

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

Minutes of Meeting of Board of Directors
February 9, 2016

The Board of Directors ("Board") of Harris County Municipal Utility District No. 1 ("District") met at 2727 Allen Parkway, Suite 1100, Houston, Texas, on February 9, 2016 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 Ms. Mary Dubois of Acclaim Energy, Mr. David Aitken and Ms. Diane Aitken of Blue Umbrella, Mr. Don Hays and Mr. Mike Potter of Hays Utility South Corporation, Mr. Cory Burton of Municipal Accounts & Consulting, 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 meeting of January 12, 2016, and upon motion duly made, seconded and unanimously carried, the Board approved the minutes as presented.

2. The Board then recognized Mr. Cory Burton who presented the attached bookkeeper's report. The Board considered invoices presented by the bookkeeper and reviewed a schedule of District investments. The Board discussed movement of certain fund balances and the investment of District funds. The Board also reviewed the general fund budget comparison of actual versus budgeted revenues and expenditures for the fiscal year ending September 30, 2016. 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 2,684 total connections in the District. The Board reviewed the water production and consumption data, and it appeared that 89.04% of the water pumped during the previous month had been accounted for. The Board discussed areas of water loss and considered the need for a cost of production analysis. The operator was requested to prepare an analysis of the cost of production of water for calendar year 2015. The Board reviewed a spreadsheet reflecting the North Harris County Regional Water Authority costs and associated revenues prepared by the District's operator with the assistance of the District's bookkeeper. The Board agreed that it would be appropriate to amend the District's Rate Order to increase the water loss factor to 10%. 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. 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 considered the attached amended Rate Order, and upon unanimous vote, the Rate Order was approved by the Board.

5. The Board then recognized Mr. Erik Spencer who presented the engineer's report. The Board approved the pay applications reflected in the report, as well as a utility commitment for ALDI Foods. The Board also considered a Detention Pond Maintenance Agreement for Lakes at Creekside, Section 3, and upon unanimous vote, the agreement was approved by the Board. After discussion by the Board, upon unanimous vote, the Board approved the engineer's report.

6. The Board then considered the attached resolution confirming review of the District's investment policy, and upon unanimous vote, the resolution was adopted by the Board.

7. The Board then considered the attached order engaging a delinquent tax attorney and levying an additional 20% penalty on 2015 taxes which remain delinquent on July 1, 2016. After review and discussion, the Board engaged the delinquent tax attorney and adopted the attached order levying the penalty.

8. The Board then considered the attached Resolution Affirming Identity Theft Prevention Program and confirmed with the operator that the program is in place and is being properly administered. After discussion, upon unanimous vote, the resolution was approved by the Board.

9. The Board then considered the requirement for a directors election to be held May 7, 2016, and upon unanimous vote, the Board adopted the attached order calling the May 7, 2016 election.

10. The Board then acknowledged that the Vice President had executed a Consent to Collateral Assignment related to the Lakes at Creekside reimbursement agreement, and upon unanimous vote, the consent was ratified by the Board.

11. The Board then recognized representatives of Blue Umbrella who discussed with the Board the capabilities of the District's website. The Board considered various options, including the development of a notification system, and requested Mr. Aitken provide proposals for consideration at the next Board meeting.

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


Secretary