

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
October 16, 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 October 16, 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, except Director 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"); Dwight Rumph, a resident of the District; Rick Marriott of Southwest Water Company, Inc. ("SWWC"); 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 September 29, 2008. Director Adamek recommended various changes to the draft minutes. After discussion of the minutes presented, Director Cox moved that the aforesaid minutes be approved, as revised. Director Stage 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 September 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 September 30, 2008, copies of which are attached hereto as Exhibit A. After discussion, Director Stage moved that the tax assessor-collector 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 October 16, 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 B. Mr. Ringold noted that no Board action was required at this time with respect to the accounts listed in such report.

PUBLIC HEARING REGARDING THE ADOPTION OF THE DISTRICT'S 2007 TAX RATE

The Board next considered conducting a public hearing regarding adoption of the District's proposed 2008 tax rates. No comments from members of the public were presented, and, therefore, the hearing was closed.

LEVY OF THE DISTRICT'S 2008 DEBT SERVICE AND MAINTENANCE TAX RATES, AND THE ADOPTION OF AN ORDER IN CONNECTION THEREWITH

As the next order of business, the Board considered the levy of the District's 2008 debt service and maintenance tax rates and the adoption of an Order in connection therewith. Ms. Lawson confirmed that the notice of public hearing and intent to set the 2008 tax rate had been published in the appropriate *This Week* section of the *Houston Chronicle* in accordance with all legal requirements. After discussion on the matter, Director Stage moved that: (i) the Board adopt the tax rates as proposed at the District's September 29, 2008 meeting and as reflected in the notice; (ii) the Board levy a 2008 debt service tax rate of \$.90 per \$100 of assessed valuation and a 2008 maintenance tax rate of \$0.27 per \$100 of valuation, resulting in a total 2008 tax rate of \$1.17 per \$100 of assessed valuation; and (iii) the Order Levying Taxes, attached hereto as Exhibit C, be adopted in connection therewith and that the President be authorized to execute and the Secretary to attest same on behalf of the Board and the District. Director Hodge seconded said motion, which carried unanimously.

AMENDMENT TO SECOND AMENDED AND RESTATED DISTRICT INFORMATION FORM WITH MAP ATTACHED

The Board next considered the approval and execution of an Amendment to Second Amended and Restated District Information Form With Map Attached (the "Amendment"). Mr. Ringold presented to the Board the Amendment relative to the District's 2008 tax rate and discussed the requirement to file same with the Texas Commission on Environmental Quality ("TCEQ"). After discussion regarding same, Director Stage moved that the Amendment be approved and that the Board members present be authorized to execute same on behalf of the Board and the District. Director Cox seconded said motion which carried unanimously.

BOOKKEEPER'S REPORT

Ms. Rosenbaum next presented and reviewed with the Board the bookkeeper's report dated October 16, 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 September 2008 for the Operating Fund and the STP Account, and (v) a Debt Service Payments Schedule, copies of which are attached hereto as **Exhibit D**. After discussion, it was moved by Director Adamek that the bookkeeping report be approved and that the various checks identified therein be approved for payment, except for check no. 3913, which was voided. Director Hodge seconded the motion, which carried unanimously.

COMPLIANCE BY DISTRICT WITH HOUSE BILL NO. 3693

The Board next considered the status of compliance by the District with House Bill No. 3693 relative to energy reporting requirements. In connection therewith, Ms. Rosenbaum presented and reviewed with the Board a Utility Usage & Expense report, a copy of which is included with **Exhibit D**, and noted that the District's expense is under the \$200,000, and, therefore, no further action is required by the District.

Ms. Rosenbaum exited the meeting at this time.

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 and noted that VEI was performing the study.

ENGINEERING REPORT

Mr. Ringold next presented and reviewed with the Board a written engineering report dated October 16, 2008, a copy of which is attached hereto as **Exhibit E**, 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"), SWWC is in the process of scheduling an inspection of the condition of the tank coating and noted that he will report back to the Board on the matter and make a recommendation regarding same at next month's meeting.

Mr. Ringold next advised the Board that public bids had been received for the construction of the Wastewater Treatment Plant Headworks Rehabilitation (the "Project") on October 16, 2008. He distributed a bid tabulation (a copy of which is attached hereto) and reported that five (5) bids had been received for the Project, with the low bid in the amount of \$232,000 being submitted by N & S Construction Co., LLC ("N&S"). Mr. Ringold then advised the Board that the District's engineer recommends that the contract for the Project be awarded to the low bidder, N&S. There then ensued a discussion regarding the bids. After discussion, the Board deferred taking any action on the matter until the District's engineer could be present to discuss the matter further.

The Board next expressed its concern regarding the failure of the auto dialer failure at the Water Plant during the power outage caused by Hurricane Ike. Mr. Marriott advised the Board that he would investigate to see what caused the auto dialer to fail and report back to the Board at next month's meeting.

Ms. Lawson 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 supplied by SWWC for August 2008, a copy of which is attached hereto as Exhibit F.

Mr. Marriott next advised the Board that SWWC pulled and inspected the pumps at Lift Station No. 1 and noted that one (1) pump was repaired and replaced. Mr. Marriott further noted that one of the pumps is a rental and advised that three 10-horsepower pumps are currently on order to replace the 5-horsepower pumps.

Mr. Ringold next advised the Board that, since its last meeting, two (2) applications were executed by the President of the Board on behalf of the District and submitted to the Federal Emergency Management Agency ("FEMA") for possible reimbursement of any eligible Hurricane Ike related expenses incurred by the District. There then ensued a discussion regarding same. Director Adamek then advised Mr. Marriott of numerous issues that need to be addressed at various District facilities and requested that SWWC (i) have the tree that is down at the Water Plant removed, (ii) mow along the Wastewater Treatment Plant access road and (iii) repair the wall at Lift Station No. 1. Mr. Marriott concurred with the request.

Mr. Rumph exited the meeting at this time.

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, Director Adamek reminded the Board that, as previously discussed, he and Mr. James Williams, a board member of No. 110, inspected the area and agreed to the fencing concepts, but noted that he had nothing new to report at this time. There then ensued a discussion regarding the necessity for an easement over the fenced area. Mr. Ringold advised the Board that he would discuss the matter with No. 110's attorney and report back to the Board at next month's meeting.

RECYCLING SERVICES

The Board next discussed the possible implementation of recycling services within the District. There then ensued a discussion regarding the insertion of a survey regarding same with the next water bill. After discussion, the Board requested that Mr. Marriott provide an example of a survey for the Board's

consideration at next month's meeting. No action was taken by the Board at this time.

AMENDMENT OF RATE ORDER

The Board next considered amendment of its Rate Order in connection with the pumpage fee increase by North Harris County Regional Water Authority. Mr. Ringold advised the Board that effective January 1, 2009, the North Harris County Regional Water Authority will increase its pumpage fee to \$1.50 per 1,000 gallons. Mr. Ringold informed the Board that it currently charges its customers \$1.04 per 1,000 gallons. Mr. Ringold noted that while the Board was considering amending its Rate Order it might also consider increasing the maximum civil penalty for violations of the Rate Order as the applicable legal limit had changed from \$5,000 to \$10,000. He stated that notice of such increased penalty will need to be published in a newspaper of general circulation in the District for two consecutive weeks. After discussion on the matter, it was moved by Director Cox and seconded by Director Hodge and unanimously carried that (i) the District's Rate Order be amended to increase the well pumpage fee from to \$1.04 to \$1.58 per 1,000 gallons to cover said pumpage fee based on the District's water accountability ratios, and to increase the maximum civil penalty for violation of the Rate Order to \$10,000, (ii) SPH be authorized to publish notice of the District's increase in the maximum penalty for violation of the Rate Order, and (iii) the Rate Order attached hereto as **Exhibit G** be adopted and that all Rate Orders, and amendments thereto, previously adopted by the Board be revoked and rescinded as of January 1, 2009, the effective date of the Rate Order.

ISSUANCE OF UTILITY COMMITMENTS

Mr. Ringold next advised the Board that he was in receipt of e-mail correspondence from Mr. A.J. Sullivan, on behalf of Houston Area Development Corporation ("HADC"), advising that 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. After discussion regarding same, Director Adamek noted that he would like for the Board to have the opportunity to review the Utility Commitment Letter prior to approving same. No action was taken by the Board at this time.

DEVELOPER'S REPORT

The Board next deferred the developer's report after noting that no developer representatives were present at the meeting. Director Stage then requested that a representative from Houston Area Development Corporation attend next month's meeting.

ATTORNEY'S REPORT

Mr. Ringold next advised the Board that he had been advised that the Spring Lakes Homeowners Association's ("HOA") September 2008 "News You Can Use" newsletter contained inaccurate information regarding collection of curbside storm debris from Hurricane Ike being contracted by the District, and that the unofficial minutes of the HOA's September 22, 2008, meeting likewise suggested that the District has contracted with a private trash company for removal of same. Mr. Ringold reminded the Board that the District's garbage collection and disposal agreement with Waste Management covers regular household garbage, but excludes collection of storm debris. Mr. Ringold further reminded the Board that he and Director Adamek had investigated securing a contractor to remove storm debris from the District, but were unable to find an accurate company who could accomplish such work within a reasonable amount of time and at a reasonable price. Mr. Ringold then advised the Board that SPH had been instructed to prepare and forward correspondence to the HOA's management company addressing the mistaken information, and presented and reviewed same with the Board, a copy of which is attached hereto as **Exhibit H**. Director Adamek then advised the Board that the HOA's management company is in receipt of two (2) invoices in the amounts of \$14,000 and \$2,700 for storm debris removal and noted that the HOA is requesting that the District consider sharing in the costs for same. After discussion on the matter, Director Adamek moved that the Board share in the costs and pay the \$2,700 invoice. Director Stage seconded the motion, which carried by a vote of three (3) in favor and one (1) opposed, with Directors Adamek, Stage and Cox being in favor and Director Hodge being opposed.

DISCUSSIONS NO. 110 REGARDING JOINT DRAINAGE FACILITIES

Mr. Ringold advised the Board that he had provided to and offered to review with Director Adamek various documentation relative to joint drainage matters with No. 110. Director Adamek then advised the Board that he nothing new to report at this time.

Mr. Marriott exited the meeting 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 August 2008, a copy of which is attached hereto as **Exhibit I**. Director Adamek then reported that he was informed by Deputy Stephenson that the Spring Lakes, Section 2 gate was activated and that his access card does not work and noted that Deputy Stephenson borrowed his access remote. The Board noted that SWWC will also need to be provided with an access card. Director Adamek then noted that he believes that the District could benefit from daytime patrol. 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. Mr. Ringold advised the Board of his findings relative to the availability of the Old Town Spring Improvement District building as a possible location. Director Adamek then advised the Board of some additional options and requested additional time to investigate other options. 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.

FUTURE AGENDA ITEMS

Director Adamek advised that he recently inspected the areas of Lemm and Wunsche Gullies within the District and that, given the current status of turf establishment, believes a winter over-seeding may not be a necessary expense. The Board requested that an item regarding review of the District's contract with Champions Hydro-Lawn, Inc. ("Champions") be added to the next agenda and that SPH advise Champions not to perform the winter over-seeding until the Board has the opportunity to review the contract.

ADJOURN

There being no further business to come before the meeting, upon motion made by Director Cox 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 - Order Levying Taxes

Exhibit D- Bookkeeper's Report

Exhibit E - Engineer's Report

Exhibit F - Operator's Report

Exhibit G - Rate Order

Exhibit H - Correspondence to Spring Lakes Homeowners
Association management company regarding
publication of false information regarding
storm debris removal

Exhibit I - District Security Report