

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
February 21, 2008

The Board of Directors ("Board") of Harris County Municipal Utility District No. 249 ("District") met in regular session at the Board's regular meeting place on February 21, 2008, in accordance with the duly posted notice of regular 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
Willie Hodge, Assistant Secretary

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

Also present were Asim Tufail of Van De Wiele Engineering Incorporated ("VEI"), Gary Hastings of SWWC Services, Inc. ("SWWC"), Teresa Rosenbaum of Municipal Accounts & Consulting, L.P. ("MA&C"), Robin Humphrey of Wheeler & Associates, Inc. ("Wheeler"), and Abraham Rubinsky 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 draft minutes of its meeting held on January 17, 2008. After discussion of the minutes presented, Director Wade moved that the aforesaid minutes be approved, as written. Director Haude seconded said motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

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

REVIEW AND APPROVAL OF PROPOSALS FOR RENEWAL OF DISTRICT INSURANCE COVERAGES

Mr. Rubinsky next presented and reviewed with the Board insurance proposals from Anco McDonald Waterworks Insurance Services, L.L.C. ("Anco"), AquaSurance, L.L.C., HARCO Insurance

Services and The Essential Group relative to the District's insurance coverages for the term ending March 31, 2009, 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. The Board then made various inquiries to Mr. Hastings relative thereto, to which Mr. Hastings responded. After discussion on the matter, Director Haude moved that the proposals from Anco be accepted, including business travel, but not workers compensation, as set out in the attached proposal, a copy of which is attached hereto as Exhibit A and made a part hereof, 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.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Humphrey next presented and reviewed with the Board the tax assessor-collector's report dated as of January 31, 2008, 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 January 31, 2008, copies of which are attached hereto as Exhibit B. Ms. Humphries advised the Board that an additional \$440,000 had been collected on behalf of the District since the report had be prepared, bringing the District to approximately 84% collected with respect to its 2007 taxes. 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.

Mr. Rubinsky then presented and reviewed with the Board a Delinquent Tax Collections Report, dated February 21, 2008, prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P., the District's delinquent tax collection attorneys, a copy of which is attached hereto as Exhibit C. Mr. Rubinsky noted that no Board action was required at this time with respect to the accounts listed in such report.

GRANTING EXEMPTIONS FROM TAXATION FOR 2008

Mr. Rubinsky 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 2008, 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. In connection therewith, Ms. Humphrey circulated a spreadsheet regarding the financial impact of exempting various amounts from taxation through the granting of a general homestead exemption and residential homestead exemptions of persons who are disabled and over sixty-five, a copy of which is included with **Exhibit D**. After discussion on the matter, Director Haude moved that the District (a) grant a 15% residential homestead exemption for 2008; (b) grant an exemption of \$10,000 for persons under a disability or sixty-five years of age or older from ad valorem taxes levied by the District during the calendar year 2008, as defined in the Federal Old Age, Survivors and Disability Insurance Act; and (c) not grant the charitable organization exemption for 2008, and that the Resolution Concerning Exemptions from Taxation, attached hereto as **Exhibit D** relative to same be approved and adopted by the Board and District. Director Rumph seconded said motion, which carried unanimously.

BOOKKEEPER'S REPORT

Ms. Rosenbaum next presented and reviewed with the Board the bookkeeper's report dated February 21, 2008, 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 2008 for the Operating Fund and the STP Account, and (v) a Debt Service Payments Schedule, copies of which are attached hereto as **Exhibit E**. After discussion on the matter, it was moved by Director Wade that the bookkeeping report be approved and that the various checks identified therein be approved for payment, except for check no. 3706, which was voided. Director Rumph seconded the motion, which carried unanimously. Ms. Rosenbaum also presented to and reviewed with the Board a 12-Month Rate Performance summary prepared by MAC and Legacy Energy Solutions, Inc. in connection with the electricity pricing pool in which the District is a participant, a copy of which is included with **Exhibit E**.

Ms. Rosenbaum next presented and reviewed with the Board a Quarterly Investment Inventory Report, prepared by MA&C, relative to the District's various funds and accounts for the reporting period ending December 31, 2007, a copy of which is attached hereto as **Exhibit F**. After review of the Quarterly Investment Inventory

report and upon motion duly made by Director Wade, seconded by Director Haude and carried unanimously, said Report was approved and the District's Investment Officer was authorized to execute same on behalf of the Board and District.

Ms. Humphrey 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. Rubinsky 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, which is attached hereto as **Exhibit G** 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. Rubinsky next presented and reviewed with the Board a Memorandum dated February 21, 2008, from SPH regarding Changes in Conflicts Disclosure Statement Reporting Requirements, a copy of which is included with **Exhibit G**. Mr. Rubinsky advised the Board that said Memorandum lists certain conflicts disclosure requirements as revised by House Bill No. 1491, which amends Texas Local Government Code Chapter 176, and noted that Directors are no longer 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 account, credit card, or loan at a financial institution with which the District has contracted. After discussion, Director Hodge moved that the Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved and that the President and Secretary be authorized to execute same on behalf of the Board and District. Director Haude seconded said motion, which unanimously carried.

ENGINEERING REPORT

Mr. Tufail next presented and reviewed with the Board a written engineering report dated February 21, 2008, a copy of which is attached hereto as **Exhibit H**, relative to the status of various projects within the District. Mr. Tufail provided additional information concerning the following matters:

Mr. Tufail reminded the Board that an out-fall manhole located in Spring Lakes, Section 15 is in need of repair or replacement. Mr. Tufail then recommended that the Board authorize SWWC to repair

said manhole at a cost of approximately \$3,500. After discussion on the matter, Director Haude moved that SWWC be authorized to repair said manhole at a cost not to exceed \$3,500. Director Hodge 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 TCEQ for the renewal of the District's Waste Discharge Permit which was due to expire February 1, 2008. Mr. Tufail advised the Board that the new Permit has been issued and received and noted that said Permit is due to expire on February 1, 2013.

SMALL MUNICIPAL SEPARATE STORM SEWER SYSTEMS GENERAL PERMIT

The Board next considered the approval of a Stormwater Management Plan ("SWMP") prepared by Storm Water Solutions, LP ("SWS") and authorizing the filing of said SWMP and a Notice of Intent ("NOI") with the TCEQ for permit coverage under its TXR040000 general permit for storm water discharges associated with small municipal separate storm sewer systems ("MS4s"). In connection therewith, Mr. Tufail advised the Board that the TCEQ issued correspondence dated January 28, 2008, clarifying that MS4's located within subdivisions having private streets are covered by the joint permit held by Harris County and the City of Houston and noted that no further action is required 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 January 2008, a copy of which is attached hereto as **Exhibit I**.

Mr. Hastings next informed the Board that Perry Homes ("Perry") has not paid any of its back charges since November 2007 and noted that Perry currently owes approximately \$3,100 and that Perry has not made any apparent effort to pay the amount owed. Mr. Hastings then requested that the Board authorize SWWC to prepare and forward correspondence to Perry advising that the District will not make any more taps on Perry's behalf until all of the back charges have been paid in full. After discussion on the matter, Director Rumph moved that SWWC be authorized to prepare and forward correspondence to Perry advising that the District will not make any more taps on Perry's behalf until all of the back charges have been paid in full. Director Hodge seconded the motion, which unanimously carried.

Mr. Hastings next presented and reviewed with the Board a notice to District residents advising that flushing of the District's water lines will commence on Monday, March 3, 2008, and continue until all water lines have been flushed, resulting in potential water discoloration during that time, a copy of which is included with Exhibit I. Mr. Hastings informed the Board that said Notice was forwarded to all District residents with their most recent water bill. The Board then requested that said Notice be posted on the District's website.

Mr. Hastings next reminded the Board that the results from the televising of the sanitary sewer lines in Spring Lakes, Section 13 and 500-feet from Buffalo Springs Court and Cypresswood revealed a root intrusion and an interior wall defect. Mr. Hastings then informed the Board that he investigated the findings and noted that SWWC recommends that the District continue to monitor the pipe defect at this time, but not take any corrective action.

Director Wade next informed Mr. Hastings that it appears that the lights at the rear of the Joint Water Plant Site are not operating properly. Mr. Hastings informed the Board that he would research the matter and make any necessary adjustments.

ISSUANCE OF UTILITY COMMITMENTS

Mr. Rubinsky next advised the Board that the District was in receipt of correspondence from KM Realty Advisors, LP ("KM Realty") dated February 14, 2008, a copy of which is attached hereto as Exhibit J. He explained that KM-Louetta Partners, LP ("KM Louetta") has sold 2 acres on the east end of its 3.801 acre tract of land located at the northeast corner of Louetta and I-45 to Jubilee International, Inc. ("Jubilee") and is requesting that seventeen (17) equivalent single-family connections ("ESFC") of water and sewer service be assigned to Jubilee to serve a motel on a portion of the tract. Mr. Rubinsky then advised the Board that KM Louetta's utility commitment letter for the 3.801 acre tract has expired and noted that KM Louetta needs to first request a renewal of the utility commitment and provide additional information regarding the proposed development of the 2.0 acre tract and recommended that the Board not take any action on the matter until said renewal request and additional information has been provided. The Board concurred with the recommendation.

Mr. Rubinsky next advised the Board that SPH is in receipt of e-mail correspondence from Stacie Royer of AIC Ventures in connection with AIC's purchase of property located at 24131 W. Hardy Road, which is located outside the boundaries of the District, requesting documentation stating that (i) the District does not provide any type of public water services to the property

(ii) the District does not have any rights to use the well located on the property and (iii) the District is the closest water supply entity to the property and noted that Mr. Tufail has provided the requested documentation accordingly.

DEVELOPER'S REPORT

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

ATTORNEY'S REPORT

Mr. Rubinsky next advised the Board that District resident Clint Moore has requested to be provided with copies of the District's monthly bookkeeper's reports. After discussion on the matter, Director Haude moved that MAC be authorized to provide Mr. Moore with copies of the District's monthly bookkeeper's reports, once approved by the Board, on a going forward basis. Director Rumph seconded the motion, which unanimously carried.

Mr. Rubinsky next presented and reviewed with the Board correspondence dated January 31, 2008, from Waste Management ("WM") requesting an increase in fees, a copy of which is attached hereto as **Exhibit K**. After discussion on the matter, the Board deferred taking any action on the matter until next month's meeting. Mr. Rubinsky noted that this matter will be included on the agenda for the Board's next meeting and that the District's Rate Order may need to be amended again in connection with same.

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

Director Haude advised the Board that he had nothing new to report at this time.

DISTRICT SECURITY ISSUES

The Board next considered the report on District security issues. Mr. Rubinsky distributed the Harris County Sheriff's Office's call sheet summary for January 2008, a copy of which is attached as **Exhibit L**.

The Board next considered assignment of the Law Enforcement Services Agreement to the Spring Lakes Homeowners Association ("HOA"). After discussion, the Board concurred that it is not in the District's best interest to assign the Agreement to the HOA at this time. The Board noted that Deputy Ron Hamlett has not attended the District's meetings the last couple of months despite

the Board's request at its December meeting that he attend said meetings on a monthly basis, with which he agreed.

CALL DIRECTORS ELECTION

The Board next considered the calling of a Directors Election. There was presented an Order Calling such election to be held on May 10, 2008, which is attached hereto as Exhibit M. It was noted that the terms of office of Directors Rumph, Wade and Hodge would expire in May of 2008. After discussion on the matter, Director Rumph moved that said Order be passed and adopted, and that the President and Secretary be authorized to execute the Order. Director Haude seconded said motion, which unanimously carried.

Mr. Rubinsky next advised the Board that notice of the election could be given by one or more of the following methods: (1) publishing the notice in a newspaper published in the territory of the District or of general circulation in the District at least ten (10) days before the election, but not more than thirty (30) days before; (2) posting the notice at a public place in the District at least twenty-one (21) days before the election; or (3) mailing the notice to each registered voter in the District at least ten (10) days before the election. He further advised that, in addition to the above, notice must be posted at the location used for posting notices of the meetings at least twenty-one (21) days before the election. Following discussion of the options, the Board concurred that notice of the election be given by posting at a public place in the District and by posting at the location where notices of the meetings are posted, all as specified above, and that the attorneys for the District be authorized to arrange for said notice to be posted, if necessary. Mr. Rubinsky then advised the Board that, in accordance with the Election Code, after 5:00 p.m. on the last day for submission of applications for write-in candidacy, the District may cancel the election if each candidate whose name is to appear on the ballot is unopposed in such election and the Board of Directors of the District can then declare such unopposed candidates to be re-elected for an additional term.

Mr. Rubinsky next advised the Board that an agent should be appointed to perform election duties in connection with the Director Election. After discussion, Director Haude moved that Ms. Coyle be appointed to serve as the District's appointed agent with regard to said Election. Director Hodge seconded the motion, which carried unanimously.

The Board next considered the establishment of fees to be paid to election officials. Mr. Rubinsky advised the Board that it may fix the compensation to be paid to election officials at its

discretion, provided that the rate is no less than the federal minimum hourly wage. After discussion on the matter, Director Haude moved that judges and clerks, including early voting clerks, be paid \$12.00 per hour. Director Rumph seconded said motion, which unanimously carried. With respect to designation of election officials, the Board discussed contacting Mark and Darla White to see if they would agree to serve in such capacity.

As the next order of business, Mr. Rubinsky advised that the District is required to supplement the paper balloting process by providing a direct recording electronic ("DRE") voting system that is accessible to disabled individuals at its elections to be held on May 10, 2008. In that regard, Mr. Rubinsky advised that among other options, the District may purchase DREs from a vendor, or it may contract to lease DREs from Harris County. After discussion on the matter, the Board agreed to pursue the option of leasing DREs from Harris County and requested that SPH notify Harris County as to same. Director Hodge then moved to authorize the President of the Board to execute a DRE lease contract with Harris County on behalf of the District, if necessary. Director Haude seconded the motion, which carried unanimously.

ADJOURN

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

Secretary

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A - Accepted Anco insurance proposal
- Exhibit B - Tax Assessor-Collector's Report
- Exhibit C - Delinquent Tax Report
- Exhibit D - Resolution Concerning Exemptions from Taxation
- Exhibit E - Bookkeeper's Report
- Exhibit F - Quarterly Investment Inventory Report
- Exhibit G - Resolution Adopting List of Qualified Brokers
Authorized to Engage in Investment Transactions
with the District
- Exhibit H - Engineer's Report
- Exhibit I - Operator's Report
- Exhibit J - Correspondence dated February 14, 2008, from KM
Realty Advisors, LP
- Exhibit K - Correspondence dated January 31, 2008, from
Waste Management requesting fee increase, LP
- Exhibit L - District Security Report
- Exhibit M - Order Calling Directors Election