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MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264

March 17, 2010

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 17th day of March, 2010, 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. ("District Data"); Avik Bonnerjee of Wheeler & Associates, Inc. ("Wheeler"); Noel Barfoot of McCall Gibson Swedlund Barfoot PLLC ("McCall"); and Kerri J. Dorman and Rhonda Sterrett of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the February 17, 2010, regular meeting and of the February 24, 2010, special meeting. After review and discussion regarding revisions, Director Gingell moved to approve the February 17 minutes as presented. Director Nava seconded the motion, which passed unanimously. Director Brandman moved to approve the February 24 minutes with revisions as discussed, Director Nava seconded the motion, and it passed by unanimous vote.

COMMENTS FROM THE PUBLIC

There were no public comments.

ENGAGE AUDITOR

The Board considered engaging an auditor to perform an audit for the fiscal year ending March 31, 2010. Mr. Barfoot presented and reviewed a proposal for the audit, an engagement letter from McCall, and a letter from directors regarding District issues. He stated that the audit will cost approximately \$11,500 to \$13,000. Following review and

discussion, Director Gingell moved to engage McCall to conduct the audit for the fiscal year ending March 31, 2010. Director Nava 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. Director Brandman noted that it appears that Harris County Municipal Utility District No. 70 ("HC MUD 70") may be billing the District for costs related to a joint lift station that is actually owned by HC MUD 70, and that further investigation is being conducted into the matter. After review and discussion, Director Brandman moved to approve the bookkeeper's report and to pay the bills, with the exception of the bill from ABHR. Director Winkler seconded the motion, which passed unanimously.

#### BUDGET

Ms. Austin presented and reviewed a draft budget for the fiscal year ending March 31, 2011, a copy of which is attached. The Board discussed reducing the budget item for public beautification expense to \$10,000. Following review and discussion, Director Winkler moved to adopt the budget with the revision discussed. Director Nava seconded the motion, which carried unanimously.

#### DEPOSITORY PLEDGE AGREEMENT WITH AMEGEY BANK

Ms. Dorman explained Amegy Bank's request that the District execute a depository pledge agreement. Following review and discussion, Director Nava moved to approve the depository pledge agreement with Amegy Bank and to appoint Director Appelget as the contact person named in the agreement. Director Winkler seconded the motion, which carried unanimously.

#### TAX ASSESSMENT AND COLLECTION MATTERS

Mr. Bonnerjee distributed and reviewed the tax assessor/collector's report, a copy of which is attached, including the cash flow report and delinquent tax roll. He stated that the 2009 taxes are 96.57% collected. Following review and discussion, Director Brandman moved to approve the tax assessor/collector's report and payment of the tax bills. Director Gingell seconded the motion, which carried unanimously.

#### TAX RESOLUTIONS

The Board next considered adopting a Resolution Concerning Tax Collection Procedures. Ms. Dorman and Mr. Bonnerjee explained that the Texas Property Code allows taxing jurisdictions to adopt or reject certain optional procedures which the Board has rejected in the past, which include rejecting split payment of taxes and

discounts for early payment of taxes and not sending tax bills of less than \$15.00. After review and discussion, Director Winkler moved to adopt the Resolution Concerning Tax Collection Procedures and to direct that the Resolution be filed appropriately and retained in the District's official records. Director Nava seconded the motion, which passed unanimously.

Ms. Dorman and Mr. Bonnerjee reviewed a Resolution Concerning Exemptions from Taxation with the Board, explaining that the optional exemptions include a general residential homestead exemption, an exemption of charitable organizations, and exemption of travel trailers, and a homestead exemption for disabled persons or persons over 65 years of age. Mr. Bonnerjee presented a spreadsheet regarding the financial impact of various exemptions. After review and discussion, Director Winkler 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 charitable organizations or travel trailers and to direct that the Resolution be filed appropriately and retained in the District's official records. Director Nava seconded the motion, which passed by unanimous vote.

#### 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. Mr. Agee updated the Board on maintenance and repairs conducted during the previous month. He reviewed the water production report and stated that water accountability was 92.58%. Mr. Agee recommended that two accounts be deemed uncollectable. Following review and discussion, Director Nava moved to approve the operator's report, including deeming two accounts to be uncollectable. Director Winkler seconded the motion, which carried unanimously.

Director Brandman reported on the regional sewage treatment plant, including the status of repairs, odor problems and other issues. Discussion ensued, and the Board requested that Mr. Agee and/or Mr. Willis investigate the odor and operations issues and report back to the Board at its April meeting. Mr. Agee said that he will talk with the operator for HC MUD 70.

#### 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 say accounts pursuant to the provisions of the District's Rate Order. Director Winkler seconded the motion, which passed by unanimous vote. A copy of the termination list is included in the operator's report.

#### FACILITIES ENERGY CONSUMPTION AND AUDIT

There was no discussion on this agenda item.

#### LANGHAM CREEK AREA RESOURCES SHARING GROUP ("LCARSG")

Mr. Willis updated the Board on the LCARSG. He stated that the eight individual models have been built, calibrated and analyzed, have been sent to all of the participating Districts for review, and that all but one district have completed their review. Mr. Willis stated that the individual models are being combined into a single model, which he will review and bring to the next Board meeting. The Board requested that he distribute the model in advance of the meeting.

#### EMERGENCY WATER INTERCONNECT AGREEMENTS

There was no discussion on this matter.

#### ENGINEERING MATTERS

Mr. Willis presented an oral engineer's report. He updated the Board on the portable generator, stating that comments have been received from Harris County but not from the City of Houston. After discussion, the Director Gingell moved to authorize the District's engineer to proceed with advertisement for bids for the portable generator prior to the April meeting and to appoint Director Brandman as the contact for the engineer, if needed, to consider any comments from the City prior to advertising. Director Winkler seconded the motion, which passed by unanimous vote.

Ms. Dorman discussed the possible use of surplus capital funds for potential projects.

#### RESOLUTION AUTHORIZING APPLICATION FOR USE OF SURPLUS FUNDS

Discussion ensued regarding the possible use of surplus funds for the generator, but no action was taken.

#### WEST HARRIS COUNTY REGIONAL WATER AUTHORITY ("WHCRWA")

Director Appelget updated the Board on WHCRWA matters, including a report that the subsidence district disincentive fee has increased to \$5.00 per 1,000 gallons,

which may impact the price of groundwater credits. Director Brandman reported that Holmsley Elementary wishes to participate in the WaterWise program with 170 fifth grade students in May.

#### PARKS PLAN

Directors Appelget and Gingell updated the Board on the pending tree maintenance and replacement project.

#### GREENBELT GARDEN

Director Winkler requested that the Board members follow up on this matter as needed. No action was necessary.

#### DISTRICT'S WEBSITE

There was no discussion on this agenda item.

#### 2010 DIRECTORS ELECTION

Ms. Dorman explained that it will be necessary to hold a ballot position drawing for the 2010 Directors Election scheduled for May 8, 2010. After discussion, Director Appelget moved that the drawing at Director Appelget's home on Tuesday, March 23, 2010, at 9:00 p.m., with Director Brandman attending as the witness, which was seconded by Director Brandman. The motion carried by unanimous vote.

#### VOTING MACHINE REQUIREMENTS FOR MAY 2010 DIRECTORS ELECTION

Ms. Dorman discussed voting machine requirements for the 2010 Directors election and the contract with Harris County to rent the voting machines. After discussion, Director Brandman moved to execute the contract with Harris County to rent the voting machines. Director Appelget second the motion, which passed by unanimous vote.

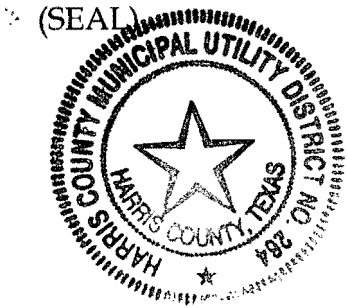
#### LEGAL REPRESENTATION

The Board discussed the District's legal fees. Ms. Dorman distributed a memorandum from Lynne B. Humphries of ABHR regarding this matter. Further discussion ensued. Ms. Dorman reviewed her "action list" developed during the current meeting, and the Board declined research into the terms of the HC MUD 70 contract. The Board requested that: (1) ABHR try to minimize fees pending a discussion with Ms. Humphries at the next meeting; (2) Ms. Humphries attend the next meeting, with a start time of 4:30; and (3) a standing agenda item for an attorney report be placed on every agenda.

There being no further business to come before the Board, the meeting was adjourned by agreement.

*Janet Gergell*

Secretary, Board of Directors



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