

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
March 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 March 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, 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 and Karl Skarboszewski of Environmental Development Partners L.L.C. ("EDP"); John Davis of Langford Engineering ("Langford"); Cindy Adamek, a resident of the District; 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 reviewed the draft minutes of its meeting held on February 17, 2011. A minor revision was noted on page 2 of said draft minutes. After discussion of the minutes presented, Director Adamek moved that the February 17, 2011, minutes be approved, as amended. Director Palermo seconded said motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

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

WEBSITE PROVIDER

There next ensued a discussion regarding the District's website provider. Mr. Roach reminded 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 concurred not to accept said proposal at this time. There then ensued a discussion regarding updates to the District's current website and

the possibility of a representative of The Texas Network handling same. There also ensued a discussion regarding the transfer of the management of the domain name for the District's website to The Texas Network.

RESIDENTIAL SOLID WASTE COLLECTION, DISPOSAL AND RECYCLING AGREEMENT

The Board next considered the review and approval of a Residential Solid Waste Collection, Disposal and Recycling Agreement (the "Agreement") between the District and Best Trash, L.L.C. ("Best Trash"). Mr. Roach informed the Board that, as requested at last month's meeting, the Agreement has been revised to include provisions for a five (5) year term and use of forty-eight (48) gallon recycling carts. He then presented and reviewed the Agreement with the Board. After discussion on the matter, Director Adamek moved that the Agreement be approved 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 Palermo seconded the motion, which carried unanimously.

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. Roach 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. Roach 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 February 28, 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 February 28, 2011, copies of which are attached hereto as **Exhibit B**. After discussion, Director Adamek moved that the tax assessor-collector report be approved and that the checks identified therein be approved for payment. Director Palermo seconded said motion, which carried unanimously.

DELINQUENT TAX COLLECTION ATTORNEYS REPORT

Mr. Roach presented to and reviewed with the Board a Delinquent Tax Collection Attorneys Report, dated March 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. Roach noted that no Board action was required at this time with respect to the accounts listed in the Report.

AUTHORIZATION OF DELINQUENT TAX COLLECTION ATTORNEYS TO PURSUE DELINQUENT PERSONAL PROPERTY TAXES FOR 2010

The Board considered authorizing Perdue to proceed with the collection of 2010 delinquent personal property taxes, including the filing of lawsuits, as necessary. After discussion on the matter, Director Adamek moved that Perdue be authorized to proceed with the collection of the District's 2010 and prior years delinquent tax accounts on April 1, 2011, including filing of lawsuits, as necessary. Director Albright seconded said motion, which carried unanimously.

BOOKKEEPER'S REPORT

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

ENGINEERING REPORT

Mr. Davis presented and reviewed with the Board a written engineering report dated March 17, 2011, a copy of which report is attached hereto as **Exhibit E**, relative to the status of various projects within the District.

Mr. Davis advised the Board that, relative to the chloramination disinfection conversion project (the "Conversion Project"), Langford expects to submit the plans and specifications for the Conversion Project to the City of Houston, Harris County, and the Texas Commission on Environmental Quality ("TCEQ") for review and approval in the near future. Mr. Davis then advised the Board that, as previously requested, Langford contacted the North Harris County Regional Water Authority ("NHCRWA") regarding reimbursement of the costs incurred by the District related to the design and construction of the Conversion Project and noted that the NHCRWA has indicated that it would reimburse the District for applicable costs pursuant to the NHCRWA's existing reimbursement policies.

Mr. Davis next advised the Board that it was discovered that the bar screen located at the District's Wastewater Treatment Plant was damaged. He then advised that the manufacturer has indicated that said repair would not be covered under the warranty because the warranty period expired on March 3, 2011. There then ensued a discussion regarding same and Messrs. Thiry and Davis responded to various questions from the Board. Mr. Thiry noted that the estimated cost to replace the bar screen is \$2,000 to \$3,000. Mr. Davis then advised the Board that Langford contacted the manufacturer regarding the matter and noted that the manufacturer has indicated it will likely replace same at no cost to the District. After further discussion on the

matter, the Board concurred that EDP be authorized to coordinate replacement of said bar screen as soon as possible and to investigate options for the installation of a service door to provide for easier inspection and maintenance in the future.

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.

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. Roach reminded the Board that the District had received a tap fee installment payment from HOH, as previously agreed in writing by HOH. Mr. Roach 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. Roach 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. Roach reminded the Board that the \$10,000 deposit previously requested has been received such that Langford is now working on an annexation feasibility study.

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 March 16, 2011, a copy of which is attached hereto as **Exhibit F**. After discussion, Director Adamek moved that EDP be authorized to terminate water service to the thirteen (13) delinquent accounts reflected in said Report. Director Albright seconded said motion, which carried unanimously.

Mr. Thiry next presented to and reviewed with the Board a notice prepared by Best Trash to be included with a future water bill advising District residents of the change in garbage service and the implementation of recycling services, a copy of which notice is included with **Exhibit F**.

Mr. Thiry next advised the Board that on February 25, 2011, a permit violation occurred at the Wastewater Treatment Plant and noted that same has been reported to the TCEQ and that same is being investigated by EDP at this time. A discussion ensued regarding same.

Mr. Thiry next presented to and reviewed with the Board a Notice of Violation for the Compliance Investigation at the Wastewater Treatment Plant, a copy of which Notice of

Violation is included with Exhibit F. Mr. Thiry noted that said correspondence states that an alleged violation from an investigation conducted on December 21, 2010 remains unresolved and that the TCEQ is requesting a response regarding said violation by March 23, 2011. Mr. Thiry then requested that the Board consider authorizing EDP to prepare a response on the District's behalf and submit same to the TCEQ by the March 23, 2011 deadline. Mr. Thiry also requested that the Board consider authorizing EDP to televise the sanitary sewer line where a grease blockage occurred, as reflected in said Notice, at an estimated cost of \$2,000. After discussion on the matter, Director Adamek moved that EDP be authorized to (i) prepare a response to said Notice on behalf of the Board and the District and submit same to the TCEQ by the March 23, 2011 deadline, and (ii) televise the sanitary sewer line at a cost not to exceed \$2,000. Director Albright seconded the motion, which carried unanimously.

WATER LOSS AUDIT

Mr. Thiry next presented and reviewed with the Board a Water Loss Audit Report to be submitted to the Texas Water Development Board prior to March 31, 2011, a copy of which is included with Exhibit F. After discussion on the matter, Director Adamek moved that said Audit Report be approved and that EDP be authorized to submit same to the Texas Water Development Board prior to March 31, 2011. Director Albright seconded the motion, which carried unanimously.

DETENTION AND DRAINAGE FACILITIES REPORT

The Board deferred considering a Detention and Drainage Facilities Report regarding the status of maintenance of certain District facilities after noting that no representative of Champions Hydro-Lawn, Inc. was present at the meeting.

INTERLOCAL AGREEMENT WITH HARRIS COUNTY FLOOD CONTROL DISTRICT FOR REIMBURSEMENT OF MOWING COSTS

There next ensued a discussion regarding the possibility of the District entering into an Interlocal Agreement with Harris County Flood Control District ("HCFCD") for reimbursement of mowing costs. The Board discussed the ownership of various properties and facilities along and including portions of Lemm Gully and Wunsche Gully, the approval process for the Interlocal Agreement and cost reimbursement guidelines established by HCFCD. After a lengthy discussion, the Board declined taking any action on the matter at this time.

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, Director Adamek informed the Board that he had nothing new to report at this time.

ISSUANCE OF UTILITY COMMITMENTS

Mr. Roach 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. After a lengthy discussion, the Board deferred taking any action on the matter at this time.

ATTORNEY'S REPORT

Mr. Roach presented to and reviewed with the Board correspondence received from Standard & Poor's regarding a change in the underlying rating on the District's outstanding bond issues, a copy of which correspondence is attached hereto as **Exhibit G**.

DISTRICT SECURITY ISSUES

The Board considered the report regarding District security issues. Mr. Roach distributed the Harris County Sheriff Office's call sheet summary for February 2011, a copy of which is attached hereto as **Exhibit H**.

ADJOURN

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


Secretary