

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
March 19, 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 March 19, 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, except Director Stage who later entered the meeting, thus constituting a quorum.

Also present were Lisa Hernandez of Municipal Accounts & Consulting, L.P. ("MA&C"); Sissie Lawson of Wheeler & Associates, Inc. ("Wheeler"); Scott Novosad of Van De Wiele Engineering Incorporated ("VEI"); Edward Wade, a resident of the District; Richard Marriott of SouthWest Water Company, Inc. ("SWWC"); and Jonathan A. Roach 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 February 19, 2009. After discussion of the minutes presented, Director Adamek moved that the February 19, 2009, minutes be approved, as written. Director Cox 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. Roach advised the Board that Mr. Christopher Skinner of SPH is in the process of discussing the matter with an attorney in Austin, Texas, and has requested sample policies for some small governmental entities and noted that said samples have not yet been received. The Board deferred taking any action on the matter at this time.

COMMENTS FROM THE PUBLIC

The Board considered comments from the public

Mr. Wade stated that he was pleased with the results of SWWC's repainting of the District's fire hydrants and inquired as to what the different colors represented. Mr. Roach explained same to the Board.

Director Stage entered the meeting at this time.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Lawson presented and reviewed with the Board the tax assessor-collector's report dated as of February 28, 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 February 28, 2009, copies of which are attached hereto as Exhibit A. After discussion, Director Haude moved that the tax assessor-collector report be approved and that the checks and wire transfers identified therein be approved for payment. Director Hodge seconded said motion, which carried unanimously. Director Haude requested that Ms. Lawson provide the Board with the total outstanding taxes for Dreamstar Homes at next month's meeting.

DELINQUENT TAX COLLECTION ATTORNEY'S REPORT

Mr. Roach presented and reviewed with the Board a Delinquent Tax Collections Report, dated March 19, 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 B. Mr. Roach discussed account no. 123-214-003-0017 with the Board. Ms. Lawson informed the Board that the mortgage company offered to pay a portion of the delinquent taxes, but noted that Wheeler cannot accept partial payments. Director Haude and Director Adamek inquired regarding payment options and whether Wheeler offered a payment plan to the mortgage company. Ms. Lawson advised the Board that Wheeler has not offered a payment plan to date. After discussion, the Board deferred taking any action on the matter and requested that Wheeler continue to follow-up with the mortgage company.

AUTHORIZATION OF DELINQUENT TAX COLLECTIONS ATTORNEY TO PURSUE DELINQUENT PERSONAL PROPERTY TAXES FOR 2008

The Board considered authorizing Perdue to proceed with the collection of 2008 delinquent personal property taxes, including the filing of lawsuits. After discussion on the matter, Director Haude moved that Perdue be authorized to proceed with the

collection of the District's 2008 and prior years' delinquent tax accounts on April 1, 2009, including filing of lawsuits as necessary. Director Adamek seconded said motion, which carried unanimously.

STATUS OF ANNUAL AUDIT REPORT AND CONTINUING DISCLOSURE REPORT

The Board considered the status of the District's annual audit report for the fiscal year ended December 31, 2008, and the District's annual continuing disclosure report due June 30, 2009. Mr. Roach advised the Board that the District's auditor, BKD, LLP, is still in the process of preparing the audit report at this time. Mr. Roach further 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.

REVIEW AND APPROVAL OF PROPOSALS FOR RENEWAL OF DISTRICT INSURANCE POLICIES

Mr. Roach presented and reviewed with the Board insurance proposals from Anco McDonald Waterworks Insurance Services, L.L.C. ("Anco"), AquaSurance, L.L.C. ("Aqua"), and Highpoint Insurance Group LLC relative to the District's insurance policies for the term ending March 31, 2009, 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. Mr. Roach additionally presented to and reviewed with the Board correspondence from HARCO Insurance Services ("HARCO") dated February 11, 2009, indicating that HARCO is declining to submit a proposal for the upcoming policy term. After discussion on the matter, Director Adamek moved that the proposals from Aqua be accepted, including business travel coverage, as set out in the attached proposal, a copy of which is attached hereto as Exhibit C and made a part hereof, and that the President be authorized to execute same on behalf of the Board and the District. Director Hodge seconded said motion, which unanimously carried.

BOOKKEEPER'S REPORT

Ms. Hernandez presented and reviewed with the Board the bookkeeper's report dated March 19, 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 February 2009 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 Cox that the bookkeeping report be approved and that the various checks identified therein be approved for payment. Director Hodge seconded the motion, which carried unanimously.

AWBD SUMMER CONFERENCE

The Board discussed the AWBD conference to be held in June and the applications for attendance.

CAPITAL IMPROVEMENT PLAN

The Board discussed the possible preparation of a formal Capital Improvement Plan. Mr. Novosad 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. Mr. Roach informed the Board that SPH is in the process of reviewing said Plan at this time. After discussion, the Board deferred taking any action on the matter until next month's meeting.

Ms. Hernandez and Ms. Lawson exited the meeting at this time.

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 applications previously submitted to the Federal Emergency Management Agency ("FEMA") for possible reimbursement of Hurricane Ike related expenses and the Hazard Mitigation Grant Program ("HMGP"). Mr. Roach 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, but that FEMA initially approved refunding the District \$100,000.

Mr. Marriott informed the Board that FEMA has requested some additional documentation to support the additional amount originally requested and noted that SWWC will provide same to FEMA within the next few days. Mr. Novosad informed the Board that, relative to the HMGP application, correspondence was received from Harris County advising that the total amount of the HMGP applications submitted by the County was approximately \$150,000,000, but that only \$12,000,000 will be available to all State HMGP applicants. Mr. Novosad further noted that said correspondence states that the State does not believe that funding will be available for wastewater treatment plants. Mr. Novosad

advised the Board that, should it choose to continue pursuing the HMGP, additional information must be provided. After a lengthy discussion regarding same, Director Hodge moved that the District continue to pursue the HMGP funding and that VEI be authorized to provide the additional information. Director Cox seconded the motion, which carried unanimously.

Mr. Novosad reported that Harris County is working in partnership with Camp, Dresser and McKee ("CDM") to collect information from utility districts regarding critical water and wastewater infrastructure as well as a complete list of Hurricane Ike damages throughout the County. In connection therewith, Mr. Novosad requested the Board's authorization for VEI to provide such information. After discussion, Director Hodge moved that VEI be authorized to complete and submit the forms as requested by CDM. Director Cox seconded said motion, which unanimously carried.

ENGINEERING REPORT

Mr. Novosad presented and reviewed with the Board a written engineering report dated March 19, 2009, a copy of which report is attached hereto as Exhibit E, relative to the status of various projects within the District.

Relative to the Wastewater Treatment Plant Headworks Structure Rehabilitation project, Mr. Novosad presented and reviewed with the Board Pay Application No. 1 in the amount of \$5,400.00 received from N&S Construction, LLC ("N&S"), a copy of which is attached to the engineering report, and recommended that the Board authorize the payment of same. After discussion on the matter, Director Haude moved that the Board approve Pay Application No. 1 in the amount of \$5,400.00 to N&S. Director Adamek seconded the motion, which carried unanimously.

Mr. Novosad discussed with the Board surface water conversion for areas within the North Harris County Regional Water Authority ("NHCRWA"). Mr. Novosad 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. Novosad 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. Novosad advised the Board that, as requested at last month's meeting, VEI contacted No. 99's engineer to discuss the possibility of constructing a waterline interconnect. Mr. Novosad 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 E.

There ensued a lengthy discussion regarding same. Director Adamek noted that he would discuss the matter further with Mr. Asim Tufail of VEI. No action was taken by the Board on the matter at this time.

Mr. Novosad reminded the Board that, at last month's meeting, Mr. Sixto Ortiz of 25527 Myrtle Spring addressed the Board regarding the subsidence of the sidewalk in front of his house and portions of his driveway. Mr. Novosad further reminded the Board that Mr. Ortiz stated that, in his opinion, such subsidence is related to a problem with the District's sanitary sewer line facilities constructed in the road right-of-way in front of Mr. Ortiz's house. Mr. Novosad informed the Board that, as requested at last month's meeting, Mr. Tufail and Mr. Marriott met with Mr. Ortiz on site to examine the matter further and presented and reviewed photographs relative to same with the Board, copies of which photographs are included with Exhibit E. Mr. Novosad and Mr. Marriott addressed several questions from the Board. Director Haude noted that several other residences located on Myrtle Springs are experiencing pavement failure. After a lengthy discussion on the matter, Director Haude moved that VEI be authorized to engage Geo-Tech to investigate the matter further, subject to the cost of same not exceeding \$5,000. Director Adamek seconded the motion, which carried unanimously.

Mr. Novosad informed the Board that 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. Novosad further informed the Board that IR has contracted with Jubilee Universal Inc. ("Jubilee") to sell the Tract to Jubilee. Mr. Tufail advised 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. Mr. Novosad noted 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. Novosad presented to and reviewed with the Board an Analysis of Wastewater Treatment Plant Connection Allocation, a copy which Analysis is included with Exhibit E. Director Adamek informed the Board that he believes that, if the District has the capacity available, the District should not withhold said capacity. After a lengthy discussion on the matter, the Board deferred taking any action on the matter at this time.

Mr. Roach 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. Roach noted that nothing had been received from HOH to date.

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

The Board deferred discussion or the taking of any action regarding the No. 110 lift station site.

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 February 2009, a copy of which is attached hereto as **Exhibit F**. Director Cox queried Mr. Marriott if the number of vacancies in the District has drastically changed over the last several months. Mr. Marriott informed the Board that he would research the twelve (12) month history of vacancies in the District and add it to next month's report.

Mr. Marriott informed the Board that Dreamstar Homes has delinquent accounts totaling approximately \$600 for non-payment of water bills. There ensued a discussion regarding the termination procedures for homebuilders' delinquent accounts for non-payment of water bills. After discussion on the matter, Director Hodge moved that SWWC be authorized to use the same procedures to terminate water service for delinquent homebuilders' accounts as is used for delinquent homeowners. Director Haude seconded the motion, which carried unanimously.

NOTICE OF ALLEGED VIOLATIONS

Mr. Marriott presented to and reviewed with the Board correspondence dated February 26, 2009, from the Texas Commission on Environmental Quality regarding a Notice of Alleged Violation, a copy of which correspondence is attached hereto as **Exhibit G**. Mr. Marriott advised that said correspondence states that in March 2008 and April 2008, the District was assessed two (2) permit violations at the Wastewater Treatment Plant for effluent limits and that said violations have not been addressed to date. Mr. Marriott discussed same in detail with the Board. Director Adamek queried Mr. Marriott regarding liability issues related thereto. Mr. Marriott and Mr. Roach discussed same with the Board.

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

The Board deferred the presentation from a representative of Champions Hydro-Lawn, Inc. relative to maintenance of District facilities after noting that no representative was present at the meeting.

CONSIDERATION OF THE FEDERAL TRADE COMMISSION'S IDENTITY THEFT PREVENTION RULE

Mr. Roach reported that the Federal Trade Commission ("FTC") has promulgated an Identity Theft Prevention Rule (the "Rule") that requires all Creditors to implement an identity theft prevention program (the "Program") by May 1, 2009, in an effort to reduce the incidence of identity theft among its customers. He further reported that, pursuant to the Rule, "Creditor" is defined to include any entity such as the District that allows its customers to obtain goods or services and defer payment therefor. Mr. Roach presented to and reviewed with the Board a memorandum prepared by SPH that addresses the specific requirements and procedures set forth in the Rule, a copy of which is attached hereto as Exhibit H. Mr. Roach reported that SPH has prepared a form of Program that meets the requirements of the Rule and which will be presented for review and approval at the next Board meeting. Following discussion, the Board deferred further action on this matter until the next meeting.

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. Mr. Roach advised that SPH has made several attempts to contact Mr. Russell Lambert of The Texas Network regarding the District's website, but noted that SPH has been unsuccessful to date. Director Adamek noted that he has also tried contacting Mr. Lambert, and has been unsuccessful as well. Director Adamek presented to and reviewed with the Board copies of website links for various municipal utility districts relative to payment of utility bills. Director Adamek requested that Mr. Christopher Skinner of SPH conduct a general review of the District's website links for same.

ATTORNEY'S REPORT

Mr. Roach presented to and reviewed with the Board a packet received from the Worldwide Power Products, LLC regarding generator products, a copy of which said packet is attached hereto as **Exhibit I**.

DISCUSSIONS REGARDING NO. 110 JOINT DRAINAGE FACILITIES

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

DISTRICT SECURITY ISSUES

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

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 Hodge seconded by Director Adamek and carried unanimously, the meeting was adjourned.


Secretary

LIST OF ATTACHMENTS TO MINUTES

Exhibit A - Tax Assessor-Collector's Report

Exhibit B - Delinquent Tax Report

Exhibit C - Accepted Aqua insurance proposal

Exhibit D- Bookkeeper's Report

Exhibit E - Engineer's Report

Exhibit F - Operator's Report

Exhibit G - Correspondence from TCEQ regarding Notice of Enforcement

Exhibit H - Memorandum Relative to Identity Theft Prevention Program

Exhibit I - Packet from Worldwide Power Products, LLC

Exhibit J - District Security Report