

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors January 16, 2014

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 249 (the "District") met at the Board's regular meeting place on January 16, 2014, 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, Assistant Secretary

and all of said persons were present, thus constituting a quorum.

Also present were John Davis of Langford Engineering Inc. ("Langford"); Karl Skarboszewski of Environmental Development Partners, LLC ("EDP"); Brenda McLaughlin of Bob Leared Interests, Inc. ("BLI"); Cory Burton of Municipal Accounts & Consulting, LP ("MA&C"); Aimee Ordeneaux Raley of Best Trash Inc. ("BT"); Todd Edmonds of Colliers International ("Colliers"); Blake Kridel of Storm Water Solutions, LP ("SWS"); Michael Murr of Murr Incorporated ("MI"); Cindy Adamek, a resident of the District; and Christopher Skinner of Schwartz, Page & Harding, L.L.P. ("SP&H").

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 December 19, 2013. A revision was requested to page no. 3 of the draft minutes. After discussion of the minutes presented, Director Adamek moved that the December 19, 2013, minutes be approved, as revised. Director Albright seconded said motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

Ms. Ordeneaux next addressed the Board. The Board requested that Ms. Ordeneaux provide the Board with recycling statistics for the District to determine if there has been any participation growth in the recycling program by District residents. Ms. Ordeneaux stated she would send the information prior to the next Board meeting.

POTENTIAL PURCHASE OF 6.867 TRACT ALONG CYPRESSWOOD DRIVE

There next ensued a discussion regarding the District's potential purchase of approximately 6.867 acres of commercial property located along Cypresswood Drive (the "Property") and the possible uses for the property including the construction of storm water detention and/or recreational facilities. Mr. Skinner reminded the Board that it previously engaged Colliers as buyer's agent for the District relative to the potential purchase of the 6.867 acre tract. Mr. Edmonds then informed the Board that, as previously authorized, Colliers prepared and delivered a formal non-binding offer to purchase the Property to the current owner and presented and reviewed same with Board; a copy of said offer letter is attached hereto as **Exhibit A**. Mr. Edmonds then informed the Board that the property owner submitted a counter-offer and reviewed same in detail with the Board. The Board then discussed a possible second counter-offer. After a lengthy discussion on the matter, Director Palermo moved that Colliers be authorized to submit a counter-offer to the property owner of \$600,000 consisting of an initial payment in the amount of \$120,000 at closing and the outstanding balance to be paid out over a four (4) year term at a cost of \$10,000 per month. Director Stage seconded the motion, which carried unanimously.

STATUS OF AUDIT

The Board next considered the status of the audit of the District's financial statements for the fiscal year ended December 31, 2013. Mr. Skinner advised the Board that Roth & Eyring, PLLC ("R&E") is in the process of conducting said audit and preparing said report at this time.

CONTINUING DISCLOSURE REPORT

The Board next considered the District's continuing disclosure report due June 30, 2014. Mr. Skinner advised the Board that, once the District's audit report is completed and approved, R&E will provide the District's continuing disclosure counsel, McCall, Parkhurst & Horton L.L.P., with a copy of same for completion of the continuing disclosure report.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. McLaughlin next presented to and reviewed with the Board the tax assessor-collector's report for the month of December 2013, which report is attached hereto as **Exhibit B**. After discussion on the report presented, Director Stage moved that the tax assessor-collector's report be approved and that the disbursements identified in said report be approved for payment from the District's tax account. Director Albright seconded said motion, which unanimously carried.

DELINQUENT TAX COLLECTION ATTORNEYS' REPORT

Mr. Skinner presented to and reviewed with the Board a delinquent tax collection attorneys' report, dated January 16, 2014, 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 C. Mr. Skinner noted that no Board action was required with respect to any of the accounts listed in such report.

RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

Mr. Skinner next outlined for the Board the various tax exemptions available for the District, including the exemptions provided for by Article VIII, Section 1-b of the Texas Constitution, and Section 11.13 of the Tax Code, as amended. He advised that under said provisions, the District may provide for the exemption of up to 20% (but not less than \$5,000, if granted) of the market value of residential homestead improvements for the year 2014, and the District may also exempt residential homesteads of persons who are under a disability for purposes of payment of disability insurance benefits under the Federal Old Age, Survivors and Disability Insurance Act, or its successor, or persons sixty-five years of age or older from ad valorem taxes levied by the District during the calendar year 2014, and, if any such exemptions are granted, they must be for not less than \$3,000 of the market value of such homesteads. After further discussion of the matter, Director Stage moved that the District (i) grant the residential homestead exemption of 20%, but not less than \$5,000, (ii) grant an exemption for persons under a disability or sixty-five years of age or older in the amount of \$20,000 from ad valorem taxes levied by the District during the calendar year 2014, and (iii) that the Resolution attached hereto as **Exhibit D** relative to same be approved and adopted by the Board and the District. Director Hodge seconded said motion, which carried unanimously.

RESOLUTION AUTHORIZING AN ADDITIONAL PENALTY ON DELINQUENT PERSONAL PROPERTY TAXES

The Board next considered the adoption of a Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes, attached hereto as **Exhibit E**. Mr. Skinner advised that the Board is authorized, pursuant to Section 33.11 of the Texas Tax Code, as amended, to impose, under certain conditions, 60 days after the date the taxes become delinquent, an additional penalty not to exceed 20% of the total taxes, penalty and interest due the District on personal property taxes that remain delinquent as of said 60th day, as more fully described in said Resolution. After discussion, it was moved by Director Adamek, seconded by Director Hodge and unanimously carried, that the Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes be adopted by the Board.

BOOKKEEPER'S REPORT

Mr. Burton presented to and reviewed with the Board the bookkeeper's report dated January 16, 2014, including (i) the disbursements 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 2013 for the Operating Fund and the STP Account, and (v) a Debt Service Payments Schedule, copies of which are attached hereto as **Exhibit F**. After discussion, it was moved by Director Adamek that the bookkeeper's report be approved and that the various disbursements identified therein be authorized for payment. Director Stage seconded the motion, which carried unanimously.

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, the Board is required to review, and revise as necessary, such list at least annually. He presented to 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 G**. 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. 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 on behalf of the Board and the District. Director Albright seconded said motion, which unanimously carried.

DETENTION AND DRAINAGE FACILITIES REPORT

Mr. Kridel presented to and reviewed with the Board a Detention and Drainage Facilities Report for January 2014 prepared by Storm Water Solutions, LP ("SWS"), a copy of which report is attached hereto as **Exhibit H**. Mr. Kridel informed the Board that SWS will be re-seeding with winter overseed at no cost to the District because the original overseeding did not germinate properly.

LEXINGTON ROAD LANDSCAPING PROJECT

There next ensued a discussion regarding the Lexington Road landscaping project (the "Project"). In connection therewith, Mr. Murr presented to and reviewed with the Board a written Progress Report for the Lexington Road Landscape Phase II Project a copy of said Progress Report being attached hereto as **Exhibit I**. A discussion ensued regarding same.

ENGINEERING REPORT

Mr. Davis presented to and reviewed with the Board a written engineering report, dated January 16, 2014, a copy of which report is attached hereto as **Exhibit J**, relative to the status of various projects within the District.

Relative to the re-coating of the Hydropneumatic Tanks and the floor of Ground Storage Tank No. 1, Mr. Davis presented and reviewed with the Board Pay Application No. 2 in the amount of \$6,544 received from G-Tex Coatings, Inc. ("G-Tex"), and recommended that the Board authorize the payment of Pay Application No. 2. After discussion on the matter, Director Adamek moved that the Board approve Pay Application No. 2 in the amount of \$6,544 to G-Tex. Director Palermo seconded the motion, which carried unanimously.

Mr. Davis next advised the Board that a request has been received from Advent Presbyterian Church (the "Church") located at 903 Spring Cypress Road for water service. Mr. Davis then informed the Board that he advised the Church that it is currently located within the Quadvest Certificate of Convenience and Necessity area and that the Church would need to obtain correspondence from Quadvest indicating that they are not able to provide water to the Church at this time and that Quadvest has no objection to the District providing water service to the Church. There then ensued a discussion of a water meter easement and the possibility of relocating the District's master water meter closer to the District's boundaries. After further discussion, Mr. Davis informed the Board that he would research the matter further and report at the next meeting.

Mr. Davis next informed the Board that he was contacted regarding the possible annexation of approximately 27 acres located east of the Home-of-Hope tract into the boundaries of the District. There then ensued a discussion regarding the possible annexation of the commercial property located north of the District and to the east of Splashtown. Mr. Skinner informed the Board that he would conduct further research regarding the matter and report back to the Board at the next meeting.

BAYER PARK WASTEWATER CONVEYANCE AND TREATMENT PROJECT

With respect to the Bayer Park wastewater conveyance and treatment project, Mr. Skinner advised the Board that, since the last meeting, SPH forwarded a draft of the Interlocal Agreement to the Harris County Attorney's Office for review.

RELOCATION OF DISTRICT'S WATER LINE LOCATED AT THE INTERSECTION OF SPRING CYPRESS ROAD AND LEXINGTON BOULEVARD

Mr. Davis next reminded the Board that the District's water line located at the intersection of Spring Cypress Road and Lexington Boulevard is located within the right-of-way of Spring Cypress Road and will need to be relocated. Mr. Davis then advised the Board that he is working with Harris County on the design and construction of the water line relocation project. He noted that an agreement between the District and Harris County will need to be entered into for the project.

APPLICATION FOR TYPE I RECLAIMED WATER PERMIT

There next ensued a discussion regarding the status of submission of an application to the Texas Commission on Environmental Quality (the "TCEQ") to obtain a permit for use of reclaimed water from the wastewater treatment plant for irrigational purposes. Mr. Davis reminded the Board that the final application has been submitted to the TCEQ and noted that Langford is in the process of providing additional requested information to the TCEQ concerning the application.

OPERATIONS AND MAINTENANCE REPORT

The Board considered the Operations and Maintenance Report. Mr. Skarboszewski presented to and reviewed in detail with the Board a written Operations Report prepared by EDP, dated as of January 16, 2014; a copy of the Report is attached hereto as **Exhibit K**.

CONSUMER CONFIDENCE REPORT

The Board next considered authorizing EDP to provide required information to districts receiving water through an emergency interconnect relative to Consumer Confidence Reports. Mr. Skinner advised the Board that, pursuant to Consumer Confidence Report requirements promulgated by the United States Environmental Protection Agency, the District is required to provide, by April 2014, a report containing various information regarding the District's water supply to any other water supplier which has received water from the District through an interconnect. After discussion on the matter, Director Palermo moved that the Board authorize EDP to provide the required information as set forth hereinabove. Director Hodge seconded said motion, which carried unanimously.

LETTER TO NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY REQUESTING RECONSIDERATION OF TERMS OF DROUGHT CONTINGENCY PLAN ("NHCRWA")

Mr. Skinner informed the Board that, as previously requested, SPH has prepared a letter to send to the NHCRWA on behalf of the District, requesting the NHCRWA to reconsider the terms of its amended Drought Contingency Plan. He then presented to and reviewed a copy of said letter with the Board. Mr. Skinner noted that, as requested, said letter was provided to the District's engineer for review and comment and that the engineer's comments are included in the draft letter being presented. After discussion, Director Stage moved that said letter be approved and that the President be authorized to execute same on behalf of the Board and District. Director Albright seconded the motion, which carried unanimously.

ISSUANCE OF UTILITY COMMITMENTS

Mr. Skinner advised the Board that SP&H was in receipt of a request from Jubilee Western LLC ("Jubilee") for a utility commitment letter ("UCL") for water and wastewater treatment capacity to serve a planned Best Western hotel. Mr. Skinner informed the Board that Jubilee is requesting a total sanitary sewer capacity of 13,313 gallons per day, average daily flow, and related water capacity. After discussion, Director Adamek moved that the Board approve said UCL and that the President be authorized to execute same on behalf of the Board and District. Director Albright seconded the motion, which carried unanimously.

WEBSITE PROVIDER

There next ensued a discussion regarding the District's website provider and working with said provider to improve the District's website. No updates to the website were requested at this time.

DISTRICT SECURITY ISSUES

The Board considered the report regarding District security issues. Mr. Skinner distributed the HCSO call sheet summary for December 2013, a copy of which summary is attached hereto as **Exhibit L**.

Mr. Skinner next advised the Board that the District had received an Interlocal Agreement for Law Enforcement Services (the "Agreement") between Harris County and the District to be effective March 1, 2014, through February 28, 2015 and advised that SPH had reviewed same. Mr. Skinner advised that the Agreement provides for three (3) deputies at a cost of \$191,856. After further discussion, Director Adamek moved to (i) approve the Agreement for security patrol services, to be effective March 1, 2014, and (ii) authorize the President and Secretary to execute same on behalf of the Board and the District. Director Albright seconded said motion, which carried unanimously.

ATTORNEY'S REPORT

Mr. Skinner presented to and reviewed with the Board correspondence received from Houston-Galveston Area Council regarding the Clean Rivers Program, a copy of which correspondence is attached hereto as **Exhibit M**.

SOLICITATION OF PROPOSALS FOR RENEWAL OF DISTRICT INSURANCE POLICIES

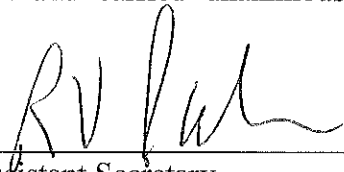
The Board next considered authorizing the solicitation of proposals for renewal of the District's insurance policies. Mr. Skinner reported that the District's current insurance coverages acquired through AquaSurance, L.L.C. ("AquaSurance") expire on March 31, 2014. Following discussion, the Board concurred that SPH be authorized to solicit written proposals for the District's insurance policies for the term April 1, 2014 through March 31, 2015, from AquaSurance.

CLOSED SESSION PURSUANT TO TEXAS GOVERNMENT CODE SECTION 551.072

The Board deferred convening in Closed Session, as authorized pursuant to Texas Government Code Section 551.072 at this time.

ADJOURN

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



Assistant Secretary

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A – Formal offer
- Exhibit B – Tax Assessor-Collector's Report
- Exhibit C – Delinquent Tax Report
- Exhibit D – Resolution Concerning Exemptions from Taxation
- Exhibit E – Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes
- Exhibit F – Bookkeeper's Report
- Exhibit G – Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions, with lists of qualified brokers
- Exhibit H – Detention and Drainage Facilities Report
- Exhibit I – Progress Report
- Exhibit J – Engineer's Report
- Exhibit K – Operations and Maintenance Report
- Exhibit L – District Security Report
- Exhibit M – Correspondence from Houston-Galveston Area Council