

HARRIS COUNTY PRECINCT 4 CONSTABLE'S REPORT

Sergeant Mayes reviewed the Constable's Report for the month of October, a copy of which is attached hereto.

CONSENT AGENDA

Director Steffes then reviewed with the Board the items reflected on the Consent Agenda. Director Steffes explained that this portion of the agenda deals with routine matters of the Board, and that no separate discussion of such items will occur unless a Board member or a member of the public requests that an item be moved to the regular portion of the agenda.

Mr. Peterson stated that he had no changes to the Consent Agenda.

Upon motion by Director Schkade, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to approve the following Consent Agenda items: 1) approve the minutes of the regular meeting of October 21, 2008; 2) ratify the engagement of McCall, Gibson & Company, PLLC to prepare audit of reimbursables to Northcrest 2920, LP; 3) authorize Jones & Carter to advertise for bids for the Elevated Storage Tank project; 4) award construction contract to SLC Construction, L.P. in the amount of \$1,353,307.85 for the construction of The Sanctuary water, sewer and drainage facilities; 5) approve the following pay estimates: a) Pay Estimate No. 3 and Final in the amount of \$6,862.50 from Statewide Services in connection with the Kuykendahl Road and Stuebner Road utility extension; b) Pay Estimate No. 4 in the amount of \$29,787.75 and Change Order No. 1 in the amount of \$1,129.50 from Excalibur Excavation, L.P. in connection with the Northcrest Village, Section 7 drainage channel and detention facilities; and c) Pay Estimates No. 8 in the amount of \$159,904.99 from L. N. McKean, Inc. in connection with the Upper Seals Gully channel detention.

Director Theiss asked if the Board could plan a special meeting in which they would review the design of the Elevated Storage Tank. Mr. Conner stated that he would arrange for such meeting.

Sergeant Mayes then exited the meeting and Mr. Haaland and Director Marks entered the meeting at 7:05 p.m.

REGULAR AGENDA

REVIEW SERVICE FEASIBILITY REQUEST FOR 6.9-ACRE TRACT OF LAND

Mr. Peterson then reviewed the service feasibility study for the 6.9-acre commercial tract owned by NewQuest Properties (the "NewQuest Tract"), a copy of which is attached hereto. Mr. Peterson noted that the NewQuest Tract is located at the southwest corner of T. C. Jester Boulevard ("T. C. Jester") and FM 2920. Mr. Peterson informed the Board that the owner plans to separate the NewQuest Tract into individual tracts for light commercial use. Concerning water service, Mr. Peterson reported that there is an existing 12-inch waterline along the west side of T. C. Jester that the owner would need to extend to the north property line along

FM 2920. Mr. Peterson noted that the cost for the extension of the waterline would be the responsibility of the owner and would be eligible for reimbursement.

Mr. Peterson next reported that there is an existing eight-inch (8") sanitary sewer line stubbed-out at the southeast corner of the NewQuest Tract. Mr. Peterson noted that if the property is developed for multiple owners and the developer desires reimbursement, the sanitary sewer line must be extended and installed within a 25-foot sanitary sewer easement dedicated to the District.

Mr. Peterson reported that the estimated assessed valuation for the NewQuest Tract is \$5,600,000 and stated that the project is financially feasible.

Upon motion by Director Marks, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to approve the service feasibility for the NewQuest Tract.

Mr. and Mrs. Johnson then entered the meeting at 7:20 p.m.

REVIEW SERVICE FEASIBILITY STUDY FOR 1.5-ACRE TRACT OF LAND

Ms. Ecklund reviewed the service feasibility study for the 1.5-acre commercial tract, within the boundaries of the District, owned by Mr. Gary Patel (the "Patel Tract"), a copy of which is attached hereto. Ms. Ecklund noted that Mr. Patel plans to construct a small hotel on the property. Ms. Ecklund noted that the Patel Tract is located on the southwest corner of FM 2920 and Bridgestone Lane next to the carwash. Concerning water service, Ms. Ecklund noted that there is an existing 12-inch waterline along the southern right-of-way ("ROW") of FM 2920 that will not require further extension to serve the Patel Tract.

Ms. Ecklund next explained that there is an existing 15-inch sanitary sewer line in a 25-foot easement along the western boundary of the adjacent land. Ms. Ecklund noted that the owner will need to extend an eight-inch (8") sanitary sewer line in a 25-foot easement along the southern boundary of the adjacent tract to the Patel Tract. Ms. Ecklund further stated that the owner will be responsible for obtaining the 25-foot easement. Ms. Ecklund added that the owner will be responsible for all on-site water, sewer and drainage lines, and that the plans and specifications for such line will need to be submitted to Jones & Carter for review and approval.

Ms. Ecklund reported that the estimated assessed value for the Patel Tract is \$1,200,000 and further stated that the project is financially feasible.

Director Warren asked if the Patel Tract would require on-site detention facilities. Mr. Peterson stated that it may require a small detention pond, and that it would drain to the Texas Department of Transportation outfall ditch along FM 2920. Director Marks noted that the carwash has two (2) small detention ponds on either side of the building.

Upon motion by Director Theiss, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the service feasibility study for the Patel Tract.

HEAR FROM THE PUBLIC

Director Steffes then asked Mr. and Mrs. Johnson if they wanted to address the Board. Mrs. Johnson stated that they live on Lost Lake Lane and complained that actions taken by the constables over the past weekend were extremely intimidating and harassing. Mrs. Johnson was particularly upset over the behavior of one (1) constable. Mr. Johnson stated that he and his wife also attended the Bridgestone Homeowners Association meeting last night to express their concerns. Mr. Johnson stated that he had a problem with the Board allowing these things to happen in the District. Director Steffes made it clear that the Board contracts with Harris County Precinct 4 to have security surveillance, but has no control over how the constables handle criminal investigations within the District. Mr. Conner then gave his contact information to Mr. and Mrs. Johnson, and suggested that they discuss the matter with him and Lieutenant Ronnie Glaze tomorrow.

Mr. and Mrs. Johnson then exited the meeting and Ms. Givens entered the meeting at 7:40 p.m.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of September, a copy of which is attached hereto. Ms. Hall reported that to date, 98.5% of the District's 2007 taxes have been collected. Ms. Hall went on to state that no changes had occurred since she had submitted the electronic version of her report to the Board prior to the meeting.

Upon motion by Director Marks, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor/Collector's Report and to authorize payment of the checks reflected therein.

DELINQUENT TAX ATTORNEY'S REPORT

Ms. Hall next reviewed with the Board the Delinquent Tax Attorney's Report, a copy of which is attached hereto. Director Schkade asked Ms. Pacioni if the accounts listed in Section IV had been terminated yesterday. Ms. Pacioni confirmed that the accounts were tagged for termination. Director Warren stated that the Board would like to know what delinquent tax accounts have been terminated. Director Schkade then asked if Michael Grubb's house is vacant and why service had not been terminated.

Ms. Bobbitt noted that a writ of execution against MayMay Enterprises, Inc. DBA Rigias Pizza in connection with their delinquent taxes had been requested.

Upon motion by Director Warren, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Delinquent Tax Attorney's Report.

GENERAL MANAGER'S REPORT

Mr. Conner next reviewed with the Board the General Manager's Report, previously distributed to the Board, a copy of which is attached hereto. Mr. Conner reported that he would meet with Lieutenant Glaze concerning Mr. and Mrs. Johnson's complaints. Mr. Conner reported that he had received notice that the cost for law enforcement services will increase three percent (3%) in 2009. Mr. Conner noted that the Interlocal Agreement for Law Enforcement Services will be presented for approval at the December meeting. Mr. Conner also reported that he had received a letter from Republic Waste Services ("Republic") notifying the Board of a consumer price index increase of 3.7% for garbage collection services. Director Warren stated that he wants to solicit bids for garbage collection services. Ms. Bobbitt noted that the contract with Republic was for a two (2) year term, and that there is still one (1) year remaining on the contract.

Mr. Conner reported that he had received another list of residents needing storm debris removal. Mr. Conner noted that the Federal Emergency Management Agency ("FEMA") has been very good about working with him. Director Warren stated that FEMA had done a great job of storm debris removal in the District.

Mr. Conner then recommended that the Board authorize him to issue a 30-day termination notice to Preventive Services, L.P. ("Preventive") regarding construction inspection services. Upon motion by Director Marks, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Mr. Conner to issue a 30-day termination notice to Preventive.

Upon motion by Director Warren, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the General Manager's Report.

DIRECTOR'S INSPECTION REPORT

Director Steffes then reported that he and Mr. Staab had inspected the District's facilities on November 17, 2008 and that he did not have a written report. Director Steffes asked Mr. Conner about the status of the roof ridge for Water Plant No. 1. Mr. Conner reported that it was delivered today. Director Steffes then commended SWWC on the new signage at the District's facilities.

Director Steffes reported that the Bella Sera/Spring Terrace detention ponds and outfall ditches were filled with water yesterday from weekend rains. Director Steffes noted that Bonds Gully requires mowing and some clearing again. Mr. Conner reported that he and the District's consultants had met with the developers participating in the Bonds Gully improvement project on October 30, 2008. Mr. Conner noted that the participating developers have been given until December 31, 2008 to develop an alternative design of lesser cost for the stormwater drainage project. Mr. Conner stated that the participating developers will pay for any costs regarding the alternative design and will present their findings to the Board at the January 20, 2009 meeting. Ms. Bobbitt noted that Mr. Mark Stendahl, P.E. has been hired by the participating developers to prepare the report. Director Warren then asked who is paying for all the consultants' meetings

with the developers. Ms. Bobbitt stated that Johnson Radcliffe has not invoiced the District for her legal services regarding Bonds Gully improvements and noted that the participants will pay for consultant services.

Upon motion by Director Warren, seconded by Director Marks, after full discussion and the question being put to the Board, the Board approved the Director's Inspection Report and authorized Mr. Conner to obtain proposals for mowing and clean-out work on Bonds Gully.

The Board then discussed the *Water Failure Sparks Call for Reforms* article in the Houston Chronicle on November 17, 2008. A discussion ensued about the use of entrance signs to notify residents regarding the need to boil water during power outages. Mr. Conner stated that he would look into the cost for "Boil Water" and "Safe Water" signs that could be placed at the entrances to the District's subdivisions.

BOOKKEEPER'S REPORT

Ms. Jarmon next reviewed the Bookkeeper's Report with the Board, including the revenues and expenses of the District, the budget comparison, investment report and the checks being presented for payment, a copy of which is attached hereto. Ms. Jarmon reported that the monthly invoices had been sent to the various developers in the District for construction management services and to those developers with outstanding balances for annexations, feasibility studies and/or easement acquisitions. Ms. Jarmon stated that no changes had been made to the Bookkeeper's Report since it was emailed out to the Board and consultants several days prior to the meeting.

Ms. Jarmon noted that a draft of the proposed Budget for fiscal year ending December 31, 2009 was attached to her Bookkeeper's Report and asked the consultants to submit their comments to her as soon as possible.

Upon motion by Director Marks, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Bookkeeper's Report, the investment report and the payment of the checks reflected therein.

Ms. Hall then exited the meeting at 8:25 p.m.

OPERATOR'S REPORT

Mr. Staab next presented the Operator's Report for the month of October to the Board, including the termination list, previously distributed to the Board, copies of which are attached hereto. Mr. Staab explained that according to the Report, the District's four (4) month water accountability ratio was 91.2%, the monthly ratio was 93.7%, there were 25 sludge hauls during the prior month, and there are currently 5,223 connections in the District. Mr. Staab reported that the fences, well motor and generator at Water Plant No. 2 had been repaired. Mr. Staab next reported that the generator at the Sewer Treatment Plant had been repaired. Concerning Lift Station No. 4, Mr. Staab reported that the generator had been repaired but went down again and is being repaired.

Director Marks then asked Mr. Staab to remove the bandit signs in the ROWs near the plants. Director Marks also reported that the gate to the water plant on FM 2920 had been left open. Director Schkade then asked a question about builder backcharges. Ms. Pacioni reminded him that builder backcharges are invoiced to the builders. Director Schkade then noted that the District has a policy that invoices that are over 90 days old will not be paid to vendors. Director Schkade noted that he found several invoices that dated back to August. Ms. Pacioni stated that she would look into the matter.

Director Marks then asked about the odor problems at Lift Station No. 1. Mr. Staab stated that he has checked the lift station several times and does not smell anything abnormal. Mr. Conner suggested that an atomizer could be purchased for \$3,000 to \$4,000. Upon motion by Director Marks, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Mr. Conner to install an atomizer at Lift Station No. 1.

Director Schkade then asked about the numerous trips for delivery of chlorine tanks to the water plants. Mr. Conner noted that the amount of chlorine used is determined by flow rates. Director Marks stated that he did not want to stockpile the chlorine tanks. Mr. Staab explained that during peaks use, SWWC has chlorine delivered twice a month.

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 approve the Operator's Report and to authorize the termination of service to the delinquent accounts, in accordance with the provisions of the District's Rate Order.

ENGINEER'S REPORT

Mr. Peterson then stated that there are no changes to the Engineer's Report that was previously distributed to the Board prior to tonight's meeting. A copy of the Engineer's Report is attached hereto.

Mr. Peterson reported that Jones & Carter is preparing the documentation for the application to the Texas Commission on Environmental Quality (the "TCEQ") for approval of a change of scope and use of escrowed funds.

Mr. Peterson further reported that the TCEQ approval for Bond Issue No. 10 was received today.

Mr. Peterson then announced that Ms. Ecklund has been assigned to work on other districts and noted that Mr. Josh Lee will take over her responsibilities for the District.

Upon motion by Director Schkade, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Summary of Costs and to proceed with preparation of a service agreement with Harris County (the "County").

DISCUSSION REGARDING SALE OF BOND ISSUE NO. 10

Mr. Short then reviewed the proposed sale schedule for the District's Bond Issue No. 10. Mr. Short reminded the Board that Mr. Peterson had handed out a draft of the proposed phasing at the October meeting, a copy of which is attached hereto. Mr. Short informed the Board that he is going to prepare the preliminary official statement for the first phase and closely monitor the market. Mr. Short noted that the market is in a huge state of flux, and that he wants to be ready to sell in as short a time frame as possible. Mr. Short did not recommend trying to sell the bonds prior to January 20, 2009.

Mr. Short reported that he had received an email from Mr. Bob Hudson of Texas Investment Development Company Inc., developer of the Bridgestone Lakes, Gosling Pines, Senterra Lakes, Inc. and Villages of Senterra Lakes subdivisions within the District, asking if the District can sell bond anticipation notes ("BAN") for his four (4) projects in Bond Issue No. 10. Ms. Bobbitt noted that Section 293.54 of the Texas Administrative Code requires that bond applications reports ("BAR") submitted to the TCEQ must include principal and interest for any BAN. Ms. Bobbitt stated that BAR No. 10 did not include such information and, therefore, a BAN could not be sold for Mr. Hudson's four (4) developments. Ms. Bobbitt noted that the District could consider including a BAN in BAR No. 11 that is being prepared by Jones & Carter.

Director Steffes then asked about the status of BAR No. 11. Mr. Peterson reported that letters were sent out to the developers requesting documentation no later than December 9, 2008.

Mr. Short then reported that the estimated assessed values as of October 1, 2008 would only support the sale of 80% of Bond Issue No. 10. Mr. Ozuna then asked the Board to proceed with the sale of the first phase of Bond Issue No. 10 as soon as possible. Ms. Bobbitt responded that the consultants will move ahead as soon as possible. Mr. Short noted that the District must be flexible to abort the sale if market indicators suddenly change.

Mr. Peterson noted that the Jones & Carter will work with the developers to schedule the TCEQ pre-purchase inspections, along with the phasing schedule.

DISCUSSION REGARDING FILING FEMA CLAIM FOR HURRICANE IKE RELATED DAMAGES

Ms. Bobbitt went on to report that SWWC and Mr. Conner are working on the FEMA claim.

DISCUSS INCREASED UTILIZATION OF DISTRICT'S WEBSITE TO DISSEMINATE INFORMATION TO RESIDENTS

Director Steffes explained that he would like to utilize the District's website for email blasts and for the dissemination of other information to the residents. Ms. Bobbitt stated that she will contact Ms. Barbara Payne for a cost estimate.

ADOPT RESOLUTION EVIDENCING INTENT TO REIMBURSE EXPENDITURES WITH PROCEEDS OF UNLIMITED TAX AND REVENUE BONDS (THE "RESOLUTION")

Ms. Bobbitt then presented the Resolution and explained that proceeds from Bond Issue No. 9 to purchase land from Northcrest 2920, L.P. did not include enough funds to cover the cost of an outstanding invoice of \$105,049.77 to the Tennessee Gas Transmission Company for the adjustment of a portion of a natural gas pipeline in connection with Upper Seals Gully improvements. Ms. Bobbitt then stated that the Resolution provides for the District to reimburse its Operating Fund for the expenditure out of future bond proceeds. Upon motion by Director Marks, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution, a copy of which is attached hereto.

ADOPT RESOLUTION AUTHORIZING APPLICATION FOR TCEQ APPROVAL USE OF SURPLUS FUNDS (THE "TCEQ RESOLUTION")

Ms. Bobbitt then presented the TCEQ Resolution for the Board's review and approval, and reminded the Board that the application was to obtain the TCEQ's approval to use surplus funds to reimburse Northcrest 2920, LP for \$38,924.18 in developer interest and \$11,359.24 for 2008 taxes on the two (2) tracts of land purchased from Northcrest 2920, L.P. for Upper Seals Gully drainage easements. Upon motion by Director Marks, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the TCEQ Resolution, a copy of which is attached hereto.

ATTORNEY'S REPORT

Ms. Bobbitt noted that review and approval of the proposed Policy Governing Audio Recordings of Board of Directors Meetings would be deferred to another meeting.

Ms. Bobbitt reported that Johnson Radcliffe is in the process of preparing a proposed Order Establishing Identity Theft Prevention Program. Ms. Bobbitt stated that a copy of the program was forwarded to the District's Operator for review and comment by November 26th.

Ms. Bobbitt then noted that Johnson Radcliffe is in the process of preparing a proposed Post-Issuance Tax Compliance Policy (the "Policy") for adoption by all of their clients with outstanding bonds. Ms. Bobbitt added that the proposed Policy will be reviewed and discussed with the Board at the December meeting.

In addition to the earlier discussion regarding the Houston Chronicle article, Ms. Bobbitt reported that the County Commissioner's Court recently engaged Camp Dresser McKee to prepare a \$1 million mapping project to identify water districts within the County. Ms. Bobbitt stated that she is trying to schedule a meeting with Harris County Judge Ed Emmett who, along with three (3) other county judges, will address the Association of Water Board Directors - Texas at the 2009 Mid Winter Conference.


MISCELLANEOUS MATTERS

Ms. Pacioni and Mr. Staab stated that they would like to provide a holiday dinner at 6:00 p.m. prior to the Board's December 16, 2008 meeting.

Ms. Bobbitt reminded the Board that the next regular meeting of the Board is scheduled for Tuesday, December 16, 2008, at 7:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 16th day of December, 2008.


Secretary, Board of Directors

