

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 119
Minutes of Board of Directors Meeting
April 14, 2014

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 14, 2014, 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:

Andrew R. Phelps, President
John Soileau, Vice President
William Manning, Secretary
Robert Williams, Asst. Secretary/Treasurer
Salvador Andrade, Director

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

Also present were Anthony Lasky of Municipal Accounts & Consulting, L.P. ("MA&C"); Lauren Davis of Wheeler & Associates, Inc. ("W&A"); Justin Edwards of A&S Engineers, Inc. ("A&S"); David Rowe of Water District Management Co. ("WDM"); David Marks of Marks Richardson PC ("MRPC"); Sherri Greenwood of BKD, LLP ("BKD") and Randy Jones of Spring Cypress 54.25 Investment, LLC.

The President called the meeting to order and declared it open for such business as might regularly come before it.

The Board deferred consideration of comments from members of 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 March 10, 2014. After review and discussion of the minutes presented, Director Williams moved that the minutes of the meeting held on March 10, 2014, be approved, as written. Director Andrade 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. Davis reported that 97.81% of the District's 2013 taxes had been collected through March 31, 2014. After review and discussion of the reports presented, Director Williams moved that the Board approve said reports and authorize payment on the Tax Account, being check nos. 3095 through 3102, inclusive, with check no. 3095 being voided, and one wire transfer, as identified in said tax assessor collector's report. Director Andrade seconded said motion, which carried unanimously.

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. Davis presented for the Board's review and information a Delinquent Collections Listing as of March 31, 2014, a copy of which is attached hereto. Ms. Davis next presented for the Board's review

and information a written report dated April 8, 2014, which had been prepared by the District's delinquent tax attorney, Ted A. Cox, P.C. ("Cox"), a copy of which is attached hereto. Ms. Davis next reported that Cox recommended that the Board move the Great Western Service Corp. account to the uncollectible accounts. After discussion, Director Williams made a motion to move the Great Western Service Corp. account to the District's uncollectible accounts. Director Andrade seconded said motion, which unanimously carried.

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 real property 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 Williams moved that the attached Resolution Authorizing Additional Penalty on Delinquent Real Property Taxes be adopted by the Board and District. Director Andrade 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 2014, a copy of which is attached hereto. In connection therewith, Mr. Rowe reported that the water accountability percentage for the month is 100.32% and that the District's facilities operated in compliance with their respective permits during the month.

Mr. Rowe next presented and reviewed correspondence received from Lynn Quinn on behalf of the Dianna M. Doyle account requesting an adjustment to bill to \$96.00. Mr. Rowe stated that the total bill is in the amount of \$1,119.45 and recommended that an adjustment be made in the amount of \$681.34, due to high usage from a water leak. Mr. Rowe noted that the meter was changed out but was not tested. After discussion, Director Phelps made a motion to offer Ms. Quinn an adjustment to the total bill in the amount of \$681.34, resulting in a total bill due of \$540.45. Director Williams seconded said motion, which unanimously carried.

Mr. Rowe next reported that there has been a low ph reading at the wastewater treatment plant of 3.9 and that he has requested verification as the level is extremely low and probably not possible.

Director Soileau entered the meeting at this time.

Mr. Rowe next recommended that the Board consider approval of performing the annual cathodic protection inspection at Water Plant No. 2 at a total cost of \$845 per tank. After discussion, Director Williams made a motion to authorize the annual cathodic protection at Water Plant No. 2, as set out above. Director Soileau seconded said motion, which unanimously carried.

Mr. Rowe next reported that the flushing valve repairs are in process.

Mr. Rowe next reported that the fountains at the Districts' detention ponds are still not working properly and that the park bench was installed at the wrong location, noting that the bench should have been installed at the North detention basin.

Mr. Rowe next reported that it will cost \$2,638 to repair the existing on-site lift station pump or \$25,920 to convert to a submersible system. After discussion, Director Williams made a motion to approve converting to a submersible system, as set out above. Director Andrade seconded said motion, which unanimously carried.

Mr. Rowe next requested that the Board consider authorizing WDM to turn over four (4) delinquent accounts to Collections Unlimited of Texas ("CUT") for collection, in the total amount of \$259.56. After discussion on the matter, Director Soileau moved that WDM be authorized to turn over the four (4) subject accounts in the total amount of \$259.56 to CUT for collection in the total amount of \$259.56, as set out above. Director Andrade seconded said motion, which unanimously carried.

Mr. Rowe next reported that correspondence was received from the City of Houston regarding contamination of property outside of the District.

Mr. Rowe next presented and reviewed the attached proposal received from Trinity Wastewater Solutions ("Trinity") to provide mobile dewatering services at a rate of \$0.0425 per gallon. Mr. Rowe noted that the District is currently paying \$0.047 per gallon, including a fuel surcharge fee. After discussion, the Board concurred to enter into a contract with Trinity for mobile dewatering services.

The Board next considered authorizing the operator to prepare a draft Consumer Confidence Report for review by the Board. After discussion on the matter, Director Soileau made a motion to authorize the operator to prepare a draft of the 2013 Consumer Confidence Report for review by the Board of Directors. Director Williams seconded said motion, which unanimously carried.

The Board next considered the annual report on the District's Identity Theft Prevention Program. In that regard, Mr. Rowe presented and reviewed the District's annual report and stated that there were no significant red flag incidents to report and that he had no recommended changes at this time.

A discussion then followed regarding the future of Water Plant No. 1, including review of the cost comparison relative to decommissioning or rehabilitation of the plant. In connection therewith, Director Phelps advised that he spoke with Mr. Rolan and that the discussion with the North Harris County Regional Water Authority ("NHCRWA") was dropped due to not having any new information on the well. Director Phelps noted that Mr. Rolan indicated that if the well is pulled and inspected, it would enable the NHCRWA to make a decision. Director Phelps next recommended that the Board authorize Alsay Incorporated to pull and inspect the well at a cost of approximately \$8,000. After discussion, Director Soileau made a motion to authorize WDM to subcontract with Alsay Incorporated to pull and inspect the well, as set out above. Director Williams seconded said motion, which unanimously carried.

The Board next considered the status of the NHCRWA. In that regard, Mr. Edwards stated that he had nothing new to report to the Board this month.

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

The Board next considered the status of contract with Schier Construction for additional hydropneumatic tank at Water Plant No. 3. In that regard, Mr. Edwards reported that the contractor is scheduled to be on site beginning April 14th per the construction schedule and requested the Board to make a color choice for the new tank. After discussion, the Board concurred to match the tank color to the existing facilities.

The Board next considered the status of contract with Paskey Incorporated (“Paskey”) for construction of detention pond to serve Stonebrook Estates. In connection therewith, Mr. Edwards reported that no pay estimates were received during the past month.

The Board next considered the status of contract with Paskey for water, sanitary sewer and drainage facilities to serve Stonebrook Estates, Section 1. In that regard, Mr. Edwards recommended that the Board concur in the payment of Pay Estimate No. 4 in the amount of \$44,221.05 by the developer. After discussion on the matter, Director Williams made a motion that the Board concur in payment of Pay Estimate No. 4 by the developer to Paskey, as set out above. Director Andrade seconded said motion, which unanimously carried.

The Board next deferred consideration of acceptance of site and/or easement conveyances for facilities constructed or to be constructed for the District.

The Board next considered the annual review of Resolution Adopting Prevailing Wage Rate Scale for Construction Projects and authorizing survey of wages, a copy of which is attached hereto. After discussion, Director Williams moved to adopt the attached Resolution Adopting Prevailing Wage Rate Scale For Construction Projects based on the average between the Department of Labor, the City of Houston and Harris County rates. Director Soileau seconded said motion, which unanimously carried.

The Board next considered a report regarding the status of the development of property within the District. In connection therewith, Mr. Jones reported that the paving is 50% complete, that the plat has been recorded and that home construction will begin in early May. Mr. Edwards reported that A&S received a set of preliminary drawings relative to the triangle tract for review.

The Board next deferred the issuance of utility commitments, after noting no requests were received.

The Board next considered the financial and investment reports and the invoices presented for payment. In connection therewith, Mr. Lasky 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 MA&C, 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. 16722 through 16771, inclusive, with check no. 16728 being voided, as set out in said report.

Mr. Lasky next presented and reviewed with the Board an operating budget for the District's fiscal year ending April 30, 2015, a copy of which is attached hereto, which had been prepared by the District's bookkeeper, MA&C. After discussion on the subject budget, Director Williams moved that same be adopted by the Board and District, as revised. Director Soileau seconded said motion, which unanimously carried.

Mr. Rowe next recommended that the District's tap fee be changed to \$450.00 per home. After discussion, the Board concurred to place items relative to amending the operator's contract and the District's Rate Order on the next agenda for Board consideration.

The Board next considered approval of Engagement Letter for Arbitrage Compliance Services relative to the District's \$4,680,000 Unlimited Tax Bonds, Series 2004. In that regard, Mr. Marks presented the attached engagement letter for the Board's approval. After discussion, Director Soileau made a motion to approve the engagement letter 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 deferred discussion regarding the District's participation in the Cypress Creek Trails project until the next Board meeting.

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, 2014, was estimated to be \$17,000.00, plus expenses not to exceed \$500.00. After discussion on the matter, Director Williams moved that the Board engage BKD to prepare the District's audit report for the fiscal year ending April 30, 2014, as set out above. Director Soileau seconded said motion, which unanimously carried.

The Board next considered matters for possible placement on future agendas.

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

/s/ Robert Williams

Robert Williams
Assistant Secretary

ATTACHMENTS
April 14, 2014 Meeting

1. Tax Assessor/Collector Reports
2. Delinquent Tax Report
3. Resolution Authorizing an Additional Penalty on Delinquent Real Property Taxes
4. Operator's Report and related correspondence
5. Engineer's Report and related correspondence
6. Resolution Adopting Prevailing Wage Rate Scale for Construction Projects
7. Bookkeeper's Report
8. Proposed Budget for fiscal year ending April 30, 2015
9. Engagement Letter for Arbitrage Compliance Services - Series 2004 Bonds