

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
February 17, 2011

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 249 (the "District") met in regular session at the Board's regular meeting place on February 17, 2011, 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
Willie Hodge, Vice President
Daniel Stage, Secretary
Ralph V. Palermo, Assistant Secretary
Charles Albright, Director

and all of said persons were present, except Director Adamek, 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 of Environmental Development Partners L.L.C. ("EDP"); Matthew May of Best Trash, L.L.C. ("Best Trash"); Dennis Tiff of Champions Hydro-Lawn, Inc. ("Champions"); John Davis of Langford Engineering ("Langford"); Cindy Adamek, a resident of the District; and Christopher Skinner of Schwartz, Page & Harding, L.L.P. ("SPH").

In the absence of the President, the Vice President called the meeting to order and declared it open for such business as might regularly come before the Board.

MINUTES

The Board reviewed the draft minutes of its meeting held on January 20, 2011. After discussion of the minutes presented, Director Stage moved that the January 20, 2011, minutes be approved, as written. Director Palermo seconded said motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

Ms. Adamek queried Mr. Thiry as to whether the landscaping at the fire station will be leveled to grade. Mr. Thiry responded that he would discuss the matter with the appropriate fire station representatives.

PUBLIC COMMUNICATIONS

There next ensued a discussion regarding implementing an expanded and more robust public communications program for the District. Mr. Skinner advised the Board that, as previously requested, Ms. Barbara Payne of Payne Communications, Inc. ("PCI"), has submitted a proposal for communications consulting services for the District. He presented and reviewed

the proposal with the Board, a copy of which is attached hereto as **Exhibit A**. After discussion on the matter, the Board deferred taking any action on the proposal at this time

RESIDENTIAL SOLID WASTE COLLECTION, DISPOSAL AND RECYCLING AGREEMENT

The Board next considered review and approval of a Residential Solid Waste Collection, Disposal and Recycling Agreement (the "Agreement") between the District and Best Trash. Mr. Skinner informed the Board that the Agreement has been received, but noted that same is being reviewed by SPH at this time. Mr. May then addressed the Board and discussed various contract terms and recycling cart options available to the District. After discussion, the Board deferred approving the Agreement and requested that same be revised to include provisions for a five (5) year term and use of forty-eight (48) gallon recycling carts as well as provisions deemed appropriate by SPH.

STATUS OF AUDIT REPORT AND CONTINUING DISCLOSURE REPORT

The Board next considered the status of the District's audit report for fiscal year ended December 31, 2010. Mr. Skinner advised the Board that the District's auditor, Mark L. Roth, CPA, is still in the process of preparing the audit report at this time. Mr. Skinner then advised the Board that the continuing disclosure report due June 30, 2011, will not be completed until after the District's audit for the fiscal year ended December 31, 2010, is completed.

TAX ASSESSOR-COLLECTOR'S REPORT

Mr. Fortner presented to and reviewed with the Board the tax assessor-collector's report dated as of January 31, 2011, 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 January 31, 2011, copies of which are attached hereto as **Exhibit B**. After discussion, Director Palermo moved that the tax assessor-collector report be approved and that the checks identified therein be approved for payment. Director Albright seconded said motion, which carried unanimously.

DELINQUENT TAX COLLECTION ATTORNEYS REPORT

Mr. Skinner presented to and reviewed with the Board a Delinquent Tax Collection Attorneys Report, dated February 17, 2011, 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 February 17, 2011, 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 January 2011 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, except for check no. 4746, which was voided. Director Hodge seconded the motion, which carried unanimously.

Ms. Hernandez next presented to and reviewed with the Board a City of Houston Sales Tax Rebate Historical Income Report, a copy of which Report is included with **Exhibit D**.

ENGINEERING REPORT

Mr. Davis advised the Board that the Storm Water Quality Permit for Spring Lakes, Section Eight has been renewed.

Mr. Davis next advised the Board that Langford is still in the process of preparing an analysis of the District's wastewater treatment plant capacity and noted that he expects said analysis to be completed in the near future.

Mr. Davis next informed the Board that he believes that some of the component facilities at the District's wastewater treatment plant have inadequate capacity and discussed same in detail with the Board. He noted that the digester pumps are too small and the air diffuser air intakes, located in the plants in the plant's control building, are in a confined space that tends to get very hot in the summer, which reduces the blowers' efficiency. Mr. Davis informed the Board that he will have more information on the matter at next month's meeting.

Mr. Davis next advised the Board that, relative to the Chloramination Disinfection Conversion project, Langford expects to submit the plans and specifications for said conversion project to the City of Houston, Harris County, and the Texas Commission on Environmental Quality for review and approval in the near future. The Board requested that Langford prepare and submit a request to the North Harris County Regional Water Authority ("NHCRWA") for reimbursement of the costs incurred by the District related to the design and construction of the Chloramination Disinfection Conversion project.

OPTIONS FOR EROSION REPAIRS OF AMENITY PONDS

There next ensued a discussion regarding the various options available to remedy the District's amenity pond erosion issues. Mr. Davis informed the Board that he had nothing new to report at this time.

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 E**. Mr. Tiff informed the Board that there are two (2) sink holes in need of repair at the Spring Lakes detention pond and noted that Champions is proposing to repair the sink holes at a cost of \$5,990 (\$2,995 per sink hole). The Board asked Mr. Davis and Mr. Tiff to investigate the specific locations of the sink holes to determine whether Harris

County Water Control and Improvement District No. 110 ("No. 110") should be responsible for the repair costs of at least one of the sink holes due to its location. After discussion, the Board authorized repair of both sink holes at a total cost of \$5,990, with \$2,995 of the cost to be paid by No. 110, if appropriate.

ANNUAL REVIEW OF PREVAILING WAGE RATE SCALE FOR CONSTRUCTION PROJECTS

The Board considered an annual review of its prevailing wage rate scale. Mr. Skinner noted that the Board's Resolution of February 15, 2007, adopted the rates established by Harris County. He advised that SPH has confirmed that no changes have been made to the Harris County rates since such adoption and, therefore, no change to the wage rate scale previously adopted by the Board is being recommended. The Board concurred in taking no action at this time.

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 also reminded the Board, however, that the District has not yet finalized the Development, Financing and Annexation Agreement (the "Annexation Agreement") with HOH. Accordingly, Mr. Skinner stated that SPH would work to finalize the Annexation Agreement and, pending completion, would either hold the HOH payment in escrow or return same to HOH.

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 reminded the Board that the \$10,000 deposit previously requested has been received such that Langford is now working on an annexation feasibility study.

REQUEST FROM HARRIS COUNTY FOR UTILITY SERVICE TO BAYER PARK

Mr. Skinner reminded the Board that Harris County requested that the District consider providing out-of-district sanitary sewer service to Bayer Park and that the Board 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 reminded the Board that SPH previously prepared and forwarded correspondence to Harris County requesting said deposit. Mr. Skinner then advised the Board that SPH has been informed by Harris County that the project has been put on hold for the time being.

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 February 15, 2011, a copy of which is attached hereto as **Exhibit F**.

Mr. Thiry next advised the Board that on February 2, 2011, EDP responded to a call from the auto-dialer at the Water Plant due to low water pressure in the ground storage tank. He reported that the auto-sensor for the ground storage tank was not functioning properly and noted that same caused a drop in water pressure. A discussion then ensued regarding same.

The Board then discussed the status of the District's aged receivables and requested that Mr. Thiry prepare for the Board's review a list of such receivables that are 120 days and older.

COMMUNICATIONS REGARDING SURFACE WATER CONVERSION POLICIES AND PRICING STRUCTURE

The Board next considered the status of communications with the NHCRWA, Harris-Galveston Subsidence District and the Texas State Legislature relative to surface water conversion policies and pricing structure. In connection therewith, Mr. Skinner informed the Board that he had nothing new to report at this time.

ISSUANCE OF UTILITY COMMITMENTS

Mr. Skinner reminded the Board that, as previously discussed, Forestar (USA) Real Estate Group, Inc. ("Forestar") is requesting renewal of its utility commitment letter previously issued for its remaining undeveloped property in the District and discussed same with the Board. After a lengthy discussion, the Board deferred taking any action on the matter at this time.

ATTORNEY'S REPORT

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

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 January 2011, a copy of which is attached hereto as **Exhibit G**.

RENEWAL OF DISTRICT INSURANCE POLICIES

Mr. Skinner presented and reviewed with the Board an insurance proposal from AquaSurance, L.L.C. ("Aqua") relative to the District's insurance policies for the term ending March 31, 2011, including property, comprehensive boiler and machinery, commercial general liability, pollution liability, commercial umbrella, and directors and officers liability insurance,

and the directors position schedule bond, public employee blanket bond, and tax assessor/collector's bond. After discussion on the matter, Director Stage moved that the proposal from Aqua be accepted, as set out in the attached proposal, a copy of which is attached hereto as **Exhibit H**, and made a part hereof, and that the Vice President be authorized to execute same on behalf of the Board and the District. Director Hodge seconded said motion, which unanimously carried.

ADJOURN

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


Secretary

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A – Proposal from Payne Communications, Inc.
- Exhibit B – Tax Assessor-Collector's Report
- Exhibit C – Delinquent Tax Report
- Exhibit D – Bookkeeper's Report
- Exhibit E – Photographs of District facilities maintained by Champions Hydro-Lawn, Inc.
- Exhibit F – Operator's Report
- Exhibit G – District Security Report
- Exhibit H – Accepted AquaSurance Insurance Proposal