

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
December 17, 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 December 17, 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"); Ryan Fortner of Wheeler & Associates, Inc. ("Wheeler"); Asim Tufail of Van De Wiele & Vogler Incorporated ("VVEI"); Richard Marriott of SouthWest Water Company, Inc. ("SWWC"); Gregory Sissel of BKD, LLP ("BKD"); Mark Palmer of Home of Hope-Texas ("HOH"); 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 November 19, 2009. After discussion of the minutes presented, Director Stage moved that the November 19, 2009, minutes be approved, as written. Director Adamek seconded said motion, which carried by a vote of four (4) in favor and one (1) abstention with Directors Adamek, Cox, Stage and Hodge being in favor and Director Haude abstaining.

COMMENTS FROM THE PUBLIC

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

ENGAGEMENT OF AN AUDITOR FOR PREPARATION OF AN AUDIT FOR THE DISTRICT'S FISCAL YEAR ENDING DECEMBER 31, 2009

The Board next considered the engagement of an auditing firm to conduct an audit of the District's records for the fiscal year ending December 31, 2009. Mr. Sissel made a presentation to the Board on behalf of BKD to provide such auditing services, and advised that BKD has estimated the fee for preparation of the District's 2009 audit report to be \$15,100, plus expenses, and the fee for preparation of the 2009 audit report for the joint sewage treatment plant to be \$2,000, plus expenses. After discussion on the matter, Director Haude moved that BKD be engaged to conduct the audit of the District's financial records for the fiscal year ending December 31, 2009, and that the President be authorized to execute BKD's engagement letter on behalf of the Board and the District. Director Cox seconded said motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR'S REPORT

Mr. Fortner presented and reviewed with the Board the tax assessor-collector's report dated as of November 30, 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 November 30, 2009, copies of which are attached hereto as Exhibit A. After discussion, Director Cox moved that the tax assessor-collector report be approved and that the checks identified therein be approved for payment. Director Adamek seconded said motion, which carried unanimously. The Board requested that Mr. Fortner research the status of the delinquent tax accounts of Dreamstar Homes.

DELINQUENT TAX COLLECTION ATTORNEYS REPORT

Mr. Skinner presented and reviewed with the Board a Delinquent Tax Attorneys Collections Report, dated December 17, 2009, 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 B. 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 and reviewed with the Board the bookkeeper's report dated December 17, 2009, 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 November 2009 for the Operating Fund and the STP Account, and (v) a Debt Service Payments Schedule, copies of which are attached hereto as Exhibit C. 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 Haude seconded the motion, which carried unanimously.

OPERATING BUDGET

Ms. Hernandez next reviewed with the Board draft budgets for the District's General Operating Fund and the Sewage Treatment Plant for the fiscal year ending December 31, 2010, copies of which are included with Exhibit C. A discussion ensued regarding various revisions to be made to the budgets. After further discussion on the matter, Director Cox moved that the Board approve the Operating and Sewage Treatment Plant budgets for the fiscal year ending December 31, 2010, as amended. Director Hodge seconded said motion, which carried unanimously.

ENGINEERING REPORT

Mr. Tufail presented and reviewed with the Board a written engineering report dated December 17, 2009, a copy of which report is attached hereto as Exhibit D, relative to the status of various projects within the District.

There next ensued a discussion regarding the drainage problem that occurred in the District on Spring Source Place due to the excessive rain event in April. In connection therewith, Mr. Tufail reminded the Board that, as previously discussed, VVEI has concluded that the best remedy for the drainage improvement is to lower the elevation of streets. Mr. Tufail also reminded the Board that VVEI researched the possibility of increasing the storm drainage capacity in Spring Lakes, Sections 12 and 13. Mr. Tufail noted that VVEI has prepared a cost estimate for same and presented and reviewed same with the Board, a copy of which is included with Exhibit D. A discussion ensued regarding same. After further discussion on the matter, the Board deferred taking any action and requested that VVEI examine the possibility of increasing the size of the existing storm sewer inlets.

Relative to the Wastewater Treatment Plant Headworks Structure Rehabilitation project, Mr. Tufail presented and reviewed with the Board Pay Application No. 3 in the amount of \$100,939.50 and Change Order No. 2 in the amount of \$4,477.77 received from N&S Construction, LLC ("N&S"), and recommended that the Board authorize the payment of Pay Application No. 3 and Change Order No. 2. After discussion on the matter, Director Adamek moved that the Board

approve Pay Application No. 3 in the amount of \$100,939.50 to N&S and Change Order No. 2 in the amount of \$4,477.77. Director Stage seconded the motion, which carried unanimously.

Mr. Tufail next advised the Board that the Storm Water Quality Permit for Spring Lakes, Section Eight (the "Permit"), will expire on January 30, 2010. Mr. Tufail then presented and reviewed with the Board a Storm Water Quality Permit Application for renewal of the Permit and requested that the Board authorize the President to execute same on behalf of the Board and the District. After discussion on the matter, Director Adamek moved that the President be authorized to execute said application for the renewal of the Storm Water Quality Permit for Spring Lakes, Section Eight. Director Stage seconded the motion, which carried unanimously.

Mr. Tufail next informed the Board that correspondence was received from Langford Engineering Inc., the engineers for Harris County Water Control and Improvement District No. 110 ("No. 110"), advising that No. 110 is in the process of changing its disinfection system from chlorine to chloramine in order to prepare for surface water conversion and that, as a result, No. 110 will not be able to supply the District with water through the emergency interconnect until such date that the District converts to a chloramine disinfection system. Mr. Tufail noted that No. 110's estimated conversion date is approximately February 15, 2010. After discussion on the matter, the Board requested that SPH and VVEI prepare a response to No. 110 regarding same on the District's behalf. The Board also requested that the District's operator prepare a notice to forward to District residents regarding the possibility of receiving chlorminated water through the interconnect.

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 VVEI will begin preparation of the plan as previously authorized by the Board. The Board requested that VVEI prepare a cost estimate for the preparation of said emergency preparedness plan for the Board's consideration at next month's meeting.

CAPITAL IMPROVEMENT PLAN

The Board deferred review and approval of a Capital Improvement Plan relative to future District construction and rehabilitation projects until next month's meeting.

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 SPH is waiting to receive a property description from HOH in order to finalize the annexation agreement. Mr. Palmer then presented and reviewed with the Board a Gift Deed and other information related to HOH. A discussion ensued regarding same. 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 November 2009, a copy of which is attached hereto as Exhibit E.

Mr. Marriott reminded the Board that, as previously discussed, an overflow occurred at one of the District's lift stations and that said overflow was caused by an electrical breaker failure. Mr. Marriott advised that, during a recent inspection of the mechanical and electrical system, it was discovered that a phone line had been disconnected causing a failure in the remote monitoring system. The Board then requested that VVEI conduct further investigations and inspections with representatives of SWWC and Environmental Development Partners, L.L.C. ("EDP").

Mr. Marriott next advised the Board that SWWC has met with representative of EDP at the District's wastewater treatment plant to discuss operational matters and noted that SWWC's billing department is working with EDP in an effort to effectuate a transition of District operations from SWWC to EDP on January 11, 2010.

Mr. Marriott next reminded the Board that 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. In connection therewith, Mr. Marriott informed the Board that, as authorized at last month's meeting, SWWC evaluated the situation further and televised the sanitary sewer lines located in the area. Mr. Marriott noted that SWWC will be forwarding the televising report to VVEI for review. Director Adamek requested to be provided with a copy of the report as well.

AMENDMENT OF RATE ORDER

The Board next considered amendment of its Rate Order in connection with the pumpage fee increase by the North Harris County

Regional Water Authority. Mr. Skinner advised the Board that, effective January 1, 2010, the North Harris County Regional Water Authority will increase its pumpage fee to \$1.75 per 1,000 gallons. Mr. Skinner informed the Board that it currently charges its customers \$1.58 per 1,000 gallons. After discussion on the matter, it was moved by Director Adamek, seconded by Director Stage and unanimously carried, that (i) the District's Rate Order be amended to increase the well pumpage fee from \$1.58 to \$1.84 per 1,000 gallons to cover said pumpage fee based on the District's water accountability ratios, and (ii) the Rate Order attached hereto as Exhibit F be adopted, and (iii) that all Rate Orders, and amendments thereto, previously adopted by the Board be revoked and rescinded as of January 1, 2010, the effective date of the Rate Order.

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. No action was taken by the Board on the matter at this time.

TRANSITION OF UTILITY SYSTEMS OPERATIONS AND MAINTENANCE

There next ensued a discussion regarding the District's transition of utility system and operations and maintenance from SWWC to EDP. In connection therewith, Mr. Skinner presented to and reviewed with the Board an Agreement for Operating Services ("Agreement") between the District and EDP. After discussion, Director Adamek moved that the Board approve said Agreement and that the President be authorized to execute same on behalf of the Board and the District subject to SPH's final review and approval of same. Director Hodge seconded the motion, which carried unanimously.

ISSUANCE OF UTILITY COMMITMENTS

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

CHANGE IN MEETING LOCATION

The Board discussed the possibility of changing the location of Board meetings. Director Adamek reminded the Board that the Comfort Suites motel in the District has a meeting room available for use and that the cost for same would be \$150.00 per meeting.

In connection therewith, Mr. Skinner advised the Board that, as requested at last month's meeting, SPH contacted a representative of Comfort Suites to obtain a contract for use of the motel's meeting room and noted that said contract had been received. After discussion on the matter, Director Adamek moved that said contract be approved and that the District begin holding Board meetings at Comfort Suites beginning at 6:30 p.m. in January 2010. Director Hodge seconded the motion, which carried unanimously.

ATTORNEY'S REPORT

Mr. Skinner reminded the Board that, relative to the District's application previously submitted to the Federal Emergency Management Agency ("FEMA") for possible reimbursement of Hurricane Ike related expenses, an audit of the District's records is being conducted and noted that, upon completion of said audit, the District is expected to receive approximately \$8,911.30 in additional funds.

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 November 2009, 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, 2010, through December 31, 2010 (the "Agreement") and advised that SPH had reviewed same. Mr. Skinner advised that the Agreement provided for one (1) deputy at a cost of \$61,492.00, representing an increase of \$4,077.00 over the 2009 fees for same. After further discussion, Director Stage moved to (i) approve the Interlocal Agreement for Law Enforcement Services by and between Harris County and the District for security patrol services, to be effective January 1, 2010, and (ii) authorize the Vice President and Assistant Secretary to execute same on behalf of the Board and the District. Director Hodge seconded said motion, which unanimously carried.

AUTHORIZATION FOR POSTING OF NOTICE

Mr. Skinner advised the Board that, pursuant to a 2009 amendment to the Texas Election Code, the District is required to post a notice identifying the period during which a candidate may file an application to appear on the ballot for the District's directors election to be held on May 8, 2010. Mr. Skinner noted that such notice must be posted by January 7, 2010, in a public

place at the District's designated offices. After discussion on the matter, upon motion by Director Adamek, seconded by Director Haude and unanimously carried, the Board authorized SPH to prepare and post such notice on behalf of the Board and the District.

FUTURE AGENDA ITEMS

The Board requested than an item regarding the possible cash defeasance of a portion of the District's outstanding bonds be added to the next agenda.

ADJOURN

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


Secretary