

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
April 16, 2009

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 April 16, 2009, 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, thus constituting a quorum.

Also present were Lisa Hernandez of Municipal Accounts & Consulting, L.P. ("MA&C"); Sissie Lawson of Wheeler & Associates, Inc. ("Wheeler"); Asim Tufail of Van De Wiele Engineering Incorporated ("VEI"); Dwight Rumph and Edward Wade, residents of the District; Gregory Sissel of BKD, LLP ("BKD"); Richard Marriott of SouthWest Water Company, Inc. ("SWWC"); 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 March 19, 2009. There ensued a discussion regarding various revisions. After discussion of the minutes presented, Director Stage moved that the March 19, 2009, minutes be approved, as revised. Director Haude seconded said motion, which passed unanimously.

POLICY RELATIVE TO RECEIPT OF PUBLIC COMMENTS

The Board discussed its policy relative to receipt of public comments. In connection therewith, Mr. Skinner presented and reviewed with the Board a draft Resolution Adopting Public Comment Policies and Procedures, a copy of which Resolution is attached hereto as **Exhibit A**. After discussion, the Board deferred taking any action on the matter until next month's meeting.

COMMENTS FROM THE PUBLIC

The Board considered comments from the public. Mr. Wade requested to review the invoices reflected in the bookkeeper's report prior to the end of the meeting. The Board concurred with Mr. Wade's request.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Lawson presented and reviewed with the Board the tax assessor-collector's report dated as of March 31, 2009, including the checks and wire transfers presented for payment from the tax account, as listed therein, historical valuation and collection data, and a Delinquent Collections Listing as of March 31, 2009, copies of which are attached hereto as Exhibit B. Ms. Lawson informed the Board that the total outstanding taxes for Dreamstar Homes is \$30,897.00. Director Adamek advised the Board that the appraised values for homes within the District have declined and discussed the possible impact that such decline may have on the District's tax collections. After discussion, Director Adamek moved that the tax assessor-collector report be approved and that the checks and wire transfers identified therein be approved for payment. Director Cox seconded said motion, which carried unanimously. The Board requested that SPH contact the District's financial advisor and request that a tax rate analysis based on a 10% to 15% decline in the District's taxable value for the Board's review at next month's meeting.

DELINQUENT TAX COLLECTION ATTORNEY'S REPORT

Mr. Skinner presented and reviewed with the Board a Delinquent Tax Collections Report, dated April 16, 2009, 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.

RESOLUTION AUTHORIZING ADDITIONAL PENALTY ON DELINQUENT TAXES

The Board considered the adoption of a Resolution Authorizing an Additional Penalty on Delinquent Taxes. Mr. Skinner advised that the Board is authorized, pursuant to Section 33.07 of the Texas Tax Code, as amended, to impose, under certain conditions on July 1, an additional penalty not to exceed twenty percent (20%) of the total taxes, penalty and interest due the District on taxes that remain delinquent as of July 1 of the year in which they become delinquent. After discussion, it was moved by Director

Hodge, seconded by Director Stage and unanimously carried, that the Resolution Authorizing an Additional Penalty on Delinquent Taxes, attached hereto as Exhibit D, be adopted by the Board.

REVIEW AND APPROVAL OF AUDIT REPORT FOR FISCAL YEAR ENDED DECEMBER 31, 2008

Mr. Sissel reviewed with the Board a draft audit report for fiscal year ended December 31, 2008, prepared by BKD, a copy of which is attached hereto as Exhibit E. Mr. Sissel discussed Statement on Auditing Standards No. 112 ("SAS 112"), as it relates to the obligation to disclose management or control weaknesses or deficiencies of the District in its audit. He presented a draft letter from BKD disclosing the District's deficiencies ("Management Letter"), including a response prepared by SPH ("Management's Response"), copies of which are included with Exhibit E. Mr. Sissel additionally presented and reviewed with the Board a draft letter regarding Statement on Auditing Standards Nos. 104 through 111, collectively known as the Risk Assessment Suite, a copy of which is included with Exhibit E. After discussion concerning the audit presented, Director Haude moved that (i) the audit report for the fiscal year ended December 31, 2008, be approved, subject to incorporation of any comments from the District's consultants and the Board, (ii) the President be authorized to execute the Annual Filing Affidavit on behalf of the Board and the District, (iii) such audit report and Annual Filing Affidavit be filed with the appropriate governmental authorities, including the Texas Commission on Environmental Quality ("TCEQ"), and (iv) the Management's Response previously prepared by SPH be approved by the Board and included by BKD as part of the final Management Letter. Director Adamek seconded said motion, which unanimously carried.

STATUS OF ANNUAL AUDIT REPORT AND CONTINUING DISCLOSURE REPORT

The Board considered the status of the District's annual continuing disclosure report due June 30, 2009. Mr. Skinner advised the Board that the annual continuing disclosure report will not be completed until after the District's audit for the fiscal year ended December 31, 2008, is completed.

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 F. 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. Given the current uncertainty of financial markets and institutions, he recommended that the Board give heightened scrutiny to the type and nature of investments in which District funds are placed, keeping in mind that the PFIA requires that District funds be invested with the following investment objectives, in order of priority: (1) preservation and safety of principal; (2) liquidity; and (3) yield. A discussion ensued regarding the type, nature and diversification of such investments, and the relative security thereof. Mr. Skinner reminded the Board that Federal Deposit Insurance Corporation ("FDIC") insurance limits on deposits has been temporarily increased to \$250,000 per depositor per institution until December 31, 2009, and that the District's form of Collateral Security Agreement requires that depositories secure deposits above the FDIC insurance limit through pledging of eligible collateral with a third-party custodian. With respect to investment pools, Mr. Skinner advised that there is no insurance, collateralization or secondary guarantee requirement. 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.

BOOKKEEPER'S REPORT

Ms. Hernandez presented and reviewed with the Board the bookkeeper's report dated April 16, 2009, 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 March 2009 for the Operating Fund and the STP Account, and (v) a Debt Service Payments Schedule, copies of which are attached hereto as Exhibit G. Ms. Hernandez noted that check no. 4088 from the General Operating Fund in the amount of \$880.00 to the TCEQ is being presented for payment, but is not reflected on the report. After discussion, it was moved by Director Haude that the bookkeeper's report be approved and that the various checks identified therein be approved for payment, including check no. 4088. Director Cox seconded the motion, which carried unanimously. The Board inquired as to the investment

rationale with respect to the Texas Class holdings. Ms. Hernandez advised the Board that she would research the matter and report back to the Board at next month's meeting.

CAPITAL IMPROVEMENT PLAN

Mr. Tufail presented and reviewed with the Board a preliminary Capital Improvement Plan ("Plan") relative to future District construction and renovation projects prepared by VEI, a copy of which Plan is included with the Engineer's Report. There ensued lengthy discussion regarding various items to be added to the Plan. After discussion, the Board deferred taking any action on the matter until next month's meeting.

STATUS OF APPLICATIONS TO FEDERAL EMERGENCY MANAGEMENT AGENCY FOR REIMBURSEMENT OF ELIGIBLE HURRICANE IKE EXPENSES AND HAZARD MITIGATION GRANT PROGRAM

The Board considered the status of its application previously submitted to the Federal Emergency Management Agency ("FEMA") for possible reimbursement of Hurricane Ike related expenses. Mr. Skinner advised the Board that Project Worksheets have been received from FEMA and reviewed by SPH and noted that the District requested to be reimbursed \$139,000.00, but that FEMA will only be refunding the District \$102,237.00 due to reductions for certain expenses under FEMA reimbursement formula. Mr. Skinner requested that the Board authorize SPH to execute said Project Worksheets on behalf of the District and forward same to FEMA for further processing. He noted that FEMA has set up an appeals process for any party to appeal FEMA's monetary determination but that most FEMA representatives have indicated that such process could be lengthy and with a limited likelihood of success. After discussion, Director Cox moved that SPH be authorized to execute said Project Worksheets on behalf of the District and forward same to FEMA for further processing. Director Adamek seconded the motion, which carried unanimously.

ENGINEERING REPORT

Mr. Tufail presented and reviewed with the Board a written engineering report dated April 16, 2009, a copy of which report is attached hereto as Exhibit H, relative to the status of various projects within the District.

Mr. Tufail reminded the Board that Mr. Sixto Ortiz of 25527 Myrtle Spring previously addressed the Board regarding the subsidence of the sidewalk in front of his house and portions of his driveway. Mr. Tufail then advised the Board that, as requested at last month's meeting, VEI engaged Geo-Tech to investigate the

matter further and noted that the test results indicated that the problem appears to be a soil compaction issue. Mr. Tufail further noted that Geo-Tech has indicated that it appears that the problem extends beyond the Ortiz's residence. Director Adamek advised that, based on his observations of the area earlier today, it appears that a similar problem exists around the corner from the Ortiz's residence. After a lengthy discussion on the matter, the Board requested that Mr. Tufail obtain a signed and sealed letter from a Geo-Tech engineer providing a professional opinion as to the cause of the problem. The Board also requested that Mr. Tufail define the extent of the problem both vertically and laterally and to contact Mr. Ortiz and advise him of the District's actions and planned remediation related thereto.

Mr. Tufail reminded the Board that, as discussed at last month's meeting, it previously issued a Utility Commitment Letter to Inspire Rock, Ltd. ("IR") for sanitary sewer capacity of 1,575 gallons per day (5 esfcs) to serve a 2.100 acre tract of land ("Tract"). Mr. Tufail also reminded the Board that IR has contracted with Jubilee Universal Inc. ("Jubilee") to sell the Tract to Jubilee. Mr. Tufail further reminded the Board that Jubilee plans to construct a motel on the Tract and is requesting that some additional equivalent single-family connections ("ESFC") of water and sewer service be assigned to Jubilee to serve the Tract and that Jubilee will need an additional thirty-seven (37) ESFCs. There ensued a discussion regarding whether the District has enough capacity available to serve the Tract. Mr. Tufail presented to and reviewed with the Board an Analysis of Wastewater Treatment Plant Connection Allocation, a copy which Analysis is included with Exhibit H. After discussion on the matter, Director Adamek moved that the District grant Jubilee's request for a Utility Commitment Letter allocating 13,816 gpd of water and wastewater treatment capacity to the Tract, and that the President be authorized to execute same on behalf of the Board and the District. Director Cox seconded the motion, which carried unanimously.

Mr. Tufail discussed with the Board surface water conversion for areas within the North Harris County Regional Water Authority ("NHCRWA"). Mr. Tufail reminded the Board that Harris County Water Control and Improvement District No. 110 ("No. 110") has plans to convert all of No. 110 to surface water in the near future. Mr. Tufail further reminded the Board that Harris County Water Control and Improvement District No. 99 ("No. 99") is not scheduled to convert to surface water until 2020. Mr. Tufail advised the Board that, as previously requested, VEI contacted No. 99's engineer to discuss the possibility of constructing a waterline interconnect. Mr. Tufail further advised the Board that VEI has prepared a preliminary cost estimate for the construction of a chloramine

disinfection system for the District's water plant facilities and presented and reviewed same with the Board, a copy of which cost estimate is attached to Exhibit H. There ensued a lengthy discussion regarding same. No action was taken by the Board on the matter at this time.

REVIEW AND ADOPTION OF REVISED DROUGHT CONTINGENCY PLAN

Mr. Skinner discussed with the Board the requirements of Title 30, Section 288.30 of the Texas Administrative Code for retail public water suppliers such as the District to review and, if appropriate, revise their Drought Contingency Plan (the "Plan") not later than May 1, 2009, and every five (5) years thereafter. Mr. Tufail advised that VEI has reviewed the District's current Plan and discussed various recommended revisions to such Plan. After discussion on the Plan and the recommended revisions thereto, Director Haude moved that the District adopt the Resolution Regarding Review of Drought Contingency Plan attached hereto as Exhibit I. Director Stage seconded such motion, which carried unanimously.

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.

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

Mr. Skinner reminded the Board that VEI had prepared a revised annexation feasibility study for proposed service to the tract south of Cypresswood for Home-of-Hope, Texas ("HOH") and forwarded same to HOH for review and requested a \$10,000 deposit to cover the costs associated with said annexation. Mr. Skinner advised the Board that said check has been received and noted that SPH is in the process of preparing an annexation agreement at this time. No action was taken by the Board on the matter at this time.

DISCUSSION REGARDING HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 110 LIFT STATION SITE

There ensued a discussion regarding the No. 110 Lift Station Site. Mr. Skinner reminded the Board that there is an existing

easement for the area in which the lift station is situated, but VEI has advised that the fence recently installed by No. 110 does not exactly match the boundaries of said existing easement. Mr. Skinner further reminded the Board that VEI previously prepared and reviewed with the Board an overlay of the easement area versus the fenced area to determine the scope of any discrepancy. There then ensued a discussion as to whether the District needs to have ownership of the site. Mr. Tufail and Mr. Marriott informed the Board that they would research the matter and report back to the Board at next month's meeting. Mr. Skinner informed the Board that he would contact the attorney for No. 110 to discuss the possibility of conveying the site to No. 110. 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. Marriott presented and reviewed in detail with the Board a written Operations Report prepared by SWWC for March 2009, a copy of which is attached hereto as Exhibit J. The Board requested that Mr. Marriott add the monthly connection count to the Operations and Maintenance Report.

AUTHORIZATION OF CONSUMER CONFIDENCE REPORT

The Board considered authorizing SWWC to prepare the District's consumer confidence report, the format of which is dictated by the TCEQ. After discussion on the matter, Director Hodge moved that SWWC be authorized to prepare said consumer confidence report for the Board's review. Director Adamek seconded said motion, which unanimously carried.

LEASE OF EMERGENCY BACK-UP GENERATOR

Mr. Marriott next presented and reviewed with the Board proposals from Stewart & Stevenson Services, Inc. ("Stewart") and Kohler Rental Power ("Kohler") relative to the lease of a 180 kilowatt emergency generator for use at District facilities, copies of which proposals are attached hereto as Exhibit K. After discussion on the matter, Director Haude moved that the Board accept Stewart's proposal for a 180 kilowatt emergency generator for use at District facilities, subject to SPH's review and approval of same. Director Cox seconded the motion, which carried unanimously.

PRESENTATION FROM CHAMPIONS HYDRO-LAWN, INC REPRESENTATIVE RELATIVE TO MAINTENANCE OF DISTRICT FACILITIES

The Board considered a presentation from a representative of Champions Hydro-Lawn, Inc. relative to maintenance of District facilities. Mr. Tiff addressed the Board regarding the overall condition of the District's drainage facilities. Mr. Tiff informed the Board that various District facilities have accumulated a fair amount of silt and are in need of de-silting. After discussion, the Board deferred taking any action on the matter so that Mr. Tiff could coordinate with Mr. Tufail to prepare a formal proposal for de-silting of various District drainage facilities.

ADOPTION OF IDENTITY THEFT PREVENTION PROGRAM

Mr. Skinner advised the Board that, as discussed at the prior meeting, the Federal Trade Commission has promulgated an Identity Theft Prevention Rule, that requires entities such as the District to adopt an Identity Theft Prevention Program (the "Program") prior to May 1, 2009. Mr. Skinner presented and reviewed the form of Program prepared by SPH for consideration by the Board. There followed a discussion concerning the details of the Program and the administration of same by the District's operator. Following discussion, it was moved by Director Haude, seconded by Director Stage and unanimously carried, that the Program attached hereto as **Exhibit L** be approved and adopted by the District, effective immediately.

ISSUANCE OF UTILITY COMMITMENTS

The Board deferred the issuance of utility commitments, as no other requests for same had been received apart from Jubilee's request, which was discussed earlier in the meeting.

DISTRICT WEBSITE

There ensued a discussion regarding updates to the District's website. Director Adamek advised the Board that he has requested photos from the developer of the Spring Falls Subdivision entrance for posting on the District's website.

ATTORNEY'S REPORT

Mr. Skinner presented to and reviewed with the Board a Notice of Enforcement Action and an Agreed Order received from the TCEQ relative to two (2) permit violations at the Wastewater Treatment Plant the District was assessed in March 2008 and April 2008 for effluent limits, copies of which Notice and Order are attached hereto as **Exhibit M**. Mr. Marriott discussed same in detail with

the Board. Mr. Skinner informed the Board that said Notice states that the Order assesses the District an administrative penalty of \$1,100.00, but that the TCEQ will defer \$220.00 of the administrative penalty for a reduced penalty of \$880.00, if the District satisfactorily complies with all of the provisions within the Order within the allotted timeframe. After a lengthy discussion on the matter, Director Cox moved that the Board authorize the President to execute the Agreed Order on behalf of the Board and the District, and that SPH be authorized to submit same to the TCEQ along with a check in the amount of \$880.00. Director Stage seconded the motion, which carried unanimously. Mr. Skinner noted that the District will receive an \$880.00 credit on its next bill from SWWC.

DISCUSSIONS REGARDING NO. 110 JOINT DRAINAGE FACILITIES

Director Adamek provided the Board with an update concerning maintenance of the joint drainage facilities with No. 110.

DISTRICT SECURITY ISSUES

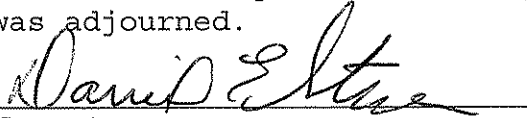
The Board considered the report regarding District security issues. Mr. Skinner distributed the Harris County Sheriff's Office's call sheet summary for March 2009, a copy of which is attached hereto as **Exhibit N**.

CHANGE IN MEETING LOCATION

The Board deferred discussions concerning changing the location of Board meetings.

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 - Draft Resolution Adopting Public Comment Policies and Procedures
- Exhibit B - Tax Assessor-Collector's Report
- Exhibit C - Delinquent Tax Report
- Exhibit D - Resolution Authorizing an Additional Penalty on Delinquent Taxes
- Exhibit E - Draft Audit Report
- Exhibit F - Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions, with lists of qualified brokers
- Exhibit G- Bookkeeper's Report
- Exhibit H - Engineer's Report
- Exhibit I - Resolution Regarding Review of Drought Contingency Plan
- Exhibit J - Operator's Report
- Exhibit K - Proposals from Stewart & Stevenson Services, Inc. and Kohler Rental Power
- Exhibit L - Order Establishing Identity Theft Prevention Program
- Exhibit M - Notice of Enforcement Action and Agreed Order
- Exhibit N - District Security Report