

Lieutenant Glaze then exited the meeting at 6:12 p.m.

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. Ms. Bobbitt noted that the minutes of the regular meeting of June 15, 2010 were being presented for approval, and that approval of the minutes of the special meetings of June 1, 2010, June 8, 2010 and June 22, 2010 would be deferred.

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 following Consent Agenda items: 1) approval of the minutes of the regular meeting of June 15, 2010; 2) authorize advertising for bids, subject to Engineer's receipt, review and approval of project plans and specifications for: a) the Upper Seals Gully detention rehabilitation project; and b) the installation of portable generator quick connects; 3) approve the following pay estimates and change orders: a) Pay Estimate No. 4 in the amount of \$29,078.20 and Change Order No. 2 in the amount of \$6,387.30 from Paskey Incorporated ("Paskey") in connection with the construction of the Upper Bonds Gully modification project; b) Pay Estimate No. 8 and Final in the amount of \$61,754.17 from The Hartford Fire Insurance Company in connection with the construction of water, sewer and drainage facilities to serve Northcrest Village, Section 6; c) Pay Estimate No. 10 and Final in the amount of \$8,934.90 from Excalibur Excavation, L.P. in connection with the construction of drainage channel and detention facilities to serve Northcrest Village, Section 7; and d) Pay Estimate No. 6 and Final in the amount of \$12,447.54 and Change Order No. 1 in the amount of \$800.00 from Clearwater Utilities, Inc. in connection with the construction of the waterline extension along Rhodes Road.

REGULAR AGENDA

CONSIDER REQUEST FROM KM – TS PARTNERS, LP FOR WATER AND SANITARY SEWER SERVICE TO A 1.7803-ACRE COMMERCIAL TRACT

Mr. Peterson first reported on the receipt of a deposit and an application for water and sanitary sewer service from Mr. Randall Keith of KM - TS Partners, LP, a copy of which is attached hereto. Mr. Peterson explained that the 1.7803-acre tract is located within the boundaries of the District near the intersection of FM 2920 and Kuykendahl Road. 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 authorize Jones & Carter to prepare a water and sanitary sewer feasibility study for the Board's review at the August 17th meeting.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Hall then presented the Tax Assessor/Collector's Report for the month of June, a copy of which is attached hereto. Ms. Hall reported that 97.4% of the District's 2009 taxes have been collected to date.

Ms. Hall next reported that she had contacted Mr. David Glunt, developer of The Sanctuary subdivision, following the May Board meeting and offered him an installment payment plan, as discussed and approved by the Board, regarding the delinquent taxes owed on land in The Sanctuary subdivision, but noted that Mr. Glunt had determined that he would not be able to enter into the installment payment plan. Ms. Hall further reported that Trustmark National Bank had recently paid in full the delinquent taxes on the land in The Sanctuary subdivision.

Upon motion by Director Theiss, seconded by Director Marks, 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 then reviewed the Delinquent Tax Attorney's Report with the Board, a copy of which is attached hereto.

Ms. Hall noted that the Delinquent Tax Attorney is recommending that the 41 delinquent personal property accounts listed in Section VI of the Report be moved to the uncollectible tax roll.

Upon motion by Director Theiss, 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, and to authorize moving the 41 delinquent personal property accounts to the uncollectible tax roll.

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 noted that 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, easement acquisitions and/or other services provided by the District.

Ms. Jarmon next reported that she had received a check in the amount of \$71,981.79 for the month of March and a check in the amount of \$54,841.86 for the month of April from the City of Houston (the "City") for the District's share of the Strategic Partnership Agreement sales tax revenue.

Ms. Jarmon reminded the Board that at the June 15th meeting, the Board had asked Jones & Carter and MCI to identify and update the list of projects proposed to be funded with surplus funds. Ms. Jarmon went on to report that the District's consultants met on July 13th to discuss the projects to be included in Bond Application Report No. 11 ("BAR No. 11") and to review the status of projects to be funded with surplus bond funds and surplus operating funds. Mr. Peterson then reported that six (6) projects had been identified as potential projects to be funded with surplus funds, including: 1) Ditch "C" sanitary sewer pipe bursting project; 2) The

Sanctuary detention project; 3) Lower Bonds Gully project; 4) Upper Seals Gully Phase III(B) project; 5) sanitary sewer rehabilitation project; and 6) utility extension project to provide service to the southwest corner of Spring Cypress Road and Kuykendahl Road. Mr. Peterson further explained that Ms. Jarmon, along with the District's engineers and attorneys, are recommending that surplus bond funds and surplus operating funds be earmarked for funding Project Nos. 1, 2, and 3. Mr. Peterson added that sources of funding for Project Nos. 4, 5 and 6 had not yet been determined.

Director Schkade then asked how the proposed hike and bike trail construction will be funded. Ms. Jarmon responded that funds for such project would have to come from operating funds. Mr. Conner reminded the Board that plans for the hike and bike trail had been delayed until the Ditch "C" sanitary sewer pipe bursting project is completed. Ms. Jarmon then stated that there is currently \$250,000 allocated in the District's budget for the fiscal year ending December 31, 2010 for the hike and bike trail construction. Mr. Conner added that he is planning to schedule a special meeting with the Board in the near future to review and discuss the route and scope of construction for the hike and bike trail.

Upon motion by Director Schkade, seconded by Director Marks, 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, and to approve the usage of surplus operating and construction funds as outlined above.

GENERAL MANAGER'S REPORT

Mr. Conner then reviewed with the Board the General Manager's Report, previously distributed to the Board, a copy of which is attached hereto.

Mr. Conner first updated the Board on water quality complaints that started during the first weekend in July. Mr. Conner explained that he, along with the engineers, had met with Directors Steffes and Marks on July 9th to discuss the water quality issues that had recently occurred. Mr. Conner noted that it appears that the cause of the water quality problems was due to a chemical reaction between the chloramine solution and the chemistry/composition of the water from the Jasper well (Water Well No. 4). Mr. Conner explained that the high temperature and high alkalinity of the raw water from the Jasper aquifer consumes the chlorine in the water system more quickly, resulting in high levels of nitrogen that cause odor and taste issues. Mr. Conner went on to report that Water Well No. 4 has been taken offline until the alkalinity problem can be corrected and properly treated. Mr. Conner added that the District is currently scheduled to start receiving surface water from the North Harris County Regional Water Authority (the "NHCRWA") on July 28, 2010.

Mr. Conner then reiterated that he is scheduling a special meeting of the Board on Tuesday, July 27, 2010, at 6:00 p.m. to discuss the route and scope of construction of the proposed hike and bike trail.

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 General Manager's Report.

DIRECTOR'S INSPECTION REPORT

Director Steffes then presented the Director's Report in connection with his inspection of the District's facilities with Mr. Staab on July 16, 2010, a copy of which is attached hereto. Director Steffes first reported that the Wastewater Treatment Plant expansion construction is near completion, and that the contractor is proceeding with site clean-up. Director Steffes expressed concern regarding the rapid build-up of algae growth around the perimeter trough. Mr. Conner explained that once construction is completed, he plans to treat the algae with a suspension of chlorine tablets, a procedure that has worked well with a free-moving clarifier arm.

Director Steffes then reported that the Water Plant sites were all looking good during his inspection. Director Steffes further reported that he had questioned why two (2) of the three (3) hydropneumatic tanks have grounding cables, and stated that Jones & Carter had informed him right before tonight's meeting that grounding is not necessary on the newer water plant facilities.

Director Steffes further reported that the leak at the NHCRWA's pump station near Water Plant No. 3 had been repaired. Director Steffes added that the interior area and operating controls at the new Elevated Storage Tank (the "EST") are impressive.

Director Steffes next reported that the contractor is working on the final punch list items for the LAS buildings at Water Plant Nos. 2 and 3 and the EST, and that the emergency showers and eye wash stations were not yet operating properly.

Director Schkade then asked about the status of repairs to a portion of fencing on the west side of the Rhodes Landing stormwater pump station. Mr. Conner responded that he had contacted the President of the Rhodes Landing Homeowners Association (the "Rhodes Landing HOA"), who informed him that the fence was on land that had been conveyed to the District and is not on the Rhodes Landing HOA property. Mr. Conner went on to explain that the developer had constructed the wooden fence after the stormwater pump station site land had been conveyed to the District. Mr. Conner questioned whether maintenance of the fence is a capital cost or a maintenance cost. Director Steffes noted that the section of fence that has fallen down is small, but needs to be repaired.

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

Ms. Hall then exited the meeting at 6:55 p.m.

OPERATOR'S REPORT

Mr. Rowe next presented the Operator's Report for the month of June to the Board, a copy of which is attached hereto. Mr. Rowe reported that the water accountability for the month was 94.4%, and that the District currently has 5,374 active connections.

Mr. Rowe went on to report that he is recommending that the District write-off 17 delinquent accounts in the total amount of \$1,131.34. A copy of the write-off list is attached

hereto. Upon motion by Director Warren, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to approve the write-off of the delinquent accounts, as recommended by Mr. Rowe.

Mr. Rowe next reviewed a letter recently received from M. J. Sheridan of Texas, Inc. ("MJS"), a copy of which is attached hereto. Mr. Rowe stated that Mr. David VanGilder of MJS is requesting that the Board reconsider the \$1,500 penalty that was assessed by the District when a contractor for MJS was found taking water from a District fire hydrant using a City temporary meter. Mr. Rowe noted that MJS has paid \$13.25 for the amount of water used, but is protesting the penalty amount imposed by the District. Further discussion on the matter then ensued. Upon motion by Director Schkade, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted three (3) votes in favor and two (2) votes opposed, with Directors Theiss and Warren voting in opposition, to reduce the penalty from \$1,500 to \$750, and authorized Johnson Radcliffe to send a letter advising MJS of the Board's decision.

Mr. Rowe then reported that the matter regarding Bouncin' Bears of Texas had been resolved.

Upon motion by Director Theiss, seconded by Director Marks, 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 next reviewed the Engineer's Report with the Board, a copy of which is attached hereto.

Concerning the status of the Bonds Gully modifications project, Mr. Peterson reported that Jones & Carter had sent a certified letter to Paskey, the project contractor, on June 28th, putting Paskey on notice that they had exceeded the contract completion time and providing clarification on several bid items that had been in question. A copy of the letter to Paskey is attached hereto. Mr. Peterson further reported that Paskey's response dated June 29th had been received on July 14th, a copy of which is attached hereto. Mr. Peterson noted that Jones & Carter will meet with Mr. Curtis Paskey on July 21, 2010 to further discuss and address the outstanding construction issues.

Mr. Peterson next updated the Board on the status of BAR No. 11. Mr. Peterson reported that following the consultants' meeting on July 13th, Jones & Carter had sent letters to Mr. Perry Senn (Northcrest Village subdivision), Mr. Robert Hudson (Senterra Lakes and Villages of Senterra Lakes subdivisions), Mr. Andrew Hendricks (Bellá Sera subdivision), Mr. Tim Early (Bridgestone Lakes, Section 4 subdivision), Ms. Jennifer Keller (Springbrook subdivision), and Mr. Glen Irby (Realtex Ventures commercial tract) regarding the inclusion of their projects in BAR No. 11, a copy of which is attached hereto. Mr. Peterson added that once the developers advise the District as to whether they want to have their projects included in BAR No. 11, he will then send them each a computer disk with the necessary information tables and formulas

pre-loaded in order for them to easily submit their reimbursement information and all necessary back-up information for preparation of BAR No. 11.

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 Engineer's Report.

DISCUSS RENEWAL OF THE DISTRICT'S INSURANCE COVERAGES

Ms. Dold reported that she is waiting to receive the insurance coverage renewal proposal from Highpoint Insurance Group for the Board to review and consider.

ATTORNEY'S REPORT

Ms. Bobbitt then briefly reviewed with the Board the Arbitrage Rebate and Yield Restriction report prepared by Arbitrage Compliance Specialists, Inc. and distributed to the Board prior to the meeting. Ms. Bobbitt noted that no issues were identified during the annual review. A copy of the report is attached hereto.

MISCELLANEOUS MATTERS

Director Warren then stated that the Bridgestone Homeowners Association is going to replace the floor of the Jerry Thomas Center, and asked if the Board would consider paying for one-half (½) of the estimated \$1,100 cost for such work. Director Marks then stated that he recalled that the Board had already discussed this matter and agreed to pay the entire cost of replacing the floor, and had asked Director Warren to have an item regarding same placed on the meeting agenda.

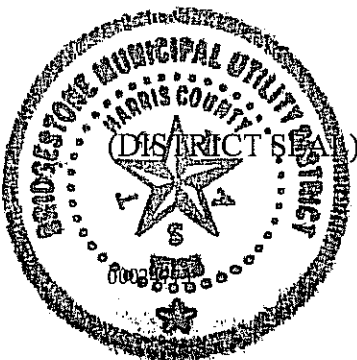
Upon motion by Director Marks, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board approved paying \$1,100 to replace the floor in the Jerry Thomas Center. Ms. Dold noted that she will have such action ratified at the Board's August meeting.

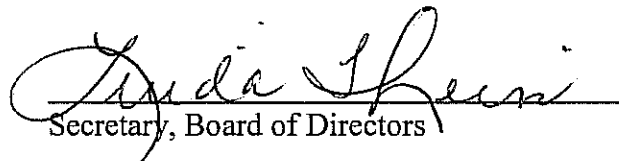
Mr. Conner then reminded the Board that a special meeting will be held on Tuesday, July 27, 2010, at 6:00 p.m.

Ms. Bobbitt also noted that the next regular meeting of the Board is scheduled for Tuesday, August 17, 2010, at 6:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 17th day of August, 2010.




Secretary, Board of Directors