

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

Minutes of Meeting of Board of Directors
March 8, 2011

The Board of Directors ("Board") of Harris County Municipal Utility District No. 1 ("District") met at 1100 Louisiana Street, Suite 400, Houston, Texas, on March 8, 2011 in accordance with the duly posted notice of the meeting, with a quorum of directors present, as follows:

Doug Caldwell, Jr., President
Craig C. Young, Vice President
Raymond Kelley, Secretary
Greg Vratil, Director
Gus Gustafson, Director

and the following absent:

None

Also present were Mr. Mike Potter of Hays Utility Service, Mr. Perry Senn of Canterra Classics; Mr. Peter Barnhart of Caldwell Companies, Mr. Ernie Loeb of Ryland Homes, Ms. Vickey Sullivan 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., and Mr. James D. Bonham, 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 recognized Mr. Peter Barnhart who discussed with the Board options for providing law enforcement services in the District. Mr. Barnhart advised that he is also contacting Northwest Harris County MUD 19 to request their participation. The Board discussed the various options, as well as the District's previous communication with residents of the District regarding the desirability of providing law enforcement services. After discussion, Mr. Barnhart was requested to report back on the response from Northwest Harris County MUD 19 for further consideration by the Board.

2. The Board considered the minutes of the meeting of February 8, 2011, and upon motion duly made, seconded and unanimously carried, the Board approved the minutes as presented.

3. The Board then reviewed the auditor's limited scope examination prepared by Mark Roth, CPA with respect to expenditure of surplus funds, and upon unanimous vote, the report was approved by the Board.

4. 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.

5. The Board then reviewed the tax assessor-collector's report reflecting the 2009 taxes to be 94.3% collected. The Board reviewed a schedule of delinquent taxes and a schedule of disbursements from the tax account. The attorney for the District then advised that the 2008 taxes owed by Brazoswood Builders had been collected and that an effort is being made to collect the 2009 and 2010 taxes. 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.

6. Mr. Mike Potter was then recognized by the Board and presented the operator's report reflecting 1,882 total connections in the District. The Board reviewed the water production and consumption data, and it appeared that 90.32% 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 advised that he will be filing the Homeland Security contact information with the Texas Commission on Environmental Quality. The operator presented a proposal from Today's Integration for security improvements at the Saddlebrook lift station, and after discussion by the Board, the operator was requested to invite the Today's Integration representative to the next Board meeting. Mr. Potter reported that the ground storage tank at water plant no. 1 is leaking and that the tank will be repaired with an epoxy patch. 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.

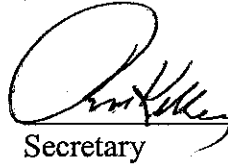
7. The Board then recognized Mr. Erik Spencer who presented the engineer's report. The engineer reported that Harris County had accepted the M109 channel improvements and that the Flood Control District had completed desilting in the channel. A proposal from Rebel Contractors was presented for desilting the existing culverts, and the Board instructed the engineer to request Harris County to desilt the culverts. The Board discussed acquisition of a site for water plant no. 3 and, after discussion by the Board, upon unanimous vote, it was agreed that subject to approval by the TCEQ of acquisition of the site based on appraisal, the Board would acquire five lots in Saddlebrook Village at a cost of \$26,500 per lot. The Board agreed to proceed with the appraisal upon TCEQ verbal confirmation that the appraisal would be an acceptable basis of the purchase. Mr. Spencer reported that the District's surplus funds application had been approved and that the Commission had conducted the prepurchase inspection. Mr. Spencer reported on the status of repairs to allow for acceptance of the streets and storm sewers in The Preserve, Sections 2 and 3 and Wimbledon Falls, Sections 2 and 4. Mr. Spencer reported on the status of the final inspection of Saddlebrook, Section 2 and the completion of the MAS Contractors' contract for the detention pond in The Preserve at Northampton. Mr. Spencer also reported on the status of construction of wastewater treatment plant no. 2. After discussion by the Board, upon unanimous vote, the Board approved the engineer's report.

8. The Board then considered a Water Conservation Plan, and upon unanimous vote, the plan was approved by the Board.

9. The Board then considered a Detention Pond Maintenance Agreement with The Preserve at Northampton Homeowner's Association, and upon unanimous vote, the agreement was approved and executed.

10. The attorney for the District then discussed with the Board the Internal Revenue Service requirements for an arbitrage analysis on each of the District's bond issues. The Board reviewed a proposal for conducting the analysis, and upon unanimous vote, the Board accepted the proposal from Municipal Risk Management.

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



Secretary