

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264

March 16, 2011

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 264 (the "District") met in regular session, open to the public, on the 16th day of March, 2011, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board:

Russell Appelget	President
Jose Nava	Vice President
Janet Gingell	Secretary
Charles E. Brandman	Assistant Vice President
Thomas Winkler	Assistant Secretary

and all of the above were present, thus constituting a quorum.

Also present at the meeting were Darren Willis of Jones & Carter, Inc. ("J&C"); Ben Agee and Bill Richmond of Severn Trent Environmental Services ("ST"); Wendy Austin of District Data Services, Inc.; Brian Toldan of McCall Gibson Swedlund Barfoot PLLC ("McCall"); Cindy Englebort of Wheeler & Associates, Inc.; and Lynne B. Humphries of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the February 16, 2011, regular meeting and the February 21, 2011, special meeting. After review and discussion, Director Winkler moved to approve the minutes as submitted. Director Brandman seconded the motion, which passed unanimously.

COMMENTS FROM THE PUBLIC

No members of the public were present.

ENGAGE AUDITOR

The Board considered engaging an auditor to perform the District's audit for the fiscal year ending March 31, 2011. Mr. Toldan introduced himself to the Board and presented and reviewed a proposal for the District's audit, an engagement letter from McCall, and a letter from directors regarding District issues. He stated that the audit cost is expected to range between \$12,000 and \$13,000. Following review and discussion, Director Gingell moved to engage McCall to conduct the audit for the fiscal

year ending March 31, 2011. Director Winkler seconded the motion, which passed by unanimous vote.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Austin presented and reviewed the bookkeeper's report, a copy of which is attached, including the District's energy consumption report. Ms. Austin noted that check no. 5672 to C. F. McDonald is still being held. Director Brandman led discussion about late payments to Harris County Municipal Utility District No. 70 ("MUD 70") and apparent delays of that bookkeeper. The Board determined to mail the check by regular mail. After review and discussion, Director Brandman moved to approve the bookkeeper's report and payment of the bills. Director Gingell seconded the motion, which passed unanimously.

BUDGET FOR FISCAL YEAR ENDING MARCH 31, 2012

Director Brandman led the discussion of the budget for the 2012 fiscal year budget. After review and discussion, Director Brandman moved to approve the budget for the 2012 fiscal year as revised today. Director Winkler seconded the motion, which passed unanimously. A copy of the approved budget is included in the attached bookkeeping report.

TAX ASSESSMENT AND COLLECTION MATTERS

Ms. Englebert presented and reviewed the tax assessor/collector's report, a copy of which is attached, including the cash flow report and delinquent tax roll. She stated that the 2010 taxes are 96.92% collected. Ms. Englebert said that Wheeler & Associates would like to move the tax account to Sterling Bank. Ms. Humphries stated that this item is not on the agenda, but that she would add it to next month's agenda. Following review and discussion, Director Brandman moved to approve the tax assessor/collector's report, payment of the tax bills, and the delinquent tax attorneys' report. Director Gingell seconded the motion, which carried by unanimous vote. The District's delinquent tax attorney had no recommended action items.

TAX RESOLUTIONS

Ms. Humphries stated that it is not necessary for the Board to adopt a Resolution Concerning Tax Collection Procedures because the one adopted last year will remain in effect unless changed by the Board.

Ms. Humphries reviewed a Resolution Concerning Exemptions from Taxation with the Board, explaining that the optional exemptions include a general residential homestead exemption, an exemption of travel trailers, and a homestead exemption for disabled persons or persons over 65 years of age. After review and discussion, Director Nava moved to adopt the Resolution Concerning Exemptions from Taxation, granting a

\$10,000 homestead exemption for disabled persons or persons over 65 years of age, and rejecting the general homestead exemption and any exemption for travel trailers and to direct that the Resolution be filed appropriately and retained in the District's official records. Director Winkler seconded the motion, which passed by unanimous vote.

ENGINEERING MATTERS

Mr. Willis reviewed the items in the engineering report sent to the Board prior to the meeting, a copy of which is attached. He recommended approval of Pay Estimate No. 1 and Final to D&L Quality Painting in the amount of \$25,007.00 and recommended continuing to hold payment of Pay Estimate No. 4 in the amount of \$13,531.50 to C. F. McDonald for work on the water plant generator because the generator is still not starting correctly. In response to a question from Ms. Humphries, Mr. Willis said the surety has not been notified. Ms. Humphries expressed her concern that the District is holding only \$13,351.50 for a project that cost over \$150,000 and she recommended that the District notify the surety. After review and discussion, Director Nava moved to (1) accept the engineer's report; (2) approve Pay Estimate No. 1 and Final to D&L Quality Painting in the amount of \$25,007.00; (3) continue to hold the check for Pay Estimate No. 4 to C. F. McDonald; (4) authorize ABHR to notify the surety if the problem is not correctly resolved by the end of the day on March 21, 2011, subject to concurrence by Directors Winkler and Appelget; (5) authorize J&C to require the contractor to supply a portable generator at no cost to the District, if necessary; and (6) approve a notification letter to the Texas Commission on Environmental Quality for surplus funds for the new generator and the recoating of the interior of the hydrotanks. The motion was seconded by Director Winkler, and carried by unanimous vote.

SEWAGE TREATMENT PLANT AND LIFT STATION ISSUES

Director Winkler updated the Board on discussions with MUD 70 for the proposed agreement to address cost sharing of the Regional Plant on-site lift station operation and maintenance expenses on a go forward basis and an agreement to resolve past disputed amounts. Director Nava reported on the sewage treatment plant meeting with MUD 70 and Harris County Municipal Utility District No. 144. After discussion, the Board concurred for Director Appelget to meet with all the Presidents of the three districts to try to resolve the matter and for Director Winkler to work with Kerri Dorman on the contract.

Director Brandman then left the meeting.

OPERATOR'S REPORT

Mr. Agee presented and reviewed the operations and maintenance report, including the regional sewage treatment plant report and the surface water quality report, copies of which are attached, and updated the Board on maintenance and

repairs conducted during the previous month. He reviewed the water production and accountability report. Mr. Agee responded to questions regarding various District issues. Mr. Agee requested that two accounts be turned over for collection and one account in the amount of \$2.50 be deemed uncollectible and written off. He asked if the Board wanted to include West Harris County Regional Water Authority ("WHCRWA") water conservation brochures in the next water bills.

Mr. Agee stated that Harris County inspected and made repairs to storm sewer manholes recently and identified several areas that appear to be sanitary sewer District-related repairs. He estimated a cost of \$6,000 to make all the repairs.

Mr. Agee noted that the 1 mgd meter change out program does not include meter repairs or replacements needed in the course of maintenance. The Board asked Mr. Agee to include this in the monthly repairs. Ms. Humphries noted that the District has a policy of replacing 15 water meters with over 1 mgd usage history per month, and that there are 397 of them now, with another 70 meters having over 900,000 mgd usage. She said that at this rate, it will take the District 26 or more months to complete the meter replacements. Mr. Agee said that most of the meters are \$65 to replace (3/4-inch or 5/8-inch), but that 1-inch meters will cost more. After discussion, the Board concurred to increase the number of meter replacements with over 1 mgd usage history to 25 per month.

Following review and discussion, Director Gingell moved to (1) approve the operator's report, including sending two accounts to collection and writing off one account in the amount of \$2.50 deemed to be uncollectible and (2) mailing the WHCRWA brochures in the next few water bills. Director Winkler seconded the motion, which carried unanimously.

Mr. Agee then submitted information on the Reliant Energy response program. Mr. Willis and Ms. Humphries said the District probably does not have enough usage to qualify for the program due to low usage.

Director Winkler asked the Directors what they want to do about the estimated \$6,000 sanitary sewer repairs. After discussion, Director Winkler moved to approve ST to make the repairs as discussed. Director Nava seconded the motion, which passed unanimously.

HEARING ON TERMINATION OF WATER AND SEWER SERVICE

The Board considered termination of utility service to customers with delinquent accounts. Mr. Agee reported that the residents appearing on the termination list were given proper notice and the opportunity to be heard in order to explain, contest or correct the utility service bill and show reason why utility service should not be terminated for reason of nonpayment, all as required by the District's Rate Order.

Director Nava moved that, since no residents on the list were present at the meeting or had presented any written statement on the matter, service should be terminated to said accounts pursuant to the provisions of the District's Rate Order. Director Gingell seconded the motion, which passed by unanimous vote. A copy of the termination list is included in the operator's report.

ANNUAL REPORT ON IMPLEMENTATION OF WATER CONSERVATION PLAN

Mr. Agee stated that he submitted the annual report information to the Texas Water Development Board.

WEST HARRIS COUNTY REGIONAL WATER AUTHORITY ("WHCRWA")

Director Appelget reported on the last WHCRWA Board meeting.

PUBLIC BEAUTIFICATION AND CONSERVATION

There was no report on public beautification and conservation.

DISTRICT WEBSITE

There was nothing to report on the District's website.

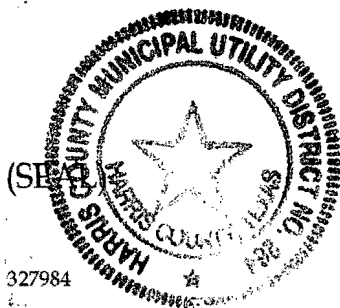
DISTRICT INFORMATION KIT

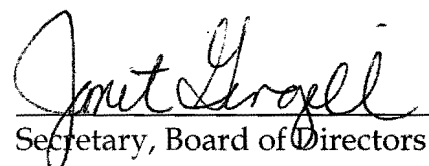
Director Appelget said that only Director Brandman submitted comments. The Board concurred to defer this agenda item until next month.

REVIEW OF ACTION ITEMS AND AGENDA ITEMS FOR NEXT MEETING

Director Appelget reviewed information with the Board on the upcoming Association of Water Board Directors ("AWBD") seminar about revenue in tough economic times. Upon a motion by Director Nava and a second by Director Gingell, the Board voted unanimously to authorize any interested Directors to attend the AWBD seminar.

There being no further business to come before the Board, the meeting was adjourned upon a motion by Director Gingell, seconded by Director Winkler, and passed by unanimous vote.




Secretary, Board of Directors

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