

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
February 15, 2007

The Board of Directors ("Board") of Harris County Municipal Utility District No. 249 ("District") met at the Board's regular meeting place on February 15, 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"), 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 January 18, 2007. Mr. Tufail requested that a change be made on page 9 of the draft minutes. After discussion, Director Wade moved that the January 18, 2007 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 distributed the Harris County Sheriff's Office's call sheet summary for January 2007, a copy of which is attached as **Exhibit A**. In connection therewith, Director Moore advised the Board that he would like for the contract Deputy to

patrol the neighborhood more frequently and with greater visibility during the evening hours. Director Adamek informed the Board that he would remind Deputy Hamlett that he is due to attend next month's meeting and the Board agreed to address visibility concerns with him at that time.

TAX ASSESSOR-COLLECTOR'S REPORT

The Board next deferred the tax assessor-collector's report after noting that no representative of Wheeler & Associates, Inc. was present at the meeting.

GRANTING EXEMPTIONS FROM TAXATION FOR 2007

Mr. Ringold next outlined for the Board the various tax exemptions available for the District. He advised the District may provide for the exemption of up to 20% (but not less than \$5,000, if granted) of the market value of residential homestead improvements for the year 2007, and the District may also exempt residential homesteads of persons who are under a disability for purposes of payment of disability insurance benefits under the Federal Old Age, Survivors and Disability Insurance Act, or its successor, or persons sixty-five (65) years of age or older from ad valorem taxes levied by the District during the calendar year 2007, and, if any such exemptions are granted, they must be for not less than \$5,000 of the market value of such homesteads. Further, the District may exempt from ad valorem taxation property owned by certain qualified charitable organizations pursuant to Tax Code, Section 11.184. After discussion on the matter, the Board requested that the District's Financial Advisor prepare an analysis of the impact of a fifteen percent (15%) and a twenty (20%) general homestead exemption and a \$10,000 residential exemption for persons who are disabled or over sixty-five. The Board deferred taking any action pending the presentation of said analysis.

REVIEW AND APPROVAL OF PROPOSALS FOR RENEWAL OF DISTRICT INSURANCE COVERAGES

Mr. Ringold next presented and reviewed with the Board insurance proposals from Anco McDonald Waterworks Insurance Services, L.L.C. ("Anco"), AquaSurance, L.L.C. ("Aqua") and HARCO Insurance Services ("HARCO") relative to the District's insurance coverages for the term ending March 31, 2008, including property, comprehensive boiler and machinery, commercial general liability, pollution liability, commercial umbrella, and directors and officers liability insurance, and the directors position schedule bond, public employee blanket bond, and tax assessor/collector's bond. Mr. Ringold noted that proposals were not received from The Essential Group due to pending litigation with the owner's previous employer, Anco. After discussion on the matter, Director

Moore moved that the proposals from Anco be accepted, including business travel, but not workers compensation, as set out in the attached premium and coverage comparison, a copy of which is attached hereto as Exhibit B and made a part hereof for all intents and purposes, and that the President be authorized to execute same on behalf of the Board and the District. Director Rumph seconded said motion, which unanimously carried.

ADOPTION OF RESOLUTION AUTHORIZING REQUEST TO HARRIS COUNTY APPRAISAL DISTRICT FOR APPRAISAL OF PROPERTY

The Board next considered approval of a Resolution Authorizing Request to Harris County Appraisal District for Appraisal of Property as of February 1, 2007, which is attached hereto as Exhibit C. After discussion of said Resolution, Director Moore moved that same be adopted by the Board and District and that the President be authorized to execute same on behalf of the Board and District. Director Rumph seconded said motion, which unanimously carried.

BOOKKEEPER'S REPORT

Ms. Rosenbaum next presented and reviewed with the Board the bookkeeper's report dated February 15, 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 January 2007 for the Operating Fund and the STP Account, and (v) a Debt Service Payments Schedule, copies of which are attached hereto as Exhibit D. Ms. Rosenbaum noted that, as discussed at last month's meeting, she set up a monthly billing for Harris County Water Control and Improvement District No. 110 for its share of the Champions Hydro-Lawn, Inc. invoices for the maintenance costs for Areas A & B of the joint drainage facilities. Director Rumph next queried Ms. Rosenbaum regarding wire transfers from the District's Debt Service Fund. Ms. Rosenbaum informed the Board that the Debt Service Funds are re-invested as they are received. After 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 Moore seconded the motion, which carried unanimously. The Board requested that Ms. Rosenbaum add a column on the Debt Service Payments Schedule for outstanding principal.

Mr. Ringold next discussed with the Board the possibility of refunding Spring Independent School District ("SISD") a portion of the funds SISD previously deposited with the District in connection with establishing service to Wunsche Academy, less the tap fee and SISD's estimated share of the booster pump modifications project costs. Mr. Ringold noted that VEI will be receiving bids on the

booster pump modification project on February 22, 2007, and that VEI will then have a more accurate cost at that time. After discussion on the matter, Director Wade moved that SISD be refunded any surplus funds on deposit with the District once its pro-rata share of the booster pump modification costs is deducted. Director Rumph seconded the motion, which carried unanimously.

ENGINEERING REPORT

Mr. Tufail next presented and reviewed with the Board a written engineering report dated February 15, 2007, a copy of which is attached hereto as **Exhibit E**, relative to the status of various projects within the District. Mr. Tufail provided additional information concerning the following matters:

Director Moore advised Mr. Tufail that the road side ditch north of Spring Falls has collapsed. Mr. Tufail informed the Board that he would investigate the matter further. Director Moore noted that he thinks that the collapse may be a result of work being done by Spring Baptist Church.

Mr. Tufail reminded the Board that, as discussed at last month's meeting, he contacted Harris County regarding the installation of chevrons along the Cypresswood Drive 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 further informed the Board that he has contacted Larry Holzworth at the Precinct regarding same, but has yet to receive a response. In connection therewith, Director Moore advised Mr. Tufail, that since the last meeting, he contacted Commissioner Jerry Eversole's office regarding the installation of the chevrons and noted that the chevrons were installed the following day. Director Moore further noted that the Precinct plans to examine the lay-out of the intersection again.

Mr. Tufail next advised the Board that VEI should be ready to advertise for bids next month relative to the installation of a surface swale and lowering a section of the sidewalk to correct the ponding issues in Spring Lakes, Sections 12 and 13. Director Moore inquired as to how long the project would take. Mr. Tufail informed the Board that the contract term will be for 30-days, but noted that the work should only take approximately one week to complete.

The Board next requested Mr. Tufail to inquire as to the status of the work being performed on the ditch behind Wal-Mart, as the rip-rap in the ditch appears to be torn up.

There next ensued a discussion regarding taking an updated aerial map of the District for use in future District meetings.

RENEWAL OF DISTRICT WASTE DISCHARGE PERMIT

The Board next considered authorizing the District's engineer to prepare and file an application to the Texas Commission on Environmental Quality for renewal of the District's Waste Discharge Permit due to expire February 1, 2008. Mr. Ringold advised the Board that said application must be filed 180-days prior to the expiration date of the current Permit. Mr. Tufail noted that the estimated cost for the application is approximately \$3,000. After discussion on the matter, Director Haude moved that VEI be authorized to begin preparation and submit the District's Waste Discharge Permit to the Texas Commission on Environmental Quality. Director Rumph seconded the motion, which carried unanimously.

ANNUAL REVIEW OF WAGE RATE SCALE

Mr. Ringold next presented to the Board for review and approval a Resolution Adopting Prevailing Wage Rate Scale for Construction Projects, a copy of which is attached hereto as **Exhibit F**. He reviewed various provisions of the Resolution with the Board. Mr. Ringold also presented and reviewed with the Board a Survey which reflected prevailing wage rates for Harris County, the City of Houston and the U.S. Department of Labor, a copy of which is included in **Exhibit F**. After discussion and consideration of the proposed Resolution, Director Moore moved that the Board adopt the Resolution with Exhibit "A" to same reflecting the wage rates for Harris County, as set out on the attached Survey, and that the President and Secretary be authorized to execute same on behalf of the Board and the District. Director Rumph seconded said motion, which unanimously carried.

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 VEI has received the requested information from the developer regarding miscellaneous engineering fees and noted VEI anticipates presenting a cost summary to the Board for approval at its next meeting.

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 January 2007, a copy of which is attached hereto as **Exhibit G**.

Relative to the sanitary sewer back-ups on Spring Lakes Haven at Valley Springs, Mr. Hastings advised the Board that replacement of the service lead from the Y to the sanitary sewer force main should be completed today and noted that it is not going to be necessary to bore under the street, as previously believed. Mr. Hastings further noted that the total cost will be approximately \$4,000.00.

Mr. Hastings next advised the Board that when the fire hydrant located at the curve of Lexington and Cypresswood is re-located, Aqua Services will flange off the current location below grade.

Mr. Hastings next advised the Board that, since its last meeting, Old Town Spring ("OTS") received a water bill for \$500.00, which they contested. Mr. Hastings noted that it was discovered that there was a leak on OTS's side of the meter, and that the bill has since been paid.

Mr. Ringold next presented and reviewed with the Board correspondence dated January 20, 2007, from District resident, Mr. Dane Dormio of 25511 Cedar Springs Place, a copy of which is attached hereto as **Exhibit H**. Mr. Hastings advised the Board that when Mr. Dormio paid to have water service restored to his home, he was advised that he had to pay two (2) past due amounts owed by a previous account holder who is suspected by Aqua Services to still live at the service address. In connection therewith, Mr. Ringold informed the Board that Mr. Dormio is requesting a refund for said past due amounts. After discussion on the matter, Director Rumph moved that Mr. Dormio's refund request be granted and that Aqua Services be authorized to turn over the past due amounts to a bill collector. Director Haude seconded the motion, which carried unanimously.

Mr. Hastings next advised the Board that there is a need for repair of some of the road material in front of the dumpster at the Joint Sewage Treatment Plant ("Plant"). In connection therewith, Mr. Hastings presented and reviewed with the Board two (2) bids for

the repairs with the low bid in the amount of \$1,475.00 being submitted by TJMT Services. After discussion on the matter, the Board concurred that Aqua Services be authorized to make said repairs and that the project be awarded to the low bidder, TJMT Services in the amount of \$1,475.00.

Mr. Hastings next advised the Board that during the installation of a cell tower near the Plant, the contractor tore up the access road to the Plant. Mr. Hastings informed the Board that it would cost approximately \$5,000.00 to repair the access road. After discussion on the matter, Director Haude moved that Aqua Services be authorized to repair the access road at the Plant, subject to said costs not exceeding \$5,000.00. Director Moore seconded the motion, which carried unanimously. Mr. Hastings advised the Board that once the repairs are complete, Aqua Services will back-charge the contractor and noted that he would contact the contractor regarding the matter. The Board requested that Mr. Hastings take photographs of the access road before the repairs are made.

Director Rumph next noted that that he would like for the District to consider participating in the "Water Smart" Water Conservation Plan. Mr. Hastings advised the Board that the District can start the Water Smart program in April 2007 and noted that he will bring a proposal relative to same for the Board's consideration at next month.

There next ensued a discussion regarding one Board member touring the District facilities each month. Director Rumph informed the Board that he will tour the facilities in March.

ISSUANCE OF UTILITY COMMITMENTS

Mr. Ringold next reminded the Board that, as discussed at last month's meeting, Jones & Carter, Inc. is requesting additional water and sanitary sewer capacity on behalf of Spring Baptist Church ("SBC") in connection with SBC's proposed expansion of its west campus. Mr. Tufail noted that VEI is waiting on SBC to put up a \$1,000.00 deposit to cover the cost of VEI's review of the plans for the project.

Mr. Ringold next presented and reviewed with the Board a Utility Commitment Letter for water and sanitary sewer capacity by and between the District and Moondance Investments, Ltd. ("Rudy's BBQ") for a 1.84-acre tract of land located at Louetta Crossing and Interstate 45. Mr. Ringold reminded the Board that Rudy's BBQ has purchased the 1.84-acre tract of land from David Angel and noted that Mr. Angel has agreed to assign the requested capacity to Rudy's BBQ. In connection therewith, Mr. Ringold presented and reviewed a new Utility Commitment Letter by and between the District and David Angel for the reduced capacity amount. After

discussion on the matter, Director Wade moved that the Board approve said Utility Commitment Letters and that the President be authorized to execute same on behalf of the Board and District. Director Moore seconded the motion, which unanimously carried.

APPROVAL AND EXECUTION OF CONSENT TO ENCROACHMENT AND INDEMNITY

Mr. Ringold next advised the Board that Rudy's BBQ will be constructing a driveway that will encroach on two District easements and presented and reviewed with the Board a Consent to Encroachment and Indemnity Agreement relative thereto. After discussion on the matter, Director Wade moved that the Board approve said Consent to Encroachment and Indemnity Agreement, that the President be authorized to execute same on behalf of the Board and District and that SPH be authorized to record said Encroachment in the Real Property Records of Harris County, Texas. Director Moore seconded the motion, which carried unanimously.

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.

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 advised the Board that said Application is still pending.

ATTORNEY'S REPORT

Mr. Ringold next presented and reviewed with the Board correspondence dated February 5, 2007, from the North Harris County Regional Water Authority, regarding the implementation of an Online Pumpage Reporting System and instructional workshops to be held March 13th through March 15th regarding same, a copy of which is

attached hereto as Exhibit I. Mr. Hastings advised the Board that he would attend one of the instructional workshops.

Mr. Ringold next presented and reviewed with the Board correspondence from the Houston Northwest Chamber of Commerce regarding a request for execution of an amendment to the District's Strategic Partnership Agreement with the City of Houston relative to District sign regulations, a copy of which is attached hereto as Exhibit J. There next ensued a discussion regarding same. The Board deferred taking any action on the matter at this time until information is received from the City of Houston regarding its position with respect to same.

Mr. Ringold next presented and reviewed with the Board correspondence dated February 8, 2007, from WPS Energy Services, Inc. ("WPS") regarding a merger between WPS's parent company, WPS Resources Corporation and Peoples Energy Corporation of Chicago, a copy of which is attached hereto as Exhibit K. Mr. Ringold advised the Board that said correspondence states that once the merger is approved by the Illinois Commerce Commission and the Public Service Commission of Wisconsin, WPS's new name will be Integrys Energy Services, Inc. Mr. Ringold noted that the merger is expected to close in the first quarter of 2007.

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 he has made numerous attempts to contact Maria Parker to obtain several available dates from the No. 110 Board to schedule a joint meeting and facilities tour at the Joint Sewage Treatment Plant, and that Ms. Parker has advised that No. 110 will tentatively agree to meet at their meeting location at 6:30 p.m. on February 27th, but has not agreed to a joint facilities tour or provided any alternate dates. After discussion on the matter, the Board concurred to authorize Director Haude to contact No. 110's President to discuss the matter further and the scheduling of a joint meeting.

OTHER MATTERS

Director Moore distributed and discussed with the Board a pamphlet he obtained at the Association of Water Board Directors Conference regarding the proposed Cypress Creek Greenway Project.

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 Neighborhood Security Report
- Exhibit B Accepted HARCO Insurance Proposals
- Exhibit C Resolution Authorizing Request to HCAD for Appraisal of Property as of February 1, 2007
- Exhibit D Bookkeeper's Report
- Exhibit E Engineer's Report
- Exhibit F Resolution Adopting Prevailing Wage Rates Scale for Construction Projects
- Exhibit G Operator's Report
- Exhibit H Correspondence dated January 20, 2007, from District resident requesting refund
- Exhibit I Correspondence dated February 5, 2007 from North Harris County Regional Water Authority
- Exhibit J Correspondence dated February 12, 2007, from Houston Northwest Chamber of Commerce
- Exhibit K Correspondence dated February 8, 2007, from WPS Energy Services, Inc.
- 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