

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 119
Minutes of Board of Directors Meeting
August 8, 2011

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 August 8, 2011, 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, Asst. Secretary

and all of said members were present, thus constituting a quorum.

Also present were Lisa Hernandez of Municipal Accounts & Consulting, L.P. ("MAC"); Troy Bordelon of A&S Engineers, Inc. ("A&S"); Lauren Matson of Wheeler & Associates, Inc.; David Rowe of Water District Management Co. ("WDM"); Sherri Greenwood of BKD, LLP; Karen Sears of Acclaim Energy Advisors; Katherine Bon Durant, a resident of the District; and Kara Richardson of Marks Richardson PC ("MRPC").

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 meeting held on July 11, 2011. After review and discussion of the minutes presented, Director Manning moved that the minutes of the meeting held on July 11, 2011, be approved. Director Soileau seconded said motion, which unanimously carried.

The Board deferred consideration of approval of an audit report for the fiscal year ended April 30, 2011, until later in the meeting.

The Board next considered the status of the Application to the TCEQ requesting the use of surplus construction funds relative to reimbursement of funds expended by New Quest for extension of District facilities. In that regard, Mr. Bordelon advised that the Application had been approved and

he is awaiting the TCEQ pre-purchase inspection approval letter.

Ms. Greenwood from BKD, LLP entered the meeting.

Ms. Bon Durant, a resident of the District, addressed the Board and queried relative to the \$1.00 fee charged for auto-draft. Mr. Rowe explained that the fee is a charge incurred by the District from the bank and is passed on by the District to any customer incurring the charge by virtue of utilizing the auto-draft service. Ms. Bon Durant then queried regarding the ditch by Chaseloch with the No Trespassing sign. Mr. Bordelon advised that the property belongs to the Harris County Flood Control District. Ms. Bon Durant then stated that she spoke with Merwin Lee regarding the number of street sinkholes in the area and wondered if it was a result of waterline work. Mr. Bordelon advised that the sinkholes were not the result of repairs by the District and that repair of the street sinkholes was the responsibility of Harris County Precinct No. 4.

The Board next considered the approval of an audit report for the fiscal year ended April 30, 2011. In connection therewith, Ms. Greenwood presented and reviewed the draft 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 Phelps moved that the audit report be approved, pending review by MRPC, 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 Manning seconded said motion, which unanimously carried.

The Board next considered approval of a proposal for preparation of a reimbursement audit relative to New Quest. In that regard, Ms. Greenwood presented a proposal from BKD to prepare the reimbursement audit relative to New Quest at a cost of \$500.00 to \$1,000.00. After discussion, Director Phelps moved that the proposal of BKD to prepare the reimbursement audit relative to New Quest be approved, as set out above. Director Williams seconded said motion, which unanimously carried.

The Board deferred consideration of a proposal for District participation in the RecycleBank Program with Republic Services. In that regard, it was requested that this agenda item be removed as the RecycleBank Program is no longer being offered.

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 July, a copy of which is attached hereto. Ms. Matson reported that 98.95% of the District's 2010 taxes had been collected through July 31, 2011. She then presented check nos. 2877 through 2883, inclusive, and one wire transfer for payment. 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. 2877 through 2836, inclusive, and one 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, Ms. Matson presented for the Board's review and information a written report dated August 3, 2011, which had been prepared by the District's delinquent tax attorney, Ted A. Cox, P.C., 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 July 2011, a copy of which is attached hereto. In that regard, Mr. Rowe reported that the water accountability percentage for the month is 95.72%, and that the District's facilities had been operating in compliance with their respective permits during the month.

Mr. Rowe next reported that WDM recently cleaned the outfall at the sewer plant and all looks good.

Mr. Rowe next reported that it would cost approximately \$300.00 to inspect and reinstall the fountain pump at Memorial Creek Estates.

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 \$375.34 and to write-off two (2) accounts in the amount of \$11.30. After discussion on the matter, Director Soileau moved that WDM be authorized to turn over the five (5) subject accounts in the total amount of \$375.34 to CUT for collection and to write off two (2) accounts in the amount of \$11.30, as set out above. Director Williams seconded said motion, which unanimously carried.

Ms. Sears entered the meeting.

The Board next considered the status of the North Harris County Regional Water Authority ("NHCRWA"). In that regard, Mr. Bordelon advised that he had nothing new to report.

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

The Board next considered approval of plans and specifications and authorization to advertise for bids relative to installation of auxiliary power at Water Plant No. 2 with surface water conversion. In that regard, Mr. Bordelon advised that he is waiting on the waiver from the TCEQ.

The Board next considered the status of request to the TCEQ for waiver of an elevated storage facility, status of the hydrology study and enforcement action and approval of Agreed Order. In connection therewith, Mr. Bordelon advised that the application is pending at the TCEQ.

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 Soileau, seconded by Director Manning, and unanimously carried, the Board approved said reports, and authorized payment on the Operating Account being check nos. 15188 through 15239, inclusive, as set out in said report.

Ms. Hernandez next distributed a flyer inviting the Board to attend the Arbitrage 101 class offered by MAC on August 19, 2011, a copy of which is attached hereto.

The Board next deferred consideration of a proposal from Acclaim Energy Advisors ("Acclaim") for completion of forms relative to SECO - Senate Bill 12 reporting. In that regard, Ms. Sears reported that she is waiting to hear back from her office regarding the District's reporting requirement.

The Board next considered approval of an energy contract. In that regard, Ms. Sears advised that the District's current contract with Acclaim expires in January 2012, and that, with natural gas prices currently being extremely low, the Board should consider entering into a contract now and locking in a rate to begin at the expiration of the District's current contract. In connection therewith, Ms. Sears presented the attached various offers from energy providers. After review of the offers presented, Director Soileau made a motion to approve a 4-year contract with either Hudson or Suez, depending upon which company's price was lower on Thursday, August 9, 2011, as long as such price was lower than \$0.65/KWhr, pending review of such contract by MRPC, and pending verbal confirmation of such acceptance by Director Phelps. Director Williams seconded said motion, which unanimously carried.

The Board next considered the status of maintenance of District property leased to the Homeowners Association ("HOA") in the District. In that regard, it was noted that the grass was recently cut, but that there are usually several months between mowings. Director Phelps recommended that the Board keep the lines of communication open with the HOA so that the property gets mowed and maintained on a regular basis. Director Williams advised that he will be attending the HOA meeting tomorrow and will open a discussion regarding consistent mowing of the property.

The Board deferred consideration of matters for possible placement on future agendas.

The Board discussed possibly moving its next meeting to September 19, pending the health of Director Eckert's wife.

There being no further business to come before the Board, the meeting was adjourned.

/s/ John Soileau

John Soileau
Secretary

ATTACHMENTS

1. Draft Audit (4/30/11)
2. Tax Assessor/Collector Reports
3. Ted Cox Report
4. Operators Report and related correspondence
5. Engineer's Report
6. Bookkeeper's Report
7. MAI / Arbitrage 101 Flyer
8. Acclaim report dated 8/8/11