

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
November 19, 2015

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 November 19, 2015, 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, except Directors Hodge and Adamek, thus constituting a quorum.

Also present were John Davis of Langford Engineering Inc. ("Langford"); Damon Brown and Eric Thiry of Environmental Development Partners, LLC ("EDP"); Cory Burton of Municipal Accounts & Consulting, L.P. ("MAC"); Stephanie Hendershot of Bob Leared Interests ("BLI"); Michael Murr of Murr Incorporated ("MI"); Mark Roth of Roth & Eyring, PLLC ("R&E"), who entered the meeting after it had been called to order, as noted herein; Blake Kridel of Storm Water Solutions, LP ("SWS"); Bill Bowman and Mike Raeisghasem of Raeis Construction Services ("Raies"), who each entered the meeting after it had been called to order, as noted herein; Ali Wadhvani, representing North Lexington Realty, LLC ("Lexington"), who entered the meeting after it had been called to order, as noted herein; District resident Cindy Adamek; and Christopher 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 October 15, 2015. After discussion of the minutes presented, Director Palermo moved that the October 15, 2015, minutes be approved, as written. Director Albright seconded said motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

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

DISTRICT SECURITY ISSUES

The Board next considered the report regarding District security issues. Mr. Skinner distributed the Harris County Sheriff's Office call sheet summary for October 2015, a copy of which summary is attached hereto as **Exhibit A**.

STATUS OF DISTRICT'S \$2,235,000 UNLIMITED TAX REFUNDING BONDS, SERIES 2015

The Board considered the status of the District's \$2,235,000 Unlimited Tax Refunding Bonds, Series 2015 (the "Refunding Bonds"). In connection therewith, Mr. Skinner informed the Board that said Refunding Bonds are scheduled to close next Tuesday, November 24, 2015, and that the District will achieve a net present value savings of approximately 9.880389% from the sale of the Refunding Bonds.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Hendershot next presented to and reviewed with the Board the Tax Assessor-Collector's report for the month of October 2015, which report is attached hereto as **Exhibit B**. 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 Stage seconded said motion, which unanimously carried.

DELINQUENT TAX COLLECTION ATTORNEYS' REPORT

Mr. Skinner presented to and reviewed with the Board the Delinquent Tax Collection Attorneys' Report, dated November 19, 2015, 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 C**. 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 next presented to and reviewed with the Board the Bookkeeper's Report dated November 19, 2015, 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 October 2015 for the Operating Fund and the STP Account, (v) a Debt Service Payments Schedule, and (vi) a Sales Tax Revenue History Report, copies of which are attached hereto as **Exhibit D**. After discussion, it was moved by Director Stage that the Bookkeeper's Report be approved and that the various disbursements identified therein be authorized for payment, except for check nos. 6538 and 6540 payable to Directors Adamek and Hodge. Director Albright seconded the motion, which carried unanimously.

Mr. Burton then presented to and reviewed with the Board a draft operating budget for the District's fiscal year ending December 31, 2016, a copy of which is attached to the Bookkeeper's Report. He requested that any comments regarding the budget be provided to MA&C prior to the next Board meeting so that the budget could be revised if necessary and presented in final form at the meeting.

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 September 30, 2015, a copy of which Report is included with **Exhibit D**. After review of the Quarterly Investment Inventory Report and upon motion duly made by Director Stage, 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.

COMPLIANCE BY DISTRICT WITH TEXAS GOVERNMENT CODE, CHAPTER 2265 RELATIVE TO ENERGY REPORTING REQUIREMENTS

The Board next considered the status of compliance by the District with Texas Government Code, Chapter 2265, relative to energy reporting requirements. In connection therewith, Mr. Burton presented and reviewed with the Board a Utility Usage & Expense report, a copy of which is included with **Exhibit D**, and noted that the District's expense is under \$200,000, and, therefore, no further action is required by the District at this time.

STATUS OF ARBITRAGE REBATE REPORT

The Board next considered the status of the 5th Year Arbitrage Rebate Report for the District's Series 2010 Unlimited Tax Refunding Bonds being prepared by Arbitrage Compliance Specialists ("ACS"). In connection therewith, Mr. Skinner informed the Board that ACS has completed said Report and presented and reviewed same with the Board. Mr. Skinner noted that said Report indicates that no yield reduction payment is due at this time.

Messrs. Boman, Raeisghasem and Wadhvani entered the meeting at this time.

DETENTION AND DRAINAGE FACILITIES REPORT

Mr. Kridel presented to and reviewed with the Board a Drainage Facilities Report prepared by Storm Water Solutions, LP, a copy of which is attached hereto as **Exhibit E**. Mr. Kridel informed the Board that there is a sinkhole in need of repair and presented and reviewed a photograph of same with the Board, a copy of which photograph is included with **Exhibit E**. It was noted that said sinkhole is located near a sanitary sewer line. After discussion, Mr. Thiry informed the Board that he would investigate the condition of the sanitary sewer line to see if it has been compromised prior to any repairs being made.

Mr. Roth entered the meeting at this time.

ENGAGEMENT OF AUDITOR

The Board next considered the engagement of an auditor to audit the District's financial statements and prepare the District's audit report for the fiscal years ending December 31, 2015 and December 31, 2016. Mr. Roth advised that the annual fee for said audit is \$10,600, and the annual fee for the audit for the joint sewage treatment plant is \$2,200. After discussion, Director Palermo moved that Roth be engaged to audit the District's financial statements and prepare the District's audit report for the fiscal years ending December 31, 2015, and December 31, 2016, and that the Vice President be authorized to execute the engagement letter on behalf of the District. Director Albright seconded said motion, which unanimously carried.

ENGINEERING REPORT

Mr. Davis next presented to and reviewed with the Board the Engineering Report, dated November 19, 2015, a copy of which report is attached hereto as **Exhibit F**, relative to the status of various projects within the District.

Mr. Davis reminded the Board that it previously authorized Langford to advertise for bids for the Spring Cypress Road water and sanitary sewer line project and noted that said advertising is underway at this time.

PARTIAL RELEASE OF SANITARY SEWER FORCE MAIN AND LIFT STATION EASEMENT

The Board deferred the approval and execution of a Partial Release of Sanitary Sewer Force Main and Lift station Easement between the District and Harris County Water Control and Improvement District No. 110 after noting that said Easement is not necessary due to the fact that the District owns title to the wastewater treatment plant site.

SETTLEMENT AGREEMENT WITH NORTH LEXINGTON REALTY, LLC

The Board next considered the approval and execution of a Settlement Agreement with Lexington relative to Lexington's unauthorized removal of the existing old-growth trees located on a portion of the District's water plant site (the "Property"). In connection therewith, Mr. Wadhvani addressed the Board and advised that Lexington's contractor, Raeis, inadvertently cleared the Property without permission due to an internal surveying error that identified Lexington as the owner of the Property. Messrs. Boman and Raeisghasem then addressed the Board and advised that Raeis is accepting liability for the surveying mistake and is willing to re-plant fifteen (15) forty-five (45) gallon trees of multiple varieties on the Property. Mr. Wadhvani noted that Lexington is willing to install an irrigation system and irrigate the re-planted trees at its cost. After a lengthy discussion on the matter, the Board authorized SPH to prepare a Settlement Agreement for its consideration at the January Board meeting including the following terms: (1) the District will engage MI to prepare a plan for landscaping, tree planting and irrigation of the Property (the "Plan") and Lexington will pay the District all fees and expenses incurred by MI with development of the Plan; (2) Lexington will engage a contractor to

implement the Plan at its expense; and (3) Lexington will maintain the irrigation system and irrigate the trees in a manner to maintain good health.

PROVISION OF WATER AND SANITARY SEWER SERVICE TO NORTHLAND SHOPPING CENTER

Mr. Skinner updated the Board on the status of provision of water and sanitary sewer to the Northland Shopping Center and applicable pad sites. In connection therewith, Mr. Skinner requested that the Board consider (i) approval and execution of a Conveyance and Bill of Sale of Utility Facilities for the Wastewater Treatment Plant, (ii) acceptance of a Temporary Wastewater Treatment Plant and Access Easement; (iii) approval and execution of Side Agreement with Northland Joint Venture; (iv) approval of an application to transfer the waste discharge permit from Northland Joint Venture to the District and (v) a proposal for insurance for conveyance of the interim wastewater treatment plant (collectively, the "Documents"). After discussion on the matter, Director Albright moved that the Board approve said Documents and that the Vice President be authorized to execute same on behalf of the Board and the District, as applicable. Director Palermo seconded the motion, which carried unanimously.

PROPOSED ANNEXATION

A discussion next ensued regarding the proposed annexation and construction of a senior living center or a business park on the property located at 708 E. Cypresswood, Spring, Texas. In connection therewith, Mr. Skinner informed the Board that he had nothing new to report at this time.

BAYER PARK WASTEWATER CONVEYANCE AND TREATMENT PROJECT

With respect to the Bayer Park wastewater conveyance and treatment project, Mr. Skinner reported on the status of the Interlocal Agreement between the District and the County for the project.

There next ensued a discussion regarding the possibility of relocating the County's lift station in order to serve the Home of Hope tract. Mr. Davis informed the Board that he is working with the County and Home of Hope on the matter at this time. No action was taken by the Board.

**STATUS OF COMMUNICATION WITH QUADVEST, L.P. ("QUADVEST")
RELATIVE TO EMERGENCY WATER SUPPLY AGREEMENT**

Mr. Skinner reminded the Board that he had previously reported that Quadvest authorized its attorney to prepare a proposed Emergency Water Supply Agreement for the District's review and approval and noted that he is waiting on a draft of said agreement from Quadvest's attorney, which Quadvest's attorney previously advised is forthcoming.

There then ensued a discussion regarding Quadvest's high water usage. In connection therewith, Mr. Thiry informed the Board that there is a possibility that Quadvest has tapped into

the emergency water interconnect and is supplying water to other businesses without the District's authorization. After a lengthy discussion on the matter, Director Stage moved that (i) EDP be authorized to run tests on the water supply at various Old Town Spring businesses to determine if they are receiving water from the District and (ii) if the results of EDP's tests determine Quadvest is supplying water to other businesses without the District's authorization, EDP bill Quadvest for the water at the maximum rate allowed by law, as necessary. Director Palermo seconded the motion, which carried unanimously.

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 November 19, 2015; a copy of the Report is attached hereto as **Exhibit G**.

LANDSCAPING AT WASTEWATER TREATMENT PLANT

The Board next discussed landscaping at the wastewater treatment plant. In connection therewith, Mr. Murr reminded the Board that the "Trees of Houston" program is willing to donate 150 trees to the District. Mr. Murr then recommended that approximately 45 trees be planted at the wastewater treatment plant right-of-way and that approximately 30 trees be planted on the other side of Wunsche Gulley behind the trees. Mr. Murr noted that he is still working on an irrigation system for the area at this time. A discussion then ensued regarding same. Mr. Murr reminded the Board that the trees are expected to be delivered the first week of December 2015. No further action was taken by the Board at this time.

ALTERNATIVES FOR LANDSCAPING OPTIONS FOR LEXINGTON ROAD MEDIAN

The Board next discussed landscaping alternatives for the Lexington Road median, including the possible use of donated trees through the "Trees for Houston" program for said project. In connection therewith, Mr. Murr reminded the Board that, he previously requested a proposal and additional information from the "Trees for Houston" program for the Board's consideration and noted that the "Trees of Houston" program is willing to donate 75 trees to the District. After discussion on the matter, the Board deferred taking any action until next year in 2016.

LANDSCAPING ALONG SPRING CYPRESS ROAD FROM I-45

The Board deferred discussion of landscaping along Spring Cypress Road from I-45 until the next meeting.

DISTRICT CODE OF ETHICS AND LIST OF LOCAL GOVERNMENT OFFICERS

Mr. Skinner distributed and reviewed with the Board copies of (i) a draft Order Adopting a Code of Ethics, Fees and Expense Policy, Policy Relating to Consulting Services, Uniform Financial Accounting and Reporting Standards, Policy Relating to Adoption of Annual Operating Budget, and Creating an Audit Committee of the Board of Directors (the "Code of

Ethics"), and (ii) a Memorandum from SPH regarding recent statutory changes in the conflicts disclosure reporting requirements for District Board members, copies of which are attached hereto as Exhibit H. Mr. Skinner reviewed with the Board the Memorandum from SPH and discussed the proposed revisions to the Code of Ethics. He also advised the Board that the District is now required to prepare and maintain a list of local government officers and make such list available to the public and any vendor who may be required to file a conflict of interest questionnaire. After further discussion, Director Stage moved that the District (i) adopt the revised Code of Ethics, an original of which is attached hereto as Exhibit H, and (ii) prepare and maintain a list of local government officers as required by law. Director Albright seconded said motion, which carried unanimously.

WEBSITE PROVIDER

The Board noted an update to the District's website.

CLOSED SESSION PURSUANT TO TEXAS GOVERNMENT CODE SECTION 551.071 AND/OR SECTION 551.072

The Board deferred convening in Closed Session at as authorized pursuant to Texas Government Code Section 551.071 and/or Section 551.072 at this time.

ORDER ESTABLISHING POLICY OF DISTRICT'S ALLOCATION OF POTABLE WATER AND SANITARY SEWER CAPACITIES

The Board deferred the adoption of an Order Establishing Policy of District's Allocation of Potable Water and Sanitary Sewer Capacities at this time.

ISSUANCE OF UTILITY COMMITMENTS

Mr. Skinner reminded the Board that there is an approximate 3.5 acre tract of land located at the intersection of Spring Cypress Rd. and Lexington Blvd. that Axis Development is looking to purchase and develop and that the current development plans consist of a retail shopping center and a motel. He then reminded the Board that it previously authorized Langford to prepare a feasibility study to determine if the District has capacity available to serve the tract (approximately 75 equivalent single family connections ("esfc") of water and sanitary sewer capacity), subject to receipt of a \$5,000 deposit from Axis to cover the costs of said study. Mr. Skinner noted that said deposit has not been received to date.

MATTERS RELATED TO MAY 2016 DIRECTORS ELECTION

Mr. Skinner then reported on issues related to the District's Directors Election (the "Election") to be held on May 7, 2016. Mr. Skinner noted that Section 49.111 of the Texas Water Code provides an exemption from the requirement to provide certain electronic voting systems at the Election if: (1) the Election is a confirmation election or is held jointly in connection with a confirmation election and no federal office appears on the ballot, (2) the District's previous Directors Election was canceled in accordance with the provisions of the

Texas Election Code, or (3) fewer than 250 voters voted in the District's previous Directors Election. Mr. Skinner noted that the District is exempt because fewer than 250 voters voted in the District's previous Directors Election. Mr. Skinner advised that the District must provide public notice if it determines not to provide electronic voting systems at the Election. Mr. Skinner discussed the options for providing such notice and noted that such notice must be given prior to the date for the possible cancellation of an uncontested Directors Election. After discussion, Director Albright moved that the District authorize SPH to provide notice of the District's intent not to provide electronic voting systems for said Election by publication in a newspaper of general circulation. Director Stage seconded the motion, which unanimously carried.

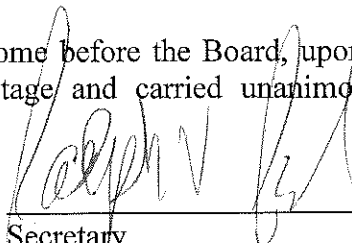
Mr. Skinner then advised the Board that the Texas Water Code and the Texas Election Code require that the District provide public notice of the period for filing an application to appear on the ballot as a candidate for Director in the District's Directors Election to be held on May 7, 2016. Following discussion, Director Albright moved that the District authorize SPH to post the required notice of the candidate filing period. Director Stage seconded the motion, which unanimously carried.

ATTORNEY'S REPORT

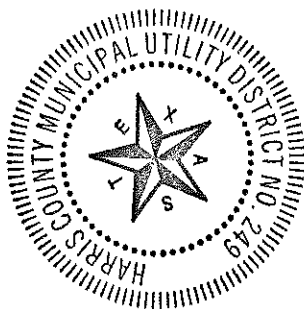
Mr. Skinner informed the Board that he had nothing more of a legal nature to report at this time.

ADJOURN

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



Secretary



LIST OF ATTACHMENTS TO MINUTES

Exhibit A – Security Report

Exhibit B – Tax Assessor-Collector's Report

Exhibit C – Delinquent Tax Report

Exhibit D – Bookkeeper's Report

Exhibit E – Drainage Facilities Report

Exhibit F – Engineer's Report

Exhibit G – Operations and Maintenance Report

Exhibit H – Memorandum regarding recent statutory changes in the conflicts disclosure reporting requirements; Order Adopting Code of Ethics