

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

February 13, 2012

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 71 (the "District") met in regular session, open to the public, on the 13th day of February, 2012, at the District Administration Building, 21437 Clay Road, Katy, Texas, inside the boundaries of the District, and the roll was called of the members of the Board:

Katrina Thornhill	President
Pam Kerr	Vice President
Mary DuBois	Secretary
Garth Freeze	Assistant Vice President
Phillip Smith, Jr.	Assistant Secretary

and all of the above were present, except Director Freeze, thus constituting a quorum.

Also present were David Glunt, representing Buffington Mason Park, Ltd. and Six J Investments, Inc.; Terry Holland of Myrtle Cruz, Inc.; Rodney Heisch of Brown & Gay Engineers, Inc. ("Brown & Gay"); Esther Flores of Tax Tech, Inc.; Steve and Ginny Woodring of Regional Water Corporation ("RWC"); Chris Browne of Edminster, Hinshaw, Russ & Associates, Inc. ("EHRA"); Officer Steve Arhelger of Harris County Sheriff's Department; Brad Seaback and John Chandler of Seaback Maintenance; Anthea Moran with First Southwest Company; Melissa Graner, District resident; Bill Browning of Evergreen Cottages; Sawyer Blackburn of Pulte Homes of Texas, LP ("Pulte"); and Lynne B. Humphries and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

COMMENTS AND WEBSITE INQUIRIES

Ms. Graner discussed an online payment she made in January, 2012 the Board and subsequent disconnection of service. She requested that the Board waive and reimburse to her the reconnection fee she was charged and the additional deposit she made.

Mr. Browning discussed the grand opening of Evergreen Cottages and invited the Board to attend.

Mr. Seaback addressed the Board regarding District maintenance and mowing of storm water facilities.

CONVENE IN EXECUTIVE SESSION PURSUANT TO SECTION 551.076, TEXAS GOVERNMENT CODE, TO DELIBERATE THE DEPLOYMENT, OR SPECIFIC OCCASIONS FOR IMPLEMENTATION OF SECURITY PERSONNEL OR DEVICES

At 6:07 p.m., the Board met in executive session to deliberate the deployment, or specific occasions for implementation of security personnel or devices. The Board met with Officer Steve Arhelger of Harris County Sheriff's Department.

RE-CONVENE IN OPEN SESSION AND SECURITY REPORT

At 6:47 p.m., the Board reconvened in Open Session. The Board concurred to make no changes to the current security data reporting format.

SALE OF THE DISTRICT'S \$4,250,000 UNLIMITED TAX BONDS, SERIES 2012

Ms. Moran reviewed bids received for the sale of the District's \$4,250,000 Unlimited Tax Bonds, Series 2012, and stated that the low bidder was SAMCO Capital Markets, Inc., with a net effective interest rate of 4.242053%. Following review and discussion, Director Thornhill moved that the Board award the sale of the District's \$4,250,000 Unlimited Tax Bonds, Series 2012 to SAMCO Capital Markets, Inc. Director Kerr seconded the motion, which was passed unanimously.

RESOLUTION AUTHORIZING THE ISSUANCE OF THE DISTRICT'S \$4,250,000 UNLIMITED TAX BONDS, SERIES 2012

Ms. Humphries reviewed the Resolution Authorizing the Issuance of the District's \$4,250,000 Unlimited Tax Bonds, Series 2012. After review and discussion, Director Thornhill moved that the Board adopt the Resolution Authorizing the Issuance of the District's \$4,250,000 Unlimited Tax Bonds, Series 2012. Director DuBois seconded the motion, which was approved by unanimous vote.

PAYING AGENT/REGISTRAR AGREEMENT

Ms. Humphries reviewed the Agreement with Wells Fargo Bank, N.A. to be the Paying Agent/Registrar for the Series 2012 Bonds. After review and discussion, Director Thornhill then moved that the Board appoint Wells Fargo, N.A. to be the Paying Agent/Registrar for the Series 2012 Bonds. Director Kerr seconded the motion, which carried unanimously.

ESCROW AGREEMENT

Ms. Humphries said the District is required to enter into an Escrow Agreement with Compass Bank with regard to certain proceeds of the District's \$4,250,000 bonds. Ms. Humphries reminded the Board that the District has requested that the Texas Commission on Environmental Quality release the funds but the approval may not be

received before the funds are received. After review and discussion, Director Kerr moved that the Board appoint BBVA Compass Bank as the Escrow Agent. Director Thornhill seconded the motion, which passed unanimously.

OFFICIAL STATEMENT

The Board next considered approving the Official Statement for the District's \$4,250,000 Unlimited Tax Bonds, Series 2012. Ms. Moran reported that the Preliminary Official Statement previously approved will be updated to reflect pricing information on the bonds. Following discussion, Director DuBois moved that the Board approve the Official Statement. Director Thornhill seconded the motion, which was approved by unanimous vote.

DOCUMENTS RELATING TO THE BOND SALE AND NECESSARY ACTION TO DELIVER BONDS TO THE PURCHASER

Ms. Humphries reviewed with the Board of Directors various documents relating to the bond sale and asked the Board to authorize the attorney and the financial advisor to take all necessary steps to deliver the bonds to the purchaser. After review and discussion, Director Smith moved that the Board authorize the Board of Directors to sign the bond documents and authorize the attorney and financial advisor to take all necessary steps to deliver the bonds to the purchaser. Director Thornhill seconded the motion, which was approved by unanimous vote.

AMENDMENT TO INFORMATION FORM

Ms. Humphries reviewed the Amendment to the District's Information Form, reflecting the District's additional bonds sold. After review and discussion, Director Smith moved that the Amendment to the District's Information Form be approved and filed with the Texas Commission on Environmental Quality and in the Harris County Deed Records. Director Kerr seconded the motion, which passed unanimously.

UPDATE FROM DISTRICT ENGINEER ON TEXAS COMMISSION ON ENVIRONMENTAL QUALITY INSPECTION OF FACILITIES

Mr. Heisch reported regarding the Texas Commission on Environmental Quality's ("TCEQ") inspection of facilities to be purchased and said that one punch list item was noted and is being addressed.

PRELIMINARY OFFICIAL STATEMENT FOR THE DISTRICT'S UNLIMITED TAX REFUNDING BONDS, SERIES 2012

The Board next considered approving the Preliminary Official Statement for the District's \$5,575,000 Unlimited Tax Refunding Bonds, Series 2012. Following discussion, Director Thornhill moved that the Board approve the Preliminary Official

Statement. Director Kerr seconded the motion, which was approved by unanimous vote.

DESIGNATE UNDERWRITER

The Board considered designating an underwriter for the Series 2012 Refunding Bonds. The Board reviewed information about possible underwriters. Following review and discussion, Director Kerr moved to designate SAMCO Capital Markets, Inc., as underwriter of the Series 2012 Refunding Bonds. Director DuBois seconded the motion, which passed unanimously.

PAYING AGENT/REGISTRAR AND ESCROW AGENT

The Board considered appointing a paying agent/registrar for the Series 2012 Refunding Bonds. Following discussion, Director Thornhill moved to appoint Bank of New York as paying agent/registrar and escrow agent for the Series 2012 Refunding Bonds. Director Kerr seconded the motion, which passed unanimously.

ALL DOCUMENTS RELATING TO THE SALE OF THE DISTRICT'S REFUNDING BONDS, SERIES, 2012 AND NECESSARY ACTION TO DELIVER THE BONDS TO THE UNDERWRITER

Ms. Humphries presented and reviewed with the Directors a Resolution Authorizing the Issuance of the District's Series 2012 Refunding Bonds. Ms. Moran also reviewed an engagement letter with First Southwest Company for a financial advisory fee associated with the District's Series 2012 Refunding Bonds. After review and discussion, Director DuBois moved to approve the sale of the of the refunding bonds subject to a maximum principal amount that would not exceed \$10,000,000 for both new and refunding amounts issued during 2012. Director Kerr seconded the motion. Further discussion ensued regarding parameters for the District's Refunding Bonds, Series 2012. Director DuBois then withdrew her previous motion and moved to approve the sale of the refunding bonds subject to a minimum net present value savings of 4% and a maximum principal amount of \$6,000,000. Director Kerr seconded the motion which passed unanimously. Director Smith then moved to (1) adopt the Resolution Authorizing the Issuance of the District's Series 2012 Refunding Bonds, (2) authorize Director Thornhill to act as the District's authorized representative, to select the specific maturities or series of the District's outstanding bonds to be refunded and to perform any actions needed to effect the sale of the Refunding Bonds, including the execution of the Bond Purchase Agreement and any other necessary documents; and (3) approve an engagement letter with First Southwest Company for a financial advisory fee associated with the District's Series 2012 Refunding Bonds. Director Kerr seconded the motion, which passed unanimously.

MINUTES

The Board considered approving the minutes of the regular meeting on January 9, 2012 and the special meeting on January 24, 2012. Following review and discussion, Director DuBois moved to approve the minutes of the regular meeting on January 9, 2012 and the special meeting on January 24, 2012, as amended. Director Smith seconded the motion, which passed by a vote of 3 to 0, with Director Kerr abstaining from the vote.

GARBAGE COLLECTION

There was no discussion for this agenda item and no Board action was taken.

DEVELOPMENT IN THE DISTRICT

Mr. Glunt discussed development in the Lakes at Mason Park, including homes under construction and the status of construction of Phase 2, and local housing markets.

ARBITRAGE REBATE REPORT FOR SERIES 2001 BONDS

Ms. Humphries reviewed an arbitrage rebate report for the District's Series 2001 Bonds and said that no rebate is due. After review and discussion, upon a motion by Director Thornhill and a second by Director DuBois, the Board voted unanimously to accept the report.

ASSOCIATION OF WATER BOARD DIRECTORS ("AWBD") WINTER CONFERENCE, REIMBURSEMENT OF ELIGIBLE EXPENSES AND ATTENDANCE AT SUMMER CONFERENCE

Directors DuBois and Thornhill commented on AWBD sessions. Director DuBois requested that average water consumption be included on the customer utility bills so that customers may compare their use against the District customer average. Mr. Holland stated that he has reviewed the eligible expenses and all directors who attended the AWBD winter conference were in compliance with the District's Travel Reimbursement Guidelines. Following review and discussion, Director Kerr moved to authorize payment of eligible expenses and authorize attendance at the AWBD summer conference for any director who would like to participate. Director DuBois seconded the motion, which was approved by unanimous vote.

FINANCIAL AND BOOKKEEPING MATTERS

Mr. Holland reviewed the bookkeeper's report and investment report, and presented the bills for payment. After review and discussion, Director Smith moved to (1) approve the bookkeeper's report and investment report; and (2) approve the bills presented for payment, except check no. 8611 which was voided as a duplicate, and check

nos. 8610 and 8613. Director Kerr seconded the motion, which carried unanimously. Copies of the bookkeeper's report and investment report are attached.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Flores reviewed the monthly tax assessor/collector's report. Ms. Flores reported that the 2011 taxes are 85.35% collected as of January 31, 2012 and discussed historical collections. After review and discussion, Director Thornhill moved to approve the tax assessor/collector's report and payment of the bills presented for payment from the tax account. Director Smith seconded the motion, which carried unanimously. A copy of the tax assessor/collector's report is attached.

OPERATION OF DISTRICT FACILITIES

Mr. Woodring then distributed the operator's report, a copy of which is attached, and reviewed the operations and repairs performed in the District during the previous month and reported that the pump at water supply plant no. 2 will need to be replaced for an estimated cost of \$1,500. Mr. Woodring reported pumpage numbers for January, 2012, discussed wastewater permit compliance and build out projections for the District. Mr. Woodring stated that the joint water accountability for the month of January was 97% and 14 new residential taps were installed in the District. Mr. Woodring next reported that the District is required to submit to the West Harris County Regional Water Authority ("WHCRWA") by March 1 annually the total amount of groundwater produced by each well or aggregate system during the preceding calendar year, the purpose for which the groundwater was used and any alternative water supply used. Upon a motion by Director Smith and a second by Director DuBois, the Board voted unanimously to (1) approve the District operator's report; (2) authorize the District operator to replace the pump at water supply plant no. 2 for an amount not to exceed \$1,500; and (3) authorize the District operator to prepare and submit to the WHCRWA a Water Usage Report by March 1, 2012.

Mr. Woodring next reviewed and provided information regarding (1) Ms. Graner's request that the Board waive a reconnection fee and additional deposit; (2) a request from customer Brandy Hussy that the Board waive an \$8.00 delinquent letter fee for the November, 2011 billing cycle; (3) a request from customer Betty Reed that the Board waive a reconnection fee; and (4) a request from customer Michael Sanchez that the Board waive outstanding charges and fees on his account due to alleged identification theft by a previous tenant. Following discussion and after carefully considering the information provided by the customers and the District operator, Director DuBois moved to waive fees as requested by Ms. Graner. Director Thornhill seconded the motion which failed by a vote of 2 to 2 with Directors Kerr and Smith voting no. The Board did not approve the requests of customers Hussy, Reed and Sanchez.

TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT CUSTOMERS

The Board then conducted a hearing on the termination of utility service. Mr. Woodring reported that the residents on the attached termination list were mailed written notice prior to this meeting in accordance with the District's Rate Order, notifying them of the opportunity to appear before the Board to explain, contest, or correct the utility service bill and to show reason why service should not be terminated for reason of nonpayment. Director Kerr then moved that since the residents on the termination list were neither present at the meeting nor had presented any statement on the matter, utility service should be terminated on March 1, 2012, in accordance with the procedures set forth in the District's Rate Order. Director Thornhill seconded the motion, which carried unanimously.

AMEND RATE ORDER

Ms. Humphries next reviewed an Amended Rate Order incorporating utility billing policies revised and/or adopted at the District's special meeting on January 24, 2012. Following review and discussion, Director Kerr moved to adopt the Amended Rate Order, effective February 13, 2012. Director DuBois seconded the motion which passed by a vote of 3 to 1, with Director Smith voting no.

DEVELOPMENT AND MAINTENANCE OF DISTRICT, DETENTION PONDS, LAKES, PARKS, AND RECREATIONAL FACILITIES

The Board considered park agenda items for both special and regular meetings and concurred to keep only the Bundy Lake monument item on the regular agenda and move all other park items to the special agenda, unless directed otherwise by the Board.

Mr. Browne reported that some sheet metal was installed on the monument, lights have been installed and additional painting may be needed. The Board agreed to tour the Bundy Lake monument facility on February 29, 2012 following the special meeting. Mr. Browne said that Lake Pro, Inc. is installing pumps in the circle and it has been determined that there is no underground electrical service from the shoreline to the monument. Mr. Browne said that Lake Pro, Inc.'s previously approved proposal to install a recirculation pump at the monument in the amount of \$15,920 was increased by \$10,000 to include installing the additional electrical power needed. Upon a motion by Director Thornhill and a second by Director Kerr, the Board voted unanimously to authorize installation of additional underground electrical from the shoreline to the monument for an amount not to exceed \$10,000.

ENGINEERING MATTERS

Mr. Heisch presented the engineer's report and updated the Board regarding engineering matters and the status of current construction projects in the District. A copy of the engineer's report is attached.

Mr. Heisch reported regarding design and plan preparation for the construction of water, sewer, and drainage facilities to serve Vineyard Meadow, Sections 6 and 7 and requested that the Board authorize advertisement for bids for construction of water, sewer and drainage facilities to serve Section 7.

Mr. Heisch reported that he received bids for the construction of water, sewer, and drainage facilities to serve Vineyard Meadow, Sections 5 and recommended that the Board award the contract to the lowest qualified bidder, Clearwater Utilities, Inc., in the amount of \$419,600. After review and discussion, based on the engineer's recommendation, and because it would result in the best and most economical completion of the project, Director Thornhill moved to (1) approve the award of the contract to Clearwater Utilities, Inc., subject to review and approval of payment and performance bonds and final plan approval by the City of Houston; and (2) approve a letter financing agreement to KB Home Lonestar, Inc. for same. Director Kerr seconded the motion which passed unanimously.

Mr. Heisch also reported on the status of the Vineyard Meadow detention basin expansion and recommended that the Board approve Pay Estimate No. 1 in the amount of \$403,840.69, payable to Double Oak Construction, Inc.

Mr. Heisch also reported on the status of construction of water, sewer and drainage facilities to serve Vineyard Meadow, Section 4 and recommended that the Board approve Pay Estimate No. 2 and Final in the amount of \$33,646.46, payable to Bay Utilities, Inc. He also presented and recommended that the Board accept a Certificate of Completion for the project.

Mr. Heisch next discussed joint water facilities with Harris County Municipal Utility District No. 287 ("No. 287") and discussed payments made toward completion of the joint facilities projects by No. 287 and Pulte. Mr. Blackburn discussed Pulte's letter of credit for no. 287's share of the shared facilities and requested that the Board consider allowing Pulte to cancel the letter of credit and replace it with a check for the remaining amount owing towards Pulte's share of the joint facilities. After discussion, upon a motion by Director Thornhill and a second by Director Smith, the Board authorized the District bookkeeper and engineer to determine the remaining amounts owed by Pulte for no. 287's share of the joint facilities and authorized ABHR to draft a letter of cancellation of the letter of credit for consideration at the Board's March 13, 2012 meeting.

Ms. Humphries next presented to, and reviewed with the Board, 4 offsite utility easements from KB Home Lonestar, Inc. necessary to serve Vineyard Meadow, Section 5. Mr. Heisch recommended that the Board accept the easements.

Following review and discussion and based upon the engineer's recommendation, Director Thornhill moved to: (1) approve the engineer's report; (2) authorize the District engineer to advertise for the construction of water, sewer, and drainage facilities to serve Vineyard Meadow, Section 7; (3) approve Pay Estimate No. 1 in the amount of \$403,840.69, payable to Double Oak Construction, Inc. for expansion of the Vineyard Meadow detention basin expansion; (4) approve Pay Estimate No. 2 and Final in the amount of \$33,646.46, payable to Bay Utilities, Inc., for construction of water, sewer and drainage facilities to serve Vineyard Meadow, Section 4, and accept a Certificate of Completion; and (5) accept 4 offsite utility easements from KB Home Lonestar, Inc. necessary to serve Vineyard Meadow, Section 5. Director Kerr seconded the motion, which was unanimously approved.

DISTRICT WEBSITE

There was no action needed on this agenda item.

ACTION LIST

The Board reviewed and revised the Action List, a copy of which is attached.

2012 DIRECTORS ELECTION

The Board discussed the May 12, 2012 directors' election. Ms. Humphries reported that the terms of office for Thornhill, Kerr and Freeze will expire in May of 2012 and applications for a place on the ballot must be submitted by 5:00 p.m. on March 5, 2012.

PAY FOR ELECTION OFFICIALS

The Board discussed the rate of pay for election officials. After discussion, Director Kerr moved that the Board set the pay for election officials at \$12.00 per hour. Director Thornhill seconded the motion, which carried by unanimous vote.

ORDER CALLING DIRECTORS ELECTION

Ms. Humphries reviewed the Order Calling Directors Election. After review and discussion, Director Thornhill moved that the Board adopt the Order Calling Directors Election. Director Kerr seconded the motion, which was approved by unanimous vote.

VOTING RIGHTS ACT SUBMISSION LETTER TO THE U.S. DEPARTMENT OF JUSTICE

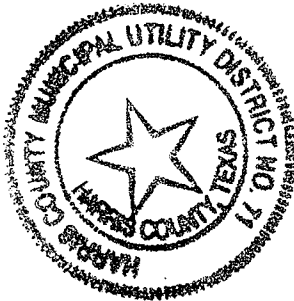
Ms. Humphries stated that the District is required to submit a Voting Rights Act submission letter to the U.S. Department of Justice for any changes to election procedures in the District. After review and discussion of the submission, Director Thornhill moved that the Board authorize ABHR to submit a Voting Rights Act submission letter to the U.S. Department of Justice, if the District is not able to cancel the election. Director Kerr seconded the motion, which carried by unanimous vote.

MEETING SCHEDULE

The Board concurred to hold a special in-District meeting on February 29, 2012 at 6:00 p.m.

There being no further business to discuss, the meeting was adjourned at 9:37 p.m.

(SEAL)



Mary DuBois

Secretary, Board of Directors

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