

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
January 18, 2007

The Board of Directors ("Board") of Harris County Municipal Utility District No. 249 ("District") met at the Board's regular meeting place on January 18, 2007, in accordance with the duly posted notice of meeting thereof, and the roll was called of the duly constituted officers and members of said Board of Directors, as follows:

Douglas Haude, President
Dwight Rumph, Vice President
Edward L. Wade, Secretary
Norman C. Adamek, Assistant Secretary
Clint Moore, Assistant Secretary

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

Also present were Asim Tufail of Van De Wiele Engineering Incorporated ("VEI"), Gary Hastings of Aqua Services, LP ("Aqua Services"), Teresa Rosenbaum of Municipal Accounts & Consulting, L.P. ("MA&C"), Sissie Lawson of Wheeler & Associates, Inc. ("Wheeler"), Rebecca Marcucci of Legacy Energy Management Solutions ("Legacy"); Anthea Moran of First Southwest Company ("FSW"); and Abraham Rubinsky and Daniel Ringold of Schwartz, Page & Harding, L.L.P. ("SPH").

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

APPROVAL OF MINUTES

The Board first reviewed the minutes of its meeting held on December 21, 2006. A change was noted on page 4 of the draft minutes. After discussion, Director Rumph moved that the December 21, 2006 minutes be approved, as amended. Director Haude seconded the motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

The Board next deferred consideration of comments from the public, as none were presented.

NEIGHBORHOOD SECURITY ISSUES

The Board next considered a report on neighborhood security issues. Mr. Ringold advised the Board that the Harris County Sheriff Department's call sheet for the month of December had not yet been received.

Director Moore next advised the Board that, as discussed at last month's meeting, he spoke to Tonya Jones of PCMI regarding the gate operator's failure to consistently adhere to the policy of signing in all visitors entering the subdivision, and noted that the gate guards should now be adhering to said policy.

Mr. Ringold next presented and reviewed with the Board correspondence dated December 13, 2006, from the Harris County Sheriff's Department regarding a New CAD Dispatch System, a copy of which is attached hereto as **Exhibit A.**

Mr. Ringold next advised the Board that a fully executed original of the Law Enforcement Services Agreement by and between the District and Harris County for calendar year 2007 has been received.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Lawson next presented and reviewed with the Board the tax assessor-collector's report dated as of December 31, 2006, including the checks presented for payment from the tax account, as listed therein, historical valuation and collection data, and a Delinquent Collections Listing as of December 31, 2006, copies of which are attached hereto as **Exhibit B.** After discussion of the tax assessor-collector report, Director Rumph moved that said report be approved and that the checks identified therein be approved for payment. Director Moore seconded said motion, which carried unanimously.

Ms. Lawson additionally presented and reviewed with the Board a Delinquent Tax Collections Report, dated January 18, 2007, prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), the District's delinquent tax collection attorneys, a copy of which is attached hereto as **Exhibit C.** Ms. Lawson noted no Board action was presently necessary with respect to the accounts listed in such report.

Mr. Rubinsky entered the meeting at this time.

PRE-PAYMENT OPTIONS RELATIVE TO DISTRICT'S OUTSTANDING BONDS

Ms. Moran next discussed with the Board call provisions and refunding opportunities relative to the District's outstanding bonds. In connection therewith, Ms. Moran presented and reviewed a Sources and Uses of Funds summary which provided for the issuance of approximately \$3,085,000 in advance refunding bonds, a copy of which is attached hereto as **Exhibit D**. Ms. Moran reported that the proposed refunding bond issue would refund portions of the District's Series 1999 and 2000 bonds, and noted that the first call date on the District's outstanding bonds is September 1, 2009. Ms. Moran advised the Board that under current market conditions the proposed refunding would result in a 4.08% net present value savings to the District, which is above the City of Houston's 3% minimum threshold requirement, but the net present value savings and size of the refunding issue was subject to change depending on the market conditions at the time of sale. After discussion on the refunding opportunity outlined by Ms. Moran, the Board deferred approval of said proposal and requested that Ms. Moran continue to monitor market conditions and advise the Board if said conditions change in a manner that would make the refunding more advantageous to the District.

APPROVAL AND EXECUTION OF THIRD AMENDMENT TO EXCLUSIVE RESIDENTIAL REFUSE SERVICE CONTRACT WITH WASTE MANAGEMENT OF TEXAS, INC.

The Board next considered the approval and execution of a Third Amendment to Exclusive Residential Refuse Service Contract between the District and Waste Management of Texas, Inc. ("Waste Management"). Mr. Ringold reminded the Board that, as discussed at last month's meeting, Waste Management is requesting an increase in its fees for providing solid waste collection and disposal services in the District, effective March 1, 2007 in accordance with the terms of said Contract. After further discussion, Director Haude moved that the Board grant the requested rate increase and the temporary continuation of the fuel surcharge, that the Board approve the Third Amendment to Exclusive Residential Refuse Service Contract and that the President be authorized to execute same on behalf of the Board and District. Director Rumph seconded said motion, which carried unanimously.

AMENDMENT OF DISTRICT RATE ORDER

The Board next considered amending the District's Rate Order to: (i) increase the monthly Sanitary Sewer and Solid Waste Collection and Disposal rates in connection with the Waste Management increase, (ii) increase the NSF fee the District charges for returned checks to \$30.00, and (iii) impose an additional \$30.00 deposit per occurrence to be imposed on accounts terminated for non-payment with a cap of \$300.00 for re-establishment of water service, as discussed at last month's meeting.. Mr. Ringold discussed same with the Board. After discussion, Director Wade moved to approve an amendment of the District Rate Order to pass along Waste Management's increase of \$0.12 per home per month, increase the NSF fee and impose the additional deposit for reconnection of service attached hereto as Exhibit E, to be effective as of March 1, 2007. Director Moore seconded said motion, which carried unanimously.

SOLICITATION OF PROPOSALS FOR RENEWAL OF DISTRICT INSURANCE COVERAGES

The Board next considered authorizing the solicitation of proposals for renewal of District insurance coverages. Mr. Ringold reported that the District's current insurance coverages acquired through Anco Wessendorff Insurance ("Anco") expire on March 31, 2007. . There was next a discussion regarding obtaining insurance proposals for the 2007-2008 term. Following discussion, the Board requested that SPH solicit written proposals for the District's insurance coverages for the term March 31, 2007 through March 31, 2008, from Anco, AquaSurance, L.L.C., HARCO Insurance Services and The Essential Group.

BOOKKEEPER'S REPORT

Ms. Rosenbaum next presented and reviewed with the Board the bookkeeper's report dated January 18, 2007, including (i) the checks presented for payment from the General Operating Fund, Capital Projects Fund and the Sewage Treatment Plant Account, (ii) a Fund Balance Report, (iii) a Pledged Securities Report, (iv) an Actual vs. Budget Comparison for December 2006 for the Operating Fund and the STP Account, and (v) a Debt Service Payments Schedule, copies of which are attached hereto as Exhibit F. There next ensued a discussion regarding the \$11,902.50 received from Harris County Water Control and Improvement District No. 110 ("No. 110") for drainage costs. Mr. Ringold advised the Board that said funds are for No. 110's share of the past Champions Hydro-Lawn, Inc. invoices for the maintenance costs for Areas A & B of the joint drainage facilities. Ms. Rosenbaum advised the Board that she

would set up a monthly billing relative to same going forward. Ms. Rosenbaum also advised the Board that relative to the Cash Flow Report for the Sewage Treatment Plant, No. 110's monthly payment was received today and will be reflected on next month's report. There next ensued a discussion regarding the changes made to the District's budgets for fiscal year ending December 31, 2007, as discussed at last month's meeting. Mr. Ringold next inquired regarding the two (2) returned checks for Amegy Bank of Texas reflected on the General Operating Fund Cash Flow Report. Ms. Rosenbaum advised she would investigate and report back to the Board regarding same. After further discussion, it was moved by Director Rumph that the bookkeeping report be approved and that the various checks identified therein be approved for payment. Director Wade seconded the motion, which carried unanimously.

APPOINTMENT OF ADDITIONAL INVESTMENT OFFICER

There next ensued a discussion regarding the appointment of an additional investment officer for the District. Director Wade inquired as to whether or not the Board would be interested in appointing a Board member as an additional Investment Officer for the District in order to have more direct oversight of the District's investments. In connection therewith, Mr. Rubinsky discussed with the Board the history of Investment Officer requirements under the Water Code and the Public Funds Investment Act and the checks and balances in place under the requirements of said statutes. Director Adamek informed the Board that he is not in favor of changing the current system at this time. Director Wade noted that there are enough safeguards in the system that he did not believe large amounts of funds could be misappropriated. Director Wade next inquired as to what the Board's liability would be if the District's bookkeeper were to abscond with District funds. Mr. Rubinsky discussed same with the Board and noted that it would depend on the nature of the bookkeeper's illegal actions committed and the extent and timing of the Board's knowledge of same.

Ms. Lawson and Ms. Moran exited the meeting at this time.

RESOLUTION ADOPTING LIST OF QUALIFIED BROKERS AUTHORIZED TO ENGAGE IN INVESTMENT TRANSACTIONS WITH THE DISTRICT

The Board next considered adopting a list of qualified brokers authorized to engage in investment transactions with the District. Mr. Ringold advised that pursuant to the Public Funds Investment Act, the Board is required to review such list at least annually.

He presented and reviewed with the Board the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, and a list of financial institutions, brokers and dealers attached thereto, together with a comparison of the list submitted and the list previously adopted by the Board. Mr. Ringold further advised the Board that, pursuant to the conflicts disclosure requirements of the Texas Local Government Code, Chapter 176, Directors are required to complete and file with the Records Management Officer of the District a form disclosing whether they or a Family Member hold an interest-bearing savings account or loan in their or their Family Member's name at a financial institution with which the District has contracted. Mr. Ringold advised the Board that it is their responsibility to review the District's Investment Reports and advise SPH when they become aware of any such potential conflict, such that SPH can assist the Director in completing the appropriate disclosure form. After discussion, Director Haude moved that the Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District attached hereto as **Exhibit G** be approved by the Board. Director Rumph seconded said motion, which unanimously carried.

APPROVAL AND EXECUTION OF MASTER RETAIL POWER SALES AGREEMENT WITH WPS ENERGY SERVICES OF TEXAS, LP

Ms. Marcucci next presented and reviewed with the Board a Master Retail Power Sales Agreement, a copy of which is attached hereto as **Exhibit H**, by and among the District and WPS Energy Services of Texas, LP, which is scheduled to go into effect upon the expiration of the District's current contract with Hudson Energy in May 2007. Ms. Marcucci advised the Board that said Agreement has been reviewed by SPH, Locke Liddell Sapp, LLP, Legacy's attorney, and John Elder of Legacy and noted that comments submitted by SPH have been incorporated therein. Ms. Marcucci reminded the Board that it previously authorized Mark Burton of MA&C to act as Agent for the District and noted that said Agreement was executed on December 20, 2006 by Mr. Burton, but that WPS requested that the District countersign said Agreement. Ms. Marcucci further noted that the power generation cost has been locked in, but that the fuel cost component has not. After discussion on the matter, Director Haude moved that that the Board approve said Agreement and that the President be authorized to execute same on behalf of the Board and District. Director Rumph seconded the motion, which carried unanimously.

Ms. Marcucci exited the meeting at this time.

ENGINEERING REPORT

Mr. Tufail next presented and reviewed with the Board a written engineering report dated January 18, 2007, a copy of which is attached hereto as **Exhibit I**, relative to the status of various projects within the District. Mr. Tufail provided additional information concerning the following matters:

Mr. Tufail advised the Board that, Mr. Hastings performed a survey of the spacing of fire hydrants in the area to determine if the fire hydrant located at the curve of Lexington and Cypresswood can be removed altogether and determined that the fire hydrant is required in that area. In connection therewith, Mr. Tufail advised the Board that he contacted Harris County regarding the installation of chevrons along the curve and that Harris County is fine with the installation of same, but that it must first be cleared with Harris County Precinct 4 ("Precinct"). Mr. Tufail informed the Board that he has contacted the Precinct regarding same, but has yet to receive a response. Mr. Hastings reminded the Board that the fire hydrant can be re-located 40-feet to the north or west, and that said re-location would cost approximately \$4,900.00.

Mr. Tufail next presented and reviewed with the Board a Preliminary Cost Estimate for correcting ponding issues in Spring Lakes, Sections 12 and 13, a copy of which is included with the engineering report. Mr. Tufail advised the Board he is recommending the Board attempt to remediate the ponding issues through the installation of a surface swale to handle the severe rainfall events and lowering a section of the sidewalk located in the area. Mr. Tufail advised the Board that the project would cost approximately \$14,044.95. After discussion on the matter, Director Moore moved that the Board authorize VEI to proceed with the installation of a surface swale and lowering of the sidewalk in the area where the ponding is occurring in accordance with the Preliminary Cost Estimate. Director Haude seconded the motion, which carried unanimously.

LBG-GUYTON ASSOCIATES PROPOSAL

Mr. Tufail next presented and reviewed with the Board e-mail correspondence from John Nelson of LBG-Guyton Associates ("LBG") relative to the District's request for a proposal to determine the source of the water causing a ponding situation along Spring Lakes Haven Court in Spring Lakes, Section Seven, a copy of which is included with the engineering report. Mr. Tufail advised the Board that said e-mail correspondence states that LBG is proposing to

perform a Well Data Review and to make Field Visit to Spring Lakes and provide a Brief Report, and reviewed the details of each performance with the Board. After discussion on the matter, Director Moore moved that the Board accept LBG's proposal to perform a Well Data Review to encompass the entire boundary of the District, subject to same not exceeding \$1,000.00. Director Rumph seconded the motion, which carried unanimously.

LONG-TERM CAPITAL IMPROVEMENT PLAN

Mr. Hastings next presented and reviewed with the Board a Capital Improvement Plan relative to proposed maintenance and repairs for various District facilities over the next twenty-five years, a copy of which is attached hereto as **Exhibit J**.

There next ensued a discussion regarding the placement of cement around the rip-rap along the north and south ponds to keep the rip-rap in place. Mr. Hastings said he would look further into the matter and report back to the Board relative to same at its next meeting.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY'S PHASE II STORMWATER PERMITTING REQUIREMENTS

Mr. Ringold next advised the Board that he had nothing new to report at this time relative to the United States Environmental Protection Agency's ("EPA") Phase II Stormwater Permitting requirements at this time.

STATUS OF BOND APPLICATION REPORT NO. 8

The Board next considered the status of the preparation of the District's Bond Application Report No. 8 in connection with the proposed Series 2007 Bond Issue. Mr. Tufail advised the Board that he is still waiting on information from the developer regarding miscellaneous engineering fees.

Ms. Rosenbaum exited the meeting at this time.

OPERATIONS AND MAINTENANCE REPORT

The Board next considered the Operations and Maintenance Report. Mr. Hastings presented and reviewed in detail with the Board a written Operations Report for December 2006, a copy of which is attached hereto as **Exhibit K**.

Mr. Hastings next reminded the Board that, as discussed earlier in the meeting, the fire hydrant located at the curve of Lexington and Cypresswood can be re-located 40-feet to the north or west at a cost of approximately \$4,900.00. After discussion on the matter, Director Wade moved that Aqua Services be authorized to re-locate the fire hydrant located at the curve of Lexington and Cypresswood 40-feet to the north or west at a cost not to exceed \$4,900.00. Director Moore seconded the motion, which carried unanimously.

Relative to the sanitary sewer back-ups on Spring Lakes Haven at Valley Springs, Mr. Hastings next reminded the Board that, as discussed at last month's meeting, Aqua Services televised the service leads for the affected homes and discovered that the service lead line is holding water due to a line sag. Mr. Hastings further reminded the Board that Aqua Services recommends replacing the service lead from the Y to the sanitary sewer force main at an estimated cost of \$9,500.00 for said replacement. In connection therewith, Mr. Hastings presented and reviewed with the Board a door hanger to notify the residents that will be affected during the repairs, which include 402, 403 and 407 Spring Lakes Haven, and a sketch of the work to be performed, copies of which are attached hereto as **Exhibit L**. Mr. Hastings noted that the work would be performed on Wednesday, February 7, 2007 and be completed on Thursday, February 8, 2007. Director Haude suggested that Mr. Hastings contact the residents directly regarding same. Mr. Hastings advised the Board that he would talk to the residents directly and meet them on-site, and that he would notify Director Haude once he had done so. After discussion on the matter, Director Moore moved that Aqua Services be authorized to replace the service lead from the Y to the sanitary sewer force main at a cost not to exceed \$9,500.00. Director Rumph seconded the motion, which carried unanimously.

AUTHORIZE OPERATOR TO PROVIDE REQUIRED INFORMATION TO DISTRICTS RECEIVING WATER THROUGH AN EMERGENCY INTERCONNECT RELATIVE TO CONSUMER CONFIDENCE REPORTS

The Board next considered authorizing the operator to provide required information to districts receiving water through an emergency interconnect relative to Consumer Confidence Reports. Mr. Ringold explained that, pursuant to Consumer Confidence Report requirements promulgated by the United States Environmental Protection Agency, the District is required to provide by April 1, 2007, a report containing various information regarding the District's water supply to any other water supplier which has received water from the District through an interconnect during

2006. After discussion on the matter, it was moved by Director Wade, seconded by Director Moore and unanimously carried that Aqua Services be authorized to provide the required information as set forth hereinabove.

ISSUANCE OF UTILITY COMMITMENTS

Mr. Rubinsky next advised the Board that he received e-mail correspondence from Jim Clairemonte inquiring as to whether or not the District had expanded its Wastewater Treatment Plant since his last inquiry regarding sanitary sewer treatment capacity to serve his tract in 2004, and if capacity is now available to accommodate his approximately 20-acre tract of land on East Cypresswood. Mr. Rubinsky informed the Board that he advised Mr. Clairemonte that no expansions have been made to the District's Wastewater Treatment Plant since his last request, but that in connection with Cobblestone Development's request to annex approximately 42-acres into the District last year, which includes the majority of his property, a preliminary analysis was prepared by the District's engineer which indicated that there may be sufficient capacity to accommodate the development, but that a number of questions from the Board were never resolved with respect to same. Mr. Rubinsky further informed the Board that he advised Mr. Clairemonte that the Board may be willing to revisit the issue and the prior analysis, but that the Board would need to know what the proposed development plan is for the property and how much water and wastewater capacity would be required to serve the tract. Mr. Rubinsky noted that he has not yet received a response from Mr. Clairemonte regarding same.

Mr. Ringold next presented and reviewed with the Board correspondence dated January 4, 2007, from Jones & Carter, Inc. requesting additional water and sanitary sewer capacity on behalf of Spring Baptist Church ("SBC"), a copy of which is attached hereto as **Exhibit M**. Mr. Ringold advised the Board that SBC is expanding its west campus and is planning to construct a youth building, a music building and a children's building in three (3) separate phases. Mr. Ringold noted that SBC is requesting 22 equivalent single-family connections at 6,930 gallons per day ("gpd"). Mr. Tufail advised the Board that he would like to review SBC's plans for said development. After discussion on the matter, the Board deferred taking any action on the matter pending VEI's review of SBC's plans and requested that VEI secure a \$1,000 deposit from SBC to cover the cost of VEI's review of same.

Mr. Ringold next presented and reviewed with the Board correspondence from Bleyl & Associates requesting a Utility Commitment Letter from the District for water and sanitary sewer capacity on behalf of Rudy's Bar-B-Que ("Rudy's") for a 1.84-acre tract of land located at Louetta Crossing and Interstate 45, a copy of which is attached hereto as Exhibit N. Mr. Ringold advised the Board that Rudy's is in the process of purchasing the 1.84-acre tract of land from David Angel and seeking an assignment of capacity from Mr. Angel, and that Mr. Angel's attorney is in the process of reviewing the assignment request. Mr. Ringold further noted that if Mr. Angel does assign the requested capacity to Rudy's, a new Utility Commitment Letter will need to be issued to him for the reduced amount. The Board deferred taking any action on the matter until Rudy's negotiations with Mr. Angel are complete.

DEVELOPER'S REPORT

The Board next deferred the developer's report after noting that no developer representatives were present.

PROPOSED ANNEXATION OF 42.6 ACRE TRACT

The Board next considered the status of a feasibility analysis prepared relative to Cobblestone's request for annexation of and service to an approximate 42.6 acre tract of land south of Cypresswood Drive and west of Hardy Road. Mr. Tufail advised the Board that he had nothing new to report with respect to same at this time. Mr. Rubinsky noted that the deadline for calling a May Bond Election is March 12, 2007.

STATUS OF APPLICATION TO THE TCEQ FOR RELEASE OF ESCROWED BOND PROCEEDS

The Board next considered the status of the District's Application to the Texas Commission on Environmental Quality ("TCEQ") requesting the release of \$385,639 in escrowed bond proceeds from the District's Series 2006 Bond Issue for land acquisition costs. In connection therewith, Mr. Ringold reminded the Board that SPH received the Declaration of Administrative Completeness letter from the TCEQ on December 1, 2006, and that said Application is still pending.

ATTORNEY'S REPORT

Mr. Ringold next reported on the status of payment by Harris County Water Control and Improvement District No. 110 ("No. 110") of the District's invoices for No. 110's share of maintenance costs relative to certain joint drainage facilities. Mr. Ringold advised the Board that, since its last meeting, he has tried contacting Maria Parker twice to schedule a joint meeting and facilities tour at the Joint Sewage Treatment Plant, but that no response has yet been received.

Mr. Ringold next advised the Board that relative to the District's \$2,450,000 Unlimited Tax Bonds, Series 2006, the Receipts for Mark A. Carpenter, Trustee and Churchill-Louetta Properties, Ltd. have been received and their respective funds have been disbursed.

Mr. Ringold next advised the Board that Jeff Windsor of Spring Independent School District ("SISD") advised him that the Water Supply Agreement has been approved and executed by SISD and that said Agreement is in the mail.

ADJOURN

There being no further business to come before the meeting, upon motion made by Director Moore seconded by Director Rumph and carried unanimously, the meeting was adjourned.

Secretary

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A Correspondence dated December 13, 2006, from Harris County Sheriff's Department regarding New CAD System
- Exhibit B Tax Assessor Collector's Report
- Exhibit C Delinquent Tax Report prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. dated as of January 18, 2007
- Exhibit D Source and Uses of Funds Summary
- Exhibit E Amended Rate Order effective March 1, 2007
- Exhibit F Bookkeeper's Report
- Exhibit G Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions With the District
- Exhibit H Master Retail Power Sales Agreement
- Exhibit I Engineer's Report
- Exhibit J Capital Improvement Plan
- Exhibit K Operator's Report
- Exhibit L Door Hanger/Sketch
- Exhibit M Correspondence dated January 4, 2007 from Jones & Carter, Inc. on behalf of Spring Baptist Church regarding request for water and sanitary sewer capacity
- Exhibit N Correspondence from Bleyl & Associates on behalf of Rudy's Bar-B-Que regarding request for water and sanitary sewer capacity