

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
September 18, 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 September 18, 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:

Willie Hodge, President
Daniel Stage, Vice President
Ralph V. Palermo, Secretary
Charles Albright, Assistant Secretary
Norman C. Adamek, Assistant Secretary

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

Also present were John Davis of Langford Engineering Inc. ("Langford"); Eric Thiry of Environmental Development Partners, LLC ("EDP"); Brenda McLaughlin of Bob Leared Interests ("BLI"); Cory Burton of Municipal Accounts & Consulting, L.P. ("MAC"); Deputy Herman Hoffschneider of the Harris County Sheriff's Office ("HCSO"); Christine Crotwell of First Southwest Company ("FSW"); 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 August 21, 2014. A revision to page 1 of the draft minutes was noted. After discussion of the minutes presented, Director Adamek moved that the August 21, 2014, minutes be approved, as revised. Director Stage seconded said motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

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

DISTRICT SECURITY ISSUES

The Board considered the report regarding District security issues. Mr. Skinner distributed the HCSO call sheet summary for August 2014, a copy of which summary is attached

hereto as **Exhibit A**. Deputy Hoffschneider next addressed the Board regarding the current status of criminal activity in and around the District.

Deputy Hoffschneider then advised the Board that the third Deputy that patrols in the District is requesting authorization to change his shift to 8:00 a.m. to 4:00 p.m. in lieu of 9:00 a.m. to 5:00 p.m. After discussion, the Board concurred that the Deputy be authorized to change his shift to said time frame.

FINANCIAL ADVISOR'S RECOMMENDATION CONCERNING THE DISTRICT'S PROPOSED 2014 TAX RATE

The Board next considered the Financial Advisor's recommendation concerning the District's proposed 2014 tax rate and authorization of: (a) the required notice that the Board will consider adoption of a tax rate; and (b) the means of providing such notice.

Mr. Skinner advised that, pursuant to the Texas Water Code, the District is required to provide a notice containing certain tax-related information in connection with each meeting at which the adoption of a tax rate will be considered. Mr. Skinner further advised that the information to be included in the notice is set forth in the Water Code and includes the proposed tax rate to be adopted. He advised that the District must provide the notice by either (1) publishing it at least once in a newspaper having general circulation in the District at least seven days before the date of the meeting at which the tax rate will be adopted, or (2) mailing it to each owner of taxable property in the District, at the address shown on the most recently certified tax roll of the District, at least ten days before the date of the meeting.

Ms. Crotwell then presented to and reviewed with the Board a Tax Rate Analysis, a copy of which is attached hereto as **Exhibit B**. Ms. Crotwell then informed the Board that, FSW is recommending a proposed 2014 debt service tax rate of \$0.61 per \$100 of assessed valuation. There then ensued a discussion regarding the recommended 2014 maintenance tax rate. After discussion on the matter, Director Albright moved that the Board set a 2014 debt service tax rate of \$0.61 per \$100 of assessed valuation and set a 2014 maintenance tax rate of \$0.27 per \$100 of assessed valuation, and that the District's tax assessor-collector be authorized to publish notice of the District's intention to adopt a 2014 tax rate at its next meeting in the form and at the time required by law. Director Stage seconded said motion, which unanimously carried. The Board concurred that the notice be published by the tax assessor-collector in the *Community Extra* section of the *Houston Chronicle*. The Board noted that the 2014 total tax rate of \$0.88 per \$100 of assessed valuation is a reduction of \$0.07 from the District's 2013 total tax rate of \$0.95 per \$100 of assessed valuation.

PROPOSED SERIES 2014 UNLIMITED TAX REFUNDING BONDS (THE "REFUNDING BONDS")

Ms. Crotwell next addressed the Board and presented to and reviewed with the Board a Sources and Uses of Funds in connection with the possible issuance of approximately

\$2,275,000 par amount of unlimited tax refunding bonds; a copy of the Sources and Uses of Funds is attached hereto as **Exhibit C**. Ms. Crotwell reported that the proposed Refunding Bonds would refund all of the District's outstanding Series 2006 Unlimited Tax Bonds. She also stated that the par amount of the Refunding Bonds was subject to change depending on the market conditions at the time of sale. Ms. Crotwell then explained various requirements of the City of Houston relative to the issuance of refunding bonds by the District and noted that, at this time, the transaction meets all of said requirements. After discussion regarding the possible defeasance of the Series 2006 Bonds versus refunding, the Board deferred taking any action on the matter at this time.

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 August 2014, which report is attached hereto as **Exhibit D**. After discussion on the report presented, Director Hodge 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 Adamek seconded said motion, which unanimously carried.

There next ensued a discussion regarding the loss of tax-exempt status of the Home of Hope ("HOH") property. Ms. McLaughlin advised that all of HOH's property is currently exempt for 2014, but noted that said exemptions may be an error and that she would follow up with Harris County Appraisal District regarding same.

Mr. Skinner next requested that the Board consider authorizing SPH to negotiate a new form of Collateral Security Agreement with Wells Fargo Bank on behalf of the District. After discussion, the Board concurred that that SPH be authorized to negotiate said form with Wells Fargo Bank on behalf of the District.

DELINQUENT TAX COLLECTION ATTORNEYS' REPORT

Mr. Skinner presented to and reviewed with the Board the Delinquent Tax Collection Attorneys' Report, dated September 18, 2014, prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P., the District's delinquent tax collection attorneys; a copy of such report is attached hereto as **Exhibit E**. Mr. Skinner noted that no Board action was required with respect to any of the accounts listed in the report.

BOOKKEEPER'S REPORT

Mr. Burton presented to and reviewed with the Board the Bookkeeper's Report dated September 18, 2014, including (i) the disbursements presented for payment from the District's 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 August 2014 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 Palermo that the Bookkeeper's Report be approved and that the various disbursements identified therein be authorized for payment. Director Albright seconded the motion, which carried unanimously.

Mr. Burton also presented to and reviewed with the Board a Quarterly Investment Inventory Report, prepared by MA&C, relative to the District's various funds and accounts for the reporting period ending June 30, 2014, a copy of which Report is included with **Exhibit F**. After review of the Quarterly Investment Inventory Report and upon motion duly made by Director Palermo seconded by Director Albright and carried unanimously, said Report was approved and the District's Investment Officer was authorized to execute same on behalf of the Board and the District.

AMENDED BUDGET

Mr. Burton next presented to and reviewed with the Board an amended operating budget, a copy of which is included with **Exhibit F**. After discussion, Director Palermo moved that said amended budget be approved, as revised. Director Adamek seconded the motion, which carried unanimously.

DETENTION AND DRAINAGE FACILITIES REPORT

The Board deferred consideration of a Detention and Drainage Facilities Report after noting that no representative from Storm Water Solutions, LP was present at the meeting.

LEXINGTON ROAD LANDSCAPING PROJECT

There next ensued a discussion regarding the Lexington Road landscaping project (the "Project"). The Board noted that the Project was completed and requested that said item be removed from future agendas.

ENGINEERING REPORT

Mr. Davis presented to and reviewed with the Board the Engineering Report, dated September 18, 2014, a copy of which report is attached hereto as **Exhibit G**, relative to the status of various projects within the District.

Mr. Davis next advised the Board that it was recently brought to his attention that due to a water well failure at Splash Town, that Splash Town is currently receiving water from Northland Shopping Center pursuant to an eight-inch (8") emergency interconnect between the two properties. A discussion next ensued regarding same. After said discussion, the Board authorized SPH and Langford to meet with representatives of Splash Town regarding annexation of its property into the boundaries of the District and provision of service to said tract.

AMENDED RATE ORDER

The Board next considered amending the District's current Rate Order relative to various fee increases in connection with its recent approval and execution of a Second Amendment to Agreement for Operating Services between the District and EDP. After discussion on the matter, Director Palermo moved that the Board approve an amendment to the District's current Rate Order to increase the various fees discussed. Director Hodge seconded the motion which carried unanimously.

ADOPTION OF REVISED WRITTEN PROCEDURES FOR POST-ISSUANCE COMPLIANCE

With regard to the adoption of revised written procedures for post-issuance compliance with federal tax requirements relative to the District's bonds (the "Bonds"), Mr. Skinner noted that the Board previously adopted an Order Adopting Written Procedures Relating to Continuing Compliance with Federal Tax Covenants (the "Order") in connection with the District's first bond issue. Mr. Skinner explained that the Order assists the District in its compliance with certain federal tax requirements that must be met to retain the Bonds' tax-exempt status. Mr. Skinner further explained such requirements generally concern record keeping and retention, timely tax return filings, proper use of the proceeds of the Bonds, arbitrage restrictions, reissuance, and corrective action. Mr. Skinner then advised that SPH has reviewed the Order, and now recommends replacing the Order with the Procedures for Post-Issuance Compliance (the "Revised Written Procedures"), which are attached to **Exhibit H**, by adopting the Resolution Adopting Procedures for Post-Issuance Compliance and Revoking Order Adopting Written Procedures Relating to Continuing Compliance with Federal Tax Covenants (the "Resolution"), which is attached hereto as **Exhibit H**. Mr. Skinner noted that SPH believes the Revised Written Procedures will more closely match the District's post-issuance obligations for compliance with federal tax requirements and will better ensure that the Bonds remain in compliance with all requirements of the Internal Revenue Service, including requirements required to maintain the tax-exempt status of the Bonds. After discussion on the matter, Director Albright moved that the District adopt the Resolution and replace the Order with the Revised Written Procedures. Director Stage seconded such motion, which passed unanimously.

NORTHLAND SHOPPING CENTER AND 6.867 ACRE TRACT ANNEXATION

The Board considered the status of annexation of the Northland Shopping Center and the 6.867 acre tract into the boundaries of the District. Mr. Davis informed the Board that Langford has prepared the metes and bound description and boundary map for the Northland Shopping Center, but is still in the process of preparing the property description and boundary map for the 6.867 acre tract at this time and will provide same to SPH for review upon completion. Mr. Skinner then requested that the Board: (i) authorize SPH to move forward with the preparation of the necessary documentation to be submitted to the City of Houston for approval of said annexation, and (ii) authorize the President or Vice President to execute said documentation on behalf of the Board and the District, as applicable. After discussion, Director Adamek moved

that (i) SPH be authorized to move forward with the preparation of the necessary documentation to be submitted to the City of Houston for approval of said annexation, and (ii) the President or Vice President be authorized to execute said documentation on behalf of the Board and the District, as applicable. Director Albright seconded the motion, which carried unanimously.

STATUS OF ACQUISITION OF EASEMENTS TO SERVE NORTHLAND SHOPPING CENTER

Mr. Skinner updated the Board on the status of acquisition of various easements necessary for the District to provide water and sanitary sewer service to Northland Shopping Center. In connection therewith, Mr. Skinner requested that the Board consider (i) authorizing the appraisal of real property interest relative to said easements, (ii) approving a Resolution Declaring the Existence of a Public Necessity and Authorizing Acquisition, By Donation, Purchase, Or Exercise of the Power of Eminent Domain, or Real Property and authorizing the Vice President to execute same on behalf of the Board and the District and (iii) authorizing Joyce, McFarland & McFarland LLP ("JMM") to proceed with the initiation of the condemnation proceedings. After discussion on the matter, Director Hodge moved that the Board (i) authorize the appraisal of real property interest relative to said easements, (ii) approve a Resolution Declaring the Existence of a Public Necessity and Authorizing Acquisition, By Donation, Purchase, Or Exercise of the Power of Eminent Domain, or Real Property and authorizing the Vice President to execute same on behalf of the Board and the District, which is attached hereto as Exhibit I and (iii) authorize Joyce, McFarland & McFarland LLP ("JMM") to proceed with the initiation of the condemnation proceedings. Director Stage seconded the motion, which carried unanimously.

BAYER PARK WASTEWATER CONVEYANCE AND TREATMENT PROJECT

With respect to the Bayer Park wastewater conveyance and treatment project, Mr. Skinner reminded the Board that it previously approved an Interlocal Agreement between the District and Harris County, Texas and noted that said Agreement has been approved and executed by Harris County. Ms. Skinner additionally informed the Board that Harris County is now requesting that the Board consider the approval of another Interlocal Agreement relative to the construction of the lift station and force main. Mr. Skinner noted that SPH is in the process of preparing a draft of said Interlocal Agreement at this time and will provide same to Harris County for review and comment upon completion. No action was taken by the Board at this time.

OPERATIONS AND MAINTENANCE REPORT

The Board next considered the Operations and Maintenance Report. Mr. Thiry presented to and reviewed in detail with the Board a written Operations Report prepared by EDP, dated as of August 21, 2014; a copy of the Report is attached hereto as **Exhibit J**.

Mr. Thiry informed the Board that the Return Activated Sludge Pump No. 6 ("RAS Pump") motor shorted due to a seal failure. He then presented to and reviewed with the Board a proposal from NTS Pumps, Motors and Controls ("NTS") in the amount of \$3,363.50 for repair

of the RAS Pump. After discussion, the Board concurred that EDP be authorized to have NTS repair said RAS Pump at a cost not to exceed \$3,363.50.

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. The Board requested that the District's amended Rate Order be placed on the website.

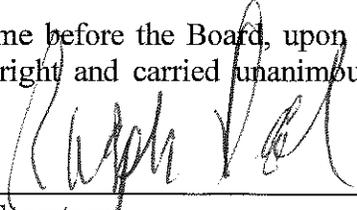
ATTORNEY'S REPORT

Mr. Skinner reminded the Board that, at the last meeting, he presented and reviewed with the Board correspondence dated July 24, 2014 received from Jerry Homan, General Manager of Harris County Fresh Water Supply District No. 61, requesting the District's support of the Water Users Coalition being formed for the purposes of establishing a constructive dialogue with the North Harris County Regional Water Authority ("NHCRWA"), independent review of NHCRWA actions, and purposeful discussions regarding surface water. After discussion, the Board concurred that it is not interested in participating in the Water Users Coalition at this time.

Director Adamek next informed the Board that a resident was recently caught trespassing on the District's main regional detention facility with an all-terrain vehicle. After discussion on the matter, the Board requested that that SPH prepare and forward correspondence to the resident advising that that the use of all-terrain vehicles on said District property is prohibited.

ADJOURN

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



Secretary

LIST OF ATTACHMENTS TO MINUTES

Exhibit A – District Security Report

Exhibit B – Tax Rate Analysis

Exhibit C – Sources and Uses of Funds

Exhibit D – Tax Assessor-Collector's Report

Exhibit E – Delinquent Tax Report

Exhibit F– Bookkeeper's Report

Exhibit G– Engineer's Report

Exhibit H– Order Adopting Written Procedures Relating to Continuing Compliance with
Federal Tax Covenants

Exhibit I – Resolution Declaring the Existence of a Public Necessity and Authorizing
Acquisition, By Donation, Purchase, Or Exercise of the Power of Eminent
Domain, or Real Property

Exhibit J – Operations and Maintenance Report