

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

Minutes of Meeting of Board of Directors  
September 14, 2010

The Board of Directors ("Board") of Harris County Municipal Utility District No. 1 ("District") met at 1100 Louisiana Street, Suite 400, Houston, Texas, on September 14, 2010 in accordance with the duly posted notice of the meeting, with a quorum of directors present, as follows:

Doug Caldwell, Jr., President  
Raymond Kelley, Secretary  
Greg Vratil, Director  
Gus Gustafson, Director

and the following absent:

Craig C. Young, Vice President

Also present were Mr. Mike Potter of Hays Utility Service, Mr. Duncan Lamme of RBC Capital Markets, Ms. Cindy Oliver of Equi-Tax, Inc., Ms. Mary Ann Mihills of McLennan & Associates, LP, Mr. Erik Spencer of Van De Wiele & Vogler, Inc., Mr. Ron Walkoviak of Development Consultants Inc., Mr. Ernie Loeb of Ryland Homes, Mr. Perry Senn of Canterra Classics, Inc., and Mr. James D. Bonham and Mr. J. Davis Bonham, Jr., attorney for the District.

The President called the meeting to order and declared it open for such business as might properly come before it.

1. The Board considered the minutes of the meeting of August 10, 2010, and upon motion duly made, seconded and unanimously carried, the Board approved the minutes as presented.

2. The Board then recognized Ms. Mary Ann Mihills who presented the attached bookkeeper's report. The Board considered invoices presented by the bookkeeper and reviewed a schedule of District investments. The Board also reviewed the general fund budget comparison of actual versus budgeted revenues and expenditures. After review and discussion, upon unanimous vote, the Board approved the bookkeeper's report and the checks listed thereon.

3. The Board then reviewed a proposed general fund budget for the fiscal year ending September 30, 2011, and after review and discussion, upon unanimous vote, the Board approved the attached resolution adopting the September 30, 2011 budget.

4. The Board then reviewed the tax assessor-collector's report reflecting the 2009 taxes to be 98% collected. The Board reviewed a schedule of delinquent taxes and a schedule of disbursements from the tax account. Upon motion duly made, seconded and unanimously carried, the Board approved the tax assessor-collector's report and the checks drawn on the tax account.

5. The Board then recognized Mr. Duncan Lamme, the District's financial advisor, who presented a recommendation with respect to the District's 2010 tax levy. The Board discussed the matter, and upon unanimous vote, the Board authorized publication of notice of a public hearing to be held at the next regularly scheduled Board meeting to consider a debt service tax of \$1.00 and a maintenance tax of \$0.05 for a combined tax levy of \$1.05 per \$100 assessed valuation.

6. Mr. Mike Potter was then recognized by the Board and presented the operator's report reflecting 1,860 total connections in the District. The Board reviewed the water production and consumption data, and it appeared that 92.05% of the water pumped during the previous month had been accounted for. The operator reported on the operation of water plant no. 1, water plant no. 2 and the wastewater treatment plant and advised that there were no waste discharge permit violations during the reporting period. Mr. Potter presented a schedule of monthly benzene test results for the Board's review. The Board also reviewed the billing and collections data which appears in the report. Upon motion duly made, seconded and unanimously carried, the Board approved the operator's report and authorized termination of services to all customers appearing on the delinquent list.

7. The Board then recognized Mr. Erik Spencer who presented the engineer's report. The Board reviewed the pay applications in the report, and each pay application was approved. Mr. Spencer discussed with the Board the status of negotiations on the District's behalf for acquisition of a site for water plant no. 3 and reviewed with the Board the proposed application for use of surplus funds and cost summary for the District's bond application. After discussion, it was agreed that Saddlebrook Village, Section 4 be included in the bond application. Mr. Spencer reported that the Saddlebrook Village, Section 2 plans had been approved and the contractor is prepared to proceed. The engineer presented a bid tabulation for water, sewer and drainage facilities to serve The Preserve at Northampton, Section 1, and upon unanimous vote, the Board authorized award of the contract to Clearwater Utilities with a bid in the amount of \$1,658,000 with the understanding that the contract is approved subject to final plan approval. Mr. Spencer then reported on the status of plans for wastewater treatment plant no. 2 in The Preserve at Northampton. The Board reviewed a bid tabulation on the project, and upon unanimous vote, authorized award of the contract to RP Constructors in the amount of \$1,483,820.80 upon receipt of final plan approval. After discussion by the Board, upon unanimous vote, the Board approved the engineer's report.

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

  
Secretary