

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors  
December 18, 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 December 18, 2008, in accordance with the duly posted notice of 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 Directors Hodge and Haude, thus constituting a quorum.

Also present were Teresa Rosenbaum of Municipal Accounts & Consulting, L.P. ("MA&C"); Sissie Lawson of Wheeler & Associates, Inc. ("Wheeler"); Scott Novosad of Van De Wiele Engineering Incorporated ("VEI"); Edward Wade, a resident of the District; Rick Marriott of Southwest Water Company, Inc. ("SWWC"); Gregory Sissel of BKD, LLP ("BKD"); 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 meeting held on November 20, 2008. After discussion of the minutes presented, Director Cox moved that the November 20, 2008, minutes be approved, as written. Director Stage seconded the motion, which carried unanimously. The Board next considered the manner in which draft minutes of prior meetings are distributed for review. The Board indicated its desire that draft minutes be distributed only to Board members and consultants until formally approved, at which time they are made available to all interested parties.

**COMMENTS FROM THE PUBLIC**

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

**ENGAGEMENT OF AN AUDITOR FOR PREPARATION OF AN AUDIT FOR THE DISTRICT'S FISCAL YEAR ENDING DECEMBER 31, 2008**

The Board next considered the engagement of an auditing firm to conduct an audit of the District's records for the fiscal year ending December 31, 2008. Mr. Sissel made a presentation to the Board on behalf of BKD to provide such auditing services, and advised that BKD has estimated the fee for preparation of the District's 2008 audit report to be \$15,000, plus expenses and the fee for preparation of the 2008 audit report for the joint sewage treatment plant to be \$2,000, plus expenses. He further advised the Board of an additional estimated fee of \$2,000 to \$3,000 to cover the work associated with Statement on Auditing Standards Nos. 104 through 111, collectively known as the Risk Assessment Suite, and discussed same with the Board. After discussion on the matter, Director Adamek moved that BKD be engaged to conduct the audit of the District's financial records for the fiscal year ending December 31, 2008, and that the President be authorized to execute BKD's engagement letter on behalf of the Board and the District. Director Stage seconded said motion, which unanimously carried.

Mr. Sissel 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 November 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 November 30, 2008, copies of which are attached hereto as **Exhibit A**. After discussion, Director Cox 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 December 18, 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 Perdue is preparing to file suit in connection with Dreamstar Homes' delinquent accounts, as instructed by the Board at last month's meeting. Mr. Ringold then noted that no Board action was required at this time with respect to the accounts listed in such report.

**BOOKKEEPER'S REPORT**

Ms. Rosenbaum next presented and reviewed with the Board the

bookkeeper's report dated December 18, 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 November 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**. 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, except for check nos. 3963 and 3966, which were voided. Director Adamek seconded the motion, which carried unanimously.

There then ensued a discussion regarding the use of Credit Unions ("CU") as depositories for the District. Ms. Rosenbaum informed the Board that MAC researched the matter a few years ago and noted that the CUs were not amenable to compliance with the policies and requirements set forth in the District's Investment Policy.

There next ensued a discussion regarding the distribution of the bookkeeper's report to members of the public requesting same. After discussion, the Board concurred that MA&C continue its current practice of providing copies of said report following review and approval of same by the Board.

Ms. Lawson exited the meeting at this time.

#### **OPERATING BUDGETS**

Ms. Rosenbaum next reviewed with the Board draft budgets for the District's General Operating Fund and the Sewage Treatment Plant for the fiscal year ending December 31, 2009, copies of which are included with **Exhibit C**. In connection therewith, Director Adamek presented and reviewed with the Board a proposed exhibit to be attached to said budgets, a copy of which is included with **Exhibit C**. After discussion on the matter, Director Cox moved that the Board approve the Operating and Sewage Treatment Plant budgets for the fiscal year ending December 31, 2009, as presented and that the exhibit be attached thereto. Director Stage seconded said motion, which carried unanimously.

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

The Board next considered the status of its application to the Federal Emergency Management Agency ("FEMA") for possible reimbursement of Hurricane Ike related expenses. In connection therewith, Mr. Marriott informed the Board that the appropriate forms have been completed and submitted to FEMA and noted that he

is scheduled to meet with FEMA representatives next week. There then ensued a discussion regarding same. Mr. Marriott further noted that the District's claim amount to date is approximately \$130,000.

#### **ENGINEERING REPORT**

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

There next ensued a discussion regarding the feasibility study relative to Home of Hope-Texas' request for 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 and various considerations with respect to annexing the property into the boundaries of the District versus serving the tract on an out-of-District basis.

#### **HAZARD MITIGATION GRANT PROGRAM**

Mr. Ringold next presented and reviewed with the Board a memorandum regarding the Hazard Mitigation Grant Program ("HMGP"), a copy of which is attached hereto as **Exhibit E**. He explained to the Board that the HMGP is funded by FEMA and administered by the State of Texas following declaration of a major disaster such as Hurricane Ike. Mr. Ringold then advised the Board that the HMGP is designed to assist municipal utility districts and other public entities in preparing for future disasters in order to eliminate potential problems associated with the disasters, and noted that the purchase of emergency back-up generators for District facilities would fall under the HMGP. However, the grant proceeds are capped and administered on a state-wide basis, therefore, it is a very competitive program. Mr. Ringold then informed the Board that there are various requirements that must be met in order for a municipal utility district to be eligible for the HMGP and noted that a Notice of Intent ("NOI") must be submitted by January 9, 2009, in order to reserve the right to file a full application for the HMGP at a later date. Within four (4) weeks after the NOI filing deadline, the State will rank the NOIs according to the applicant's likelihood of receiving grant proceeds. Upon receipt of the District's ranking from the State, the District will have the opportunity to evaluate whether it desires to file a full application based on the probability of receiving grant proceeds. Mr. Ringold then requested that the Board consider authorizing the District's engineer to prepare and file a NOI and authorize the President to execute same on behalf of the Board and District. After discussion on the matter, it was moved by Director Cox, seconded by Director Adamek and unanimously carried, that the Board authorize the District's engineer to prepare and file a NOI and

that the President be authorized to execute same on behalf of the Board and District.

Ms. Rosenbaum exited the meeting at this time.

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

The Board next considered the Operations and Maintenance Report. Mr. Marriott presented and reviewed in detail with the Board a written Operations Report prepared by SWWC for November 2008, a copy of which is attached hereto as **Exhibit F**.

Mr. Marriott next advised the Board that, relative to the Wastewater Treatment Plant Headworks Rehabilitation (the "Project"), he met with Mr. Danny Staab, Mr. Asim Tufail and Mr. Bob Bulian at the Wastewater Treatment Plant to discuss said Project.

Mr. Marriott next advised the Board that the fence located at Lift Station No. 1 is scheduled to be repaired this weekend.

Mr. Marriott next advised the Board that SWWC televised the sanitary sewer lines around Myrtle Springs and noted that no damage to the District's facility was detected. Mr. Marriott also noted that a smoke test was conducted as well, and that no leak was found.

#### **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. Mr. Ringold advised the Board that there is an existing easement for the area in which the lift station is situated, but VEI has advised that the recently installed fence does not match the boundary of the existing easement area. Mr. Novosad advised that VEI is preparing an easement overlay versus the fenced area to determine the scope of any discrepancy.

#### **RECYCLING SERVICES**

The Board next discussed the possible implementation of recycling services within the District. In connection therewith, Mr. Marriott advised the Board that a survey regarding same will be included with this month's water bill.

#### **ISSUANCE OF UTILITY COMMITMENTS**

The Board next deferred the issuance utility commitments as none had been received.

## DEVELOPER'S REPORT

The Board next deferred the developer's report after noting that no developer representatives were present at the meeting. Director Adamek then advised the Board that he received a call from a representative of Harris County Emergency Service District No. 7 ("HCESD No. 7") advising that HCESD No. 7 has closed on the purchase of the 3.76 acre tract located on the southeast corner of Lexington Road and Louetta from Houston Area Development Corporation and that its current plan is to use such site as its headquarters.

## ATTORNEY'S REPORT

Mr. Ringold next presented and reviewed with the Board a copy of correspondence from McCall, Parkhurst & Horton L.L.P. ("McCall") dated December 9, 2008, regarding material event filings in connection with a Standard & Poor's rating downgrade for Radian Asset Assurance, Inc. relative to the District's \$2,375,000 Unlimited Tax Bonds, Series 2001, the District's \$5,200,000 Unlimited Tax Bonds, Series 2002, the District's \$3,200,000 Unlimited Tax Bonds, Series 2003, the District's \$4,500,000 Unlimited Tax Bonds, Series 2004, and the District's \$2,450,000 Unlimited Tax Bonds, Series 2006, a copy of which is attached hereto as Exhibit G.

Mr. Ringold next reminded the Board of a violation notice previously received from the Harris County Public Health Environmental Services back in July 2008, and advised that a response to same was recently submitted by SWWC on November 11, 2008.

Director Adamek next inquired regarding the status of payment of funds from the proceeds of the District's Series 2006 Bonds. Mr. Ringold advised the Board that Wal-Mart's counsel had been advised of the availability of such funds and sent the requisite Receipt for same, but, despite numerous subsequent correspondence, Wal-Mart had failed to execute or provide comments to same. Mr. Ringold advised that, to his knowledge, the District was still holding such funds should Wal-Mart deliver the executed Receipt.

Mr. Ringold next advised the Board that Mr. Mark Carpenter has requested to be provided with a copy of the monthly security report from the Harris County Sheriff's Office on a going forward basis. After discussion, the Board concurred that Mr. Carpenter be provided with a copy of said report on a going-forward basis.

A discussion next ensued regarding legal representation of the District. Following discussion, the Board deferred taking any action relative to same.

## **DISCUSSIONS NO. 110 REGARDING JOINT DRAINAGE FACILITIES**

Director Adamek advised that he had nothing new to report at this time. Director Adamek then advised the Board that Kay Divin informed him that No. 110's Board of Directors questioned why the District did not file an insurance claim for the broken bar screen at the Wastewater Treatment Plant. Director Adamek further advised the Board that Ms. Divin advised that representatives of No. 110 plan to attend the District's next meeting scheduled for January 2009 to discuss the matter. There then ensued a discussion regarding same. The Board then requested that VEI research the status of the submittal of an insurance claim.

## **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 November 2008, a copy of which is attached hereto as **Exhibit H**. Director Adamek then reminded the Board that, as discussed at last month's meeting, the County previously sent correspondence advising that a significant price increase is to be expected on the Law Enforcement Agreement beginning in 2010, and presented and reviewed with the Board a Deputy Cost Summary relative to the addition of a secondary Deputy, a copy of which is included with **Exhibit H**. There then ensued a discussion regarding same.

## **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 a new fire station is going to be constructed by Harris County Emergency Services District No. 7 in the boundaries of the District and noted that a meeting facility will be available at the station upon completion. Director Adamek further noted that the station is scheduled to be under construction within the next twelve (12) months.

## **FUTURE AGENDA ITEMS**

Director Adamek requested that an item regarding updating of the District's website be added to the next agenda.

## **ADJOURN**

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

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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 - Engineer's Report

Exhibit E - Hazard Mitigation Grant Program summary

Exhibit F - Operator's Report

Exhibit G - Correspondence from McCall, Parkhurst & Horton  
L.L.P. regarding a material event filings

Exhibit H - District Security Report