

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 119
Minutes of Board of Directors Meeting
April 12, 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 April 12, 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"); Sherri Greenwood of BKD, LLP; 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 signed up to speak.

The Board next reviewed and considered the approval of the minutes of the meetings held on March 8, 2010 and March 29, 2010. After review and discussion of the minutes presented, Director Manning moved that the minutes of the meetings held on March 8, 2010, and March 29, 2010, be approved as written. Director Williams 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 March, a copy of which is attached hereto. Ms. Leuvano reported that 95.78% of the District's 2009 taxes had been collected through March 31, 2010. She then presented check nos. 2740 through 2755, inclusive, and a wire for payment. After discussion of the

report submitted, it was moved by Director Soileau, seconded by Director Phelps and unanimously carried that said report be approved and that check nos. 2740 through 2755, 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 April 7, 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.

Mr. Marks next advised the Board that pursuant to Section 33.07 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 total taxes, penalty and interest due the District on July 1 on taxes that remain delinquent as of July 1 of the year in which they become delinquent. After discussion on the matter, Director Phelps moved that the Resolution Authorizing Additional Penalty on Delinquent Taxes, a copy of which is attached hereto, be adopted by the Board and District. Director Soileau seconded said motion, which unanimously carried.

Ms. Greenwood of BKD, next presented a proposal for the Board's consideration and made a presentation to the Board regarding BKD's qualifications relative to the performance of auditing procedures regarding the District's audit. She stated that BKD's fee for the preparation of the District's audit for the fiscal year ending April 30, 2010, was estimated to be \$17,600.00, plus expenses. After discussion on the matter, Director Phelps moved that the Board engage BKD to prepare the District's audit report for the fiscal year ending April 30, 2010. Director Soileau 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 March 2010, a copy of which is attached hereto. In that regard, Mr. Rowe reported that the water accountability percentage for the month is 99.97%. He stated that the District's facilities had been operating in compliance with their respective permits during the month.

The Board next considered appeals from customers of District charges or policies. In connection therewith, Mr. Rowe stated that WDM did not receive any appeals.

Mr. Rowe next advised that WDM will be repairing the sanitary sewer line that is causing the sink hole on Old Louetta Road.

Mr. Rowe next requested that the Board consider authorizing WDM to turn over eight (8) delinquent accounts to Collections Unlimited of Texas ("CUT") for collection, in the total amount of \$1,077.39, and to write off three (3) accounts in the total amount of \$40.70. After discussion on the matter, Director Manning moved that WDM be authorized to turn over the eight (8) accounts in the total amount of \$1,077.39 to CUT for collection, and to write off the three (3) accounts in the amount of \$40.70, as set out above. Director Soileau seconded said motion, which unanimously carried.

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

The Board next considered authorizing WDM to prepare the draft Consumer Confidence Report ("CCR") for review by the Board. After discussion, Director Soileau moved that WDM be authorized to prepare said draft CCR. Director Phelps seconded said motion, which unanimously carried.

Mr. Rowe next advised that WDM received a proposal from Cor Pro to perform cathodic protection on all of the ground storage tanks at a cost of \$695 per tank. He noted that the maintenance would be handled with Cor Pro performing the work as a subcontractor to WDM. After discussion, the Board concurred that WDM be authorized to proceed with the annual maintenance on the tanks.

Mr. Rowe next advised that WDM received one call from a customer relative to the chloramine notice that was handled by WDM.

Mr. Rowe next discussed the status of temporary water service to a school in the Klein Independent School District ("KISD"). He stated that the school has no permanent water or sanitary sewer service and that it is presently using both a temporary meter on the District's system and an on-site well, and that waste water is being discharged into an open ditch. Mr. Bordelon stated that KISD has also inquired about the school being allowed to discharge into one of the District's detention pond. After discussion, the Board concurred that Mr. Bordelon request a \$10,000 deposit from KISD to cover any expense relative to the detention

pond and further that the District take back the meter and terminate the temporary service to the school. The Board noted the District will resume service to the school after KISD corrects the sanitary sewer discharge problem and disconnects the school from the on-site water well.

Mr. Rowe next discussed information relative to a grass recycling program with the Board and queried if the Board would like to include the information on the monthly water bills. After discussion, the Board concurred that WDM should proceed with the grass recycling information on the water bills.

The Board next considered the adoption of water conservation goals in connection with the District's participation in the Water Smart Program. In connection therewith, Mr. Rowe presented and reviewed a proposal for water conservation goals, a copy of which is attached hereto. After discussion, Director Soileau moved that said proposal for water conservation goals be approved as presented. Director Williams 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 requirements. In that regard, Mr. Marks presented and reviewed correspondence received from the NHCRWA relative to the implementation procedure for aggregated permit, a copy of which is attached hereto. Mr. Rowe advised the Board that WDM is on top of the new procedure.

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.

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 presented pay application no. 10, in the amount of \$354,558.15, payable to Lopez, and recommended the Board approve same. After discussion on the matter, Director Soileau moved that pay application no. 10 in the amount of \$354,558.15, 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 work is progressing and presented pay application no. 2, in the amount of \$161,838.00, and pay estimate no. 3, in the amount of \$23,200.00, payable to T&C, and recommended the Board approve same. After discussion on the matter, Director Soileau moved that pay application no. 2 in the amount of \$161,838.00, and pay estimate no. 3, in the amount of \$23,200.00, 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 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 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 Manning, seconded by Director Soileau, and unanimously carried, the Board approved said reports, and authorized payment on the Operating Account being check nos. 14463, 14496 and 14541 through 14584, inclusive, a wire transfer, with check nos. 14463 and 14496 being voided, and on the Capital Projects Account being check nos. 5532 through 5536, as set out in said report.

Ms. Hernandez next presented and reviewed with the Board an operating budget for the District's fiscal year ending April 30, 2011, a copy of which is attached hereto, which had been prepared by the District's bookkeeper, MAC. After discussion on the subject budget, Director Manning moved that same be adopted by the Board and District, as revised. Director Williams seconded said motion, which unanimously carried.

The Board next considered the status of the issuance of the District's Unlimited Tax Refunding Bonds, Series 2010. In connection therewith, Mr. Marks advised that the transcript of legal proceedings has been forwarded to the Attorney General for review and approval.

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 discussed the status of same and advised that a meeting with Commissioner Eversole has been scheduled for April 20, 2010.

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. Bordelon advised that the work is progressing and noted that the contractor has submitted pay estimate no. 2 in the amount of \$7,600 for payment. After discussion, the Board concurred to defer the approval of said pay estimate pending final inspection to be held later in the week.

The Board next considered the adoption of an Order Declaring Candidates Elected. Mr. Marks advised that in accordance with Subchapter C, Chapter 2 of the Election Code and Section 2.052 of the Election Code, after 5:00 p.m. on March 16, 2010, the District may cancel the election if each candidate whose name appears on the ballot and/or has registered as a write-in candidate is unopposed in such election and the Board of Directors of the District can declare such unopposed candidates elected or to be re-elected for an additional term. In that regard, Mr. Marks presented a certificate declaring all candidates unopposed and presented and reviewed various portions of the attached Order Declaring Candidates Elected. After discussion, Director Soileau moved that the Order be adopted by the Board declaring Directors Williams, Soileau and Manning re-elected for an additional term expiring in May of 2014, and that the President be authorized to execute and the Secretary to attest same on behalf of the Board and the District. 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. Water Conservation Goals;
5. NHCRWA Correspondence;
6. Engineering Report and correspondence;
7. Bookkeeper's Report;
8. Draft Budget;
9. Order Declaring Candidates Elected