

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 119
Minutes of Board of Directors Meeting
January 11, 2010

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 January 11, 2010, 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 Brandi Jones of Marks Richardson PC.

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 December 21, 2009. After review and discussion of the minutes presented, Director Phelps moved that the minutes of the meeting held on December 21, 2009, be approved as written. Director Soileau 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 December, a copy of which is attached hereto. Ms. Leuvano reported that 53.42% of the District's 2009 taxes and 99.53% of the District's 2008 taxes had been collected through December 31, 2009. She then presented check nos. 2699 through 2707, inclusive, and a wire for payment. After discussion of the report submitted, it was moved by Director Williams, seconded by Director Soileau and unanimously carried that said report be

approved and that check nos. 2699 through 2707, 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, Ms. Leuvano presented for the Board's review and information a written report dated January 6, 2010, 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 granting exemptions from taxation for 2010. In connection therewith, Ms. Jones outlined for the Board the various tax exemptions available for the District, including the exemptions provided for by Article VIII, Section 1-b of the Texas Constitution, and Sections 11.13 and 11.184 of the Property Tax Code. After discussion on the matter, Director Phelps moved that the District (a) not grant any residential homestead exemption, (b) grant an exemption in the amount of \$10,000 for persons under such a disability or sixty-five years of age or older, and (c) not grant the exemption for qualified charitable organizations from ad valorem taxes levied by the District during the calendar year 2010, and that the attached Resolution relative to same be approved and adopted by the Board and District. Director Williams seconded said motion, which carried unanimously.

The Board next considered the report on the District's water, sanitary sewer and storm sewer systems for the month of December 2009, a copy of which is attached hereto. In that regard, Mr. Rowe reported that the water accountability percentage for the month is 97.64%. He stated that the District's facilities had been operating in compliance with their respective permits during the month.

The Board next deferred appeals from customers of District charges or policies, after noting no appeals were received.

Mr. Rowe next queried how WWMS should address frozen and/or busted pipe calls received from District customers. He advised that the majority of the calls WWMS is receiving are relative to the back flow on irrigation systems bursting due to the cold weather. After discussion, the Board concurred to wait to see how many requests for adjustments are received, and noted that the rate order required that any billing appeals be in writing or presented in person to the Board.

Mr. Rowe next reported that the installation of the quick connects at the District's facilities are complete and that same can be removed from the agenda.

Mr. Rowe next reported on the status of the repairs to the three (3) mixers at the sewage treatment plant with the Board. He stated that said repairs will be complete soon.

Mr. Rowe next reported that booster pump no. 3 at Water Plant No. 1 is back in service.

The Board deferred consideration on the status of repairs to the sewage treatment plant road, after noting that same is on hold due to the wet ground.

Mr. Rowe next requested that the Board consider authorizing WDM to turn over two (2) delinquent accounts to Collections Unlimited of Texas ("CUT") for collection, in the total amount of \$266.42, and to write off four (4) accounts in the total amount of \$16.79. After discussion on the matter, Director Williams moved that WDM be authorized to turn over the two (2) accounts in the total amount of \$266.42 to CUT for collection, and to write off the four (4) accounts in the amount of \$16.79, as set out above. Director Soileau seconded said motion, which unanimously carried.

The Board next deferred discussion relative to the various generator options for the District, after Mr. Rowe advised he will bring all the information relative to same for discussion at the next meeting.

The Board next deferred consideration of an amendment to the District's Rate Order until 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 reported that the contractor is still working on completing the punch list items.

The Board next considered authorizing the preparation of an Emergency Preparedness Plan ("Plan") relative to the District's facilities. In connection therewith, Mr. Bordelon advised that pursuant to Senate Bill 361 passed in the last Texas Legislature, every District in Harris County is required to prepare such Plan prior to March 1, 2010. After discussion on the matter, Director Soileau moved that the District's engineer be authorized to prepare said Plan.

Director Williams 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 considered 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. Mr. Bordelon noted that same is complete and recommended that same be removed from the agenda.

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 and that Lopez has paid Morrison Supply Company. He then presented pay application no. 7, in the amount of \$199,141.88, payable to Lopez, and recommended the Board approve same. Mr. Bordelon next stated that he received correspondence from Morrison Supply Company, the subcontractor relative to non-payment of an invoice by Lopez. After discussion on the matter, Director Soileau moved that pay application no. 7 in the amount of \$199,141.88, payable to Lopez be approved, as set out above, and that the bookkeeper hold same until the subcontractor is paid. Director Phelps 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 contractor started work today.

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

The Board next considered the status of implementation of energy efficiency programs. In connection therewith, Ms. Jones reported that the bookkeeper has confirmed that payment in the amount of \$12,000 has been made to Legacy Energy Solutions ("Legacy") in accordance with the terms of the Agreement with Legacy for the implementation of energy efficiency measures and monitoring of energy consumption by Legacy. She noted that the Board approved said Agreement in March of 2009, but that the Agreement was never executed by the District or Legacy. After discussion, the Board concurred that the President be authorized to execute said Agreement.

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 Phelps, and unanimously carried, the Board approved said reports, and authorized payment on the Operating Account being check nos. 14413 through 14453, inclusive, and on the Capital Projects Account being check nos. 5524 and 5525, and a wire transfer, as set out in said report.

Ms. Hernandez 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, 2009, through October 31, 2009, a copy of which is attached hereto. After review of the Quarterly Investment Report and upon motion duly made by Director Williams, seconded by Director Manning 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.

Director Phelps next requested that MAC look into moving money out of TexPool and Texas Class.

The Board next deferred the approval an Agreement with the Harris County Flood Control District ("HCFCD") relative to acceptance of the drainage and detention facilities. In connection therewith, Mr. Bordelon noted that Ms. Richardson sent a response to the HCFCD after the last meeting relative to the Board's concerns, but has not received a return response.

The Board next considered discussions relative to the park land improvements, including the status of a contract with Storm Maintenance and Monitoring, Inc., relative to the additional clearing of the park site. In connection therewith, Mr. Bordelon advised that the contractor has started the clearing project.

The Board next considered the attorney's report. In that regard, Ms. Jones advised that effective January 1, 2010, Ms. Richardson became a shareholder in the firm and that the new firm name is Marks Richardson PC.

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. Resolution Concerning Exemptions From Taxation;
4. Operators Report and correspondence;
5. Collections List;
6. Engineering Report;
7. Bookkeeper's Report; and
8. Quarterly Investment Report