

MINUTES OF MEETING OF BOARD OF DIRECTORS
February 20, 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 February 20, 2009; whereupon the roll was called of the members of the Board, to wit:

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

All members of the Board were present. 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. Nancy Green 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 January 16, 2009, previously distributed to the Board. Mr. Hoffman requested that the first sentence in the fourth paragraph under the Engineer's Report be revised to state, "Mr. Hoffman stated that a submersible pump for water well #2 should be covered by insurance and that the District would have to pay the \$2,500 deductible plus non-covered items." 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 January 20, 2009, as revised.

2. **Tax Assessor and Collector's Report.** The President recognized Ms. Scott, who presented to and reviewed with the Board the Tax Assessor and Collector's Report for the month ending January 20, 2009, a copy of which is attached hereto as Exhibit "B." Ms. Scott reported that the District has collected 92.66% of its 2008 taxes. Upon motion by Director Huhn, seconded by Director Moody, 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. 1296 and 1297 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Adopt Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code.** Upon motion by Director Moody, seconded by Director Miller, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code.

4. **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 January 2009, the Investment Report and the proposed budget for the fiscal year ending February 28, 2010, copies of which are attached hereto as Exhibit "D." 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. 8083 through 8106 from the Operating Account to the persons, in the amounts, and for the purposes described in the Bookkeeper's Report.

5. **Approve Budget for fiscal year ending February 28, 2010** Mr. Hoffman reported that Director Moody contacted him prior to the meeting regarding four of the budget items. Mr. Hoffman stated that he reviewed the items and made the following adjustments to the draft budget as follows:

Water Revenues: decrease from \$350,000 to \$325,000

Repair and Maintenance Expense: decrease from \$218,928 to \$190,000

WHCRWA – Ground Water 95/1000: decrease from \$47,500 to \$40,000

WHCRWA – Surface Water 1.25/1000: decrease from \$187,500 to \$165,000

Utilities: decrease from \$96,000 to \$70,000

Upon motion by Director Moody, seconded by Director Miller, after full discussion and the question being put to the Board; the Board voted unanimously to approve the budget for the fiscal year ending February 28, 2010, as presented.

6. **Consider and approve IRS yield reduction payment and late underpayment interest for Unlimited Tax Bonds, Series 2003.** Ms. Cogburn reviewed with the Board the transmittal letter from Arbitrage Compliance Specialists, Inc. ("ACS") regarding the IRS yield reduction payment and late underpayment interest for Unlimited Tax Bonds, Series 2003, the District's letter to the IRS requesting a waiver of penalty for failure to pay arbitrage rebate on time, and the 8038—T form, copies of which are attached hereto as Exhibit "E." Discussion ensued. In response to a question from Director Struzick, Ms. Cogburn replied that ACS will continue to monitor the District's investments.

Ms. Cogburn recommended that the Board expend the moneys on the capital project fund for appropriate District projects. Upon motion by Director Moody, seconded by Director Miller, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Director Struzick to execute the District's letter to the IRS requesting a waiver of penalty and the 8038-T form, and to approve payment of \$10,804.40 for the yield reduction and late interest payment for the \$2,790,000 Unlimited Tax Bonds, Series 2003.

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 January the District pumped 6,469,000 gallons of water and purchased 1,632,000 gallons of water from the WHCRWA and that the District has 186,030,000 gallons and 10 months remaining on its Harris Galveston County Subsidence District ("HGCSO") permit. Mr. Hoffman stated that the water accountability for January was 97.6%. Mr. Hoffman reported that H2O checked the interconnect valves with neighboring districts and determined that the interconnect valve was open between the District and Harris County Municipal Utility District No. 163 ("No. 163"). Mr. Hoffman stated that No. 163 has suggested a "use-in-kind" credit or a credit against monthly bills for the 2,642,000 gallons of water that the No. 163 operator estimated was lost while the valve was open. Mr. Hoffman stated that the cost to produce the District water (including fees to the WHCRWA) is \$1.53 per 1,000 gallons of water. Director Struzick recommended that the District pay, instead of credit, No. 163 for the water the District received. 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 authorize Mr. Hoffman to offer a payment of \$1.53 per 1,000 gallons of water for the 2,642,000 gallons of water that the District received from No. 163.

Mr. Hoffman reviewed with the Board the Operations Report Summary. Mr. Hoffman reported that well motor #2 would be discussed in the Engineer's Report.

Mr. Hoffman reported that a booster pump engine clutch assembly was installed at a final cost of \$4,750.

Mr. Hoffman reported that electricians traced a low GST alarm problem to a bad pressure switch and installed and calibrated a new switch to the GST alarm at a final cost of \$2,175.98.

Mr. Hoffman reported on water line repairs and stated that H2O repaired a leak at the water main next to the two-inch blow off at 7702 View Park at a final cost of \$1,289.65. Mr. Hoffman stated that H2O replaced a two-inch blow off valve at 7806 View Park at a final cost of \$505.68. Mr. Hoffman reported that H2O repaired damaged meters at 17007 Scenic Lakes Way at a final cost of \$997.84. Mr. Hoffman stated that the invoice will be submitted to the driver's insurance company.

Mr. Hoffman reported that the FEMA application reimbursement summary is attached to the Operations Report. Mr. Hoffman stated that he would be reviewing H2O's contract with the District and may suggest amendments to the provisions relating to services during emergencies. Upon motion by Director Moody, seconded by Director Miller, after full discussion and the question being put to the Board, the Board voted unanimously to approve the FEMA reimbursement payment.

Mr. Hoffman reported that the Asset Evaluation Report summary was presented last month and that H2O would be working with AECOM to finalize the report.

Mr. Hoffman reported that draft articles for the District newsletter are attached to the Operations Report.

Mr. Hoffman reported that he would contact Barry Price and request an update on the District's Water Smart inspection.

8. **Discuss purchasing a generator from Harris County Municipal Utility District No. 186 ("No. 186").** Mr. Hoffman reported that No. 186 is researching generator options for their water well site and may be interested in selling their 150 KW generator to the District to use at the lift station. Mr. Hoffman stated that the generator is three to four years old and has 130 hours of use. Mr. Hoffman stated that the estimated cost for a used 150 KW generator is \$30,000 to \$40,000 but that H2O would obtain an independent appraisal if the District is interested in purchasing the generator. It was the consensus of the Board to authorize Mr. Hoffman to notify No. 186 of the District's interest in the generator and to request that No. 186 split the cost of the appraisal with the District.

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

10. **Engineer's Report.** The 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 that AECOM is coordinating with H2O on the GIS updates for sanitary sewer repairs to provide the updated files for review and comment.

Mr. Sarman reported on the generator funding and noted that AECOM will continue to monitor the proposed legislation regarding the generator requirements. Mr. Sarman stated that Harris County is still waiting on a response from the State regarding the Hazard Mitigation Grant Program ("HMGP"). Mr. Sarman reported that the information for the Department of Housing and Urban Development's Community Development Block Grant was submitted by Harris County on February 6, 2009.

Mr. Sarman reported on water well #2 and stated that AECOM contacted Alsay regarding the additional cost for the items noted in LBG Guyton's review. Mr. Sarman stated that the additional items included increasing the pump to 300 gpm, lowering the pump 20 feet, and adding the Sub Monitor. Mr. Sarman reported that the Sub Monitor will help to monitor and protect the submersible motor and provide a three-year warranty on the motor. Mr. Sarman stated that the first three rows on the estimate were inadvertently left out and total \$7,050. The Board agreed to obtain two additional bids for the remaining work (and to treat the well cleaning as an optional bid item). It was the consensus of the Board to authorize AECOM to obtain two additional bids for the submersible pump and equipment (with an alternate bid for cleaning the well) and to authorize Director Moody to work with AECOM on behalf of the Board.

Director McCavitt left the meeting at this time.

11. **Discuss update of website and preparation of newsletter.** This item was discussed in the Operations Report.

12. **Report on Copperfield Joint Operations Board (“CJOB”) meeting.** Director Struzick reported that CJOB increased the per connection fees from \$8 to \$8.50 and approved the budget for the fiscal year ending February 28, 2010.

Director Struzick reported that CJOB discussed the Harris County submission to the Hazard Mitigation Grant Program (“HMGP”) and the Department of Housing and Urban Development’s Community Development Block Grant which was submitted by Harris County on February 6, 2009.

13. **Other matters.** Director Moody reported that he attended the WHCRWA meeting and reported that discussions included a \$2,000,000,000 government stimulus package for water programs.

It was the consensus of the Board to move the March 20, 2009 meeting to March 27, 2009.

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:

Secretary, Board of Directors

(DISTRICT SEAL)