

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors March 20, 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 March 20, 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, except Directors Adamek and Hodge, thus constituting a quorum. Director Hodge later entered the meeting, as noted herein.

Also present were John Davis of Langford Engineering Inc. ("Langford"), who later entered the meeting, as noted herein; Karl Skarboszewski of Environmental Development Partners, LLC ("EDP"); Brenda McLaughlin of Bob Leared Interests, Inc. ("BLI"); Michael Murr of Murr Incorporated ("MI"); Deputy Hoffischneider of the Harris County Sheriff's Office ("HCSO"); Caryn Adams of Municipal Accounts & Consulting, L.P. ("MAC"); Cindy Adamek, a resident of the District; and Christina Cole of Schwartz, Page & Harding, L.L.P. ("SP&H").

In the absence of the President and the Vice President, Director Stage was appointed to serve as President Pro-Tem until the arrival of the Vice President, as noted herein. The President Pro-Tem then called the meeting to order and declared it open for such business as might regularly come before it.

MINUTES

The Board first reviewed the draft minutes of its meeting held on February 20, 2014. A revision to said minutes was noted. After discussion of the minutes presented, Director Palermo moved that the February 20, 2014, minutes be approved, as revised. Director Albright seconded said motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

Deputy Hoffischneider discussed security and patrol activity within the District. He then informed the Board that the third Deputy started patrolling the District on March 8, 2014.

Mr. Murr entered the meeting during the public comments.

STATUS OF AUDIT AND CONTINUING DISCLOSURE REPORT

The Board next considered the status of the District's audit for fiscal year ended December 31, 2013. Ms. Cole advised the Board that the District's auditor, Roth & Eyring, PLLC is still in the process of conducting the audit and preparing the audit report at this time. In connection therewith, Ms. Cole advised the Board that during Roth's review of the District's records, Roth discovered that Bringing Hope, Inc., d/b/a Home of Hope – Texas, Inc. ("Home of Hope") was not billed for all of the annexation costs expended by the District in connection with the 2011 annexation of Home of Hope's property. Instead, a portion of the tax exempt tap fee paid by the Home of Hope to the District was allocated against said annexation costs. Under the Annexation Agreement, Home of Hope is required to pay all annexation costs in addition to the tax exempt tap fee; provided, however, Home of Hope has never been billed for said annexation costs (approximately \$13,800). A discussion next ensued regarding same. After said discussion, Director Stage moved that District write-off the annexation costs expended in connection with the Home of Hope's annexation in the approximate amount of \$13,800. Director Albright seconded said motion, which unanimously carried.

Ms. Cole then advised the Board that the continuing disclosure report due June 30, 2014, will not be completed until after the District's audit for the fiscal year ended December 31, 2013, is completed.

Mr. Davis entered the meeting during the discussion above.

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 February 2014, which report is attached hereto as **Exhibit A**. After discussion on the report presented, Director Palermo 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

Ms. Cole presented to and reviewed with the Board a delinquent tax collection attorneys' report, dated March 20, 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 B**. Ms. Cole noted that no Board action was required with respect to any of the accounts listed in such report.

BOOKKEEPER'S REPORT

Ms. Adams presented to and reviewed with the Board the bookkeeper's report dated March 20, 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 January 2014 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 Palermo that the bookkeeper's report be approved and that the various disbursements identified therein be authorized for payment, except for check no. 5856 payable to Director Adamek which was voided. Director Albright seconded the motion, which carried unanimously.

UNCLAIMED PROPERTY REPORT

The Board considered authorizing the preparation of an Unclaimed Property Report as of March 1, 2014, which is to be filed with the State Comptroller prior to July 1, 2014. After discussion on the matter, Director Stage moved that the District's consultants be authorized to prepare an Unclaimed Property Report, if necessary, and that the District's Bookkeeper file same with the State Comptroller prior to July 1, 2014. Director Palermo seconded said motion, which unanimously carried.

DETENTION AND DRAINAGE FACILITIES REPORT

The Board deferred consideration of a Detention and Drainage Facilities Report after noting that no Report had been received from Storm Water Solutions. LP.

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 D**. Mr. Murr noted that the Phase II Project is complete and that MI will prepare a maintenance proposal for the Phase II Project for the Board's consideration at the next meeting. Mr. Murr then discussed with the Board a proposal for the Lexington Road Landscape Phase III Project as requested by Director Adamek in the amount of approximately \$7,000. After discussion, Director Albright moved that the Board accept MI's proposal in the estimated amount of approximately \$7,000 for the Lexington Road Landscape Phase III Project. Director Palermo seconded the motion, which carried unanimously.

Director Hodge entered the meeting during discussions regarding the Lexington Road landscaping project.

ENGINEERING REPORT

Mr. Davis presented to and reviewed with the Board a written engineering report, dated March 20, 2014, a copy of which report is attached hereto as **Exhibit E**, relative to the status of various projects within the District.

Ms. Cole reported that Section 13.1396 of the Texas Water Code requires that a district must annually submit to each electric distribution utility and each retail electric utility provider, on forms reasonably required by each entity, its facilities which qualify for critical load

status. After discussion on the matter, Director Hodge moved that the District's operator be authorized to make such annual filings on behalf of the District. Director Palermo seconded the motion, which carried unanimously.

Mr. Davis next reminded the Board that he previously contacted the Harris Galveston Subsidence District ("HGSD") to determine if the District was a participant in the WaterWise Program and, if so, if the District had received any groundwater credits from said participation. He then reminded the Board that the HGSD had indicated that the District was a participant in the WaterWise Program during the 2008-2009 school year and that the District did receive groundwater credits for said participation. Mr. Davis additionally reminded the Board that the original certificate issued by HGSD cannot be located and noted that Langford has prepared and submitted an Application for Groundwater Certificate Replacement to the HGSD.

Mr. Davis next presented to and reviewed with the Board correspondence received from Axis Texas Development Group, LLC regarding the possible annexation of an approximately 23.2679 acre tract of land into the boundaries of the District, a copy of which correspondence is included with **Exhibit E**. Mr. Davis noted that the development plans include the construction of multiple industrial warehouses. After discussion, the Board deferred taking any action on the matter at this time.

Mr. Davis next reminded the Board that he was in receipt of an inquiry from Mr. David Mafrige regarding the possible annexation of the Northland Shopping Center at IH-45 and Spring Cypress Road. In connection therewith, Ms. Cole reminded the Board that it previously authorized Mr. Davis to proceed with the preparation of a feasibility study, subject to receipt of \$5,000.00 from Mr. Mafrige to cover half of Mr. Davis' estimated cost for said feasibility study. Ms. Cole then informed the Board that SPH sent a request to Mr. Mafrige for \$5,000.00 to cover half of Mr. Davis' estimated cost for said feasibility study and noted that said \$5,000 has been received and that Mr. Davis has prepared said feasibility study. Mr. Davis then presented the feasibility study to the Board, a copy of which is attached hereto as **Exhibit F**. After discussion, the Board deferred taking any action on the matter at this time.

Mr. Davis next presented to and reviewed with the Board correspondence received from Ince Engineering, LLC inquiring if the District had excess sanitary sewer capacity available, a copy of which correspondence is included with **Exhibit E**. After discussion, the Board concurred that Mr. Davis be authorized to notify Ince Engineering, LLC that the District is not interested in providing said sanitary sewer capacity at this time.

BAYER PARK WASTEWATER CONVEYANCE AND TREATMENT PROJECT

With respect to the Bayer Park wastewater conveyance and treatment project, Ms. Cole reminded the Board that SPH previously forwarded a draft of the Interlocal Agreement to the Harris County Attorney's Office for review and noted that comments had been received from Harris County and that SPH is in the process of reviewing said comments at this time.

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 reminded the Board that he is working with Harris County on the design and construction of the water line relocation project. He additionally reminded the Board 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 provided additional requested information to the TCEQ concerning the application last week.

STATUS OF ACQUISITION OF 6.867 TRACT ALONG CYPRESSWOOD DRIVE

There next ensued a discussion regarding the status of the District's acquisition of approximately 6.867 acres of commercial property located along Cypresswood Drive (the "Property"). Ms. Cole reminded the Board that, as previously authorized, Collier's International submitted 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 and that the seller accepted the District's counter-offer. Ms. Cole additionally reminded the Board that it previously authorized the President to execute a contract agreement for the purchase of the Property on behalf of the Board and the District. In connection therewith, Ms. Cole presented to and reviewed with the Board an amendment to Commercial Contract to identify the seller as P.E.M. Enterprises, Inc. and requested that the Board consider authorizing the President to execute said amendment on behalf of the Board and the District. After discussion, Director Hodge moved that the President be authorized to execute said amendment on behalf of the Board and the District. Director Albright seconded the motion, which carried unanimously.

Mr. Davis next reminded the Board that it previously engaged Berg Oliver Associates Inc. ("Berg") to prepare a Phase I Environmental Site Assessment for the Property, and noted that said Assessment had been received. Mr. Davis further reminded the Board that it also engaged Berg to prepare a Phase I Environmental Site Assessment for an approximately one acre site that the District owns, and noted that said Assessment had also been received. Mr. Davis then reviewed said Assessments with the Board and noted that said Assessments indicate that there is no evidence of environmental issues on either the property or one acre tract owned by the District.

Mr. Davis next reminded the Board that is previously engaged Hovis Surveying

Company, Inc. ("Hovis") to survey the Property and noted that said survey has been received. He then reviewed said survey with the Board.

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 March 20, 2014; a copy of the Report is attached hereto as **Exhibit G**.

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. Ms. Cole advised the Board that, effective April 1, 2014, the North Harris County Regional Water Authority will increase its pumpage fee from \$1.75 to \$2.00 per 1,000 gallons. Ms. Cole informed the Board that it currently charges its customers \$1.84 per 1,000 gallons. After discussion on the matter, it was moved by Director Stage, seconded by Director Palermo and unanimously carried, that (i) the District's Rate Order be amended to increase the well pumpage fee from \$1.84 to \$2.10 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 H** be adopted, and (iii) that all Rate Orders, and amendments thereto, previously adopted by the Board be revoked and rescinded as of April 1, 2014, the effective date of the Rate Order.

ISSUANCE OF UTILITY COMMITMENTS

The Board next deferred action regarding the issuance of utility commitments, as no requests for same had been received by the District.

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. Ms. Cole distributed the HCSO call sheet summary for February 2014, a copy of which summary is attached hereto as **Exhibit I**.

ATTORNEY'S REPORT

Ms. Cole informed the Board that the District's Directors Election is scheduled to be held on Saturday, May 10, 2014 at Fire Station No. 71 from 7:00 a.m. to 7:00 p.m. She additionally informed the Board that early voting for said election is scheduled to be held at Mr. Gordon

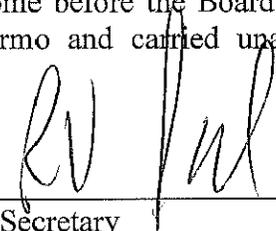
Borden's residence from April 28, 2014 to May 6, 2014, excluding Saturdays and Sundays, between the hours of 7:00 a.m. and 11:00 a.m. and 4:00 p.m. and 8:00 p.m.

POSSIBLE ACQUISITION OF PROPERTY FROM THE FINIAL GROUP

There next ensued a discussion regarding the possible acquisition of recreational and drainage facilities property from The Finial Group ("Finial"). Ms. Cole informed the Board that she has requested to be provided with a legal description in order to run a title search on the property to determine if there are any lienholders and noted that she is still waiting to receive said legal description. She additionally informed the Board that SPH is in the process of preparing a Purchase and Sale Agreement in connection therewith.

ADJOURN

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



Asst. 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 – Progress Report
- Exhibit E – Engineer's Report
- Exhibit F – Feasibility Study
- Exhibit G – Operations and Maintenance Report
- Exhibit H – Rate Order
- Exhibit I – District Security Report