

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
July 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 July 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, 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"); Asim Tufail of Van De Wiele Engineering Incorporated ("VEI"); Edward Wade, Dwight Rumph and Cindy Adamek, residents of the District; Richard Marriott of SouthWest Water Company, Inc. ("SWWC"); Mark Palmer and Sandra Palmer of Home of Hope-Texas ("HOH"); Dennis Tiff of Champions Hydro-Lawn, Inc. ("Champions"); Kay Divin, a representative of Harris County Water Control and Improvement District No. 110 ("No. 110"); and Christopher T. 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 first reviewed the draft minutes of its meeting held on June 10, 2009. After discussion of the minutes presented, Director Haude moved that the June 10, 2009, minutes be approved, as written. Director Stage seconded said motion, which passed unanimously.

COMMENTS FROM THE PUBLIC

The Board considered comments from the public. Ms. Adamek advised the Board that she and Director Adamek have concerns regarding the effluent being discharged from the District's

wastewater treatment plant outfall located behind their residence and discussed same in detail with the Board. Ms. Adamek noted that said discharge occurs approximately every six to eight weeks. A discussion ensued regarding same.

TAX ASSESSOR-COLLECTOR'S REPORT

Mr. Fortner presented and reviewed with the Board the tax assessor-collector's report dated as of June 30, 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 June 30, 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 Cox seconded said motion, which carried unanimously.

Mr. Fortner next presented to and reviewed with the Board an Audit related to the District's Sales Tax and Revenue Tracking program. A discussion ensued regarding same.

DELINQUENT TAX COLLECTION ATTORNEY'S REPORT

Mr. Skinner presented and reviewed with the Board a Delinquent Tax Collections Report, dated July 16, 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 July 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 versus Budget Comparison for June 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 Haude that the bookkeeper's report be approved and that the various checks identified therein be approved for payment, except for check no. 4143, which was voided. Director Cox seconded the motion, which carried unanimously.

PARTICIPATION IN ELECTRICITY POOL EXTENSION

The Board considered the District's participation in an extension of the existing electricity pool established by Integrys Energy Solutions ("Integrys") and MA&C. In connection therewith, Ms. Hernandez presented to and reviewed with the Board a summary of the pool extension's terms, a copy of which summary is attached hereto as Exhibit D. Ms. Hernandez noted that the current electricity pool contract with Integrys Energy expires in May 2010 and that the Texas General Land Office ("GLO"), working through the commercial branch of Reliant Energy ("Reliant"), offered a four (4) year extension of the pool at the fixed rate of \$0.08115/kWh. Ms. Hernandez stated that, as previously authorized by the Board, Mr. Mark Burton had executed a letter agreement on the District's behalf in order to secure the electricity rate through April 2014, and that the final form of Electric Sales Agreement had been agreed upon by the GLO, Reliant and the various attorneys representing the pool participants. Mr. Skinner then presented the Electric Sales Agreement for review and approval by the Board. After discussion, Director Haude moved to approve the Electric Sales Agreement as discussed. Director Hodge seconded the motion which carried unanimously.

Ms. Hernandez also noted that Integrys had secured registration of the District's water and wastewater facilities (including lift stations) on CenterPoint Energy's critical load list as previously authorized by the Board. She presented correspondence from CenterPoint Energy in that regard, a copy of which is included with Exhibit D.

CAPITAL IMPROVEMENT PLAN

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

STATUS OF APPLICATIONS TO FEDERAL EMERGENCY MANAGEMENT AGENCY FOR REIMBURSEMENT OF ELIGIBLE HURRICANE IKE EXPENSES

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 reminded the Board that Project Worksheets related thereto were received from FEMA for review and execution and that said Project Worksheets were executed by SPH and returned accordingly and are still under review by FEMA at this time.

ENGINEERING REPORT

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

There next ensued a discussion regarding the drainage issue that occurred in the District on Spring Source Place due to the excessive rain event in May. Mr. Tufail advised the Board that, as requested at last month's meeting, VEI conducted research to determine if the drainage swale needs to be repaired or re-worked to ensure that the swale is functioning in accordance with its design capacity. In connection therewith, Mr. Tufail informed the Board that it appears that the drainage swale elevation can be lowered and noted that Champions will be submitting a proposal for lowering said elevation in the near future. A discussion ensued regarding same.

Relative to the subsidence of the sidewalk in front of Mr. Sixto Ortiz's house on Myrtle Spring and portions of his driveway, Mr. Tufail reminded the Board that Reddico Construction Company ("Reddico"), the contractor who constructed the sanitary sewer line facilities in front of Mr. Ortiz's residence, has offered to do the repairs with labor and materials being provided to the District at no cost. A discussion then ensued regarding the scope of the issues that have arisen at the Ortiz's residence and to what extent the issues extend beyond said residence. After discussion on the matter, Director Hodge moved that Reddico be authorized to make any necessary repairs that extend beyond Mr. Ortiz's residence, subject to the cost for same not exceeding \$25,000. Director Haude seconded the motion, which carried unanimously.

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

Mr. Skinner reminded the Board that VEI previously prepared a revised annexation feasibility study for proposed service to the tract south of Cypresswood for HOH and forwarded same to HOH for review and requested a \$10,000 deposit to cover the costs associated with said annexation and that said check has been received. Mr. Skinner also reminded the Board that he had spoken with Mr. Palmer of HOH to discuss the required District tap fee. Mr. Palmer then addressed the Board and presented and reviewed a statement on behalf of HOH, a copy of which is attached hereto as Exhibit F. In connection therewith, Mr. Palmer noted that, initially HOH's tap fee was estimated to be \$49,932, but that in June 2009, HOH was informed that the tap fee had been increased to approximately \$142,000 and requested an explanation regarding same. Mr. Palmer then requested that the Board take into consideration

that HOH is a tax exempt entity and requested that the Board consider calculating a new tap fee for HOH. A discussion then ensued regarding various alternatives for levying in lieu of tax payments. After further discussion, Mr. Palmer informed the Board that he would determine a possible payment schedule for HOH and present same to the Board at next month's meeting. 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, as previously discussed, VEI and SWWC have concluded that the District does not need future access to the lift station site. Mr. Skinner then informed the Board that No. 110 has prepared a deed conveying the site to No. 110 and presented and reviewed same with the Board. Mr. Skinner then requested that the Board consider approving said deed and authorizing the Vice President to execute same on behalf of the Board and the District. After discussion on the matter, Director Cox moved that said deed be approved and that the Vice President be authorized to execute same on behalf of the Board and the District.

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 June 2009, a copy of which is attached hereto as Exhibit G. Mr. Marriott noted that SWWC has been monitoring the run times of the well at the District's water plant in connection with the current drought conditions and noted that the highest run time to date has been 14 hours.

Mr. Marriott informed the Board that, on July 6, 2009, SWWC was notified of the effluent problem occurring at the wastewater treatment plant outfall located behind Director Adamek's residence and noted that the information was provided to a SWWC area manager and the area manager opened a service order at that time. Mr. Marriott then informed the Board that Director Adamek took a personal sample of the effluent discharge on July 6, 2009, and submitted same for testing. Mr. Marriott noted that SWWC was on site later that night. Mr. Marriott advised the Board that a vactor crew was scheduled to be on site July 7, 2009, but noted that a heavy rain had occurred prior to the crew's arrival and cleaned out the area. Mr. Marriott discussed the two basic causes for the effluent discharge in detail with the Board. Mr. Marriott noted that a report regarding the matter was submitted to the TCEQ

accordingly. Mr. Marriott also informed that the Board that SWWC has increased its frequency of cleaning the bar screen at the wastewater treatment plant. The Board then inquired as to how often a SWWC representative is on site.

Mr. Marriott next advised the Board that SWWC inadvertently pulled and cleaned No. 110's lift station pumps and discussed same in detail with the Board. A lengthy discussion ensued regarding same.

Mr. Marriott and Ms. Divin exited the meeting at this time.

The Board discussed the possibility of replacing SWWC with another operations and maintenance company and requesting proposals in connection therewith. After discussion, the Board requested that SPH request proposals from the following companies for the Board's consideration at next month's meeting: (i) Severn Trent Environmental Services, Inc.; (ii) Municipal Operations and Consulting, Inc.; (iii) Municipal District Services, L.L.C.; (iv) Environmental Development Partners, L.L.C.; and (v) Hays Utility South Corporation. No action was taken by the Board on the matter at this time.

PROPOSAL FROM CHAMPIONS HYDRO-LAWN, INC. RELATIVE TO MAINTENANCE OF DISTRICT FACILITIES

The Board considered review and approval of a proposal from Champions Hydro-Lawn, Inc. ("Champions") relative to maintenance of District facilities. In connection therewith, Mr. Tiff presented to and reviewed with the Board photographs of Lemm Gully, the Lemm Gully Extension and Spring Lakes Detention Pond, copies of which are attached hereto as **Exhibit H**. Mr. Tiff noted that, in general, the District's drainage facilities are in satisfactory condition, but noted that Champions will be presenting a proposal in the near future for desilting of the District's drainage swale. No action was taken by the Board on the matter at this time.

LEASE OF EMERGENCY BACK-UP GENERATOR

Mr. Skinner next presented and reviewed with the Board a proposal from Stewart & Stevenson Services, Inc. ("Stewart") relative to the lease of a 180 kilowatt emergency generator for use at District facilities, a copy of which proposal is attached hereto as **Exhibit I**. After discussion on the matter, Director Cox 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 Hodge seconded the motion, which carried unanimously.

ISSUANCE OF UTILITY COMMITMENTS

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

DISTRICT WEBSITE

There ensued a discussion regarding updates to the District's website. No action was taken by the Board on the matter at this time.

ATTORNEY'S REPORT

Mr. Skinner presented and reviewed with the Board correspondence from SPH regarding the 81st Legislative Session Update, along with a Legislative Summary, a copy of which is attached hereto as Exhibit J. A discussion ensued regarding same.

Mr. Skinner next presented and reviewed with the Board correspondence received from Highpoint Insurance Group, LLC, expressing their gratitude to those Director's who stopped by their booth at the AWBD Summer Conference, a copy of which is attached hereto as Exhibit K.

DISCUSSIONS REGARDING NO. 110 JOINT DRAINAGE FACILITIES

The Board deferred discussions regarding 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 June 2009, a copy of which is attached hereto as Exhibit L.

CHANGE IN MEETING LOCATION

The Board discussed the possibility of changing the location of Board meetings. No action was taken by the Board on the matter at this time.

ADJOURN

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

A handwritten signature in cursive script, appearing to read "David E. Stage", is written over a horizontal line.

Secretary

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A - Tax Assessor-Collector's Report
- Exhibit B - Delinquent Tax Report
- Exhibit C- Bookkeeper's Report
- Exhibit D- Summary of pool extension's terms and
correspondence from CenterPoint Energy
- Exhibit E - Engineer's Report
- Exhibit F - Statement from Home of Hope-Texas
- Exhibit G - Operator's Report
- Exhibit H - Photographs of Lemm Gully and Lemm Gully
Extension and Spring Lakes Detention Pond
- Exhibit I - Proposal from Stewart & Stevenson Services,
Inc.
- Exhibit J - 81st Legislative Session Summary
- Exhibit K - Correspondence from Highpoint Insurance Group,
LLC
- Exhibit L - District Security Report