

MINUTES OF MEETING
BOARD OF DIRECTORS

September 23, 2008

THE STATE OF TEXAS

COUNTY OF HARRIS

CHARTERWOOD MUNICIPAL UTILITY DISTRICT

The Board of Directors (the "Board") of Charterwood Municipal Utility District (the "District") met in regular session, open to the public, at Comfort Suites/Willowbrook, 21222 Tomball Parkway, Houston, Texas, a meeting place inside the boundaries of the District, on Tuesday, September 23, 2008, at 7:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Richard G. Howe	-	President
Jean Aldredge	-	Secretary
Tommy Kelley	-	Assistant Secretary/Treasurer
Tom Thomson	-	Assistant Secretary

All members of the Board were present, thus constituting a quorum.

Also attending the meeting were Ken Love with Municipal District Services, the District's Operator ("Operator"); Mark Adam with AEI Engineering, Inc., the District's Engineer ("Engineer"); Kristen Scott of Bob Leared Interests, the District's Tax Assessor/Collector ("TAC"); Barbara Payne with Payne Communications, the District's communications consultant; Michael Murr of MURR, Inc., the District's landscape architect ("MURR"); Jan Bartholomew with RBC Capital Markets, the District's Financial Advisor ("RBC"); Robert Robertson and Michelle Hermann on behalf of Klein Independent School District ("Klein ISD"); Wendy Austin of District Data Services, Bookkeeper for the District ("Bookkeeper") and Tim Green, Attorney and Lori Crawford,

Legal Assistant, of Coats, Rose, Yale, Ryman & Lee, P.C. attorneys for the District ("Coats/Rose").

WHEREUPON, the meeting was called to order. The posted meeting notices are attached hereto.

APPROVAL OF MINUTES

The Board first considered approving the minutes of the August 26 Board meeting. Following a discussion of the minutes and based on a motion by Director Aldredge which was seconded by Director Kelley, the Board voted unanimously to approve the minutes as presented.

PUBLIC COMMENT

The Board recognized Mr. Robert Robertson, Associate Superintendent of Facilities for Klein ISD and Ms. Michelle Hermann of Feldman Rogers (Attorneys), representing Klein ISD. Mr. Robertson addressed the Board regarding service to the 125-acre tract on Spring Cypress Road that is the future site of High School No. 5 within Klein ISD. Mr. Robertson noted that Harris County MUD No. 119, which is the closest in proximity to the tract, has declined to provide service to the tract on terms economically viable to Klein ISD. Ms. Hermann advised the Board that Klein ISD is willing to work with the District if the District is willing to serve the tract, and will pay the costs of construction of facilities to tie into the District's facilities.

The Board indicated it was open to discussion regarding the request for service, and authorized AEI to begin a feasibility study concerning Klein ISD's request to provide 80,000 to 100,000 gpd water and sewer service to the tract. Mr. Robertson and Ms. Hermann then left the meeting.

BOOKKEEPER'S REPORT

Ms. Austin first advised the Board that the TexPool investment fund is no longer being marketed by Lehman Brothers Inc. ("Lehman") which has filed for bankruptcy. She distributed an announcement by Texas Comptroller of Public Accounts to this effect, which points out that Lehman provided marketing services only and did not provide investment management services.

Ms. Austin then reviewed the District's receipts, expenditures, capital projects and debt service funds for the current reporting period. She updated the Board on city sales tax income, and expenses related to the WWTP expansion, the Joint Water Plant expansion and energy consumption. She also noted the payment to Industrial TX Corp. for pay estimate No. 14 in the amount of \$132,987.97 which is also reflected in the engineer's report and will be recommended for payment by the Engineer.

Director Howe then addressed the Board concerning the payment of additional per diems to Director Aldredge for handling projects for the District on her personal time, above and beyond her attendance at Board meetings.

Following discussion regarding bookkeeping matters, and based on a motion by Director Howe which was seconded by Director Kelley, the Board voted unanimously to approve the Bookkeeper's report as presented, to authorize payment of District expenses and to authorize additional per diems for Director Aldredge as discussed.

INVESTMENT POLICY

The Board next considered adopting a Resolution Regarding Review of the District's Investment Policy. Ms. Crawford reminded the Board that copies of the current Investment Policy were previously distributed to board members. She noted that

generally, unless there is a legislative change that would affect the District's investments, investment strategy or policy, the Board has reviewed its Investment Policy annually, as required by law, and made no changes to the policy. She said the list of banks authorized to do business with the District changes periodically, and that she has obtained a complete and current list of banks from the Bookkeeper, and that such list has been incorporated into the Investment Policy.

Based on a motion by Director Thomson which was seconded by Director Aldredge, the Board voted unanimously to adopt the Resolution Regarding Review of Investment Policy as presented, making no material change to the Investment Policy except to reflect the current list of banks.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Scott reviewed the TAC report for the period ending August 31, 2008, noting that 98.2% of 2007 taxes have been collected to date. She reported on receipts and disbursements from the tax account and reviewed historical tax data.

Following a full review of the TAC report, and based on a motion by Director Kelley which was seconded by Director Thomson, the Board voted unanimously to approve the TAC's Report and authorize payment of tax-related expenses. A copy of the TAC report is attached hereto.

FINANCIAL ADVISOR'S REPORT AND DISCUSSION OF 2008 TAX RATE

The Board next recognized Ms. Jan Bartholomew who presented the FA's recommendation for the District's tax levy for tax year 2008, a copy of which is attached. Ms. Bartholomew noted the large increase in certified value from last year's certified value, and recommended that the Board consider a reduction of \$0.10 to the debt service

tax rate, or a reduction of \$0.05 this year and another \$0.05 reduction next year to the debt service component, if appropriate. Ms. Bartholomew responded to comments and questions from Board members concerning the FA's recommendation. Based on such discussion and a motion by Director Aldredge which was seconded by Director ~~Kelley~~ Thomson *Ja*, the Board voted ³⁻¹ ~~unanimously~~ to set the 2008 tax rate at \$0.65 per \$100 of valuation, consisting of \$0.50 for debt service and \$0.15 for maintenance.

Ms. Scott noted that she would publish notice of a public hearing concerning the District's intent to levy a tax for Tuesday, October 28, which is the date of the next regular Board meeting.

DEVELOPER'S REPORT

In lieu of a development report, the Board recognized Ms. Barbara Payne who updated the Board on the status of development of the District's website design and implementation. She distributed and reviewed the initial layout for the first few pages of the website. She answered questions and responded to comments from the Board members. No action was required.

REPORT FROM MICHAEL MURR

Mr. Murr updated the Board on the Cutten Road improvements project. Director Howe requested that Mr. Murr draft and send a letter to residents along Cutten Road regarding the District's efforts to maintain adherence to its policies with respect to the appearance and maintenance of the greenbelt area.

ENGINEER'S REPORT

The Board then recognized Mr. Adam who presented the Engineer's Report and updated the Board on various engineering and construction projects in the District. A copy of the Engineer's report is attached hereto.

Mr. Adam noted the request for payment No. 14 in the amount of \$132,987.97 from Industrial Tx Corp. for the STP expansion, and recommended approval and payment of same.

Mr. Adam reported that there has been no further action with regard to replacement of the fence adjoining the Vintage Lakes development.

With regard to the hydropneumatic tank at Water Plant No. 1, Mr. Adam noted that plans and specs are complete and requested authorization to proceed with advertisement and bidding of the project.

Mr. Adam next addressed the bids received for the sanitary sewer rehabilitation project. He reviewed the bids, and pointed out the lowest bid was from BC Liner LLC, with a base bid of \$62,700.00 and alternates totaling \$83,100.00, for a total bid of \$145,800.00. He recommended that the Board award the contract to BC Liner LLC, the lowest bidder.

Mr. Adam next advised the Board that Smith Commercial ("Smith") has notified the District of preliminary plans to purchase the 4.1 acre tract adjacent to Smith's current facility. He said Smith has requested information regarding service to or annexation of the tract. The Board directed Mr. Adam to have Smith submit an application for service/annexation to the District in advance of the next Board meeting.

Mr. Adam then updated the Board on the status of appraisals of the tracts being considered as the location for the proposed District meeting facility. He referred to a copy of an e-mail received from Alan Dominy in his report for reference.

With regard to the proposed Pillot Gulley landscape improvements, Mr. Adam said he and Mr. Murr will be scheduling another meeting with Harris County Flood Control District to discuss maintenance responsibility for Pillot Gulley.

With regard to the dry detention pond, Mr. Adam reviewed the monthly inspection report and recommended approval of pay estimate No. 14 for maintenance work by Storm Water Solutions, in the amount of \$420.00.

Mr. Adam then noted that the proposed Lake Road improvements project has been suspended pending passage of the bond authorization at a future election. He also said the meeting with the North Harris County Regional Water Authority (the "Authority") will be rescheduled and an update on matters in dispute with the Authority will be provided at a later Board meeting.

With regard to Klein ISD's request for service to the new school, Mr. Adam said the capacity requested is equal to approximately 250 esfc's. He reminded the Board that Klein ISD could be billed as an out-of-district customer. The Board requested an analyses of capacity requirements and feasibility of providing service to the tract.

Lastly, Mr. Adam said the bond authorization reports for the capital projects and recreational improvements are near completion.

Following a full review and discussion of engineering and construction matters, and based on a motion by Director Kelley which was seconded by Director Thomson, the Board voted unanimously to a) approve the Engineer's report; b) approve the request for

payment in the amount of \$132,987.97 for the STP expansion; c) authorize advertisement for bids for replacement of the hydropneumatic tank at Water Plant No. 1; d) prepare analyses with respect to requests for service/annexation; e) authorize the award of the sanitary sewer rehabilitation contract to BC Liner LLC as discussed; and f) approve the pay request from Storm Water Solutions for maintenance of the detention pond.

OPERATOR'S REPORT

Mr. Love first addressed the Board concerning the household hazardous waste collection event and the notice related to same. He said he would distribute notice to the District's customers regarding the event.

With regard to Hurricane Ike, Mr. Love said the District's facilities did not lose power and that no mechanical problems occurred during the use of the generators. There was discussion about the necessity to "overhaul" the District's generators, but Mr. Love said that the generators are maintained regularly and that an overhaul is not necessary at this time

He next reviewed with the Board the operations report for the current reporting period, a copy of which is attached. He updated the Board on collections, billings, and water production and accountability. He noted that the 4-month accountability average is 91.7%. He said due to issues related to Hurricane Ike, no termination letters were sent to customers. The Board concurred to waive any late fees for past-due accounts that were on the termination list in the current reporting period.

Mr. Love updated the Board on the county's plans for removing collected storm debris from homes and businesses in the District. He said Harris County Pct. 4 will pick up brush, stumps and damaged fencing materials. The Board requested that Mr. Love

send a letter to the residents giving notice of the hazardous household waste collection event and the county's intentions to pick up storm debris in the District.

Lastly, Mr. Love advised the Board that an insurance claim has been filed with regard to damage to the fence at the STP. He said a temporary fence has been installed.

Following discussion and based on a motion by Director Thomson which was seconded by Director Kelley, the Board voted unanimously to approve the Operator's report as submitted.

COMMENTS FROM DIRECTORS

The Board and consultants scheduled a special meeting for October 15, 2008 and requested that Ms. Crawford coordinate use of the meeting room.

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

PASSED, APPROVED AND ADOPTED this 28th day of October, 2008.


Secretary, Board of Directors

(DISTRICT SEAL)

