

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 119
Minutes of Board of Directors Meeting
September 14, 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 September 14, 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.; Sherri Greenwood of BKD, LLP; Craig Rathmann of Rathmann & Associates, L.P.; Abel Bautista 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 August 10, 2009. After review and discussion of the minutes presented, Director Phelps moved that the minutes of the meeting held on August 10, 2009, be approved as corrected. Director Williams seconded said motion, which unanimously carried.

The Board next deferred the Financial Advisor's recommendation concerning the establishment of the District's 2009 tax rate until later in 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 August, a copy of which is attached hereto. Ms. Leuvano reported that 98.92% of the

District's 2008 taxes had been collected through August 31, 2009. She then presented check nos. 2667 through 2672, inclusive, for payment and a wire transfer. 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. 2667 through 2672, inclusive, and a 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 dated September 9, 2009, which had been prepared by the District's delinquent tax attorney, Ted A. Cox, P.C. ("Cox"), a copy of which is attached hereto.

The Board next considered appeals from customers of District charges or policies. In connection therewith, Mr. Rowe reported on correspondence received from Jason Rodriguez, objecting to the \$25.00 stop payment fee charged due to a stop payment being authorized by the customer, a copy of which is attached hereto. After discussion on the matter, Director Phelps moved that the request for refund of the stop payment fee be denied. Director Williams seconded said motion, which unanimously carried.

Mr. Rowe next reported on correspondence received from Gaile Powell relative to her high water usage and requesting a reduction in her bill or a payment plan, a copy of which is attached hereto. He noted that it appears that the customer is using a high amount of water for irrigation purposes. After discussion on the matter, Director Phelps moved to deny the request for a reduction in the usage amount, but to authorize a payment plan for the current amount due plus pay the past due amount over not more than a six (6) month period. Director Williams seconded said motion, which unanimously carried.

The Board next considered a request from Sam Yager to allow the Memorial Springs HOA to stain the fences around the lift station, a copy of which is attached hereto. After discussion on the matter, the Board concurred that the Memorial Springs HOA be allowed to stain said fence. Mr. Rowe advised that he would send a letter to the HOA relative to same.

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

percentage for the month is 98.55%. He stated that the District's facilities had been operating in compliance with their respective permits during the month.

Mr. Rowe next reported on booster pump no. 3 at Water Plant No. 1. He stated it will cost approximately \$10,000 to replace the bowls, shaft and repair the right angle gear drive. Mr. Rowe noted that WDM will file an insurance claim relative to same. Director Phelps requested that WDM obtain a cost estimate for a replacement pump. After discussion, Director Phelps moved that WDM be authorized to perform said repairs as set out above. Director Manning seconded said motion, which unanimously carried.

The Board deferred consideration of the status of repairs to the sewage treatment plant road.

Mr. Rowe next requested that the Board consider authorizing WDM to turn over nine (9) delinquent accounts to Collections Unlimited of Texas ("CUT") for collection, in the total amount of \$883.98 and to write off one (1) account in the total amount of \$12.38. After discussion on the matter, Director Manning moved that WDM be authorized to turn over the nine (9) accounts in the total amount of \$883.98 to CUT for collection, and to write off the one account as set out above. Director Williams seconded said motion, which unanimously carried.

Mr. Rowe next discussed the water quality report and complaints with the Board and noted that he is continuing to monitor same.

Mr. Rowe reported that there were no odor complaints received during the month.

Director Soileau and Ms. Greenwood entered the meeting at this time.

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, the Board discussed the potential water rates beginning in 2010.

The Board next received the Financial Advisor's recommendation concerning the establishment of the District's 2009 tax rate and consideration of proposal of the District's 2009 tax rate. In that regard, Ms. Leuvano reviewed the District's tax rate rollback worksheet with the Board, a copy of which is attached hereto. Mr. Rathmann next noted a value reduction throughout the District stating

that the District's tax base last year was \$399 million and is projected to only be \$389 million this year. He then distributed to the Board a Tax Rate Analysis prepared by Rathmann & Associates, LP, a copy of which is attached, which included the financial advisor's recommendation regarding a 2009 debt service tax rate of \$0.52 and a maintenance tax rate of \$0.05. After discussion on the matter, Director Soileau moved that the Board levy a proposed 2009 debt service tax rate of \$0.51 per \$100 of valuation and a maintenance tax rate of \$0.04 per \$100 of valuation for a total combined tax rate of \$0.55 per \$100 of valuation, and that the Board authorize the District's Tax Assessor/Collector to publish same. Director Manning seconded said motion, which unanimously carried.

The Board next considered the approval of an audit report for the fiscal year ended April 30, 2009. In connection therewith, Ms. Greenwood presented and reviewed the audit report prepared by BKD and the management letter with the Board, copies of which are attached hereto. After discussion concerning the audit presented, Director Williams moved that the audit report be approved, that the President be authorized to execute the Annual Filing Affidavit on behalf of the Board and District, and that such audit report and Annual Filing Affidavit be filed with the appropriate governmental authorities, including the TCEQ. Director Phelps seconded said motion, which unanimously carried.

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 consideration relative to the review of bids and authorizing award of a contract for installation of additional diesel tanks for auxiliary power and installation of auxiliary power at the lift stations.

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. 3, in the amount of \$119,464.88, payable to Lopez, and recommended the Board approve same. After discussion on the matter, Director

Soileau moved that pay application no. 3 in the amount of \$119,464.88, payable to Lopez be approved, as set out above. Director Williams seconded said motion, which unanimously carried.

The Board next considered the status of the contract with T&C Construction ("T&C") for conversion of the chlorination system at the District's three water plants to a chloramine system. In connection therewith, Mr. Bordelon stated that the bonds and insurance have been reviewed by DMM and the contracts are ready for the Board's execution.

The Board next considered the status of the contract for installation of quick connects at the District's facilities. In connection therewith, Mr. Bordelon advised that A&S will assist WDM with the lift station pigtails, if needed.

The Board next considered the status of application to the TCEQ for approval of change order relative to the Lopez contract. Mr. Marks reported that the District received TCEQ approval on August 28, 2009.

The Board next deferred the status of approval of an Out of District Service Contract with Klein Independent School District 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 deferred consideration of amendment to the District's Rate Order.

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, after noting no developer was present.

The Board next considered the status of Web Site design and operation of the District's website. In connection therewith, Mr. Rowe stated that he had nothing new to report.

The Board next considered the status of the addition of online bill payment. In connection therewith, Mr. Rowe stated that same is up and running and noted that the District had approximately \$1,500 paid on line last month.

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 Soileau, seconded by Director Williams, and unanimously carried, the Board approved said reports, and authorized payment on the Operating Account being check nos. 14208 and 14237 through 14286, inclusive, with check no. 14208 being voided, and on the Capital Projects Account being check no. 5516, as set out in said report.

The Board next considered authorizing the preparation of an unclaimed property report as of June 30, 2006, and the filing of same with the State Comptroller prior to November 1, 2009. Mr. Marks stated that the District's operator reported that there were no unclaimed fees, funds, etc. for the period in question, but the District's bookkeeper and tax assessor collector reported that there were unclaimed funds for the reporting period. After discussion on the matter, Director Manning moved that WDM and MA&C be authorized to prepare an unclaimed property report, and file same with the State Comptroller prior to November 1, 2009. Director Williams seconded said motion, which unanimously carried.

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, the Board discussed the response letter dated July 2, 2009, from the HCFCD, a copy of which is attached hereto, wherein HCFCD estimates it will cost approximately \$544,866 to correct the deficiencies in the facilities. After discussion on the matter, Director Soileau moved that the District approve the payment to the HCFCD in the amount of \$544,866 to perform maintenance and rehabilitation of the District's drainage and detention facilities provided that in connection with such payment, the District receives a facility acceptance letter from the

HCFCF relative to the facilities. Director Williams seconded said motion, which unanimously carried.

The Board next considered the approval of a Resolution Authorizing Use of Surplus Construction Funds for rehabilitation and maintenance of drainage and detention facilities. After discussion on the matter, Director Soileau moved that said Resolution be approved and that the President be authorized to execute same on behalf of the Board and the District. Director Williams seconded said motion, which unanimously carried.

The Board next considered the status of acceptance of the Memorial Creek Estates, Section 4 Detention Pond by HCFCF. In connection therewith, Mr. Marks presented and reviewed a Dedication of Flood Control and Drainage Easement to the Board. After discussion on the matter, Director Phelps moved that the Board accept the Dedication Deed to the public. Director Soileau seconded said motion, which unanimously carried.

The Board next considered the status of acceptance of the Memorial Creek Estates, Section 1 Detention Pond by HCFCF. In connection therewith, Mr. Marks presented and reviewed a Dedication of Flood Control and Drainage Easement to the Board. After discussion on the matter, Director Soileau moved that the Board accept the Dedication Deed to the public. Director Manning seconded said motion, which unanimously carried.

The Board next considered the status of acceptance of 5 sections of conveyances and detention facilities in Memorial Springs by HCFCF. After discussion on the matter, Director Soileau moved that the Board dedicate same to the public. Director Manning seconded said motion, which unanimously carried.

The Board next considered the approval of a Special Warranty Deed ("Deed") from MSII Development, Ltd. relative to the Memorial Springs, Section 8 drainage ditch. In connection therewith, Mr. Marks presented said Deed and noted that same was prepared and executed by MS II Development, Ltd., without acceptance by the Board. After discussion, Director Soileau moved that the Board dedicate said site to the public. Director Manning seconded said motion, which unanimously carried.

The Board next considered the approval of a Correction Dedication of Flood Control and Drainage Easement ("Correction Easement") relative to the Memorial Springs Detention Ponds and Drainage Ditches. In connection therewith, Mr. Marks presented and reviewed the Correction

Easement with the Board. After discussion, Director Soileau moved that said Correction Easement be approved and that the Board dedicate same to the public. Director Manning seconded said motion, which unanimously carried.

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 discussions relative to the purchase of park land and improvements to same. In that regard, the Board deferred the approval of plans and authorizing advertisement for bids for development of the park.

The Board next considered the acceptance of a conveyance of park property from the Memorial Springs Homeowner's Association ("HOA"). In that regard, Mr. Marks presented and reviewed a Special Warranty Deed from the HOA. After discussion on the matter, Director Williams moved that said Deed be accepted by the District. Director Manning seconded said motion, which unanimously carried.

The Board next considered the approval of a Lease Agreement (the "Agreement") with the HOA relative to the park property. In that regard, Mr. Marks presented and reviewed the Agreement with the Board. After discussion on the matter, Director Williams moved that said Agreement be approved by the Board. Director Manning seconded said motion, which unanimously carried.

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. Jason Rodriguez correspondence;
4. Gaile Powell correspondence;
5. Sam Yager Request;
6. Operators Report;
7. Water Quality Report;
8. Tax Rate Rollback Worksheet;
9. Tax Rate Analysis;
10. Draft Audit Report;
11. Engineering Report;
12. Bookkeeper's Report; and
13. Correspondence from HCFCD.