

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
November 20, 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 November 20, 2008, 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:

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, thus constituting a quorum.

Also present were Teresa Rosenbaum of Municipal Accounts & Consulting, L.P. ("MA&C"); Sissie Lawson of Wheeler & Associates, Inc. ("Wheeler"); Asim Tufail of Van De Wiele Engineering Incorporated ("VEI"); Edward Wade, a resident of the District, who later entered the meeting; Rick Marriott and Todd Burrer of Southwest Water Company, Inc. ("SWWC"); Dennis Tiff of Champions Hydro-Lawn, Inc. ("Champions"); Greg Voinis of Sam Yager Incorporated representing Houston Area Development Corporation ("HADC"); Mark Palmer, a representative of Home of Hope; 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 draft minutes of its meetings held on October 16, 2008, and November 1, 2008. Director Stage recommended various changes to the October 16, 2008, draft minutes. After discussion of the minutes presented, Director Cox moved that the October 16, 2008, minutes be approved, as revised. Director Stage seconded the motion, which carried unanimously. Director Cox then moved that the November 1, 2008, draft minutes be approved, as written. Director Adamek seconded said motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

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

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Lawson next presented and reviewed with the Board the tax assessor-collector's report dated as of October 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 October 31, 2008, copies of which are attached hereto as **Exhibit A**. After discussion, Director Adamek moved that the tax assessor-collector report be approved and that the checks identified therein be approved for payment. Director Stage 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 November 20, 2008, prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), the District's delinquent tax collection attorneys, a copy of which is attached hereto as **Exhibit B**. Mr. Ringold noted that, relative to the delinquent account of Dreamstar Homes, Perdue is inquiring as to whether the Board would like for Perdue to proceed with filing suit at this time. After discussion, Director Hodge moved that Perdue be authorized to proceed with filing suit against Dreamstar Homes. Director Stage seconded the motion, which carried unanimously.

Mr. Wade entered the meeting at this time.

BOOKKEEPER'S REPORT

Ms. Rosenbaum next presented and reviewed with the Board the bookkeeper's report dated November 20, 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 October 2008 for the Operating Fund and the STP Account, and (v) a Debt Service Payments Schedule, copies of which are attached hereto as **Exhibit C**. Mr. Ringold advised the Board that the Law Enforcement Agreement renewal has not yet been received from the Harris County Sheriff's Office ("HCSO"), but noted that a payment will need to be made prior to the District's next meeting. Mr. Ringold further noted that check no. 3956 is a holding check related thereto. Mr. Ringold then advised the County has sent correspondence advising that a

significant price increase is to be expected on such contract beginning in 2010. 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 Adamek seconded the motion, which carried unanimously.

Ms. Rosenbaum next presented a draft operating budget and a draft budget for the Sewage Treatment Plant for the fiscal year ending December 31, 2009, copies of which are included with the Bookkeeper's Report. The Board and its consultants were requested to review the proposed operating and Sewage Treatment Plant budgets and submit their comments regarding same to the District's bookkeeper in advance of the Board's next meeting.

Mr. Ringold next advised the Board that the District was not invoiced by SPH for legal services this month due to a problem with SPH's billing software, and that separate bills for October and November would be presented for approval at the Board's next meeting.

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 September 30, 2008, a copy of which is attached hereto as **Exhibit D**. After review of the Quarterly Investment Inventory report and upon motion duly made by Director Haude, seconded by Director Adamek 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.

ISSUANCE OF UTILITY COMMITMENTS

Mr. Ringold next reminded the Board that, as discussed at last month's meeting, HADC is selling a 3.76 acre tract located on the southeast corner of Lexington Road and Cypresswood (the "Tract") to Harris County Emergency Service District No. 7 ("HCESD No. 7") and is requesting that the commitment for twenty-five (25) equivalent single-family connections ("ESFC") of water and sewer capacity previously issued to HADC to serve the Tract be assigned to HCESD No. 7. Mr. Ringold then presented and reviewed with the Board a draft utility commitment letter between the District and HCESD NO. 7, a copy of which is attached hereto as **Exhibit E**. Director Adamek advised the Board that he spoke with a representative of HCESD No. 7 regarding their plans and informed the Board of said plans. After discussion on the matter, Director Adamek moved that the District issue a utility commitment letter to HCESD No. 7 for twenty-five (25) equivalent single-family connections ("ESFC") of water and sewer capacity, and that the President be authorized to execute same on behalf of the Board and District, subject to HCESD No. 7 closing on the

property on or before January 31, 2009. Director Cox seconded the motion, which carried unanimously.

Mr. Wade exited the meeting at this time.

DEVELOPER'S REPORT

The Board next considered the developer's report. Director Adamek queried Mr. Voinis regarding various issues surrounding the clearing and grubbing contract for Spring Lakes, Section 8. Mr. Voinis then advised the Board of the history surrounding the contract and noted that a settlement had been reached between HADC and the contractor. Mr. Voinis then informed the Board that HADC transferred the reserve to the Spring Lakes Homeowners Association ("HOA"). Mr. Voinis then advised the Board that he is uncertain as to what the HOA's plans are with respect to the reserve, as he is no longer on the HOA Board of Directors.

Director Adamek next presented and reviewed with the Board a copy of the District's April 19, 2007 minutes, which reflect that Mr. A.J. Sullivan of HADC reported that the trees in front of Spring Lakes, Section 8 along Lexington Road were in the process of being replaced and noted that said replacement has yet to take place. Mr. Voinis then advised the Board that said report may have been a statement as to what the HOA's intention was for the area at that time.

Mr. Voinis exited the meeting at this time.

ANNUAL REVIEW OF ORDER ESTABLISHING POLICY FOR INVESTMENT OF DISTRICT FUNDS AND APPOINTING INVESTMENT OFFICER

The Board next considered the annual review of its Order Establishing Policy for Investment of District Funds and Appointing Investment Officer and the adoption of a Resolution in connection therewith. Mr. Ringold discussed the Order with the Board and advised that SPH is not recommending any changes be made to the District's policies for investment of District funds at this time. He next presented for the Board's adoption a Resolution Regarding Review of Order Establishing Policy for Investment of District Funds and Appointing Investment Officer ("Resolution"), attached hereto as **Exhibit F**. After discussion on the matter, Director Hodge moved that the Board adopt the Resolution, 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.

STATUS OF APPLICATION TO FEDERAL EMERGENCY MANAGEMENT AGENCY FOR REIMBURSEMENT OF ELIGIBLE HURRICANE IKE EXPENSES

The Board next considered the status of its applications previously submitted to the Federal Emergency Management Agency ("FEMA") for possible reimbursement of Hurricane Ike related expenses. In connection therewith, Mr. Ringold advised the Board that FEMA is requiring that at least \$2,000 in damages to be incurred in order to be eligible for reimbursement. Mr. Marriott then discussed the various Hurricane Ike-related expenses with the Board. There then ensued a discussion regarding the costs associated with moving forward with pursuing reimbursement. After further discussion, the Board concurred to move forward with pursuing reimbursement from FEMA.

ENGINEERING REPORT

Mr. Tufail next presented and reviewed with the Board a written engineering report dated November 20, 2008, a copy of which is attached hereto as **Exhibit G**, relative to the status of various projects within the District.

Mr. Marriott advised the Board that, relative to the recoating of Water Plant No. 1 ("Project"), an inspection of the condition of the tank coating was conducted by Preventative Services, LP. Mr. Marriott then presented and reviewed with the Board a report regarding same, a copy of which is included with **Exhibit G**. Mr. Marriott noted that said report indicates that no corrective action is necessary at this time.

Mr. Tufail next reminded the Board that, as previously discussed, public bids were received for the construction of the Wastewater Treatment Plant Headworks Rehabilitation (the "Project") on October 16, 2008. He further reminded the Board that the low bid in the amount of \$232,000 was submitted by N & S Construction Co., LLC ("N&S") and recommended that the contract for the Project be awarded to N&S. After discussion on the matter, Director Stage moved that the President be authorized to execute the contract with N&S on behalf of the Board and District. Director Cox seconded the motion, which carried unanimously.

ANNEXATION REQUESTS

Mr. Ringold next reminded the Board that, Brewer & Escalante, on behalf of Mr. Jim Clairmonte, has requested water and sanitary sewer capacity of approximately 25,500 gallons per day to serve a 6.867 acre tract located outside the boundaries of the District at the northwest corner of Cypresswood Drive and Lemm Gully, and that SPH previously prepared and forwarded correspondence requesting funds in the amount of \$15,000 to be

deposited with the District to cover the cost of a feasibility study related to annexing such tract in connection with the service request. Mr. Ringold noted that said deposit has not yet been received.

Mr. Ringold next reminded the Board that Home of Hope-Texas is requesting water and sanitary sewer capacity for approximately twenty (20) equivalent single-family connections to serve a tract of land south of Cypresswood Drive and outside the boundaries of the District. Mr. Ringold noted that a deposit had been received from Home of Hope-Texas to cover the cost of the feasibility study related to the service request. Mr. Tufail then advised the Board that VEI has performed the feasibility study for the tract and presented and reviewed same with the Board. Mr. Ringold requested an opportunity to review the report and the Board requested that consideration of such report be included as an item on its next agenda.

Ms. Lawson and Mr. Palmer exited the meeting at this time.

DISCUSSION REGARDING SETTLEMENT ISSUES ON MYRTLE SPRINGS

There next ensued a discussion regarding settlement issues on Myrtle Springs. Mr. Marriott advised the Board that SWWC has inspected the area and noted that he recommends that the District authorize SWWC to televise the sanitary sewer lines in the area. Director Stage noted that there are some voids around the head of the manhole located in the area. After discussion on the matter, Director Cox moved that SWWC be authorized to televise the sanitary sewer lines around Myrtle Springs and that Director Haude be given the authority to authorize SWWC to move forward with any repairs prior to the District's next meeting, should same be necessary. Director Stage seconded the motion, which carried unanimously.

OPERATIONS AND MAINTENANCE REPORT

The Board next considered the Operations and Maintenance Report. Mr. Marriott first introduced Mr. Todd Burrer to the Board. He then presented and reviewed in detail with the Board a written Operations Report supplied by SWWC for November 2008, a copy of which is attached hereto as **Exhibit H**.

Mr. Marriott next inquired as to the frequency with which the Board would like SWWC to turn uncollectible accounts to a collections agency. The Board then requested that SWWC provide a uncollectible account collections turn-over report on a quarterly basis in the future.

There next ensued a discussion regarding the meter replacement program. The Board then advised Mr. Marriott to continue replacing meters when they reach the 1,000,000 gallon mark.

Mr. Marriott next advised the Board that three (3) new pumps with grinding impellers have been installed at Lift Station No. 1. Mr. Marriott informed the Board that the pumps should not get clogged with rags, but noted that more material will pass through to the Wastewater Treatment Plant. Mr. Marriott further noted that SWWC will continue to monitor and clean the headworks manually until the new Aqua Guard is installed.

Mr. Marriott next advised the Board that SWWC is continuing to seek to have the manufacturer of the fence located at Lift Station No. 1 to come out and repair said fence.

REVIEW OF SERVICE CONTRACT BETWEEN THE DISTRICT AND CHAMPIONS HYDRO-LAWN, INC.

The Board next considered review of the District's Service Contract with Champions. In connection therewith, Mr. Tiff discussed with the Board the scope of Champions' services for the District and the rationale for Champions' maintenance schedule. Mr. Tiff then presented and reviewed with the Board photographs of various District facilities, copies of which are attached hereto as **Exhibit I**. After discussion, the Board concurred not to make any changes to the Service Contract or maintenance schedule at this time.

REVIEW OF OPERATIONS CONTRACT BETWEEN THE DISTRICT AND SOUHWEST WATER COMPANY

The Board next considered review of the District's Operations Contract between the District and SWWC. Director Adamek then discussed with the Board his concerns regarding expensive repairs to District facilities that recently have been incurred by the District, and suggested that a committee be formed to interview various operations companies in the area. Director Haude noted that he feels that SWWC did a good job in operating the District's facilities and maintaining service to District customers during Hurricane Ike. Mr. Burrer then addressed the Board and discussed SWWC's history and operational capacities. The Board then queried Mr. Burrer regarding various matters, to which Mr. Burrer responded. After discussion, the Board deferred taking any action on the matter at this time, and discussed revisiting SWWC's performance in approximately six month's.

DISCUSSION REGARDING HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 110 ("NO. 110") LIFT STATION SITE

There next ensued a discussion regarding the No. 110 Lift Station Site. In connection therewith, Mr. Ringold advised the

Board that he spoke Ms. Maria Parker, No. 110's attorney, regarding the necessity for an easement over the fenced area. Mr. Tufail then advised the Board that VEI will prepare a survey of the area accordingly. No action was taken by the Board on the matter at this time.

RECYCLING SERVICES

The Board next discussed the possible implementation of recycling services within the District. In connection therewith, Mr. Marriott presented and reviewed with the Board two (2) survey examples, copies of which are attached hereto as **Exhibit J**, to be included with a future water bill. After discussion, Director Cox moved that Director Stage be authorized to review and approve a revised form of survey and that SWWC be authorized to include said survey with the next water bill. Director Hodge seconded the motion, which carried unanimously.

ATTORNEY'S REPORT

Mr. Ringold next presented and reviewed with the Board a Memorandum from SPH dated November 1, 2008, summarizing the TCEQ's new Landscape Irrigation Rules which become effective January 1, 2009, a copy of which is attached hereto as **Exhibit K**. Mr. Ringold noted that implementation of said Rules is voluntary and inquired as to the Board's interest in implementing same. After discussion on the matter, the Board concurred that it is not interested in implementing said Rules at this time.

Mr. Ringold next advised the Board that SPH was in receipt of correspondence from Harris County Fresh Water Supply District No. 61 advising that, as a result of soaring prices of copper and brass, back-flow prevention devices are being stolen for re-sale in Harris County and surrounding areas and that several local municipal utility district representatives and local law enforcement agents met to discuss the issue on October 29, 2008. Mr. Ringold further noted that said correspondence discusses the need for a new Harris County ordinance to establish a Metal Recycling Task Force in order to address the issue.

Mr. Ringold next presented and reviewed with the Board a brochure received from the Texas Water Development Board regarding Solicitation of Project Information for Inclusion in the State Fiscal Year 2010 Clean Water State Revolving Fund Intended Use Plan, a copy of which is attached hereto as **Exhibit L**.

Mr. Ringold next advise the Board that he had received email correspondence from a representative of the Spring Lakes HOA inquiring as to the amount of funds the HOA could expect from the

District in connection with the mowing of the north and south ponds. Mr. Ringold discussed with the Board the history of the matter and advised that the District covers a portion of the mowing expense relative to the lakes, as such lakes provide a detention function as well as an aesthetic benefit. He advised that the District has been forwarding \$3,402 to the Spring Lakes HOA on a semi-annual basis with respect to same. After discussion, the Board concurred that the District continue with the current payment schedule.

DISCUSSIONS NO. 110 REGARDING JOINT DRAINAGE FACILITIES

Director Adamek advised that he had nothing new to report at this time.

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 October 2008, a copy of which is attached hereto as **Exhibit M**. Mr. Ringold then reminded the Board that, as discussed earlier in the meeting, the Law Enforcement Agreement renewal had not yet been received, but noted that the Agreement would need to be approved and executed prior to the District's next meeting. Mr. Ringold then requested that the Board consider approving said Agreement and authorizing the President and Secretary to execute same on behalf of the Board and District, subject to SPH's final review. After a lengthy discussion on the matter, Director Cox moved that (i) the Law Enforcement Agreement renewal be approved and that the President and Secretary be authorized to execute same on behalf of the Board and District, subject to the price for same not increasing more than five percent (5%) and SPH's final review. Director Stage seconded the motion, which carried by a vote of four (4) in favor and one (1) abstention, with Directors Adamek, Cox, Stage and Haude voting in favor and Director Hodge abstaining.

CHANGE IN MEETING LOCATION

There next ensued a discussion regarding moving future meetings to a location within the District. Director Adamek advised the Board that the Old Town Spring Improvement District building is available on the third Thursday of each month. After discussion, the Board concurred not to take any action on the matter at this time and to continue investigating the options available to the District.

ADJOURN

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

Secretary

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A - Tax Assessor-Collector's Report
- Exhibit B - Delinquent Tax Report
- Exhibit C- Bookkeeper's Report
- Exhibit D - Quarterly Investment Inventory Report
- Exhibit E - Draft Utility Commitment Letter to HCESD No. 7
- Exhibit F - Resolution Regarding Review of Order
Establishing Policy for Investment of District
Funds and Appointing Investment Officer
- Exhibit G - Engineer's Report
- Exhibit H - Operator's Report
- Exhibit I - Photographs of District facilities
- Exhibit J - Surveys regarding recycling services
- Exhibit K- Memorandum regarding Summary of Landscape
Irrigation Rules
- Exhibit L - Texas Water Development Board brochure
regarding Solicitation of Project Information
for Inclusion in the State Fiscal Year 2010
Clean Water State Revolving Fund Intended Use
Plan
- Exhibit M - District Security Report