this item can be removed from the agenda.

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 stated that he and Mr. Marks met with Mr. Rolen, and that the water line is still under construction. He further noted that the NHCRWA is currently working on its Rate Order.

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 review of bids and authorizing award of a contract to convert the chlorination system at the District's three water plants to a chloramine system. Mr. Bordelon stated that the bid opening was delayed due to changing design requirements from the TCEQ and City of Houston. He noted that he will present the bids to the Board at the next meeting.

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 requested that A&S obtain bids for Water Plant No. 2 and for a transportable to run the lift stations and extra fuel capacity and necessary electrical modifications for a quick connection.

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 the work is progressing. He then presented pay application no. 1, in the amount of \$119,289.38, payable to Lopez, and recommended the Board approve same. After discussion on the matter, Director Williams moved that pay application no. 1 in the amount of \$119,289.38, payable to Lopez be approved, as set out above. Director Phelps seconded said motion, which unanimously carried.

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. In that regard, Mr. Marks stated same is pending at the TCEQ.

Mr. Bordelon next reported that Sam Yager's office contacted him advising that they filled in an emergency storm water bypass. He stated that he is investigating the situation.

The Board next deferred the status of approval of an Out of District Service Contract with Klein Independent School District ("KISD") for service to a 125 acre tract, after noting there was nothing new to report.

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 presented the application for the transfer of the permit to the District, relative to the Memorial Springs large pond, for execution by the Board.

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 stated the website is up and running.

The Board considered the addition of online bill payment options. In connection therewith, Mr. Rowe presented and reviewed information and application forms from Century Bank Card Services ("Century"), T-Tech Transaction Technologies ("T-Tech") and an Addendum to Card Services Agreement by and between the District, Global Payments Direct, Inc., HSBC Bank USA, NA, Century and AVR, Inc. ("Addendum"). After discussion on the matter, Director Williams moved that said application forms with Century and T-Tech and the Addendum be approved and that the President be authorized to execute same on behalf of the Board and the District. Director Manning seconded said motion, which unanimously carried.

The Board next considered the status of implementation of energy efficiency programs. In connection therewith, Ms. Hernandez stated she had nothing new to report.

The Board next considered the financial and investment reports and the invoices presented for payment. In connection therewith, Ms. Hernandez 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. 14139, 14140, 14142, 14143, 14144 and 14147 through 14206, inclusive, a wire transfer, and on the Capital Projects Account being check nos. 5510 through 5513, and a wire transfer, as set out in said report.

The Board next deferred the approval of an Amended Order Establishing Policy for Investment of District Funds and Appointing Investment Offer, after noting same was not required.

The Board next deferred a recess to Executive Session to discuss real property matters pursuant to §551.072, Texas Government Code, as same was not required.

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. Marks advised that the District received a response from HCFCD relative to its proposal, a copy of which is attached hereto. He stated that HCFCD disputes the District's cost estimate of \$188,442.30 to bring the Memorial Springs facilities to the satisfaction of HCFCD for acceptance. Mr. Marks stated that HCFCD estimates it will cost approximately \$544,866 to correct the deficiencies in the facilities. Mr. Bordelon advised that he will review the estimate received from HCFCD and will schedule a meeting to discuss same with HCFCD.

The Board next considered discussions relative to the purchase of park land and improvements to same. After discussion, Director Phelps moved that A&S be authorized to prepare plans for the development of the park. Director Soileau seconded said motion, which unanimously carried. The Board further deferred the acceptance of conveyance of park property from the Memorial Springs Homeowner's Association ("HOA"), and the approval of a lease agreement with the HOA relative to the park.

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. On-Line Bill Pay Information;
6. Bookkeeper's Report; and
7. Correspondence from HCFCD.