

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
November 18, 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 November 18, 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
Daniel Stage, Secretary
Willie Hodge, Assistant Secretary
Ralph V. Palermo, Assistant Secretary

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

Also present were Lisa Hernandez of Municipal Accounts & Consulting, L.P. ("MA&C"); Ryan Fortner of Wheeler & Associates, Inc. ("Wheeler"); Eric Thiry and Karl Skarboszewski of Environmental Development Partners L.L.C. ("EDP"); John Davis of Langford Engineering ("Langford"); Dennis Tiff of Champions Hydro-Lawn, Inc. ("Champions"); Colette Lange, a member of the public; Cindy Adamek, who later entered the meeting, and Charles Albright, residents of the District; and Christopher T. Skinner of Schwartz, Page & Harding, L.L.P. ("SPH").

In the absence of the President and with no currently elected Vice President, Director Stage was appointed to serve as President Pro-Tem until the arrival of the President later in the meeting. The President Pro-Tem then called the meeting to order and declared it open for such business as might regularly come before it.

MINUTES

The Board reviewed the draft minutes of its meeting held on October 21, 2010. After discussion of the minutes presented, Director Hodge moved that the October 21, 2010, minutes be approved, as written. Director Stage seconded said motion, which carried unanimously.

APPOINTMENT OF A DIRECTOR TO FILL VACANCY ON THE BOARD OF DIRECTORS
CREATED BY RESIGNATION OF SUE COX

The Board next considered the appointment of a Director to fill the vacancy created by the resignation of Sue Cox from the

Board of Directors. The Board considered the acceptance of a Bond, Oath of Office and Statement of Appointed Officer for Mr. Albright. In that regard, the Board was presented with evidence of the qualifications of Mr. Albright to serve on the Board of Directors. Mr. Albright took his Oath of Office and presented his Official Bond to the Board and the Board found said Bond to be in proper form and amount and executed by a qualified surety company. After discussion on the matter, it was moved by Director Hodge, seconded by Director Stage and unanimously carried that the Board approve said Bond, accept said Statement of Appointed Officer and Oath of Office, and appoint Charles Albright as a member of the Board of Directors of the District. Director Albright participated in the remainder of the meeting.

REORGANIZATION OF THE BOARD OF DIRECTORS

The next item to be considered was the election of Vice President of the Board. . The Board considered nominations for the position. After discussion on the matter, Director Hodge was nominated as the Vice President of the Board. Upon motion made by Director Stage, seconded by Director Palermo and unanimously carried, Director Hodge was elected Vice President of the Board of Directors of the District.

OPEN GOVERNMENT TRAINING REQUIREMENTS

Mr. Skinner next discussed with Director Albright the training requirements for public officials. Mr. Skinner advised that public officials, including directors of a municipal utility district, must complete separate training courses regarding the Texas Open Meetings Act ("OMA") and the Texas Public Information Act ("PIA"), within ninety (90) days of assuming the responsibilities of their office. Mr. Skinner presented and reviewed with Director Albright a Memorandum prepared by SPH which summarizes the training requirements. Mr. Skinner advised that the deadline for public officials to complete their training is the 90th day after they either take their oath of office or otherwise assume their responsibilities as a public official.

DISTRICT REGISTRATION FORM

The Board next considered authorizing the preparation and filing of a new District Registration Form, as required by the rules of the Texas Commission on Environmental Quality (the "TCEQ"). Mr. Skinner explained that, in accordance with certain provisions of the Texas Water Code, municipal utility districts are required to file the names, mailing addresses, officer positions and terms of new directors with the TCEQ within thirty days (30)

after an election or appointment. He advised that with the Board's approval, SPH will prepare an updated District Registration Form to include the new term of office, mailing address and officer position for Director Albright and will file said form with the TCEQ. After discussion of the matter, Director Palermo moved that the Board authorize SPH to complete the District Registration Form as discussed and file same with the TCEQ. Director Stage seconded said motion, which unanimously carried.

COMMENTS FROM THE PUBLIC

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

WEBSITE PROVIDER

There next ensued a discussion regarding the District's website provider. Mr. Skinner advised the Board that, as previously requested, SPH contacted Ms. Barbara Payne and has requested her attendance at a future Board meeting. The Board concurred that Ms. Payne be asked to attend the Board's meeting in January 2011.

TAX ASSESSOR-COLLECTOR'S REPORT

Mr. Fortner presented to and reviewed with the Board the tax assessor-collector's report dated as of October 31, 2010, 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 October 31, 2010, copies of which are attached hereto as Exhibit A. After discussion, Director Palermo 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.

PROGRAM FOR ACCEPTANCE OF TAX PAYMENTS BY ELECTRONIC FUNDS TRANSFER

Mr. Fortner reviewed with the Board the program being offered by Wheeler to allow District taxpayers to make their payments by electronic funds transfer. He advised that Wheeler has made arrangements with Certified Payments No. 1, Ltd., a third-party payment processing company, to process such payments. He also noted that the convenience fees associated with the program will be paid by the taxpayers utilizing same rather than the District. Mr. Skinner next reviewed with the Board an Addendum to Agreement for Services of Tax Assessor and Collector (the "Addendum"), a copy of which is attached hereto as Exhibit B. He advised that the Addendum has been prepared by SPH as a supplement to Wheeler's agreement with the District and provides for Wheeler's

indemnification of the District for any potential claims which may arise from the program. Following discussion, upon motion made by Director Stage, seconded by Director Hodge and unanimously carried, the Addendum was approved and the President authorized to execute same on behalf of the Board and the District.

DELINQUENT TAX COLLECTION ATTORNEYS REPORT

Mr. Skinner presented to and reviewed with the Board a Delinquent Tax Collection Attorneys Report, dated November 18, 2010, prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), 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.

BOOKKEEPER'S REPORT

Ms. Hernandez presented to and reviewed with the Board the bookkeeper's report dated November 18, 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 October 2010 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 Stage that the bookkeeper's report be approved and that the various checks identified therein be approved for payment. Director Palermo seconded the motion, which carried unanimously.

Director Adamek and Ms. Adamek entered the meeting during the bookkeeper's report. Director Adamek presided over the remainder of the meeting.

Ms. Hernandez next presented to and reviewed with the Board a draft operating budget for the District's fiscal year ending December 31, 2011, a copy of which is attached to the bookkeeper's report. She requested that any comments regarding the budget be provided to MA&C prior to the next Board meeting so that the budget could be revised if necessary and presented in final form at the meeting.

ENGINEERING REPORT

Mr. Davis advised the Board that a request was received for utility line information from an engineer on behalf of the owner of the 1.5 acre tract located north of Rudy's Barbeque. He discussed

same in detail with the Board and noted that said information has been provided.

Mr. Davis next advised the Board that, as previously authorized, he and Director Palermo met with representatives of Forbes Construction Inc. ("Forbes") to discuss the various options available to remedy the District's amenity pond erosion issues. In connection therewith, Mr. Davis presented to and reviewed with the Board a proposal received from Forbes, a copy of which is attached hereto as Exhibit E. Mr. Davis discussed the various options and associated costs in detail with the Board. After a lengthy discussion, the Board deferred taking any action on the matter at this time and requested that Messrs. Davis and Thiry conduct additional research on the matter and report back at the next meeting.

Mr. Davis next discussed with the Board the District's emergency water interconnect with Harris County Water Control and Improvement District No. 110 ("No. 110") and the District's ability to use the interconnect due to No. 110's recent conversion to a chloramines disinfection system. In connection therewith, Mr. Davis informed the Board of the necessary procedures in the event the District would need to use the interconnect. After discussion, the Board requested that Messrs. Davis and Thiry develop a contingency plan for the Board's consideration at a future meeting. There then ensued a discussion regarding the possibility of the District converting to a chloramine disinfection system and the costs associated with same. The Board requested that Mr. Davis prepare a cost estimate for its consideration at next month's meeting.

Mr. Davis next advised the Board that Langford is in the process of analyzing the flow capacity of the District's Joint Wastewater Treatment Plant at this time.

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 reminded the Board that the District had received a tap fee installment payment from HOH, as previously agreed in writing by HOH. Mr. Skinner then reminded the Board, however, that the District has not yet finalized the Development, Financing and Annexation Agreement (the "Agreement") with HOH. Accordingly, Mr. Skinner stated that SPH would work to finalize the Agreement and, pending completion, would either hold the HOH payment in escrow or return to HOH.

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. Mr. Skinner informed the Board that he had nothing new to report on the matter at this time.

PROPOSED ANNEXATION OF SPLASHTOWN PROPERTY

There next ensued a discussion regarding the proposed annexation of SplashTown Waterpark ("SplashTown") into the boundaries of the District. Mr. Skinner informed the Board that he had nothing new to report on the matter at this time.

REQUEST FROM SPRING VOLUNTEER FIRE DEPARTMENT FOR WATER SERVICES

Mr. Thiry next advised the Board that the Spring Volunteer Fire Department's Fire Station No. 71 is ready to receive water service from the District upon installation by the District of the necessary tap connection and related facilities.

REQUEST FROM HARRIS COUNTY FOR UTILITY SERVICE TO BAYER PARK

Mr. Skinner reminded the Board that, as previously discussed, Harris County is requesting that the District consider providing out-of-district sanitary sewer service to Bayer Park. He also reminded the Board that it previously indicated that it is amenable to considering said request, subject to receipt of a deposit from Harris County to cover the costs of a feasibility study, an out-of-district service contract, and any other costs in connection therewith. Mr. Skinner then advised the Board that SPH has prepared and forwarded correspondence to Harris County requesting said deposit.

OPERATIONS AND MAINTENANCE REPORT

The Board considered the Operations and Maintenance Report. Mr. Thiry presented and reviewed in detail with the Board a written Operations Report prepared by EDP dated as of November 17, 2010, a copy of which is attached hereto as Exhibit F.

REVIEW OF SLUDGE MANAGEMENT AGREEMENTS

The Board considered the review and approval of Sludge Management Agreements by and among the District, EDP and (i) Magna-Flow International, Inc. (d/b/a Magna-Flow Environmental, Inc.) ("Magna-Flow") and (ii) Terra Renewal Services, Inc. ("Terra") (collectively, the "SMAs"). Mr. Skinner presented to and reviewed

various provisions of the SMAs with the Board. After discussion, Director Adamek moved that the SMAs be approved, and that the President be authorized to execute and the Secretary to attest same on behalf of the Board and District. Director Stage seconded said motion, which unanimously carried.

COMMUNICATIONS REGARDING SURFACE WATER CONVERSION POLICIES AND PRICING STRUCTURE

There next ensued a discussion regarding communications with the North Harris County Regional Water Authority ("NHCRWA"), Harris-Galveston Subsidence District and the Texas State Legislature relative to surface water conversion policies and pricing structure. In connection therewith, Director Adamek reminded the Board that, as previously authorized, he forwarded correspondence to the NHCRWA and noted that no official response has been received to date.

REVIEW OF PROPOSALS FOR SOLID WASTE COLLECTION/RECYCLING SERVICES

The Board deferred review of proposals for solid waste collection/recycling services until the Board's meeting in January 2011, at which the board indicated it would like to interview representatives of Best Trash, L.L.C. and WCA Waste Corporation.

SOLICITATION OF QUALIFICATION STATEMENTS FOR AUDITING SERVICES

Director Adamek informed the Board that he is dissatisfied with the District's current auditor, BKD, LLP and discussed his concerns with the Board. The Board then discussed authorizing SPH to solicit qualification statements for auditing services from various entities in connection with the preparation of the District's audit report for fiscal year ending December 31, 2010. After discussion on the matter, the Board concurred that SPH be authorized to solicit a qualification statement from Mark L. Roth, CPA for its consideration at next month's meeting.

ISSUANCE OF UTILITY COMMITMENTS

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

ATTORNEY'S REPORT

Mr. Skinner advised the Board that Comfort Suites has informed SPH that its fee for use of its conference room for Board meetings will be increasing from \$150 per day to \$160 per day, effective January 1, 2011. After discussion, the Board concurred to continue

using Comfort Suites' conference room for Board meetings at the increased rate of \$160 per day.

DISCUSSION REGARDING COMMUNICATIONS WITH NO. 110

There next ensued a discussion regarding communications with No. 110 relative to reconciliation of maintenance costs incurred by the District on behalf of other parties relative to various drainage facilities. In connection therewith, Mr. Skinner informed the Board that SPH's research suggests that the approximate amount to be reconciled by No. 110 is \$38,394 dating back to 2006. A discussion ensued regarding same after which the Board concurred that no further action should be taken towards reconciling the matter and that amounts owed by No. 110 for past drainage channel maintenance work be written off by the District.

DISTRICT SECURITY ISSUES

The Board considered the report regarding District security issues. Mr. Skinner distributed the Harris County Sheriff Office's call sheet summary for October 2010, a copy of which is attached hereto as Exhibit G.

Mr. Skinner next advised the Board that the District had received an Interlocal Agreement for Law Enforcement Services between Harris County and the District to be effective January 1, 2011, through December 31, 2011 (the "Agreement") and advised that SPH had reviewed same. Mr. Skinner advised that the Agreement provides for one (1) deputy at a cost of \$63,952, representing an increase of \$2,460 over the 2010 fees for same. After further discussion, Director Stage moved to (i) approve the Agreement for security patrol services, to be effective January 1, 2011, and (ii) authorize the President and Secretary to execute same on behalf of the Board and the District. Director Adamek seconded said motion, which carried by a vote of four (4) in favor and one (1) abstention, with Directors Adamek, Stage, Palermo and Albright being in favor and Director Hodge abstaining.

OTHER MATTERS

Mr. Tiff next presented to and reviewed with the Board photographs of the District's various detention facilities being maintained by Champions, copies of which photographs are attached hereto as Exhibit H. Mr. Tiff informed the Board that the concrete around the manhole located at the Wunche Gully extension near Whitewood Drive is falling apart. Mr. Thiry noted that EDP would repair the manhole accordingly. Mr. Tiff then informed the Board that the entrance to the storm sewer inlet at the District's Joint Wastewater Treatment Plant is in need of minor erosion repair and

noted that Champions will make the necessary repair. Mr. Tiff additionally informed the Board that graffiti activity recently occurred at the Spring Lakes Detention Pond and noted that the suspects were caught in action and quickly fled the area but were caught on camera while fleeing. After discussion on the matter, the Board requested that EDP examine the Harris County Sheriff Office's graffiti abatement program and report back at a future meeting.

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 - Tax Assessor-Collector's Report
- Exhibit B - Addendum to Agreement for Services of Tax Assessor and Collector
- Exhibit C - Delinquent Tax Report
- Exhibit D- Bookkeeper's Report
- Exhibit E- Proposal from Forbes Construction Inc.
- Exhibit F - Operator's Report
- Exhibit G - District Security Report
- Exhibit H - Photographs of District facilities maintained by Champions Hydro-Lawn, Inc.