

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
January 21, 2010

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 January 21, 2010, in accordance with the duly posted Notice of Public Meeting, and the roll was called of the duly constituted officers and members of the Board, 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 Lisa Hernandez of Municipal Accounts & Consulting, L.P. ("MA&C"); Avik Bonnerjee of Wheeler & Associates, Inc. ("Wheeler"); Asim Tufail of Van De Wiele & Vogler Incorporated ("VVI"); Douglas Owen of SouthWest Water Company, Inc. ("SWWC"); Eric Thiry of Environmental Development Partners L.L.C. ("EDP"); Edward Wade, Cindy Adamek, Eileen Drower, Vic Palermo and Charles Albright, residents of the District; Dennis Tiff of Champions Hydro-Lawn, Inc. ("Champions"); and Christopher T. Skinner 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 the Board.

MINUTES

The Board first reviewed the draft minutes of its meeting held on December 17, 2009. After discussion of the minutes presented, Director Adamek moved that the December 17, 2009, minutes be approved, as written. Director Stage seconded said motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

The Board considered comments from the public. Ms. Drower queried the Board regarding the District's recent water rate increase and billing procedures. The Board explained that the increased water rates are entirely the result of increased pumpage fees being charged to the District by the North Harris County

Regional Water Authority which such fees the District passes on to District customers. With respect to the District's billing procedures, the Board explained that, to the extent any utility bills are delivered later than normal or some confusion resulted from the District's change in utility system operator, the District would waive any late fees, delinquent notice fees or other similar fees until the operator transition is complete and customers are fully integrated into the new operator's system.

POSSIBLE CASH DEFEASANCE OF A PORTION OF DISTRICT'S OUTSTANDING BONDS

There next ensued a discussion regarding the possible cash defeasance of a portion of the District's outstanding bonds. In connection therewith, Mr. Skinner presented to and reviewed with the Board an analysis prepared by the District's financial advisor, First Southwest Company, a copy of which analysis is attached hereto as Exhibit A. After a lengthy discussion, the Board deferred taking any action on the matter at this time.

TAX ASSESSOR-COLLECTOR'S REPORT

Mr. Bonnerjee presented and reviewed with the Board the tax assessor-collector's report dated as of December 31, 2009, including the checks presented for payment from the tax account, as listed therein, historical valuation and collection data, and the Delinquent Collections Listing as of December 31, 2009, copies of which are attached hereto as Exhibit B. 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 ATTORNEYS REPORT

Mr. Skinner presented and reviewed with the Board a Delinquent Tax Attorneys Collections Report, dated January 21, 2010, prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P., the District's delinquent tax collection attorneys; a copy of the Report is attached hereto as Exhibit C. Mr. Skinner noted that no Board action was required at this time with respect to the accounts listed in such report.

AGREEMENT FOR SERVICES OF TAX ASSESSOR AND COLLECTOR

Mr. Skinner next presented to and reviewed with the Board an Agreement for Services of Tax Assessor and Collector by and between the District and Wheeler. After discussion on the matter, Director Adamek moved that the Board approve said Agreement, that the previous agreement between Wheeler and the District be revoked, and

that the President be authorized to execute same on behalf of the Board and the District. Director Stage seconded the motion, which carried unanimously.

RESOLUTION AUTHORIZING AN ADDITIONAL PENALTY ON DELINQUENT PERSONAL PROPERTY TAXES

The Board next considered the adoption of a Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes, a copy of which is attached hereto as **Exhibit D**. Mr. Skinner advised that the Board is authorized, pursuant to Section 33.11 of the Texas Tax Code, as amended, to impose, under certain conditions, 60 days after the date the taxes become delinquent, an additional penalty not to exceed twenty percent (20%) of the total taxes, penalty and interest due the District on personal property taxes that remain delinquent as of said 60th day, as more fully described in said Resolution. After discussion, it was moved by Director Cox, seconded by Director Stage and unanimously carried, that the Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes be adopted by the Board.

EXEMPTIONS FROM TAXATION FOR 2010

Mr. Skinner outlined for the Board the various tax exemptions available for the District. He advised that the District may provide for the exemption of up to 20% (but not less than \$5,000, if granted) of the market value of residential homestead improvements for the year 2010, and the District may also exempt residential homesteads of persons who are under a disability for purposes of payment of disability insurance benefits under the Federal Old Age, Survivors and Disability Insurance Act, or its successor, or persons sixty-five (65) years of age or older from ad valorem taxes levied by the District during the calendar year 2010, and, if any such exemptions are granted, they must be for not less than \$5,000 of the market value of such homesteads. Further, the District may exempt from ad valorem taxation property owned by certain qualified charitable organizations pursuant to Tax Code, Section 11.184. Mr. Bonnerjee then presented to and reviewed with the Board an analysis of the various tax exemptions, a copy of which is included with **Exhibit E**. After discussion on the matter, Director Cox moved that the District (a) grant a 20% residential homestead exemption for 2010; (b) grant an exemption of \$15,000 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 2010, as defined in the Federal Old Age, Survivors and Disability Insurance Act; (c) not grant the charitable organization exemption for 2010, and (d) that the Resolution Concerning Exemptions from Taxation, attached hereto as **Exhibit E** relative to same be approved and adopted by the Board and the District. Director Hodge seconded

said motion, which carried by a vote of three (3) in favor and one (1) abstention, with Directors Cox, Stage and Hodge being in favor and Director Adamek abstaining.

BOOKKEEPER'S REPORT

Ms. Hernandez presented and reviewed with the Board the bookkeeper's report dated January 21, 2010, including (i) the checks presented for payment from the General Operating Fund, Capital Projects Fund and the Sewage Treatment Plant ("STP") Account, (ii) a Fund Balance Report, (iii) a Pledged Securities Report, (iv) an Actual versus Budget Comparison for December 2009 for the Operating Fund and the STP Account, and (v) a Debt Service Payments Schedule, copies of which are attached hereto as **Exhibit F**. After discussion, it was moved by Director Hodge that the bookkeeper's report be approved and that the various checks identified therein be approved for payment. Director Stage seconded the motion, which carried unanimously.

RESOLUTION ADOPTING LIST OF QUALIFIED BROKERS

The Board considered adopting a list of qualified brokers authorized to engage in investment transactions with the District. Mr. Skinner advised that, pursuant to the Public Funds Investment Act ("PFIA"), 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 G**. Mr. Skinner further noted that the broker list presented is a list of potential institutions with which the District may engage in investment transactions compiled with the input of the District's Investment Officer, but it is ultimately the Board's decision as to where the District's funds are actually placed. After discussion, Director Adamek moved that (i) the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved by the Board and the District, and (ii) that the President and Secretary be authorized to execute same. Director Cox seconded said motion, which unanimously carried.

PROPOSAL FROM CHAMPIONS HYDRO-LAWN, INC. RELATIVE TO MAINTENANCE OF DISTRICT FACILITIES

Mr. Tiff next presented to and reviewed with the Board photographs of Lemm Gully, the Lemm Gully Extension and Spring Lakes Detention Pond, copies of which are attached hereto as

Exhibit H. Mr. Tiff noted that, in general, the District's drainage facilities are in satisfactory condition, but noted that there is a sink hole at the Spring Lakes Detention Pond in need of repair. Mr. Tiff then presented to and reviewed with the Board a proposal from Champions in the amount of \$2,950.00 for repair of said sink hole, a copy of which is included with Exhibit H. Mr. Tiff also reported that a sink hole had formed near the District's back slope interceptor along the Lemm Gully Extension at Lexington Road. Mr. Tiff stated that Champions would repair this sink hole for \$2,950.00. Mr. Tiff explained that, while this sink hole is not located on District property, it is immediately adjacent to the District's interceptor facility and would damage the interceptor facility if not repaired. After discussion on the matter, Director Adamek moved that the Board accept said proposal and that Champions be authorized to repair both sink holes at a cost not to exceed \$5,900.00. Director Hodge seconded the motion, which carried unanimously.

ENGINEERING REPORT

Mr. Tufail presented and reviewed with the Board a written engineering report dated January 21, 2010, a copy of which report is attached hereto as Exhibit I, relative to the status of various projects within the District.

Mr. Tufail reminded the Board that recently enacted Senate Bill No. 361 requires districts that operate water plants to adopt emergency preparedness plans for submission to and approval by the Texas Commission on Environmental Quality (the "TCEQ"). He stated that the TCEQ has adopted its implementation rules and has provided a template for assisting in preparation of said plans. Mr. Tufail noted that VVI will begin preparation of the plan as previously authorized by the Board. Mr. Tufail then advised the Board that VVI's estimated cost for preparation of said emergency preparedness plan is \$5,000. After discussion on the matter, Director Adamek moved that VVI be authorized to move forward with preparation of said plan at an estimated cost of \$5,000. Director Stage seconded the motion, which carried unanimously.

CAPITAL IMPROVEMENT PLAN

The Board deferred review and approval of a Capital Improvement Plan relative to future District construction and rehabilitation projects until EDP has had an opportunity to review the District's facilities and determine what future improvements may be required or advisable.

STATUS OF PROPOSED ANNEXATION OF TRACT FOR HOME-OF-HOPE, TEXAS

The Board considered the status of the annexation of a tract of land for Home-of-Hope, Texas ("HOH"). In connection therewith, Mr. Skinner stated that SPH is working to finalize the annexation agreement. No action was taken by the Board on the matter at this time.

PROPOSED ANNEXATION OF COMMERCIAL TRACT

There next ensued a discussion regarding the possible annexation of a commercial tract of land located at the southeast corner of Highway 2920 and Interstate 45 frontage road. No action was taken by the Board on the matter at this time.

OPERATIONS AND MAINTENANCE REPORT

The Board considered the Operations and Maintenance Report. Mr. Owen presented and reviewed in detail with the Board a written Operations Report prepared by SWWC for December 2009, a copy of which is attached hereto as Exhibit J.

Mr. Owen next reminded the Board that, as previously discussed, e-mail correspondence was previously received from District resident Steve Martin of 939 Sierra Spring, regarding subsidence of the sidewalk near the front of his house. Mr. Owen also reminded the Board that SWWC evaluated the situation and televised the sanitary sewer lines located in the area and noted that all necessary repairs have been made.

Mr. Thiry next presented and reviewed in detail with the Board a written Operations Report prepared by EDP, a copy of which is included with Exhibit J.

Mr. Thiry informed the Board that the transition of utility system and operations and maintenance from SWWC to EDP took place on January 11, 2010. Mr. Thiry then requested that the Board consider authorizing EDP to waive all late fees for the current billing cycle in connection with the recent transition. After discussion, Director Adamek moved that EDP be authorized to waive all late fees for the current billing cycle. Director Stage seconded the motion, which carried unanimously.

Mr. Thiry next requested that the Board consider authorizing EDP to execute regulatory filings on the District's behalf. After discussion, Director Stage moved that EDP be authorized to execute regulatory filings on the District's behalf. Director Cox seconded the motion, which carried unanimously.

CONSUMER CONFIDENCE REPORTS

The Board next considered authorizing EDP to provide required information relative to Consumer Confidence Reports to any districts receiving water through emergency water interconnects with the District. Mr. Skinner advised that, pursuant to rules promulgated by the United States Environmental Protection Agency, the District is required to provide a report containing various information regarding the District's water supply to applicable districts by April 1, 2010. After discussion, Director Stage moved that the Board authorize EDP to provide the required information to any districts receiving water from the District through emergency water interconnects during 2009. Director Adamek seconded said motion, which unanimously carried.

DISCUSSIONS REGARDING NO. 110 JOINT DRAINAGE FACILITIES

The Board deferred discussions regarding maintenance of the joint drainage facilities with No. 110.

COMMUNICATIONS REGARDING SURFACE WATER CONVERSION POLICIES AND PRICING STRUCTURE

There next ensued a discussion regarding communications with the North Harris County Regional Water Authority, Harris-Galveston Subsidence District and the Texas State Legislature relative to surface water conversion policies and pricing structure. The Board requested that Director Adamek, working in collaboration with Mr. Skinner, prepare draft correspondence for the Board's consideration at next month's meeting. No action was taken by the Board on the matter at this time.

ISSUANCE OF UTILITY COMMITMENTS

The Board deferred the issuance of utility commitments, as no requests for same had been received.

ATTORNEY'S REPORT

Mr. Skinner advised the Board that he had nothing more of a legal nature to report at this time.

SOLICITATION OF PROPOSALS FOR RENEWAL OF DISTRICT INSURANCE POLICIES

The Board next considered authorizing the solicitation of proposals for renewal of District's insurance policies. Mr. Skinner reported that the District's current insurance coverages acquired through AquaSurance, L.L.C. ("AquaSurance") expire on

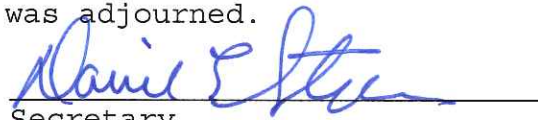
March 31, 2010. Following discussion, the Board concurred that SPH be authorized to solicit written proposals for the District's insurance policies for the term March 31, 2010 through March 31, 2011, from AquaSurance.

DISTRICT SECURITY ISSUES

The Board considered the report regarding District security issues. Mr. Skinner distributed the Harris County Sheriff's Office's call sheet summary for December 2009, a copy of which is attached hereto as **Exhibit K**.

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 - Cash Defeasance Analysis
- Exhibit B - Tax Assessor-Collector's Report
- Exhibit C - Delinquent Tax Report
- Exhibit D - Resolution Authorizing an Additional Penalty on
Delinquent Personal Property Taxes
- Exhibit E - Resolution Concerning Exemptions from Taxation
- Exhibit F- Bookkeeper's Report
- Exhibit G - Resolution Adopting List of Qualified Brokers
Authorized to Engage in Investment
Transactions, with lists of qualified brokers
- Exhibit H - Photographs of Lemm Gully and Lemm Gully
Extension and Spring Lakes Detention Pond
- Exhibit I - Engineer's Report
- Exhibit J - Operator's Report
- Exhibit K - District Security Report