

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
May 17, 2007

The Board of Directors ("Board") of Harris County Municipal Utility District No. 249 ("District") met at the Board's regular meeting place on May 17, 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, except Director Wade, thus constituting a quorum.

Also present were Scott Novosad 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"), Patsy Waldrop of BKD, LLP ("BKD"); Anthea Moran of First Southwest Company ("First Southwest"); Sissie Lawson of Wheeler & Associates, Inc. ("Wheeler"), 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 April 19, 2007. A change was noted on page 8 of the draft minutes. After discussion, Director Rumph moved that the April 19, 2007, minutes be approved, as revised. 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 the report on neighborhood security issues. Mr. Ringold distributed the Harris County Sheriff's Office's call sheet summary for April 2007, a copy of which is attached as **Exhibit A**. Mr. Ringold advised the Board that, as

requested at last month's meeting, he obtained additional information from the Sheriff's office relative to the four Adult Felony Arrests reported for the month of March and discussed same with the Board. A discussion ensued regarding contracting with the County for a second deputy to patrol the subdivision during the day time hours. The Board deferred taking any action at this time.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Lawson next presented and reviewed with the Board the tax assessor-collector's report dated as of April 30, 2007, 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 April 30, 2007, 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 Haude seconded said motion, which carried unanimously.

Ms. Lawson additionally presented and reviewed with the Board a Delinquent Tax Collections Report, dated May 17, 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**.

Director Rumph next requested that the written reports prepared by the District's consultants be distributed electronically to the Board members a few days prior to the meeting at which they will be presented.

AUDIT REPORT FOR FISCAL YEAR ENDED DECEMBER 31, 2006

The Board next reviewed a draft of the District's Audit Report prepared by BKD, LLP for the District's fiscal year ended December 31, 2006, a copy of which is attached hereto as **Exhibit D**. Ms. Waldrop reviewed various sections of the Audit Report with the Board, including specifically Management's Discussion and Analysis. After discussion on the matter, Director Rumph moved that the Audit Report for the fiscal year ended December 31, 2006, be approved, subject to SPH's final review and approval, and that the President be authorized to execute the related Annual Filing Affidavit. Director Moore seconded said motion, which carried unanimously.

CONTINUING DISCLOSURE REPORT

The Board next considered the District's continuing disclosure report due June 30, 2007. Mr. Ringold advised the Board that, BKD will provide McCall, Parkhurst & Horton L.L.P. ("McCall") with a copy of the District's final audit report for completion of the

continuing disclosure report and noted that McCall will file the continuing disclosure report by the June 30, 2007, deadline.

BOOKKEEPER'S REPORT

Ms. Rosenbaum next presented and reviewed with the Board the bookkeeper's report dated May 17, 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 April 2007 for the Operating Fund and the STP Account, and (v) a Debt Service Payments Schedule, copies of which are attached hereto as **Exhibit E**. There next ensued a discussion regarding the tap fee revenue collected over the past month. Ms. Rosenbaum advised that all the fees were for residential taps. After discussion, it was moved by Director Haude that the bookkeeping report be approved and that the various checks identified therein be approved for payment, except for check no. 3483, which was voided. Director Moore seconded the motion, which carried unanimously.

Ms. Rosenbaum next presented and reviewed with the Board a Quarterly Investment Report which had been prepared by MA&C for the reporting period ending March 31, 2007, a copy of which is attached hereto as **Exhibit F**. After review of the Quarterly Investment Report and upon motion duly made by Director Moore, seconded by Director Rumph and unanimously carried, said Quarterly Investment Report was approved and the District's Investment Officer was authorized to execute same on behalf of the Board and District.

ENGINEERING REPORT

Mr. Novosad next presented and reviewed with the Board a written engineering report dated May 17, 2007, a copy of which is attached hereto as **Exhibit G**, relative to the status of various projects within the District. Mr. Novosad provided additional information concerning the following matters:

Relative to the re-grading of the roadside ditch along Louetta Road, Mr. Novosad advised the Board that correspondence was forwarded to Mr. Steve Bowers of Harris County Precinct 4 Community Assistance on April 3, 2007, requesting repair of the ditch. Mr. Novosad noted that no response has yet been received.

In connection with the construction of the Wastewater Treatment Plant Back-up Generator (the "Project"), Mr. Novosad advised the Board that VEI is in the process of designing a permanent chlorine building. Mr. Novosad further advised the Board that VEI does not recommend advertising the project in other markets because the equipment may not be in the same EPA non-attainment tier rating. Director Moore requested that VEI

investigate generator costs in other level three non-attainment areas. Mr. Ringold then advised the Board that the District needs to advise Harris County Water Control and Improvement District No. 110 ("No. 110") of the estimated costs of the Project and No. 110's pro-rata share of same. He requested that VEI prepare an estimate based upon current market conditions so that he could forward same to No. 110.

With respect to the engineering fees included in the District's eighth Bond Application Report, Mr. Novosad advised the Board that in accordance with its previous request, VEI had reviewed all such fees requested for reimbursement and had only included those that were appropriate and reimbursable in the Bond Application Report.

There next ensued a discussion regarding the Spring Lakes, Section 13 Emergency Overflow Swale project. The Board informed Mr. Novosad of its concern that the area appears to be over-excavated and that the sidewalk may be too low.

Mr. Hastings next advised the Board that, relative to the ponding issues within Spring Lakes, Section Seven, and the investigation of possible artesian wells within the area, LBG Guyton Associates ("LBG") conducted a field visit to the affected area of the District. Mr. Hastings informed the Board that the area was dry at the time the visit was conducted and noted that LBG believes that the water retention may be a result of water being retained in the ditch along Louetta Road. Mr. Hastings further noted that LBG is in the process of preparing a written report regarding its findings.

Mr. Novosad next advised the Board that correspondence was forwarded to Harris County Precinct 4 on April 3, 2007, regarding the collapsed ditch north of Spring Falls, and requesting that the area be addressed. Mr. Novosad noted that Harris County has advised VEI the request has been received and logged into their system.

Mr. Novosad next informed the Board that the plans and specifications for Rudy's BBQ ("Rudy's") have been reviewed and approved by VEI. Mr. Hastings then advised the Board that Rudy's had made its own fire line tap connection and relocated a fire hydrant in contravention of the District's Rate Order and that he advised them to stop accordingly.

Director Adamek next inquired regarding the payment for the construction of the water distribution, sanitary sewer and drainage facilities to serve Spring Falls, Section One and a 3.55 acre tract south of Cypresswood Drive project. Mr. Novosad informed the Board that, in accordance with the discussion at a previous meeting, the

District had agreed to pay for the costs of said project, but noted that the developer ended up paying such costs instead.

RENEWAL OF DISTRICT WASTE DISCHARGE PERMIT

The Board next considered the status of the District's application to the Texas Commission on Environmental Quality ("TCEQ") for the renewal of the District's Waste Discharge Permit due to expire February 1, 2008. Mr. Novosad advised the Board that the renewal process is underway.

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.

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 ("BAR") in connection with the proposed Series 2007 Bond Issue. In connection therewith, Mr. Novosad presented and reviewed with the Board a revised Summary of Costs, a copy of which is attached hereto as **Exhibit H**. Mr. Ringold noted the use of surplus construction funds reflected on the Summary of Costs and discussed with the Board the effects of applying said funds to reduce the proposed Bond Issue Requirement. Ms. Moran then presented and reviewed with the Board a revised No Growth Cash Flow Analysis, a copy of which is attached hereto as **Exhibit I**. After discussion on the matter, Director Moore moved that the Board approve the revised Summary of Costs to achieve the following goals: (i) the principal amount of the bond issue being minimized to leave approximately \$1.1 million in un-issued voted bond authorization, (ii) existing surplus construction funds being spent to minimize the current issuance of additional debt and to comply with federal tax regulations, and (iii) additional capital projects being funded, as necessary and appropriate, out of any remaining surplus construction funds and available operating funds and that the Order Authorizing Application to the Texas Commission on Environmental Quality For Approval of Projects and Bonds and the Use of Surplus Funds and Interest Earned on Construction Funds attached hereto as **Exhibit J**, be adopted and the President and Assistant Secretary be authorized to execute same on behalf of the Board and District. Director Adamek seconded the motion, which carried unanimously.

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 April 2007, a copy of which is attached hereto as **Exhibit K**.

There next ensued a discussion regarding fluoride levels in the well water. Mr. Hastings noted that, as reported in the District's Consumer Confidence Report, current fluoride levels are acceptable and within the range of normal.

Mr. Hastings next advised the Board that sections of the sidewalk on Buffalo Springs Court are tilted and recommended that the Board authorize Aqua Services to televise the sanitary sewer lines in Spring Lakes, Section 12 to make sure the pavement setting was not caused by line leaks. After discussion on the matter, Director Haude moved that Aqua Services be authorized to televise the sanitary sewer lines in Spring Lakes, Section 12. Director Moore seconded the motion, which carried unanimously.

APPROVAL OF 2006 CONSUMER CONFIDENCE REPORT AND AUTHORIZE DISTRIBUTION TO DISTRICT CUSTOMERS PRIOR TO JULY 1, 2006

Mr. Hasting next presented and reviewed with the Board the District's draft Consumer Confidence Report ("CCR") for 2006, the format of which is dictated by rules of the U.S. Environmental Protection Agency and the Texas Commission on Environmental Quality ("TCEQ"), a copy of which is attached hereto as **Exhibit L**. He advised that the CCR must be forwarded to all customers in the District prior to July 1, 2007. After discussion on the matter, Director Moore moved that the CCR be approved, subject to SPH's review and approval of same, and that Aqua Services be authorized to forward same to all of the District's customers prior to July 1, 2007. Director Rumph seconded said motion, which unanimously carried.

ISSUANCE OF UTILITY COMMITMENTS

The Board next deferred action regarding the issuance of utility commitments since no requests for same had been received by the District.

DEVELOPER'S REPORT

The Board next considered the developer's report. Director Moore noted that he had been advised that an auction is scheduled for May 23, 2007, for various commercial tracts located on Cypresswood Drive.

ATTORNEY'S REPORT

Mr. Ringold presented and reviewed with the Board correspondence dated April 30, 2007, from Waste Management ("WM"), a copy of which is attached hereto as **Exhibit M** relative to WM's exercise of its right of termination of its Municipal Solid Waste Collection and Transportation Agreement ("Agreement") with the District effective July 1, 2007, and proposal to enter in a new agreement at a rate of \$11.00 per month per occupied single family residence. After discussion on the matter, Director Haude moved that SPH be authorized to solicit proposals for solid waste collection services from Waste Corporation of America and Republic Waste Services of Texas, Ltd. on behalf of the District for the Board's consideration, along with WM's proposal, at next month's meeting. Director Moore seconded the motion, which unanimously carried. The Board requested that SPH inquire with WM about a three-year term for solid waste collections and disposal services.

DISCUSSIONS WITH HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 110 ("NO. 110") REGARDING JOINT DRAINAGE FACILITIES

Director Haude next informed the Board of his discussions with James Williams, the President of No. 110's Board of Directors, regarding the scheduling of a joint meeting. Director Haude advised the Board that Mr. Williams informed him that he would discuss the matter further with the No. 110 Board tonight.

OTHER MATTERS

The Board requested that its meeting scheduled for June 21, 2007, be rescheduled for Wednesday, June 20, 2007, at 5:30 p.m..

FUTURE AGENDA ITEMS

Director Moore requested that an agenda item regarding the hiring of a second contract deputy be added to next month's agenda.

ADJOURN

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

Secretary

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A Neighborhood Security Report
- 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 May 17, 2007
- Exhibit D Draft Audit for fiscal year ended December 31, 2006
- Exhibit E Bookkeeper's Report
- Exhibit F Quarterly Investment Report
- Exhibit G Engineer's Report
- Exhibit H Summary of Costs
- Exhibit I No Growth Cash Flow Analysis
- Exhibit J Order Authorizing Application to the Texas Commission on Environmental Quality for Approval of Project and Bonds and For Use of Surplus Construction Funds and Interest Earned on Construction Funds
- Exhibit K Operator's Report
- Exhibit L Draft 2006 Consumer Confidence Report
- Exhibit M Correspondence dated April 30, 2007, from Waste Management regarding termination of Agreement effective July 1, 2007