

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
May 15, 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 May 15, 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, thus constituting a quorum.

Also present were Asim Tufail of Van De Wiele Engineering Incorporated ("VEI"); Gary Hastings of Southwest Water Company, Inc. ("SWWC"), Teresa Rosenbaum of Municipal Accounts & Consulting, L.P. ("MA&C"); Avik Bonnerjee of Wheeler & Associates, Inc. ("Wheeler"); Deputy M. Stephenson of the Harris County Sheriff's Office ("HCSO"); Daniel Stage, Roxanne Stage, Cindy Adamek, Sue Cox and Clint Moore, residents of the District; and Daniel Ringold 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.

CANVASS RETURNS OF DIRECTORS ELECTION

As the first order of business, the Board considered canvassing the returns of the Directors' Election held on May 10, 2008. Said election returns and other election instruments were examined and canvassed by the Board and found to be correct, legal and regular in all respects. It was properly certified that 250 ballots and a Direct Recording Electronic machine "DRE" had been delivered for use in early and regular voting in connection with the Directors' Election. It was duly moved by Director Adamek, seconded by Director Haude, and unanimously carried that there be passed and adopted the Order Declaring Results, attached hereto as **Exhibit A**, which declares Willie Hodge, Sue Cox and Daniel Stage elected Directors of the District at said election, each to serve for four years, or until their successors are duly elected or appointed and qualified.

ACCEPTANCE OF QUALIFICATION STATEMENTS, BONDS, OATHS OF OFFICE AND AFFIDAVITS OF CURRENT DIRECTOR FOR DIRECTORS

The Board next considered the acceptance of Bonds, Qualification Statements of Elected Officer, Oaths of Office and Affidavits of Current Director for Willie Hodge, Sue Cox and Daniel Stage. Willie Hodge, Sue Cox and Daniel Stage each presented their respective Bonds, Qualification Statement of Elected Officer Oaths of Office and Affidavits of Current Director. After discussion on the matter, it was moved by Director Haude, seconded by Director Adamek and unanimously carried that the Board approve said Bonds, accept said Qualification Statements of Elected Officer, Oaths of Office and Affidavits of Current Director and declare Willie Hodge, Sue Cox and Daniel Stage to be duly elected and qualified Directors of the District. Directors Cox, Hodge and Stage participated in the remainder of the meeting.

REORGANIZATION OF THE BOARD OF DIRECTORS AND ELECTION OF OFFICERS

The next item to be considered was the election of officers. Director Adamek stated the he believes that officers need to be changed due to the feedback he received from the community during the May 10, 2008 election. Director Haude noted that he agrees with Director Adamek's suggestion, but that he would first like for the new Directors to address the Board and provide information about themselves. Willie Hodge, Sue Cox and Daniel Stage then addressed the Board and provided information regarding their background, professional experience and experience with water district matters. Director Haude then nominated Director Cox for President. Director Stage next nominated Director Adamek for President. Director Cox advised the Board that she would be uncomfortable serving as President at this time, but that she would accept a nomination to serve as Vice President or Secretary of the Board. There being no further nominations for President, the nominations were closed. Upon motion made by Director Stage, seconded by Director Adamek, which carried by a vote of 4 in favor and Director Haude being opposed, Director Adamek was elected President of the Board.

The President next called for nominations for Vice-President, whereupon Director Haude nominated Director Cox for that office. There being no further nominations for Vice-President, the nominations were closed. The President called for a vote, and upon motion duly made by Director Haude, seconded by Director Adamek, which carried unanimously, Director Cox was elected Vice-President of the Board.

The President next called for nominations for Secretary, whereupon Director Hodge nominated Director Stage for that

office. There being no further nominations for Secretary, the nominations were closed. The President called for a vote, and upon motion duly made by Director Hodge, seconded by Director Adamek, which carried unanimously, Director Stage was elected Secretary. The President declared Director Stage to be the duly elected Secretary of the Board and authorized to sign the minutes of this meeting.

The President next called for nominations for Assistant Secretary, whereupon Director Hodge nominated Director Haude and Director Adamek nominated Director Hodge for that office. There being no further nominations for Assistant Secretary, the nominations were closed. The President called for a vote, and upon motion duly made by Director Adamek, seconded by Director Stage, and unanimously carried, Director Haude and Director Hodge were elected Assistant Secretaries.

GOVERNMENTAL TRAINING REQUIREMENTS

Mr. Ringold next discussed with the Board the training requirements for public officials which were established by Senate Bill 286 in the 2005 legislative session. Mr. Ringold advised that public officials, including directors of a municipal utility district, must complete separate training courses regarding the Texas Open Meetings Act ("OMA") and the Texas Public Information Act ("PIA"). Mr. Ringold presented and reviewed with Directors Cox and Stage a Memorandum prepared by SPH which summarizes the training requirements, a copy of which is attached hereto as **Exhibit B**. Mr. Ringold advised that the deadline for public officials to complete their training is the 90th day after they either take their oath of office or otherwise assume their responsibilities as a public official. Mr. Ringold advised that Director Hodge previously completed his training requirements when he was appointed to the Board in 2007 and noted that it is not necessary for Director Hodge to take said training again.

DISTRICT REGISTRATION FORM

The Board next considered approving a District Registration Form required by the Texas Commission on Environmental Quality (the "TCEQ"). Mr. Ringold explained that, in accordance with §36.054(e) and §49.054(f) of the Texas Water Code, municipal utility districts are required to file names, mailing addresses, officer positions and terms of new directors with the TECQ within thirty days (30) after an election or appointment. He advised that with the Board's approval, SPH will complete the District Registration Form to include Directors Cox, Hodge and Stage's new terms of office, mailing addresses and officer positions and file same with the TCEQ. After further discussion of the matter, Director Haude moved

that the Board authorize SPH to complete the District Registration Form as discussed and file same with the TCEQ. Director Cox seconded said motion, which unanimously carried.

APPROVAL OF MINUTES

The Board next reviewed the draft minutes of its meeting held on April 17, 2008. After discussion of the minutes presented, Director Haude moved that the aforesaid minutes be approved, as presented. Director Cox seconded said motion, which carried unanimously.

DISCUSSION REGARDING MAY 10, 2008 DIRECTORS ELECTION

Director Adamek next requested that the Board defer discussion regarding the May 10, 2008 Directors Election until later in the meeting. The Board concurred with the request.

DISTRICT SECURITY ISSUES

The Board next considered the report on District security issues. Mr. Ringold then reminded the Board that, as discussed at last month's meeting, he was in receipt of e-mail correspondence from Deputy Ron Hamlett of the HCSO advising that, as of April 5, 2008, he no longer would be assigned to the District's contract and that Deputy M. Stephenson will be taking his place. Deputy Stephenson then introduced himself to the Board. Deputy Stephenson advised the Board that his patrolling hours are 9:00 p.m. to 5:00 a.m., Tuesday through Saturday, and that he is off duty on Sundays and Mondays. Mr. Hastings advised that he would provide Deputy Stephenson with a listing of said facilities. There then ensued a discussion regarding Deputy Stephenson's future attendance at Board of Directors meetings. After discussion, the Board requested that Deputy Stephenson attend meetings on a quarterly basis. Deputy Stephenson concurred with the request.

COMMENTS FROM THE PUBLIC

The Board next considered comments from the public. Mr. Moore advised that he recommends that the Board consider increasing the District's residential homestead exemption from 15% to 20% to provide a tax relief to District residents and noted that the residential homestead exemption is the preferred method of tax relief. Mr. Moore also advised the Board that he recommends that the Board consider moving future meetings to a location within the District. Ms. Stage next advised the Board that she recommends that the Board's meeting time be moved back an hour to make it easier for interested persons to attend.

APPROVAL OF CONTINUING DISCLOSURE REPORT

The Board next considered the review and approval of the District's continuing disclosure report due June 30, 2008, and authorizing the District's continuing disclosure counsel to file said report with all appropriate repositories. Mr. Ringold advised the Board that McCall, Parkhurst & Horton L.L.P. ("McCall") is still in the process of preparing said report at this time. Mr. Rubinsky then provided additional historical information relative to the District and the requirement to file such report. After discussion on the matter, Director Adamek moved that said report be approved, subject to SPH's final review, and that McCall be authorized to file same with the appropriate repositories by June 30, 2008. Director Cox seconded the motion, which carried unanimously.

TAX ASSESSOR-COLLECTOR'S REPORT

Mr. Bonnerjee next presented and reviewed with the Board the tax assessor-collector's report dated as of April 30, 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 April 30, 2008, copies of which are attached hereto as Exhibit C. After discussion of the tax assessor-collector report, Director Adamek moved that said report be approved and that the checks identified therein be approved for payment. Director Stage seconded said motion, which carried unanimously.

Mr. Bonnerjee next distributed and discussed with the Board a sales tax report for the month of May 2008, prepared by Sales Tax and Revenue Tracking ("START"), a division of Wheeler, in connection with revenue tracking and administration of the District's Strategic Partnership Agreement ("SPA") with the City of Houston ("COH"), a copy of which is attached hereto as Exhibit D. Mr. Bonnerjee advised the Board that several retail businesses within the District had not been included on the City of Houston's list of sales tax generating businesses, including the Ross Dress For Less ("Ross"), which had refused to provide its sales tax information when Wheeler was recently updating said list. Mr. Bonnerjee advised the Board that reports will be performed semi-annually, unless additional reports are requested by the City of Houston, or START becomes aware of any new businesses. Mr. Rubinsky then discussed the implication of the SPA and how it relates to delayed annexation and maintenance of facilities. Mr. Moore noted that SPA revenues help keep water bills low.

Mr. Ringold then presented and reviewed with the Board a Delinquent Tax Collections Report, dated May 15, 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 E**. Mr. Ringold noted that no Board action was required at this time with respect to the accounts listed in such report.

RESIDENTIAL HOMESTEAD EXEMPTIONS

At the request of Director Adamek, the Board deferred discussion regarding residential homestead exemptions until after the bookkeeper's report.

BOOKKEEPER'S REPORT

Ms. Rosenbaum next presented and reviewed with the Board the bookkeeper's report dated May 15, 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 April 2008 for the Operating Fund and the STP Account, and (v) a Debt Service Payments Schedule, copies of which are attached hereto as **Exhibit F**. Ms. Rosenbaum noted that check no. 3808 to Spring Independent School District was for a refund of the remaining deposit balance in connection with the Water Plant upgrades. Mr. Ringold then explained the source and nature of the District's different funds to the new Directors, as reflected on the bookkeeper's report. There then ensued a discussion regarding Harris County Water Control and Improvement District No. 110's surface water conversion scheduled to occur in 2010 and how same would affect the District's emergency interconnect. 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. Director Cox seconded the motion, which carried unanimously.

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 March 31, 2008, a copy of which is attached hereto as **Exhibit G**. After review of the Quarterly Investment Inventory report and upon motion duly made by Director Haude, seconded by Director Cox 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.

RESIDENTIAL HOMESTEAD EXEMPTIONS

Director Adamek next addressed the Board and advised that he would like for the Board to re-visit the residential homestead

exemption currently being granted by the District. He informed the Board that he discussed the matter with the District's tax assessor-collector to see if it would be possible to reconsider the exemptions at this time. Mr. Bonnerjee then advised the Board that he contacted the appraisal district and was informed that the Board can revoke its prior action and implement a new rate at any time prior to July 1st. Ms. Moran then distributed and reviewed with the Board a Homestead Exemptions Analysis, a copy of which is attached hereto as Exhibit H. Ms. Moran next discussed the impact on the District's tax rate if the Board were to grant a 15% or 20% general residential homestead exemption for 2008. Ms. Moran advised the Board that its current financial condition allowed consideration of increased homestead exemption or tax rate reduction. Mr. Moore, Mr. Wade, Mr. Rubinsky and Directors Haude, Adamek, Hodge and Cox then expressed and discussed their various views and concerns with the Board relative to increasing the exemption to 20% for 2008. After a very lengthy discussion on the matter, Director Adamek moved that the District (a) grant a 20% 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; (c) not grant the charitable organization exemption for 2008; (d) the Resolution Concerning Exemptions from Taxation adopted on February 21, 2008, be revoked; and (e) that the Resolution Concerning Exemptions from Taxation attached hereto as Exhibit I be passed and adopted. Director Cox seconded the motion, which carried by a vote of three in favor, one against and one abstention with Directors Adamek, Cox and Stage voting in favor, Director Haude being opposed and Director Hodge abstaining.

Mr. Ringold then presented and reviewed with the Board correspondence received from the North Harris County Regional Water Authority dated May 6, 2006, regarding a Notice of Financing as Provided by House Bill 2965, as amended by the North Harris County Regional Water Authority ("Authority"), Proposed Bond Issue No. 3, Series 2008 ("Bonds"), a copy of which is attached hereto as Exhibit J. Director Haude then discussed the history and purpose of the Authority. Ms. Moran advised the Board that she does not recommend that the District sell bonds for the purpose of making a capital contribution at this time. There then ensued a discussion regarding same and the Board concurred with Ms. Moran's recommendation.

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

ENGINEERING REPORT

Mr. Tufail next presented and reviewed with the Board a written engineering report dated May 15, 2008, a copy of which is attached hereto as **Exhibit K**, 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 public bids had been received for the construction of the Louetta Road Waterline Extension to the Carpenter Tract (the "Project") earlier today. He then distributed a bid tabulation, a copy of which is included with the engineering report, and reported that three (3) bids had been received for the Project, with the low bid in the amount of \$33,990.87 being submitted by Clearwater Utilities, Inc. ("Clearwater"). Mr. Tufail then recommended that the contract for the Project be awarded to the low bidder, Clearwater, and that the Board concur in Mr. Carpenter's execution of the construction contract for the Project. After due deliberation and consideration, upon motion made by Director Haude, seconded by Director Cox, and unanimously carried, the Board of Directors of the District concurred in the award of the contract for the construction of the Project to Clearwater at the price of \$33,990.87, subject to the District's attorneys' review of the payment and performance bonds and insurance certificate submitted in connection with the contract to determine if the payment and performance bonds and insured meet the requirements of the bid specifications, the Texas Insurance Code, the rules of the Texas Commission on Environmental Quality, and the provisions of the Texas Water Code.

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 March 2008, a copy of which is attached hereto as **Exhibit L**.

Mr. Hastings next reminded the Board that the District's fire hydrants are inspected and tested annually and presented and reviewed with the Board a Fire Hydrant Report, a copy of which is attached hereto as **Exhibit M**. Mr. Hastings then requested that the Board consider authorizing SWWC to proceed with the necessary repairs, installation of reflectors and painting for various fire hydrants within the District, as indicated on the Fire Hydrant Report. After discussion, Director Haude moved that SWWC be authorized to proceed with the necessary repairs, installation of reflectors and painting for various fire hydrants within the

District as indicated on the Fire Hydrant Report. Director Cox seconded the motion, which carried unanimously.

Mr. Hastings next advised the Board that a District resident advised him that he was planning on filing for bankruptcy. Mr. Hastings noted that he has not yet received any documentation relative to the bankruptcy, despite his efforts to contact the resident regarding same. Mr. Hastings then advised the Board that said resident currently owes \$587 and requested that the Board consider authorizing SWWC to proceed with termination of the resident's water service. After discussion on the matter, Director Hodge moved that SWWC be authorized to proceed with termination of said resident's water service. Director Stage seconded the motion, which carried unanimously.

Mr. Hastings next advised the Board that the impellers on all six (6) of the sludge activated return pumps at the sewage treatment plant are worn out and requested authorization to order replacement impellers. After discussion on the matter, Director Cox moved that SWWC be authorized to order replacement impellers for all six (6) sludge activated return pumps, at a cost not to exceed \$5,400. Director Haude seconded the motion, which carried unanimously. Mr. Tufail advised the Board that VEI would make a recommendation to SWWC on the selection of the impellers.

Mr. Hastings next advised the Board that there was a sewage spill into the outfall ditch that occurred last Sunday. Mr. Hastings informed the Board that he initially thought that the spill was from the Kroger center, but SWWC determined that the sewage was coming from the District's wastewater treatment plant due to a check valve failure over the weekend. Mr. Hastings noted that the problem was corrected on Monday and that the wastewater treatment plant is back to normal operation.

Director Adamek next advised Mr. Hastings that he is still noticing toilet paper coming out of the outfall pipe to the outfall ditch by his house. Mr. Hastings advised he would check on same.

Mr. Hastings next advised the Board that all the necessary responses were made to the Texas Commission on Environmental Quality with regard to the cited deficiencies at the wastewater treatment plant inspection.

Mr. Hastings next discussed issues relative to the No. 110 Lift Station on the District's Lift Station Site. The Board deferred taking any action on the matter until next month's meeting so that Mr. Ringold could review the District's agreement with No. 110.

LEASE OF EMERGENCY BACK-UP GENERATOR

Mr. Ringold next presented and reviewed with the Board a proposal received from Stewart & Stevenson Services, Inc. ("Stewart") relative to the lease of a 180 kilowatt emergency generator for use at District's sewage treatment plant , a copy of which is attached hereto as **Exhibit N**. Mr. Ringold noted that said proposal is essentially identical to the proposal the Board accepted last year. There then ensued a discussion regarding the cost/benefit analysis. There also ensued a discussion regarding the fuel tank capacity. Mr. Hastings noted that SWWC has the necessary capacity available. After discussion on the matter, Director Cox moved that the Board accept Stewart's proposal for a 180 kilowatt emergency generator for use at District's sewage treatment plant. Director Haude seconded the motion, which carried unanimously.

RATIFICATION OF PRIOR ACTION RELATIVE TO THE APPROVAL OF DRAFT CONSUMER CONFIDENCE REPORT AND AUTHORIZATION FOR DISTRIBUTION OF SAME

The Board next considered ratifying its prior action relative to the approval of a draft Consumer Confidence Report ("CCR") and authorizing the distribution of same. Mr. Hastings noted that the arsenic levels reflected on the draft CCR was for another District and that the information has been corrected to reflect the District's levels. After discussion, Director Cox moved that the Board's prior action be ratified in all respects. Director Stage seconded the 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 at the meeting.

ATTORNEY'S REPORT

Mr. Ringold next presented to and reviewed with the Board a Corrected Notice of Public Hearing on Proposed Scope Work and Notice of Application to the Texas Water Development Board for Financial Assistance to Update the Region H Regional Water Plan to be held May 28, 2008, a copy of which is attached hereto as **Exhibit O**.

Mr. Ringold next presented and reviewed with the Board an Open Records Request received from District resident, JoAnne Long, for various election documentation a copy of which is attached hereto as Exhibit P, and advised that SPH would respond to same on behalf of the District.

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

Director Adamek encouraged the Board to make another attempt at discussing the matter with No. 110's Board of Directors. No action was taken by the Board at this time.

PUBLIC COMMUNICATIONS

There next ensued a discussion regarding the implementation of a policy with respect to general public communications on behalf of the District. After discussion on the matter, Director Haude moved that the Board adopt a general policy that any public communication inquiries be directed to the District's attorney. Director Stage seconded the motion, which carried unanimously.

POLICY REGARDING POSTING OF DOCUMENTATION

There next ensued a discussion regarding the implementation of a policy with respect to the posting of documentation on the District's website. Director Adamek expressed his concern with the manner in which Notice of the May 2008 Directors election was provided and suggested that the policy be that any documentation that is to be posted publicly be placed on the District's website as well, unless the Board directs otherwise. Director Adamek also suggested that all public postings be sent electronically via e-mail to the Board. Director Adamek further suggested that the District's current in-District posting location for meeting notices be changed to the Water Plant. Mr. Rubinsky noted that the Notice of Election was provided in accordance with the Board's instructions and customary method for providing such notices and in compliance with all applicable law. He further noted that, if the Board wished to change the manner in which it provides such notices, it is within the Board's discretion to do so, provided that such method meets the applicable legal requirements. There then ensued a lengthy discussion regarding same and the issues surrounding the notification provided relative to the May 10, 2008 Directors Election. After further discussion, Director Adamek moved that the Board adopt a policy that all legal public postings be posted on the District's website and that said postings also be e-mailed to all interested persons. Director Hodge seconded the motion, which carried unanimously. Director Adamek then requested

that an item regarding a change in posting location and a change in meeting location be placed on the next agenda.

DIRECTORS ELECTION MATTERS

Director Haude next addressed the Board and expressed his concerns regarding the political debate during the May 10, 2008 Directors Election and presented and reviewed correspondence regarding same with the Board, a copy of which is attached hereto as **Exhibit Q**. Mr. Rumph and Mr. Wade also expressed their concerns regarding various accusations brought against them by a resident's campaign letter and an anonymous e-mail during the election and congratulated Directors Hodge, Cox and Stage on their successful campaigns. There then ensued a lengthy discussion regarding same.

ADJOURN

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

Secretary

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A - Order Declaring Results
- Exhibit B - Memorandum regarding training requirements
- Exhibit C - Tax Assessor-Collector's Report
- Exhibit D - START sales tax report
- Exhibit E - Delinquent Tax Report
- Exhibit F- Bookkeeper's Report
- Exhibit G - Quarterly Investment Inventory Report
- Exhibit H - Homestead Exemption Analysis
- Exhibit I - Resolution Concerning Exemptions from Taxation
- Exhibit J - Correspondence received from the North Harris County Regional Water Authority dated May 6, 2006, regarding a Notice of Financing as Provided by House Bill 2965, as amended by the North Harris County Regional Water Authority, Proposed Bond Issue No. 3, Series 2008
- Exhibit K - Engineer's Report
- Exhibit L - Operator's Report
- Exhibit M - Fire Hydrant Report
- Exhibit N - Proposal from Stewar & Stevenson Service, Inc. for rental of emergency back-up generator
- Exhibit O - Corrected Notice of Public Hearing on Proposed Scope Work and Notice of Application to the Texas Water Development Board for Financial Assistance to Update the Region H Regional Water Plan
- Exhibit P - Open Records Request
- Exhibit Q - Correspondence from Doug Haude regarding various 2008 Directors Election matters