

MINUTES OF MEETING OF BOARD OF DIRECTORS
October 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 October 16, 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 except Director Miller. 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"), operators for the District; Mr. Terry Holland of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Mike Evans, General Manager of the Hearthstone Country Club ("Hearthstone"); 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. **Authorize execution of the Amended and Restated Effluent Use Agreement (the "Agreement").** The President recognized Mr. Evans of Hearthstone. Ms. Cogburn stated that she spoke to Ingrid Keiser, the general counsel of ClubCorp USA, Inc. and attorney for Hearthstone regarding the revisions to the Agreement, a copy of which is attached hereto as Exhibit "B." Ms. Cogburn stated that Ms. Keiser requested that Mr. Evans attend the meeting to discuss the contract termination provisions and to ensure that Hearthstone and the District maintain a good working relationship in negotiating the revisions to the Agreement. Director Struzick stated that the Copperfield Joint Operations Board ("CJOB") and the District's primary goal in amending the Agreement is to give CJOB better control of maintaining the effluent quality so that it is in compliance with State laws. Director Moody stated that the amendments were not made with the intent to lose Hearthstone as a customer. Mr. Evans stated that the major source of Hearthstone's water is supplied by the effluent source and requested that the Board reconsider the broad language that allows the Board to terminate the contract in 30 days. Director Struzick reported that the District would not revise the contract language and suggested that Mr. Evans contact the Spencer Road Public Utility District to initiate an alternative water source, in the event CJOB is unable to supply the effluent for Hearthstone. Director Struzick stated that the baffle installation and other modifications performed following

the biomonitoring failure should prevent future problems, but CJOB cannot guarantee the supply of effluent to Hearthstone if compliance issues occur again. Director Struzick requested that Hearthstone operate under the amended Agreement for six months to one year to determine if the Agreement will work for all parties. Director Struzick thanked Hearthstone for their cooperation in the modifications and for Hearthstone's good working relationship with the District and CJOB.

2. **Minutes.** Consideration was given to the minutes of the special meeting of September 15, 2009 and the regular meeting minutes of September 18, 2009, 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 special meeting of September 15, 2009 and the minutes of the regular meeting of September 18, 2009, as presented. Ms. Cogburn noted that the Water Conservation meeting on October 6, 2009 did not have a quorum, therefore, approval of meeting minutes are not required.

3. **Public Hearing on tax rate.** There were no public comments. Ms. Scott reported that the proposed 2009 tax rate was published in the Houston Chronicle, as required by State law.

4. **Adopt Order Setting Tax Rate and Levying Tax for 2009.** 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 adopt the Order Setting Tax Rate and Levying Tax for 2009, a copy of which is attached hereto as Exhibit "C," thereby levying a tax at a rate of \$0.60 per \$100 valuation (\$0.45 per \$100 assessed valuation for debt service and \$0.15 per \$100 valuation for operations and maintenance).

5. **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 September 30, 2009, a copy of which is attached hereto as Exhibit "D." Ms. Scott reported that the District has collected 99.12% of its 2008 taxes. Upon motion by Director Miller, 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. 1323 and 1324 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

6. **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 September, 2009, the Investment Report, and the budget for the fiscal year ending February 28, 2010, copies of which are attached hereto as Exhibit "E." 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 Investment Report and the Bookkeeper's Report and to authorize payment of check nos. 8335 through 8361 from the Operating Account to the persons, in the amounts, and for the purposes described in the Bookkeeper's Report.

7. **Amend Budget.** The Board discussed the variances in the budget. It was the consensus of the Board not to amend the budget so that the Board could better track the repair and maintenance fees from year to year.

8. **Review Operations Report and authorize necessary repairs.** The 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 "F." Mr. Hoffman reported that in September, the District pumped 9,152,000 gallons of water and purchased 4,935,000 gallons of water from the West Harris County Regional Water Authority and that the District has 36,469,100 gallons and two months remaining on its Harris Galveston Subsidence District permit. Mr. Hoffman stated that the water accountability for August was 94.1%.

Mr. Hoffman reported on the Programmable Logic Controller ("PLC") options and noted that after last month's meeting, H2O is developing recommendations and costs to phase in a Supervisory Control and Data Acquisitions System.

Mr. Hoffman reported that H2O traced out the problem on the alarm system not connecting to the automatic dialer during the alarm. Mr. Hoffman stated that the problem was traced to a bad relay and the final cost to repair the alarm was \$1,062.03.

Mr. Hoffman reported that he asked David Neil to begin looking at generators after verifying with AECOM the size needed to run two 7.5 horse power ("hp") or one 20 hp pump. Mr. Hoffman stated that the generator should be sized from 60 to 125 kw.

Mr. Hoffman reported that sewer line repairs were made at Royal Garden and Shangrilla. Mr. Hoffman stated that H2O tested the areas around the sewer line at multiple locations which are noted in the Sewer Line Survey Report, a copy of which is attached hereto as Exhibit "G." Mr. Hoffman reported that H2O surveyed all front easement sanitary sewer lines for settlement over the existing sanitary sewer lines. Mr. Hoffman noted that water was injected into the trench line and around manholes to inspect sanitary sewer lines and manholes for possible infiltration. Mr. Hoffman requested the Board's approval to lower the manhole and seal 19 feet of the manhole from top to bottom at the corner of Royal Gardens and Highland Farms at an estimated cost of \$4,800. Mr. Hoffman requested the Board's approval to repour the sidewalk sections on both sides of the manholes at 7743 Shangrilla at an estimated cost of \$750 and at 7607 Shangrilla at an estimated cost of \$750. Discussion ensued. 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 approve three repairs at Royal Gardens and Highland Farms, 7743 Shangrilla and 7607 Shangrilla.

Mr. Hoffman reported that a copy of the most recent water report from the TCEQ on semi-volatile organics is attached to the Operations Report. Mr. Hoffman noted that the same detection of atrazine has been identified and that the report was forwarded to Wayne Ahrens at the WHCRWA.

Mr. Hoffman and Director Moody reported that Ms. Cogburn reviewed the on-line credit card payment agreement and has no objection to the District entering into the contract

since it has a 30-day termination clause. Mr. Hoffman reported that Harris County Municipal Utility District No. 188 and No. 239 have been using the payment system with Official Payments and no problems have occurred to date. Director Moody reported that the Board approved using Official Payments, pending attorney review, at the September meeting.

Mr. Hoffman reported that H2O is reviewing the Ground Water Rule and will provide a summary and recommendations at next month's meeting regarding the impact the rule will have on the District.

Mr. Hoffman reported that H2O is assisting AECOM with Senate Bill 361 requirement to prepare the Emergency Preparedness Plan which is due by March 1, 2010.

Mr. Hoffman reported that the draft newsletter is attached to the Operations Report for review. The Board discussed the newsletter and Director Moody stated that he would scan the newsletter to post on the website.

9. **Consider and approve Programmable Logic Controller ("PLC") Options.** This item was deferred.

10. **Amend Rate Order.** No action was taken.

11. **Discuss generator options.** In response to a question, Ms. Cogburn reported that she would research bidding laws for purchasing used equipment and provide feedback to the Board. Discussion ensued on the dollar amount to authorize the generator purchase. 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 authorize Director Moody to approve the used generator purchase at a cost not to exceed \$50,000.

12. **Adopt Resolution Authorizing Representative from Harris County Municipal Utility District No. 208 to Vote for Copperfield Joint Operations Board ("CJOB") Generator Project.** The Board reviewed the Resolution Authorizing Representative from Harris County Municipal Utility District No. 208 to Vote for Copperfield Joint Operations Board ("CJOB") Generator Project, a copy of which is attached hereto as Exhibit "H." Ms. Cogburn noted that the resolution acknowledges that the District will pay its portion of the capital expense for purchasing up to three used generators and transfer switches within 30 days of billing. Upon motion by Director Moody, seconded by Director Huhn, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Authorizing Representative from Harris County Municipal Utility District No. 208 to Vote for CJOB Generator Project.

13. **Engineer's Report.** Mr. Sarman reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "I." Mr. Sarman reported that AECOM is finalizing the aerial map presented to the Board last month for inclusion on the website. Mr. Sarman reported that AECOM will generate a JPEG and PDF file of the map and submit them to Director Moody. Director Moody noted that his street name is incorrect on the map and requested that Mr. Sarman make the correction.

Mr. Sarman reported that AECOM has located a 125 kw generator with six hours of usage at a cost of \$35,000.

14. **Adopt Order Authorizing Application for Approval by TCEQ for Release of Escrowed Funds.** 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 adopt the Order Authorizing Application for Approval by TCEQ for Release of Escrowed Funds, a copy of which is attached hereto as Exhibit "J."

15. **Discuss Conservation Committee Report.** Director Moody reviewed with the Board the Conservation Committee notes from October 6, 2009, a copy of which is attached hereto as Exhibit "K." Director Moody reported that H2O notified the District's top ten water users of their high water consumption and provided each resident a copy of their 12-month water use history, in addition to a pamphlet regarding an indoor and outdoor leak checklist. Director Moody stated that the committee would be monitoring the changes in the residents water usage.

16. **Discuss update of website and preparation of newsletter.** Director Moody reported on the updates to the website.

17. **Report on Copperfield Joint Operations Board ("CJOB") meeting.** Mr. Hoffman reported that the TCEQ released CJOB from performing a toxicity reduction evaluation ("TRE") and noted that the Plant is continuing quarterly biomonitoring samples. Director Struzick volunteered to prepare a letter of recommendation for Chris Hoffman and Chris Pasch of Alan Plummer Associates, Inc. Mr. Hoffman stated that he would prepare a list of individual names of those people involved in the investigative work on the TRE.

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

President, Board of Directors

ATTEST:

Secretary, Board of Directors