

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors  
July 17, 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 July 17, 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:

Norman C. Adamek, President  
Sue Cox, Vice President  
Daniel Stage, Secretary  
Willie Hodge, Assistant Secretary  
Douglas Haude, Assistant Secretary

and all of said persons were present, except Director Cox, who later entered the meeting, thus constituting a quorum.

Also present were Scott Novosad of Van De Wiele Engineering Incorporated ("VEI"); Lisa Hernandez of Municipal Accounts & Consulting, L.P. ("MA&C"); Sissie Lawson of Wheeler & Associates, Inc. ("Wheeler"); Edward Wade, Cindy Adamek and Clint Moore, residents of the District; Ray Joslin, Mark Palmer and Sandra Palmer, representatives of Home of Hope; Tom Dillard of Champions Hydro-Lawn, Inc. ("Champions"); 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**

Director Adamek requested that the Board defer review and approval of the June 19, 2008 draft minutes until later in the meeting.

**COMMENTS FROM THE PUBLIC**

Mr. Palmer next introduced himself to the Board and advised that he is representing the group who purchased the Clairmonte tract. He then advised that they intend to develop the tract as a rehabilitation center for victims of human trafficking and presented and reviewed with the Board an information sheet relative thereto, a copy of which is attached hereto as **Exhibit A**. He noted that he believes that the development will be low profile and non-obtrusive. He then advised that the frontage along Cypresswood may be sold for commercial improvements in the

future. Mr. Joslin then introduced himself and discussed the project with the Board and advised that Home of Hope-Texas is a non-profit organization. There then ensued a discussion regarding the development plans of the subject tract. Mr. Joslin estimated that the tract will require water and sanitary sewer capacity for approximately twenty (20) equivalent single-family connections, but that the exact amount of capacity is unknown at this time. There then ensued a discussion regarding the District's requirement that funds be deposited with the District to cover the cost of the feasibility study related to the annexation request. The Board then requested that an item regarding same be placed on the agenda for its next meeting. No action was taken by the Board at this time.

Mr. Joslin, Mr. Palmer and Ms. Palmer exited the meeting at this time.

Mr. Moore next advised the Board that he recommends that the Board consider moving future meetings to a location within the District. He also recommended that the Board consider reviewing all of the District's consultant contracts.

Mr. Moore next advised the Board that he spoke to Mr. Jimmie Schindewolf, the General Manager of the North Harris County Regional Water Authority ("NHCRWA"), regarding surface water conversion for areas within the NHCRWA. He informed the Board that it is Mr. Schindewolf's opinion that the subsidence district and the NHCRWA may re-evaluate the long term plan after the 2010 surface water conversion, and, therefore, he recommends that the Board consider deferring the District's conversion to surface water until the NHCRWA compels the District to do so. Mr. Moore then queried Director Haude regarding his relationship to the NFBRWA surface water conversion program through his employment with TCB. Mr. Moore then queried Mr. Ringold as to whether a conflict of interest exists relative thereto. Mr. Ringold advised the Board that he would research the matter.

Mr. Moore next presented and reviewed with the Board correspondence regarding the one-time research project regarding the list of sales tax generating businesses in connection with the District's Strategic Partnership Agreement with the City of Houston, a copy of which is attached hereto as Exhibit B. Director Adamek then suggested that a copy of the correspondence be forwarded to Mr. Avik Bonnerjee of Wheeler.

Mr. Moore next presented and reviewed with the Board an Open Records Request for various expense report documentation, a copy of which is attached hereto as Exhibit C.

Mr. Moore exited the meeting at this time.

Mr. Wade next addressed the Board and advised that he is still dealing with various accusations brought against him by Mr. Moore's campaign letter and an anonymous e-mail during the May 10, 2008, Directors Election. Mr. Wade then requested that Board consider posting the letter previously submitted by Director Haude regarding the political debate that arose during said election on the District's website. After a lengthy discussion on the matter, Director Hodge moved that said correspondence be posted on the District's website. Director Cox seconded the motion, which carried by a vote of one in favor, three opposed and one abstention, with Director Hodge being in favor, Directors Adamek, Cox and Stage being opposed and Director Haude abstaining.

Mr. Wade next requested that, relative to Mr. Moore's recommendation regarding review of the District's consultant contracts, the new Board members keep in mind that the District's current consultants have been with the District through the tough times and have stayed committed to the District.

Mr. Wade next advised the Board that he is in favor of the District providing Mr. Moore with the requested documentation relative to his mileage reimbursements during his service on the Board.

Mr. Dillard next reported to the Board regarding sink holes that have developed between the detention pond located at the confluence of Lemm and Wunsche Gullies and the back fence line of the homes on Cypresswood Springs that back up to the pond. He advised the area is in need of repair and presented and reviewed proposals for two (2) different repair options and photographs of the areas in need of repair, copies of which are attached hereto as **Exhibit D**. There then ensued a discussion regarding the alternate repair options. Mr. Dillard noted that he recommends that the Board choose the second option because they are more comprehensive repairs. There then ensued a discussion regarding the on going discussions with Harris County Water Control and Improvement District No. 110 over the maintenance of the area. There additionally ensued a discussion regarding the timing of the repairs. After further discussion, Director Hodge moved that the Board accept Champions proposal for the "Option 2" repair of the sink-hole and that the President be authorized to execute same on behalf of the Board and District. Director Stage seconded the motion, which carried unanimously.

Mr. Dillard exited the meeting 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 June 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 June 30, 2008, copies of which are attached hereto as **Exhibit E**. After discussion of the tax assessor-collector report, Director Stage moved that said report be approved and that the checks identified therein be approved for payment. Director Cox seconded said motion, which carried unanimously.

### **DELINQUENT TAX COLLECTION ATTORNEY'S REPORT**

Mr. Ringold presented and reviewed with the Board a Delinquent Tax Collections Report, dated July 17, 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 F**. Mr. Ringold noted that no Board action was required at this time with respect to the accounts listed in such report.

### **BOOKKEEPER'S REPORT**

Ms. Hernandez next presented and reviewed with the Board the bookkeeper's report dated July 17, 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 June 2008 for the Operating Fund and the STP Account, and (v) a Debt Service Payments Schedule, copies of which are attached hereto as **Exhibit G**. After discussion, it was moved by Director Cox that the bookkeeping report be approved and that the various checks identified therein be approved for payment. Director Adamek seconded the motion, which carried unanimously.

Mr. Ringold next addressed the Board regarding the District's Collateral Security Agreement ("CSA") with Texas State Bank ("TSB"). As background, Mr. Ringold discussed the requirements for all District depository banks to pledge collateral in order to secure District deposits and funds in excess of the amount insured by the Federal Deposit Insurance Corporation. Mr. Ringold further explained that TSB has merged with and into Compass Bank ("Compass"), and Compass has assumed TSB's obligations under the District's CSA with TSB. Mr. Ringold also explained that prior to TSB being acquired, it was under the jurisdiction of The Federal Home Loan Bank - Dallas ("FHLB-D") and that FHLB-D is a required signatory, albeit for limited purposes, to the District's CSA.

However, now that TSB is part of Compass, it is under the jurisdiction of The Federal Home Loan Bank - Atlanta ("FHLB-A"). Mr. Ringold reported that he would confirm that the District's CSA would not be adversely affected as a result of such change of Custodian.

**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. Ringold 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, 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, copies of which are attached hereto as **Exhibit H**. Mr. Ringold noted that the current list reflects certain changes which have taken place since the District last reviewed its list earlier this year. After discussion, Director Cox moved that the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved by the Board and that the President and Secretary be authorized to execute same on behalf of the Board and the District. Director Hodge seconded said motion, which unanimously carried.

**ENGINEERING REPORT**

Mr. Novosad next presented and reviewed with the Board a written engineering report dated July 17, 2008, a copy of which is attached hereto as **Exhibit I**, relative to the status of various projects within the District.

Mr. Novosad next presented and reviewed with the Board a cost estimate for the recoating of Water Plant No. 1, a copy of which is included with the Engineer's Report. After discussion, the Board deferred taking any action on the matter at this time.

Mr. Novosad next advised the Board that he spoke to John Davis, a representative of Harris County Water Control and Improvement District No. 110's ("No. 110"), regarding surface water conversion and the compatibility of No. 110's and the District's water disinfection methods once conversion has commenced. Mr. Novosad informed the Board that No. 110 expects to convert to surface water in 2009. Mr. Novosad then discussed the various options for taking water from No. 110 through the interconnect once

No. 110 has converted. There then ensued a discussion regarding the pros and cons of same.

Mr. Ringold next advised the Board that he was in receipt of e-mail correspondence from Mark Carpenter advising that the Louetta Road water line extension project is near completion. Mr. Ringold then advised the Board that Mr. Carpenter was inquiring as to when he could expect reimbursement from the District for the project. There then ensued a discussion regarding same. Mr. Ringold then requested that Ms. Lawson obtain a 2008 preliminary estimate from the Harris County Appraisal District for Mr. Carpenter's tract. No action was taken by the Board at this time.

Director Haude next advised the Board that he had suggested that the Board consider instructing its engineer to investigate surface water conversion as it pertains to Harris County Water Control and Improvement District No. 110 ("No. 110") and the interconnect the District shares with No. 110, as it is his understanding that the District's method of disinfection (chlorine) is generally incompatible with the disinfection method that will be used by No. 110 (chloramines) once No. 110 converts to surface water, resulting in poor taste and odor if mixed in sufficient quantities. Further, given that the District only has one water well and one water interconnect with No. 110, he is concerned that the District would not have a readily available source of back-up water should the District's water well go out of service for a period of time without having to fully flush the entire water distribution system throughout the District. He assured the Board that his suggestion to authorized the engineer to investigate the matter was borne out of prudent planning, not seeking to convert the District to surface water prior to the North Harris County Water Authority's 2020 conversion plan date

#### **APPROVAL OF MINUTES**

The Board next reviewed the draft minutes of its meeting held on June 19, 2008. Director Adamek recommended various changes to the draft minutes. After discussion of the minutes presented, Director Haude moved that the aforesaid minutes be approved, as amended. Director Adamek seconded said motion, which carried unanimously.

Director Haude next advised the Board that he had suggested that the Board consider instructing its engineer to investigate surface water conversion as it pertains to Harris County Water Control and Improvement District No. 110 ("No. 110") and the interconnect the District shares with No. 110, as it is his understanding that the District's method of disinfection (chlorine) is generally incompatible with the disinfection method

that will be used by No. 110 (chloramines) once No. 110 converts to surface water, resulting in poor taste and odor if mixed in sufficient quantities. Further, given that the District only has one water well and one water interconnect with No. 110, he is concerned that the District would not have a readily available source of back-up water should the District's water well go out of service for a period of time without having to fully flush the entire water distribution system throughout the District. He assured the Board that his suggestion to authorized the engineer to investigate the matter was borne out of prudent planning, not seeking to convert the District to surface water prior to the North Harris County Water Authority's 2020 conversion plan date.

#### **OPERATIONS AND MAINTENANCE REPORT**

The Board next considered the Operations and Maintenance Report. Mr. Ringold presented and reviewed in detail with the Board a written Operations Report supplied by Southwest Water Company for May 2008, a copy of which is attached hereto as **Exhibit J**.

Director Haude noted that the lights at the Water Plant are coming on sometime between 6:00 p.m. and 6:30 p.m. and requested that the timer be adjusted. Mr. Ringold advised the Board that he would relay the request to the District's operator accordingly.

#### **RECYCLING SERVICES**

The Board next discussed the possible implementation of recycling services within the District. In connection therewith, Director Stage presented and reviewed with the Board a proposal from Waste Management for recycling services, a copy of which is attached hereto as **Exhibit K**. Director Stage noted that the cost for the implementation of said services would be an additional \$3.00 per household. There then ensued a discussion regarding the insertion of a questionnaire with the next water bill in order to determine how many residents would be interested in the implementation of recycling services. After further discussion, Director Haude moved that Southwest Water Company be authorized to include a questionnaire with the next water bill in order to determine how many residents would be interested in the implementation of recycling services. Director Cox seconded the motion, which carried unanimously.

#### **AMENDMENT OF RATE ORDER**

Mr. Ringold next reminded the Board that, as discussed at last month's meeting, Waste Management is increasing its fees for providing solid waste collection and disposal services in the

District from \$11.00 to per household to \$11.54 per household, effective July 1, 2008. The Board then considered amendment of the District's Rate Order to increase the monthly Sanitary Sewer and Solid Waste Collection and Disposal rates to commensurate with the increase in the per household solid waste collection and disposal rate increase. After discussion, Director Cox moved to approve an amendment of the District Rate Order to pass along Waste Management's increase of \$0.54 per home per month, attached hereto as Exhibit L. Director Haude seconded said motion, which carried unanimously.

**DISCUSSION REGARDING HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 110 LIFT STATION SITE**

There next ensued a discussion regarding the No. 110 Lift Station Site. Mr. Ringold informed the Board that he was in receipt of a voicemail from Josh Kahn of Coats Rose Yale Ryman & Lee, regarding same, but had been unable to get in touch with Mr. Kahn prior to the meeting. The Board then discussed the various options regarding same and determined the preferred course of action was for No. 110 to fence off its facility such that it could be accessed separately. Director Adamek next advised that he would contact a representative of No. 110 to discuss the matter.

**ISSUANCE OF UTILITY COMMITMENTS**

Mr. Ringold next advised the Board that Houston Area Development Corporation ("HADC") and Forestar (USA) Real Estate Group, Inc. ("Forestar") are requesting utility commitment letters for their remaining undeveloped property in the District and discussed same with the Board. After discussion on the matter, Director Cox moved that the District issue utility commitment letters to HADC and Forestar for their remaining undeveloped property in the District. Director Hodge seconded the motion, which carried unanimously.

**DEVELOPER'S REPORT**

The Board next deferred the developer's report after noting that no developer representatives were present at the meeting. Mr. Ringold advised the Board that, as requested at last month's meeting, he contacted Mr. AJ Sullivan regarding the tree replacement on the east side of Lexington Road along Spring Lakes, Section 8 and noted that Mr. Sullivan advised him that he is researching the matter.

**ATTORNEY'S REPORT**

Mr. Ringold next presented and reviewed with the Board a The Champions Way newsletter from Champions.

Mr. Ringold next presented to and reviewed with the Board brochure received from McCall, Gibson & Company, PLLC, regarding a Public Funds Investment Act Seminar for Local Governmental Agencies to be held September 13, 2008, a copy of which is attached hereto as **Exhibit M.**

Mr. Ringold next presented and reviewed with the Board a correspondence received from the Texas Commission on Environmental Quality regarding Landscape Irrigation Rules, a copy of which is attached hereto as **Exhibit N.**

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

Director Adamek advised the Board that, to date, he has not had any discussions with representatives of No. 110 regarding the joint drainage facilities. A discussion ensued regarding who should contact No. 110 on behalf of the Board to resume such discussions. After discussion, it was determined Director Adamek would contact the President of No. 110's Board of Directors.

**DISTRICT SECURITY ISSUES**

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

**CHANGE IN MEETING LOCATION**

There next ensued a discussion regarding the possibility of moving future meetings to a location within the District. Director Adamek then advised the Board that some of the District's consultants have determined the additional cost increase the District would incur if future meetings were to be held within the District and polled the consultant's present at the meeting relative to same. There then ensued a discussion regarding the various locations available in the District to hold future meetings. No action was taken by the Board at this time.

**ADJOURN**

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

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Secretary

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A - Information sheet regarding development of Clairmonte tract
- Exhibit B - Correspondence from Clint Moore regarding comments made at May 15, 2008 Board of Directors meeting
- Exhibit C - Open Records Request
- Exhibit D - Proposal from Champions Hydro-Lawn, Inc.
- Exhibit E - Tax Assessor-Collector's Report
- Exhibit F - Delinquent Tax Report
- Exhibit G- Bookkeeper's Report
- Exhibit H - Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District
- Exhibit I - Engineer's Report
- Exhibit J - Operator's Report
- Exhibit K - Waste Management proposal for recycling services
- Exhibit L - Amended Rate Order
- Exhibit M - Brochure regarding Public Funds Investment Act Seminar for Local Governmental Agencies
- Exhibit N - Correspondence from the TCEQ regarding Landscape Irrigation Rules
- Exhibit O - District Security Report