

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

Minutes of Meeting of Board of Directors  
July 12, 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 July 12, 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. Reese Brown of Bandier Properties, Mr. Perry Senn of Canterra Classics, Inc., Mr. Paul Hoang of Kuykendahl Carwash, Mr. Mike Potter of Hays Utility Service, Ms. Cindy Oliver of Equi-Tax, Inc., Ms. Mary Ann Mihills of McLennan & Associates, LP, Mr. John Van De Wiele and Mr. Erik Spencer of Van De Wiele & Vogler, Inc., representatives of SludgeNet Dewatering Systems, Inc., Mr. Ron Walkoviak of Lakeview Land Group, LLC, and Mr. J. Davis Bonham, Jr. and Mr. James D. Bonham, attorneys 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. Paul Hoang who discussed with the Board the water tap fee for the Kuykendahl Carwash. The Board reviewed the cost of the tap with the District's operator and explained to Mr. Hoang the manner in which the tap fee is calculated. Mr. Hoang thanked the Board for its time and consideration.

2. The Board then recognized representatives of SludgeNet Dewatering Systems, Inc. who reviewed with the Board a process by which sludge is dewatered at the sewer treatment plant site and removed to a landfill at a significant savings to the District. The Board discussed the matter and requested the SludgeNet representatives discuss the proposal with the District's operator for consideration by the Board at a future meeting.

3. The Board considered the minutes of the meeting of June 14, 2011 and June 27, 2011, and upon motion duly made, seconded and unanimously carried, the Board approved the minutes as presented.

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. The attorney for the District

then presented a list of retail businesses in the District collecting sales tax subject to the Strategic Partnership Agreement with the City. The Board discussed the matter and requested the attorney's office survey the retailers to confirm the accuracy of the list. 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 2010 taxes to be 98.2% collected. The Board reviewed a schedule of delinquent taxes and a schedule of disbursements from the tax account. The tax assessor presented requests for installment payment agreements on the Black and Gonzales accounts, both of which included a request for waiver of the additional 20% penalty which attached on July 1, 2011. The Board considered the matter and, conditioned on timely payment of the July, 2011 installment, the Board agreed to accept five equal installments on both accounts and further provided for waiver of the 20% penalty if the taxpayers make timely payments pursuant to the agreements. 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 1,927 total connections in the District. The Board reviewed the water production and consumption data, and it appeared that 91.22% 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. The operator advised that MJ Enterprises had submitted a bid in the amount of \$2,700 to remove dead trees in the reserve behind the sewer treatment plant. The Board discussed the irrigation system for landscaping installed by the District, and Director Young agreed to contact Michael Murr regarding the same. After discussion, upon unanimous vote, the Board authorized the dead trees to be removed by MJ Enterprises in accordance with their proposal. 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 presented an easement required by the Harris County Flood Control District which was executed by the Board. The engineer presented a series of pay applications on various projects in the District, all of which were approved by the Board. Mr. Spencer reported on the status of completion of the detention pond for The Preserve at Northampton and advised that the Section 1 underground utilities are substantially complete. The Board discussed extension of power to wastewater treatment plant no. 2. After discussion by the Board, upon unanimous vote, the Board approved the engineer's report.

8. The Board then recognized Mr. Perry Senn and discussed with Mr. Senn the acquisition of six lots, one of which originally included a drainage reserve for water treatment plant no. 3. The engineer recommended moving the water well to the one non-contiguous lot and discussed with the Board the need for the drainage reserve. The attorney for the District advised that no easement or platted reserve would be required if the District has fee simple title to the lots and, therefore, the Board agreed it would be appropriate to purchase all six lots. The Board discussed the matter with Mr. Senn and agreed the purchase price should be


\$137,500. The Board acknowledged that the TCEQ may approve a lower purchase price in the District's bond application and that the balance may be paid from the general fund.

9. The Board then recognized Mr. Reese Brown of Bandier Properties who reviewed with the Board previous discussions with respect to annexation and development of a 17-acre tract at Kuykendahl and Huffsmith. The Board discussed the matter with the attorney and engineer and requested the engineer review the feasibility study and report his findings to the Board.

10. The Board then entered into Executive Session to consider employment matters.

11. The Board then re-entered open session but took no action.

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

  
Secretary