

MINUTES OF MEETING OF BOARD OF DIRECTORS  
January 16, 2009

THE STATE OF TEXAS  
COUNTY OF HARRIS  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 208

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 208 (the "District") met in regular session, open to the public, at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney Street, Houston, Texas, at noon on January 16, 2009; whereupon the roll was called of the members of the Board, to wit:

Gary Struzick, President  
John F. Moody, Vice President  
Richard Huhn, Secretary  
Brock E. Miller, Assistant Secretary  
Bob McCavitt, Assistant Secretary

All members of the Board were present except Director Struzick. Also attending all or parts of the meeting were Ms. Kristen Scott of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Tony Sarman of AECOM, engineers for the District; Mr. Chris Hoffman of H2O Consulting ("H2O"), operator for the District; Mr. Terry Holland of Myrtle Cruz, Inc., bookkeeper for the District; and Ms. Jana Cogburn and Ms. Mirna Jakupovic of Fulbright & Jaworski L.L.P. ("F&J"), attorneys for the District.

The meeting was called to order and, in accordance with notice posted pursuant to law, copies of the Certificates of Posting of which are attached hereto as Exhibit "A," the following business was transacted:

1. **Minutes.** Consideration was given to the approval of the minutes of the meeting of December 19, 2008, previously distributed to the Board. Upon motion by Director Moody, seconded by Director McCavitt, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of December 19, 2008, as presented.

2. **Engage Auditor for the fiscal year ending February 28, 2009.** Ms. Cogburn presented to and reviewed with the Board the auditor engagement letter from David L. Merritt, P.C., a copy of which is attached hereto as Exhibit "B." Discussion ensued regarding the auditing fee. Mr. Holland stated that the auditing fee, which is in the range of \$9,000 to \$9,500, has not increased since the last year. Upon motion by Director McCavitt, seconded by Director Moody, after full discussion and the question being put to the Board, the Board voted unanimously to engage David L. Merritt, P.C. to perform the audit for the fiscal year ending February 28, 2009 and to authorize execution of the auditor's engagement letter and the representation letter by the Vice President on behalf of the Board.

3. **Tax Assessor and Collector's Report.** The Vice President recognized Ms. Scott, who presented to and reviewed with the Board the Tax Assessor and Collector's Report for the month of December, 2008, a copy of which is attached hereto as Exhibit "C." Ms. Scott reported that the District has collected 70.940% of its 2008 taxes. Upon motion by Director Huhn, seconded by Director McCavitt, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Tax Assessor and Collector's Report and to authorize payment of check nos. 1294 and 1295 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

4. **Consider Property Tax Exemptions.** Ms. Cogburn stated that the District has not granted property tax exemptions in the past. No action was taken.

5. **Review Bookkeeper's Report, Investment Report and authorize payment of bills.** Mr. Holland presented to and reviewed with the Board the Bookkeeper's Report for December, 2008, the Investment Report and the proposed budget for the fiscal year ending February 28, 2010, copies of which are attached hereto as Exhibit "D." Discussion ensued regarding the proposed budget. Mr. Holland stated that the budget increase was due, in part, to the West Harris County Regional Water Authority's ("WHCRWA") rate increase to \$0.69 per 1,000 gallons of water. Ms. Cogburn suggested that the Board analyze the cost of surface water being purchased by the District from the WHCRA compared to the cost of pumping water and paying the "GRP" fee. Mr. Hoffman stated that he will obtain information for such an analysis.

Director Miller entered the room at this time.

Upon motion by Director McCavitt, seconded by Director Huhn, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Investment Report and the Bookkeeper's Report and to authorize payment of check nos. 8054 through 8081 from the Operating Account to the persons, in the amounts, and for the purposes described in the Bookkeeper's Report.

6. **Approve Budget for fiscal year ending February 28, 2010** This item was deferred.

7. **Operations Report.** The Vice President recognized Mr. Hoffman, who presented to and reviewed with the Board the Operations Report and an Operations Report Summary, copies of which are attached hereto as Exhibit "E." Mr. Hoffman reported that in December the District pumped 3,243,000 gallons of water and purchased 2,626,000 gallons of water from the WHCRWA and that the District has 194,131,000 gallons and 11 months remaining on its Harris Galveston County Subsidence District ("HGCSA") permit. Mr. Hoffman stated that the water accountability for December was 151.9%. Mr. Hoffman stated that H2O is checking interconnect valves with neighboring districts to determine the cause of the high accountability.

Mr. Hoffman reviewed with the Board the Operations Report Summary. Mr. Hoffman reported on maintenance items and noted that the repairs to lift pumps #1 and #2 are complete and the pumps are operational.

Mr. Hoffman reported that well motor #2 would be discussed in the Engineer's Report.

Mr. Hoffman reported that a new motor was installed for booster pump #2 and should be invoiced next month.

Mr. Hoffman reported that the chlorine analyzer pump has been replaced.

Mr. Hoffman reported that H2O began the semi-annual hydrant maintenance and that work in Southcreek Sections 3, 4, 5 and 7 is complete.

Mr. Hoffman reported that H2O investigated a water leak near View Park and Royal Gardens and determined that the leak was from the WHCRWA water line. Mr. Hoffman noted that the WHCRWA completed the repair and that the District should be able to receive water on Monday. He noted that the District was without surface water for about a week.

Mr. Hoffman reviewed with the Board the Asset Evaluation Report summary, a copy of which is attached to the Operations Report. Mr. Hoffman stated that the following summary outlines the critical items that may need attention in the next five to ten years:

### **WATER PLANT**

#### **0 to 5 Years**

Interior coating of ground storage tanks and hydrotanks (2 to 3 years old ).  
Estimated cost \$200,000

Auto sensory controls (20 years old). Estimated cost: \$75,000

Well natural gas engine (over 20 years old). Estimated cost: \$390,000

Chemical feed equipment/analyzers maintenance cost intensive (upgrade system).  
Estimated cost: \$25,000

Booster pumps/motors (budget replacement 1 pump every 3 to 5 years).  
Estimated cost: \$25,000

**TOTAL ESTIMATED COST: \$715,000**

#### **5 to 10 Years**

Tank roof structure repair or replacement. Estimated cost: \$200,000

Hydrotank replacement. Estimated cost: \$91,000

Well #2 submersible pump (pulled and replaced every 7 to 10 years). Estimated  
cost: \$100,000

Piping and valve system replacement. Estimated cost: \$15,000

**TOTAL ESTIMATED COST: \$466,000**

### **LIFT STATION**

**0 to 5 Years**

Lift pump replacements (1 pump every 3 to 5 years). Estimated cost: \$15,000

Small generator or large generator to operate two smallest lift stations. Estimated cost: \$125,000

**TOTAL ESTIMATED COST: \$140,000**

**5 to 10 Years**

Piping and valve system replacement (replace portions with aging). Estimated cost: \$25,000

**TOTAL ESTIMATED COST: \$25,000**

**WATER AND SEWER SYSTEM**

**0 to 5 Years**

Televise water and sewer system to review priority 2 repairs(over next 10 years). Estimated cost: 2 Phases at \$15,000 per phase; Repair estimates: \$75,000 per phase.

**5 to 10 Years**

Televise water and sewer system to review priority 2 repairs (over next 10 years). Estimated cost: 10 Phases at \$15,000 per phase; Repair estimates: \$75,000 per phase.

Replace portions of piping and valve system. Estimated cost: \$100,000

**TOTAL ESTIMATED COST: \$1,050,000**

**THE SUMMARY OF ESTIMATED COST IS \$945,000 TO \$1,035,000 FOR 0 TO 5 YEARS AND \$1,541,000 FOR 5 TO 10 YEARS.**

Mr. Hoffman reported that the reimbursement request has been filed with FEMA.

8. **Discuss FEMA reimbursement of Hurricane Ike expenses and other FEMA programs.** This item was discussed in the Operations Report.

9. **Engineer's Report.** The Vice President recognized Mr. Sarman, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "F."

Mr. Sarman reported on the generator funding and noted that AECOM and H2O prepared the Notice of Intent ("NOI") form for submission to the State for funding consideration through the Hazard Mitigation Grant Program. Mr. Sarman reported that since the last meeting, AECOM received letters from Harris County regarding submission of information for inclusion in the Harris County NOI for the FEMA program, as well as for the Department of Housing and

Urban Development's Community Development Block Grant. Mr. Sarman stated that Harris County will have a better chance of receiving funding than the individual districts. Mr. Sarman reported that Harris County may suggest that the State reject the individual NOIs in favor of the joint submittal. Mr. Sarman noted that Director Struzick confirmed the Board's NOI submission to Harris County instead of the State for participation in both grants. Ms. Cogburn noted that the District can't begin the project until the application is approved by FEMA.

Mr. Sarman reported on water well #2 and the preliminary estimates for the automatic startup engine. He explained that the automatic engine will require a hydraulic clutch to engage the engine. There have been some industrial applications for this; however, this type of system is generally not recommended because of the lack of history with this application. Mr. Sarman stated that the equipment and system would require periodic maintenance and could incur greater risk of mechanical damage and operational integrity. The estimates are as follows:

Item	Well 2 (Submersible)	Well 2 (Line Shaft)	Well 1 (New Engine)	Well 1 (Automatic New Engine)
Well Cleaning	\$26,000.00	\$26,000.00		
Motor	\$18,35.00	\$19,27.00		
Column Assembly	\$13,075.00	\$36,969.00		
Conversion Work		\$17,550.00		
Set Pump	\$5,250.00	\$6,750.00		
Engine			\$250,000.00	\$400,000.00
Site Preparation			\$62,000.00	\$100,000.00
Installation			\$78,000.00	\$125,000.00
Total	\$62,675.00	\$106,543.00	\$390,000.00	\$625,000.00
Difference		\$43,868.00	\$327,325.00	\$562,325.00

Mr. Hoffman stated that a submersible pump for water well #2 should be completely covered by the insurance and that District would have to only pay the \$2,500 deductible. Mr. Sarman added that the District should consider the LBG suggestion of a 300

mpm pump upgrade. Discussion ensued regarding water well #2 estimates. Upon motion by Director McCavitt, seconded by Director Miller, after full discussion and the question being put to the Board, the Board voted unanimously to approve the purchase of a submersible pump with 300 mpm pump upgrade (meeting the appropriate operating range) for water well #2 at a cost not to exceed \$67,675.00. It was consensus of the Board to utilize the Capital Project Fund to fund the cost of the water well #2 project.

10. **Discuss update of website and preparation of newsletter.** The Board discussed newsletter articles.

11. **Report on Copperfield Joint Operations Board ("CJOB") meeting.** Director Moody reported that items of discussion included the engagement of the auditor to perform a compliance review. Ms. Cogburn stated that the 2002 review identified some minor discrepancies regarding contractual matters, but that no issues were revealed in the subsequent review. Director Moody noted that the Board decided not to engage the auditor to perform a compliance review.

Director Moody reported that Mr. Hoffman reported on the Plant's compliance and noted that the Plant passed the survival portion of the biomonitoring test that was completed in November. Mr. Hoffman explained to the Board that the ceriodaphnia reproduction test was significantly below the control sample and that the two additional test are required, one in December and one in January.

Director Moody reported that the Board reviewed the draft budget for fiscal year ending February 28, 2010 and also discussed the reserve fund balance and tap connection charges. Director Moody noted that his impression is that the rates will remain the same.

Director Moody reported that AECOM and H2O prepared the NOI submission to Harris County for participation in grants for potential funding of the sewage treatment plant generator.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The foregoing minutes were passed and approved by the Board of Directors on

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President, Board of Directors

ATTEST:

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Secretary, Board of Directors

(DISTRICT SEAL)