

Mr. Shackelford then reported that Jones & Carter received the updated plans from Mr. Gary Montgomery, engineer for the Texas Mega Storage project, last week. Mr. Shackelford noted that he will review the plans and provide an update at the Board's December 20, 2005 meeting.

REVIEW/DISCUSS PROPOSED MASTER PLAN FOR DISTRICT FACILITIES

Mr. Peterson then presented an overview of the proposed Master Plan for the future development of the District's facilities. A copy of the PowerPoint presentation is attached hereto.

Mr. Peterson noted that the District has annexed 1,062.133 acres of land since 2000. Mr. Peterson also noted that the District has a bond authorization amount of \$115,412,000 and has committed \$110,412,000 of such bond authorization to current development projects in the District. Mr. Peterson observed that for several years, the rapid growth of the District made it difficult to foresee the District's ultimate boundaries, but now with the proposed Alignment "F" of the Grand Parkway in place, the District's northern boundary can be determined, and the 100-acre Klein Independent School District ("KISD") tract will define the District's western boundary. Mr. Peterson then briefly reviewed the remaining undeveloped tracts of land to the east and south of the District's current boundaries. Director Thomas noted that a revised Draft Environmental Impact Statement is expected to be released by the Grand Parkway Association in February, 2006.

Concerning future development/expansion of the District's water system, Mr. Peterson explained that there are gaps in the existing water system that will need to be closed at some point to form water line loops that will maximize the District's water distribution system. Mr. Peterson stated that the funds needed to maximize the District's water system will come from a combination of District funds and developer funds. Mr. Peterson stated that the southern portion of the District will likely receive surface water from the North Harris County Regional Water Authority (the "NHCRWA"), but that the northwest portion of the District would still be utilizing groundwater in 2010. Mr. Peterson noted that the proposed Master Plan calls for the addition of Water Plant No. 4 on the tract obtained from KISD.

A discussion then ensued regarding the Texas Commission on Environmental Quality's (the "TCEQ") requirement for elevated storage when the District reaches 4,600 connections and the efforts being made to avoid having to construct elevated storage by providing evidence to the TCEQ that the District's water system can be regarded as two (2) systems. Mr. Shackelford added that he is also reviewing the possibility of receiving surface water from the NHCRWA at Water Well No. 4. Mr. Conner further discussed the process and methodology of splitting the District's water system into two (2) systems, with one (1) system being the blended water system with NHCRWA surface water utilizing Water Plants Nos. 1 and 3, and the other system having groundwater supplied by Water Plant Nos. 2 and 4, which would result in two (2) distribution systems, each with less than 4,600 connections. Director Marks then asked about the NHCRWA's cost of \$1.80 per 1,000 gallons for surface water. Ms. Bobbitt noted that the District would qualify to receive depreciated asset credits from the NHCRWA, which would somewhat reduce the cost of the surface water.

Mr. Peterson next reviewed the future development/expansion of the District's sanitary sewer system and potential repairs and maintenance issues for such system. Mr. Peterson noted that within the next five (5) years, the District should begin the systematic televising of the sewer system for inflow and infiltration problems and to determine the segments of the system that most need repair and/or replacement. Director Marks then inquired why the televising of the lines should not be done now. Mr. Conner reminded the Board that Superior Waterworks, Inc., the District's contractor for repair/maintenance work, is currently working on repairs to the manholes in some of the older sections of the District.

Concerning the District's drainage and detention system, Mr. Peterson stated that the majority of the detention basins located within the District will eventually be taken over by the Harris County Flood Control District (the "HCFCD") for maintenance. Mr. Peterson noted that the District has been requiring developers to design their detention facilities to meet the HCFCD criteria for acceptance and maintenance.

Director Thomas then observed that Mr. Peterson's presentation was more of an overview rather than a formal Master Plan. Mr. Peterson explained that he and Mr. Shackelford have the Board's concurrence on the future needs of the District and on the various components of the Master Plan. Mr. Peterson added that they will update and revise the District's five (5) year capital improvement plan ("CIP") that was previously prepared and approved by the Board several years ago.

Director Marks commented that it seems the District continues to exceed the boundaries that the Board previously identified. Mr. Conner interjected that the growth of the District has been rapid over the past three (3) years, and noted that the District's boundaries are essentially limited by the District's wastewater treatment plant (the "STP") capacity. Mr. Shackelford noted that the District will need to expand the STP within the next two (2) years. Mr. Conner stated that the District no longer needs additional residential development, but does need to finish out the commercial corridors. Ms. Bobbitt noted that the income the District hopes to obtain from the proposed Strategic Partnership Agreement with the City of Houston will yield an estimated \$30,000 per month based on the District's current commercial development, and added that such revenues can be used for the rehabilitation of the District's water and sanitary sewer systems.

Further discussion then ensued concerning the repair/maintenance needs of the District's aging water and sanitary sewer systems. Director Thomas asked about the expected useful life of storm sewer pipe. Mr. Conner responded that the useful life of sewer pipe is around 25 years, and noted that several sections of the District's sanitary sewer system were older than 25 years. Mr. Conner then stated that the age of the system, soil conditions, water table levels and insulation of lines are all facts to be taken into account on how a system ages and the repairs that need to be made.

Mr. Shackelford then explained that Jones & Carter has identified the basic components of the District's Master Plan and now, with the Board's authorization, Jones & Carter will proceed with preparation of an updated CIP that will include the estimated costs for all of the projects included in the Master Plan. Mr. Shackelford stated that he should have the CIP ready for review at the Board's February meeting.

REVIEW/DISCUSS GARBAGE COLLECTION SERVICE MATTERS

Mr. Conner reported that Mr. Johnny Smith of Republic Waste Services ("Republic") has arranged for a third garbage truck and crew to provide garbage pick-up services in the District and is further investigating whether the District should be divided into a split collection schedule. Mr. Conner then distributed copies of a letter from Republic announcing a 4.31% increase in the monthly rate from \$11.26 (excluding sales tax) to \$11.75 (excluding sales tax), to be effective January 1, 2006. A copy of such letter is attached hereto. Director Thomas stated that he was shocked that Republic sent a notice of rate increase to the District in light of the recent service problems. Ms. Bobbitt explained that the rate increases on an annual basis pursuant to the terms of the District's contract with Republic. Director Warren stated that he felt the District should obtain proposals from other garbage collection service companies if Republic is increasing its rates. Mr. Conner reminded the Board that Mr. Smith is trying to make necessary adjustments to meet the service requirements reflected in Republic's contract with the District. Director Steffes asked Mr. Conner to follow-up with Mr. Smith on the garbage service matters and request that he present his service plan to the Board at the Board's regular meeting on December 20, 2005. Director Steffes stated that if Republic revises its contract with the District, the Board should consider soliciting garbage service proposals.

INTERLOCAL AGREEMENT FOR LAW ENFORCEMENT SERVICES

Ms. Bobbitt reported that the proposed Interlocal Agreements for Law Enforcement Services by and between Harris County and the District (the "Interlocal Agreements") had been delivered to her office, a copy of which is attached hereto. Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to authorize execution of the Interlocal Agreements.

STORM WATER QUALITY PERMIT APPLICATION FOR SPRING TERRACE DETENTION POND

Ms. Bobbitt reported that the Storm Water Quality Permit Application (the "SWQP Application") for the Spring Terrace detention pond had been sent to her office by Mr. Moy for execution by the Board. A copy of the SWQP Application is attached hereto. After a brief discussion, it was determined that the SWQP Application would be executed, but would be held by Ms. Bobbitt's office until the Cost Sharing Agreement for Joint Detention Facilities (Spring Terrace/Bella Sera Subdivisions) is fully executed by all parties.

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

PASSED, APPROVED AND ADOPTED this 17th day of January, 2006.

/s/Ronald W. Schkade

Secretary, Board of Directors

(DISTRICT SEAL)