

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 119
Minutes of Board of Directors Meeting
February 8, 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 February 8, 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"); Jim Ainsworth of A&S Engineers, Inc. ("A&S"); Yvonne Leuvano of Wheeler & Associates, Inc.; and David Marks 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 January 11, 2010. After review and discussion of the minutes presented, Director Williams moved that the minutes of the meeting held on January 11, 2010, be approved as written. 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 January, a copy of which is attached hereto. Ms. Leuvano reported that 87.04% of the District's 2009 taxes had been collected through January 31, 2010. She then presented check nos. 2708 through 2720, inclusive, and two (2) wires for payment. 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. 2708 through

2720, 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 February 3, 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 the report on the District's water, sanitary sewer and storm sewer systems for the month of January 2010, a copy of which is attached hereto. In that regard, Mr. Rowe reported that the water accountability percentage for the month is 100.1%. He stated that the District's facilities had been operating in compliance with their respective permits during the month.

Mr. Rowe next reported that WDM received six (6) brown water calls from around the area of the pipe bursting. He advised that WDM flushed the system.

The Board next considered appeals from customers of District charges or policies. In that regard, Mr. Rowe presented correspondence from Janette May, of 16902 Bonnie Sean Drive, appealing the \$25.00 returned check charge she received, noting that her bank honored her check before the due date, a copy of which is attached hereto. After discussion on the matter, Director Phelps moved that Ms. May's appeal be denied. Director Williams seconded said motion, which unanimously carried.

Director Soileau entered the meeting at this time.

Mr. Rowe next discussed the well reports with the Board. In connection therewith, Mr. Ainsworth recommended that the Board take no action relative to water plant no. 1 well. Director Phelps requested that Mr. Rowe have water plant no. 2 well tested.

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 five (5) delinquent accounts to Collections Unlimited of Texas ("CUT") for collection, in the total amount of \$543.51, and to write off two (2) accounts in the total amount of \$26.34. After discussion on the matter, Director Williams moved that WDM be authorized

to turn over the five (5) accounts in the total amount of \$543.51 to CUT for collection, and to write off the two (2) accounts in the total amount of \$26.34, as set out above. Director Phelps seconded said motion, which unanimously carried.

The Board next considered authorizing the operator to provide the required information to districts receiving water through emergency interconnect relative to the Consumer Confidence Reports. After discussion on the matter, Director Phelps moved that WDM be authorized to provide the required information as set out above. Director Soileau seconded said motion, which unanimously carried.

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. In that regard, Mr. Ainsworth noted that the NHCRWA has started delivery of surface water to some districts, but that there is no word as to when they will begin delivery of surface water to the District. He further noted that the contractor is still working on completing the punch list items.

The Board next considered the review and approval of an Emergency Preparedness Plan ("Plan") relative to the District's facilities. In connection therewith, Mr. Ainsworth reviewed same with the Board. After discussion, Director Phelps moved that the Plan be approved and that the District's engineer be authorized to file same with the TCEQ prior to March 1, 2010. Director Manning seconded said motion, which unanimously carried.

The Board next considered authorizing the design, advertisement for bids and/or award of construction contracts. Mr. Ainsworth presented a report relative to same, a copy of which is attached hereto.

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. Ainsworth stated that the work is progressing and presented pay application no. 8, in the amount of \$239,447.13, payable to Lopez, and recommended the Board approve same. After discussion on the matter, Director Phelps moved that pay application no. 8 in the amount of \$239,447.13, 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. Ainsworth stated that the work is progressing and presented pay application no. 1, in the amount of \$27,000.00, payable to T&C, and recommended the Board approve same. He then presented change order no. 1 to extend the contract time by thirty five (35) days. After discussion on the matter, Director Phelps moved that change order no. 1 and pay application no. 1 in the amount of \$27,000.00, payable to T&C be approved, as set out above. Director Williams seconded said motion, which unanimously carried.

The Board next deferred the approval of a Surplus Funds Resolution relative to the conversion of chlorination system at the District's three water plants to chloramines system, after Mr. Marks noted that same was not required.

The Board next considered discussions relative to the park land improvements, including the status of a contract with Storm Maintenance and Monitoring, Inc. ("Storm"), relative to the additional clearing of the park site. In connection therewith, Mr. Ainsworth stated the work is progressing and presented pay application no. 1, in the amount of \$5,000.00, payable to Storm, and recommended the Board approve same. After discussion on the matter, Director Phelps moved that pay application no. 1 in the amount of \$5,000.00, payable to Storm be approved, as set out above. Director Williams seconded said motion, which unanimously carried.

The Board next considered an amendment to the District's Rate Order. In connection therewith, Mr. Rowe reviewed same and recommended the following changes, including:

- sanitary sewer inspections - change from \$50.00 to "by quote"
- pre-construction for commercial - change from \$75.00 to "by quote"
- builder deposit - increase from \$500 to \$1,000
- tap fee for water service - increase from \$500 to \$1,000
- temporary water cost - increase from \$1.00 per 1,000 gallons to three times the first residential incremental rate plus the NHCRWA fee
- District construction projects - charge meter deposit, but no charge for water
- disconnect fee - increase from \$30.00 to \$50.00
- delinquent letter - increase from \$0 to \$5.00

- disconnect service at customer request - change from \$15.00 to no charge
- swimming pool inspection - establish a rate of \$20.00
- application fee for swimming pool inspection - establish a rate of \$25.00

After discussion on the matter, Director Manning moved that the above recommended changes be approved, that said Rate Order become effective today, and that any and all rate orders heretofore adopted by the Board be revoked and the attached Rate Order be passed and adopted. Director Soileau 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 the annual review of Resolution Adopting a Prevailing Wage Rate Scale for Construction Projects. Mr. Marks advised that no changes had been made to same, so no action is required at this time. The Board concurred to take no action relative to same.

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. 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 Soileau, and unanimously carried, the Board approved said reports, and authorized payment on the Operating Account being check nos. 14452 through 14494, inclusive, a wire transfer, and on the Capital Projects Account being check nos. 5526 through 5529, and a wire transfer, as set out in said report.

The Board next considered 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. Marks reported on the status and advised that HCFCD has refused to make any of the requested changes to the contract. After discussion, the Board concurred that Mr. Marks request a follow up meeting with Commissioner Eversole.

The Board next considered the annual review of the District's Order Establishing Policy for Investment of District Funds and Appointing Investment Officer ("Order") and the adoption of a Resolution relative thereto. In connection therewith, Mr. Marks advised that there are no proposed changes to the Order at this time and recommended that the current Order remain in effect. After discussion on the matter, Director Phelps moved that the attached Resolution Regarding Review of Order Establishing Policy for Investment of District Funds and Appointing Investment Officer be adopted, and that the President be authorized to sign and the Secretary to attest said Resolution on behalf of the Board and District. Director Soileau seconded said motion, which unanimously carried.

Mr. Marks next advised the Board that requirements in the Public Funds Investment Act require the Board of Directors of the District to review, revise and adopt at least annually a list of qualified brokers authorized to engage in investment transactions with the District. In that regard, he reviewed with the Board a Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, and a list of financial institutions, brokers and dealers attached thereto as Exhibit "A". Mr. Marks recommended to the Board that if any of the directors have a relationship with any of the institutions shown on the list that could create a conflict of interest, then that institution(s) should be deleted from the list that the Board adopts. After discussion, Director Williams moved that the Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved by the Board. Director Soileau seconded said motion, which unanimously carried.

The Board next considered the renewal of the District's insurance coverage for term expiring March 31, 2010. In connection therewith, Mr. Marks distributed renewal proposals received from AquaSurance relative to property, comprehensive boiler and machinery, commercial general liability and hired car and non ownership automobile liability, pollution liability, directors and officers liability, umbrella, public employee blanket crime, directors position schedule bond, tax assessor/collector bond, worker's compensation, and business

travel coverage scheduled to expire on March 31, 2011, copies of which are attached. After discussion on the matter, Director Phelps moved that the renewal proposal from AquaSurance for all coverage's set out above, be approved, and that the President be authorized to execute same on behalf of the Board and District. Director Williams seconded said motion, which unanimously carried.

The Board next considered the calling of a Directors Election to be held on May 8, 2010, and determining of procedure for giving notice of same, and the adoption of an Order in connection therewith, including the appointment of an agent for the District in connection therewith, and the approval of any joint election agreements among the District, Harris County and other participating entities as authorized by the Texas Election Code, if necessary. There was presented the Order calling such election to be held on May 8, 2010. It was noted that the terms of office of Directors Soileau, Williams and Manning would expire in May 2010. Mr. Marks advised the Board that notice of the election could be given by one or more of the following methods: (1) publishing the notice in a newspaper published in the territory of the District or of general circulation in the District at least ten (10) days before the election, but not more than thirty (30) days before; (2) posting the notice at a public place in the District at least twenty-one (21) days before the election; or (3) mailing the notice to each registered voter in the District at least ten (10) days before the election. Mr. Marks further advised that, in addition to the above, notice must be posted at the location used for posting notices of the meetings at least twenty-one (21) days before the election. Following discussion of the options, it was moved by Director Williams, seconded by Director Phelps and unanimously carried that the Order Calling the election be adopted, and that notice of the election be given by posting at a public place in the District and by posting at the location where notices of the meetings are posted, all as specified above, and that the attorneys for the District be authorized to arrange for said notice to be posted and, if necessary, authorize the District to enter into any joint election agreements with Harris County and other participating entities as authorized by the Texas Election Code. Mr. Marks then advised the Board that, in accordance with Subchapter C of Chapter 2 of the Election Code, after 5:00 p.m. on March 16, 2010, the District may cancel the election if each candidate whose name is to appear on the ballot is unopposed, and the Board of Directors of the District can then declare such unopposed candidates to be elected.

Mr. Marks next advised the Board that an agent should be appointed to perform election duties in connection with the Directors Election. After discussion on the matter, Director Williams moved that said Order be passed and adopted, that the Notice of Appointed Agent appointing Brandi Jones and Brooke Hesson as agents be adopted, that the President and Secretary be authorized to execute the Order and the Notice on behalf of the Board and the District, and that the attorneys of the District be instructed to handle the mechanics of said election. Director Phelps 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. Operators Report and correspondence;
4. Janette May correspondence;
5. Water Quality Report/Collections List;
6. Engineering Report and correspondence;
7. Rate Order Amendment recommendations;
8. Bookkeeper's Report;
9. Qualified Brokers List; and
10. AquaSurance Renewal Proposal