

**MINUTES OF MEETING OF THE
BOARD OF DIRECTORS OF
BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**

August 29, 2007

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A special meeting of the Board of Directors of Block House Municipal Utility District was held on August 29, 2007, at the offices of ECO Resources, Inc., 9511 Ranch Road 620 North, Austin, Texas. The meeting was open to the public and notice was given as required by the Texas Open Meetings Act. A copy of the Certificate of Posting of the Notice is attached as Exhibit "A".

The roll was called of the members of the Board:

Steve Bennett	-	President
Cecilia A. Roberts	-	Vice President
Debra Junk	-	Secretary
Stuart McMullen	-	Assistant Secretary
Terence Davis	-	Assistant Secretary

and all of the Directors were present, thus constituting a quorum. Also present at the meeting was Hector Alanis of ECO Resources, Inc.; Cheryl Allen of Southwest Securities and Ilyse Lerner of Armbrust and Brown, L.L.P.

Director Bennett called the meeting to order at 6:50 p.m. and stated that the Board would first receive a report from the Personnel Subcommittee regarding an on-site manager position. Director Roberts recommended that the Board consider this item at another special meeting, when it could devote more time to the discussion. Director Junk suggested that, before a special meeting was held to discuss the matter, a more detailed job description and salary be established. She recommended that the Board consult a professional to determine the appropriate salary for an on-site manager. Director McMullen stated that he had contacted a staffing agency and that the agency was going to send him a pay scale to review. Ms. Lerner noted that the Board would need to approve the engagement of a consultant before a consultant could be paid for his or her services. Director McMullen stated that the agency was not charging a fee for this preliminary work.

Director Bennett stated that the Board would next discuss the 2007/2008 budget and the 2007 tax rate. Ms. Allen stated that she had determined that residents would pay approximately \$50 less in taxes if the District charged half of the fire service rate through a tax and half through a monthly fee. She recommended that the fee be charged entirely through a tax since that would not dramatically increase the overall tax rate. Ms. Lerner reminded the Board that, at the last Board meeting, the Board had considered a 2007 tax rate that covered the fire protection services provided from January 2007 through December 2008. She stated that she had since spoken with

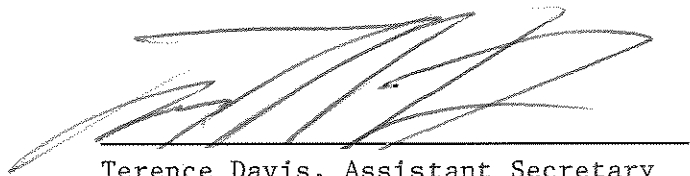
Brenda Eivens, the city manager of Cedar Park, and had confirmed that, under the Fire Protection Agreement, the District was responsible for levying a 2007 contract tax to cover the fire protection services provided from January 2007 through December 2007. She stated that she and Ms. Eivens had also confirmed that the District owed the City for services performed in 2006 based on the prior Fire Protection Agreement. Director Roberts directed Ms. Lerner to obtain written confirmation from Ms. Eivens of this fee arrangement. Ms. Allen stated that, based on that arrangement, the District's tax rate could be decreased to \$0.8599. She stated that that rate would ensure at least a six month reserve in the general fund. Director McMullen noted that it was possible to lower the tax rate further and still maintain a six month reserve. Ms. Allen agreed, but recommended that the Board wait to ensure that the fire protection contract tax arrangement worked as planned, because it was difficult to lower the tax rate and then significantly raise it later.

Mr. Alanis then reviewed the proposed 2007/2008 budget with the Board. The Board reviewed each line item of the budget and made revisions throughout. Based on those revisions and the possible use of surplus funds, the Board determined that it was possible to lower the tax rate to \$0.8499. Ms. Allen recommended that, since Cedar Park planned to increase water and wastewater rates and the fire protection tax rate would also increase in 2008, the Board adopt a tax rate of \$0.8599.

Director Bennett then stated the Board would review the current list of subcommittee assignments. The Board reviewed and revised the list. A copy of the Subcommittee assignments, as revised, is attached Exhibit "B".

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

(SEAL)



Terence Davis, Assistant Secretary
Board of Directors

Date: 9-26-07