

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Special Meeting of Board of Directors
June 20, 2007

The Board of Directors ("Board") of Harris County Municipal Utility District No. 249 ("District") met at the Board's regular meeting place on June 20, 2007, in accordance with the duly posted notice of special 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 Adamek and Director Moore, thus constituting a quorum. Director Moore later entered the meeting.

Also present were Scott Novosad of Van De Wiele Engineering Incorporated ("VEI"), Gary Hastings of Aqua Services, LP ("Aqua Services"), Teresa Rosenbaum and Richard Fletcher of Municipal Accounts & Consulting, L.P. ("MA&C"), Deputy Ron Hamlett of the Harris County Sheriff's Department, 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 May 17, 2007. After discussion, Director Wade moved that the May 17, 2007, minutes be approved, as written. Director Rumph 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 deferred considering the report on neighborhood security issues until Director Moore was present.

VOTING SYSTEM ANNUAL FORM

The Board next considered authorizing the completion, execution and filing of a Voting System Annual Filing Form ("Form") from the Secretary of State's Office. Mr. Ringold advised that, pursuant to Section 123.061 of the Texas Election Code, each political subdivision in the State of Texas is required to complete and file said Form with the Secretary of State's Office. After discussion on the Form, Director Haude moved that same be approved and that SPH be authorized to file same with the Secretary of State's Office, as required by law. Director Rumph seconded said motion, which unanimously carried.

REQUEST FROM RECORDS MANAGEMENT OFFICER FOR APPROVAL OF DESTRUCTION OF CERTAIN DISTRICT RECORDS PURSUANT TO RECORDS MANAGEMENT PROGRAM

The Board next considered a request from the District's Records Management Officer to destroy SPH's handwritten notes of Board meetings from January 19, 2006, through March 15, 2007, a copy of which request is attached hereto as Exhibit A. After discussion on the matter, Director Rumph moved that the destruction of said notes be authorized as requested in accordance with the provisions of the District's Records Management Program. Director Haude seconded said motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Lawson next presented and reviewed with the Board the tax assessor-collector's report dated as of May 31, 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 May 31, 2007, copies of which are attached hereto as Exhibit B. After discussion of the tax assessor-collector report, Director Wade moved that said report be approved and that the checks identified therein be approved for payment. Director Rumph seconded said motion, which carried unanimously.

Ms. Lawson next advised the Board that the Harris County Appraisal District has determined the District's 2007 preliminary taxable value to be \$147,543,860, and noted that said amount does not include personal property.

AUTHORIZE DELINQUENT TAX COLLECTIONS ATTORNEY TO PURSUE THE COLLECTION OF DELINQUENT TAXES FOR 2006

The next item considered by the Board was authorizing Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue") to proceed with the collection of delinquent taxes for 2006 and previous years, including the filing of lawsuits. After discussion on the matter, Director Haude moved that Perdue be authorized to proceed with the collection of the District's 2006

and prior years delinquent tax accounts beginning on July 1, 2007, including filing of lawsuits, as necessary. Director Wade seconded said motion, which carried unanimously.

APPROVAL OF CONTINUING DISCLOSURE REPORT

The Board next considered the District's continuing disclosure report due May 31, 2006. Mr. Ringold presented to the Board a copy of correspondence from McCall, Parkhurst & Horton L.L.P. ("McCall") dated June 12, 2007, advising that the report was submitted on said date, a copy of which is attached hereto as **Exhibit C**. Mr. Ringold then requested that the Board ratify McCall's filing of the continuing disclosure report to comply with the June 30, 2007 deadline. After discussion on the matter, Director Haude moved that McCall's filing of the District's continuing disclosure report be approved and ratified. Director Rumph seconded the motion, which carried unanimously.

BOOKKEEPER'S REPORT

Ms. Rosenbaum next presented and reviewed with the Board the bookkeeper's report dated June 20, 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 May 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**. There next ensued a discussion regarding check no. 3522 in the amount of \$13,802.40 made payable to J & M Company ("J&M") for payment of Pay Estimate No. 1 for the Spring Lakes, Section 13 Emergency Overflow Swale project. The Board advised Mr. Novosad that the work performed by J&M appeared to be sub-standard and needed to be corrected. 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, except for check no. 3504, which was voided and check no. 3522, which is to be held until the work reflected in Pay Estimate No. 1 is performed correctly. Director Haude seconded the motion, which carried unanimously.

Director Moore entered the meeting at this time.

AUTHORIZE PREPARATION OF UNCLAIMED PROPERTY REPORT AS OF JUNE 30, 2007, FOR THE PERIOD ENDING JUNE 30, 2004

The Board next considered authorizing the preparation of an Unclaimed Property Report as of June 30, 2007, for the period ended June 30, 2004, and the filing of same with the State Comptroller prior to November 1, 2007. After discussion on the matter, Director Rumph moved that the District's consultants be authorized to prepare an Unclaimed Property Report, if necessary, and that MA&C be authorized to file same with the State Comptroller prior to

November 1, 2007. Director Moore seconded said motion, which unanimously carried.

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 May 2007, a copy of which is attached as **Exhibit E**.

There next ensued a discussion regarding the armed robbery incident that occurred on June 6, 2007, at the Spring Lakes subdivision entrance gate. In connection therewith, Deputy Hamlett informed the Board that the perpetrators were caught the same day the incident occurred and noted that the majority of the stolen property has been recovered. Mr. Ringold then informed the Board that, per its request since its last meeting, SPH directed correspondence to the Harris County Sheriff's Department requesting that the County assign another deputy to patrol the District during Deputy Hamlett's vacation, and presented a copy of said correspondence to the Board, which is included with **Exhibit E**. Mr. Ringold further presented and reviewed with the Board correspondence received from the County advising that another deputy would be assigned to patrol the Spring Lakes subdivision accordingly during Deputy Hamlett's vacation period, a copy of which is included with **Exhibit E**.

Deputy Hamlett next informed the Board that he observed a vehicle breaking through the entrance gate on June 6, 2007. Deputy Hamlett advised the Board that he has obtained the necessary information on the driver and noted that he is waiting to receive gate value information from the Spring Lakes Homeowners Association ("HOA") at this time prior to filing a report against the perpetrator.

Director Moore next presented and reviewed with the Board correspondence dated June 20, 2007, from the Spring Lakes Homeowners Association ("HOA") Board requesting that the District contract for additional security patrols covering the Spring Lakes neighborhood, a copy of which is included with **Exhibit E**. With respect to the HOA's contracted gate security officer, Deputy Hamlett noted that Blue Moon employees are commissioned security officers, but not licensed peace officers. There next ensued a discussion as to whether there exists a security problem in the District and, if so, whether the addition of another security patrol officer would be effective in remedying the problem. Deputy Hamlett advised the Board that he believes there is not a general security or safety problem, but that the armed robbery was an isolated incident and noted that his response time to the incident was almost immediate. Director Rumph suggested that additional information be obtained to determine if there is a problem with

crime in the District, and, if so, what is the prime time of day that the criminal activity is occurring so that the Board can make an informed decision as to the propriety of expending additional funds on additional security services.

The Board next expressed its concerns over HOA security issues, including Blue Moon gate officers not being authorized to provide security services and fact that the positioning of the security cameras at the neighborhood gates is such that they did not reveal that an armed robbery was taking place at the gate. Director Moore noted that the gate guard's function is to protect the gates from damage, not to provide law enforcement security services, and that the HOA was taking affirmative steps toward repositioning or obtaining additional cameras to provide greater security at the entrance gates. Director Moore further noted that he would convey the concerns to the HOA Board.

Director Rumph next inquired as to whether the HOA would contribute towards the costs of adding a second deputy to patrol the subdivision. Director Moore informed the Board that the HOA does not have the financial means to contribute at this time.

After a lengthy discussion on the matter, the Board deferred taking any action at this time.

Deputy Hamlett next offered for the Board members to accompany him during his patrolling hours.

Director Moore then queried Deputy Hamlett as to whether a day-time deputy could remove solicitors. Deputy Hamlett advised the Board that the deputy does have the authority to do so if they are not properly licensed.

ARBITRAGE COMPLIANCE MATTERS

Mr. Fletcher next presented and reviewed correspondence from MA&C dated June 12, 2007, a copy of which is attached hereto as **Exhibit F**, relative to MA&C's review of the District's outstanding bond issues to determine whether any of such issues may be subject to arbitrage rebate and/or yield restriction regulations. Mr. Fletcher explained to the Board that, if applicable, arbitrage rebate payments are required to be submitted to the Internal Revenue Service Department of the U.S. Treasury not less often than every fifth anniversary date of the delivery of the bonds and within sixty days following the final maturity of the bond issue, or on such other dates required or permitted by applicable regulations. He further stated that yield restriction and yield reduction requirements could necessitate certain bond proceeds being invested at or below the respective Materially Higher Yield during certain time periods. Mr. Fletcher noted that the report covers the District's \$3,500,000 Unlimited Tax Bonds, Series 1999,

\$1,300,000 Unlimited Tax Bonds, Series 2000, \$2,375,000 Unlimited Tax Bonds, Series 2001, \$5,200,000 Unlimited Tax Bonds, Series 2002, \$3,200,000 Unlimited Tax Bonds, Series 2003, \$4,500,000 Unlimited Tax Bonds, Series 2004 and \$2,450,000 Unlimited Tax Bonds, Series 2006. After a detailed review of MA&C's report, he recommended that the District engage Arbitrage Compliance Specialists Incorporated ("Arbitrage Compliance") to prepare arbitrage compliance computations in connection with the District's Series 2002 Unlimited Tax Bonds. Mr. Fletcher presented an engagement letter for the issue which was provided by Arbitrage Compliance and advised that the fee for the report is approximately \$3,200 to \$3,300. After discussion, Director Haude moved that the engagement proposal be approved and that Arbitrage Compliance be engaged to prepare an arbitrage compliance report for the bond issue described above as recommended by MA&C. Director Rumph seconded the motion, which carried unanimously.

ENGINEERING REPORT

Mr. Novosad next presented and reviewed with the Board a written engineering report dated June 20, 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 water distribution, sanitary sewer and drainage improvements project to serve Sprig Falls, Section One and a proposed 3.55 acre tract, Mr. Novosad presented and reviewed with the Board Pay Application No. 3 in the amount of \$14,315.63, received from Big State Excavation, Inc. ("Big State"), a copy of which is attached to the engineering report, and recommended that the Board concur in the payment of same by Forestar (USA) Real Estate Group, Ltd. ("Forestar"). Following discussion on the matter, it was moved by Director Rumph, seconded by Director Haude and unanimously carried that the Board concur in the payment of Pay Application No. 3 by Forestar in the amount of \$14,315.63 to Big State, as recommended by the District's engineer.

In connection with the construction of the Wastewater Treatment Plant Back-up Generator (the "Project"), Mr. Novosad advised the Board that VEI was unable to obtain any information on natural gas generator costs in the Dallas area. Mr. Novosad then inquired as to whether the Board would like for VEI to continue investigating pricing in other markets. The Board advised Mr. Novosad that VEI can cease investigating the matter any further. Mr. Novosad then requested that the Board consider authorizing VEI to advertise for bids for the Project. After discussion on the matter, Director Haude moved that VEI be authorized to advertise for bids on the Project. Director Moore seconded the motion, which carried unanimously. Mr. Novosad noted that the design of the permanent chlorine building was not yet complete.

Mr. Novosad next advised the Board that relative to the Spring Lakes, Section 13 Emergency Overflow Swale project, the contractor is addressing the remaining issues and noted that the irrigation system repairs has been made. Mr. Novosad further noted that the contractor will raise the concrete in the area through subsurface pumping and that the contractor will also work on the turf establishment. The Board then expressed its concern with the quality of work performed by J&M. Mr. Novosad then presented and reviewed with the Board Pay Application No. 1 in the amount of \$13,802.40 received from J&M, a copy of which is attached to the engineering report, and recommended that the Board concur in the payment of same. There next ensued a discussion regarding the work being completed in a satisfactory manner before approving the Pay Estimate. The Board then expressed its concerns regarding no change order or design change being presented to the Board for approval. After discussion on the matter, the Board deferred approval of Pay Estimate No. 1 at this time.

Mr. Novosad 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") has prepared a written report regarding its findings of its previous field visit to the area and presented and reviewed same with the Board. Mr. Novosad advised the Board that VEI is recommending the installation of a french drain and noted that VEI is continuing to pursue Harris County's repair of the road-side ditch. Mr. Novosad requested that the Board consider authorizing VEI to send a copy of LBG's report to the affected homeowners and Harris County and to prepare a cost estimate for french drain options. After discussion on the matter, Director Moore moved that VEI be authorized to forward a copy of LBG's report to the affected homeowners and to Harris County and that VEI be authorized to prepare a cost estimate for the french drain options. Director Rumph seconded the motion, which carried unanimously.

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 and requested that the Board consider authorizing the President to execute an application in connection therewith. After discussion on the matter, Director Moore moved that the Board authorize the President to execute the application relative to the renewal of said Permit. Director Rumph seconded the motion, which carried unanimously.

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. Mr. Ringold advised the Board that SPH received the BAR back from VEI earlier today and noted that SPH is in the process of reviewing same 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 May 2007, a copy of which is attached hereto as **Exhibit H**. Mr. Hastings noted that the water accountability was below average for the month.

Mr. Hastings next presented and reviewed with the Board a Fire Hydrant Report, a copy of which is included with **Exhibit H**, and requested that the Board authorize Aqua Services to make the necessary repairs accordingly. After discussion on the matter, Director Rumph moved that Aqua Services be authorized to perform such repairs. Director Wade seconded the motion, which carried unanimously.

Mr. Hastings next presented and reviewed with the Board a Water Well #1-Performance Testing report prepared by G-M Services, a copy of which is included with Exhibit G. Mr. Hastings advised the Board that said report indicated that the test results were good. Mr. Hastings noted that during the testing period, the District's interconnect was in use for three (3) days.

Mr. Hastings next advised the Board that, as discussed at last month's meeting, the sanitary sewer lines in Spring Lakes, Section 12 have been televised to make sure the pavement setting was not caused by line leaks. Mr. Hastings informed the Board that a small sag was detected in the sanitary sewer line located on Lion Springs at Buffalo Springs Court, but that it has not been determined if same is the cause of the problem. Mr. Hastings then informed the Board that he believes that it could be a potential soil compaction problem from the initial installation of said line. Mr. Novosad then informed the Board that VEI reviewed the compaction studies and noted that the lab results indicate that the soil was properly compacted following the initial installation of the line. Mr. Hastings advised the Board that in order to repair the sidewalk,

Aqua Services recommends removing 5' of dirt and replacing it with select fill, and noted that same would cost approximately \$8,500. After discussion on the matter, Director Moore moved that Aqua Services be authorized to remove 5' of dirt and replace it with select fill in order to repair the sidewalk at a cost not to exceed \$8,500. Director Haude seconded the motion, which carried unanimously.

Mr. Hastings next advised the Board that Rudy's BBQ's fire line tap connection fee has been received and noted that the tap connection will be completed next week.

Mr. Hastings next discussed the low accountability for the month of May and advised that 142 of the District's meters are over the 1,000,000 gallons mark and recommended that the Board consider authorizing Aqua Services to replace said meters in accordance with an ongoing meter replacement program. After discussion on the matter, Director Moore moved that Aqua Services be authorized to replace the meters registering over 1,000,000 gallons in accordance with such an ongoing program. Director Haude seconded the motion, which carried unanimously.

Director Moore next queried Mr. Hastings as to whether the District can make a billing accommodation for his neighbor who experienced a toilet overflow while out of town. Mr. Hastings advised the Board that the District typically charges for all water metered and actually used, but the District could offer a payment plan to allow the customer to pay off the bill over several months without penalty. After discussion on the matter, Director Moore moved that Aqua Services be authorized to offer the customer a payment plan. Director Haude seconded the motion, which carried unanimously.

Director Rumph exited the meeting at this time.

WASTE COLLECTION SERVICES

Mr. Ringold next reminded the Board that, as discussed at last month's meeting, Waste Management of Texas, Inc. ("WM") is exercising its right to terminate its Municipal Solid Waste Collection and Transportation Agreement ("Agreement") with the District effective July 1, 2007, and has provided a proposal to enter in a new agreement at a rate of \$11.00 per month per occupied single family residence. Mr. Ringold then advised the Board that, as requested at last month's meeting, SPH solicited proposals for solid waste collection services from Waste Corporation of America ("WCA") and Republic Waste Services of Texas, Ltd. ("Republic") on behalf of the District. Mr. Ringold then presented with the Board a proposal from Republic along with a copy of WM's proposal and noted that WCA declined to provide a proposal for said services at this time. After discussion on the matter, Director Moore moved that the Board accept WM's proposal to provide solid waste

collection services at a rate of \$11.00 per month per occupied single family residence and enter into a new agreement with WM for said services, and that the President be authorized to execute said agreement on behalf of the Board and District, subject to SPH's final review. Director Wade seconded the motion, which carried unanimously. Copies of WM and Republic's proposals are attached hereto as Exhibit I.

AMENDMENT OF DISTRICT RATE ORDER

The Board next considered amendment of its Rate Order to increase the monthly Sanitary Sewer and Solid Waste Collection and Disposal rates commensurate with the increase in the per household solid waste collection and disposal fee increase. Mr. Ringold discussed same with the Board. After discussion, Director Moore moved to approve an amendment of the District Rate Order to pass along Waste Management's rate increase, attached hereto as Exhibit J. Director Haude seconded said motion, which carried unanimously.

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

ATTORNEY'S REPORT

Relative to the construction of the Wastewater Treatment Plant Back-up Generator (the "Project"), Mr. Ringold reminded the Board that, as discussed at last month's meeting, VEI prepared an estimate based upon current market conditions in order to determine Harris County Water Control and Improvement District No. 110's ("No. 110") pro-rata share of the Project. Mr. Ringold advised the Board that on June 11, 2007, SPH directed correspondence to No. 110's Board of Directors advising that VEI estimated their pro-rata share for said Project at \$88,678.80. Mr. Ringold further advised the Board that, after said correspondence had been forwarded to No. 110, VEI informed him that the estimated costs previously provided did not include the costs for the construction of the permanent chlorine building and noted that SPH will direct further correspondence to No. 110 advising them of same once VEI provides a revised estimate including such costs.

Mr. Ringold next advised the Board that the cost of the repair of the damage caused by US Wireless' contractor to the Wastewater Treatment Plant Access Road has been paid in full.

Mr. Ringold next presented and reviewed with the Board correspondence from the TCEQ requesting Homeland Security Contact Information, a copy of which is attached hereto as **Exhibit K**, and noted that same has been forwarded to Mr. Hastings for completion and filing.

Mr. Ringold next advised the Board that correspondence was received from the North Harris County Regional Water Authority advising that their pumpage fee will increase to \$0.99 per 1,000 gallons, effective October 1, 2007 and requested that the Board consider amending its Rate Order at its September meeting.

DISCUSSIONS WITH HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT 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 he had nothing new to report in that regard at this time.

FUTURE AGENDA ITEMS

The Board requested that an agenda item regarding a security analysis be added to next month's agenda.

ADJOURN

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

Secretary

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A Records Destruction Request Letter
- Exhibit B Tax Assessor-Collector's Report
- Exhibit C Continuing Disclosure Report
- Exhibit D Bookkeeper's Report
- Exhibit E Neighborhood Security Report
- Exhibit F Arbitrage Compliance Report prepared by Municipal
Accounts and Consulting, L.P.
- Exhibit G Engineer's Report
- Exhibit H Operator's Report
- Exhibit I Proposals for waste collection services from
Republic Waste Services of Texas, Ltd. and Waste
Management of Texas, Inc.
- Exhibit J Amended Rate Order effective July 1, 2007
- Exhibit K Correspondence from the TCEQ regarding Homeland
Security Contact Information