

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

Minutes of Meeting of Board of Directors
December 8, 2015

The Board of Directors ("Board") of Harris County Municipal Utility District No. 1 ("District") met at 2727 Allen Parkway, Suite 1100, Houston, Texas, on December 8, 2015 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
Richard "Chip" Callegari, Secretary
James Roberson, Director
Shaun Hebert, Director

and the following absent:

None

Also present were Mr. Duane Iselt of Flair Builders, Mr. David Smalling of R. W. Baird & Co., Mr. Michael Murr of Murr, Incorporated, Mr. Mike Potter of Hays Utility South Corporation, Ms. Mary Lutz of McLennan & Associates, LP, Mr. Erik Spencer of Van De Wiele & Vogler, 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 considered the minutes of the meetings of November 10, 2015 and November 19, 2015, and upon motion duly made, seconded and unanimously carried, the Board approved the minutes as presented.

2. The Board then recognized Ms. Mary Lutz 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 for the fiscal year ending September 30, 2016. The attorney for the District then advised that the District's application for release of \$60,000 from escrow had been approved by the Texas Commission on Environmental Quality. After review and discussion, upon unanimous vote, the Board approved the bookkeeper's report and the checks listed thereon.

3. Mr. Mike Potter was then recognized by the Board and presented the operator's report reflecting 2,660 total connections in the District. The Board reviewed the water production and consumption data, and it appeared that 93.21% of the water pumped during the previous month had been accounted for. The operator reported on the operation of water plants no. 1 and no. 2 and wastewater treatment plants no. 1 and no. 2 and advised that there were no waste discharge permit violations during the reporting period. Mr. Potter reported that there had been a spill of approximately 800 gallons at sewage treatment plant no. 2 which had been

reported to the TCEQ as required by law. The Board discussed the possibility of installing an alarm system which would prevent future spills. The Board reviewed two appeals for unexplained high water usage. The Board agreed that both bills should be adjusted to reflect the lowest tier water rate plus the North Harris County Regional Water Authority fee. The Board further agreed that all future similar appeals may be adjusted in the same manner by the District's operator without presentation to the Board of Directors. The Board reviewed and discussed the North Harris County Regional Water Authority report of income and expense and again requested the operator make an effort to reconcile the discrepancies. 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 account list in accordance with the District's Rate Order.

4. The Board then recognized Mr. Erik Spencer who presented the engineer's report. The engineer advised that there had been a failure at one of the lift stations recently improved by TarTob and that it was discovered that TarTob had improperly wired the electrical control. The operator was requested to review the cost of the repair and submit an insurance claim if appropriate. The engineer advised that the District's bond application has been prepared and is ready for submittal and reviewed with the Board the status of the Wimbledon Falls project and Lakes at Creekside project. The Board approved the pay applications and change orders reflected in the report. After discussion by the Board, upon unanimous vote, the Board approved the engineer's report.

5. The Board discussed the capabilities of the District's website and agreed to invite a representative of Blue Umbrella to attend the next Board meeting to discuss the matter further.

6. The Board then considered a bookkeeping contract with Municipal Accounts & Consulting, and upon unanimous vote, the contract was approved by the Board.

7. The attorney for the District then advised that as a result of recent legislation the District is required to file an annual eminent domain report with the Texas Comptroller of Public Accounts. The attorney advised that the report is due prior to February 1, 2016 and that his office will prepare and submit the necessary filing.

8. The attorney for the District then advised that he will be providing notice to be posted in the District of the deadline to have a name placed on the election ballot for the May, 2016 directors election.

9. The Board then recognized Mr. David Smalling who presented an analysis of a potential refunding of a portion of the District's debt. Mr. Smalling advised that the financing would take place as a private placement and reviewed with the Board the resulting savings from the financing. After discussion, upon unanimous vote, the Board agreed to consider the matter further at the next Board meeting.

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


Secretary