

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

September 10, 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 10th day of September, 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 DuBois, thus constituting a quorum.

Also present were Mary Jarmon of Myrtle Cruz, Inc.; Kelly Schroeder and Rodney Heisch of Brown & Gay Engineers, Inc. ("Brown & Gay"); Esther Flores of Tax Tech, Inc.; Ginny Woodring and Steve Woodring of Regional Water Corporation ("RWC"); Bob Hudson of Lakes at Mason Park/Buffington Mason Park LTD; Brad and Greg Seaback of Seaback Maintenance ("Seaback"); Chris Browne of Edminster, Hinshaw, Russ and Associates, Inc.; Anthea Moran of First Southwest Company; Joseph Ellis of McCall Gibson Swedlund Barfoot, PLLC; David Miles, District property owner; Will J. Hrachovy of CMI Brokerage; Rachel Hyatt, District resident; and Lynne Humphries and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

Director Thornhill called the meeting to order at 6:03 p.m.

MINUTES

The Board considered approving the minutes of the regular meeting on August 13, 2012, as submitted, and the minutes of the special meeting on August 29, 2012, as amended. Following review and discussion, Director Thornhill moved to approve the minutes of the regular meeting on August 13, 2012, as submitted, and the minutes of the special meeting on August 29, 2012, as amended. Director Smith seconded the motion, which passed unanimously.

AUDIT FOR FISCAL YEAR END SEPTEMBER 30, 2012

The Board considered engaging an auditor to conduct the audit for the fiscal year ending September 30, 2012. Mr. Ellis presented and reviewed an engagement letter. He stated the District will be billed on an hourly basis and fees are estimated to be between

\$16,000 and \$17,500 for the District audit and between \$1,800 and \$2,000 for audit of the joint accounts. Following review and discussion, Director Kerr moved to engage McCall Gibson Swedlund Barfoot PLLC to conduct the District's audit of the District account and the joint accounts for the fiscal year ending September 30, 2012. Director Thornhill seconded the motion, which passed by unanimous vote.

GARBAGE COLLECTION

There was no discussion on this agenda item.

COMMENTS AND WEBSITE INQUIRIES FROM THE PUBLIC

Mr. Woodring discussed website inquiries, requiring no Board action, which are listed in the District operator's report attached to these minutes. Ms. Woodring confirmed that RWC extended a billing adjustment to Ms. Hyatt and Ms. Hyatt left the meeting. Mr. Woodring also confirmed that no return responses were received from customers who received notification of high water usage.

DEVELOPMENT IN THE DISTRICT AND FINANCING AGREEMENT

Mr. Hudson reported on lots under contract and houses under construction in Sections 1 and 2 of Lakes at Mason Park and plans to being development of Section 6.

Mr. Hrachovy reported regarding proposed development on a portion of a 16 acre tract and requested a financing agreement between Mr. Miles and District for construction of a sanitary sewer line extension. Following discussion, upon a motion by Director Kerr and a second by Director Smith, the Board voted unanimously to authorize preparation of a financing agreement between Mr. Miles and the District for construction of a sanitary sewer line extension.

ARBITRAGE REBATE STUDY FOR SERIES 2002 BONDS

The Board next considered conducting an arbitrage rebate study for the District's Series 2002 bonds. Following discussion, Director Thornhill moved to authorize Omnicap, LLC to conduct an arbitrage rebate study for the District's Series 2002 bonds. The motion, which was seconded by Director Kerr, passed unanimously.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Jarmon reviewed the bookkeeper's report and investment report and presented the bills for payment.

The Board reviewed a proposed budget for the fiscal year ending September 30, 2013. Ms. Jarmon reported that the previously approved joint facilities budget was submitted to Harris County Municipal Utility District No. 287. The Board discussed with Ms. Schroeder, Ms. Humphries and Ms. Jarmon unspent budgeted items on the approved projects list for the fiscal year ending September 12, 2012. Ms. Schroeder discussed proposed capital improvements to be completed within 3 to 5 years. Following review and discussion, the Board concurred to amend the budget for the fiscal year ending September 30, 2013 to include \$400,000 for sanitary sewer repairs in the Lakes of Bridgewater, to revise the joint facilities budget to include maintenance on the fine bubble aerator, landscaping and electrical improvements at the wastewater treatment plant and to revise the approved project list to include park improvements. Director Freeze requested that Mr. Browne provide a schedule for proposed park improvements at the special meeting on September 26, 2012.

Ms. Humphries stated that, in accordance with the District's Investment Policy, Mary Jarmon as the bookkeeper and Investment Officer is required to execute disclosure statements that disclose any relationships with banks and brokers who seek to sell investments to the District. She added that the disclosure statement will be filed with the Texas Ethics Commission and the District Records and updated whenever necessary.

After review and discussion, Director Thornhill to (1) approve the bookkeeper's report and investment report; (2) approve the bills presented for payment; (3) adopt the budget for the fiscal year ending September 30, 2013; (4) amend the joint facilities budget for the fiscal year ending September 30, 2013; and (5) accept the disclosure statements pursuant to the District's Investment Policy and the Public Funds Investment Act. Director Freeze seconded the motion, which carried unanimously.

Ms. Schroeder left the meeting and Mr. Heisch arrived.

ANNUAL REVIEW OF INVESTMENT POLICY, RESOLUTION REGARDING ANNUAL REVIEW OF INVESTMENT POLICY AND RESOLUTION ESTABLISHING THE AUTHORIZED DEPOSITORY INSTITUTIONS AND ADOPTING LIST OF QUALIFIED BROKER/DEALERS WITH WHOM THE DISTRICT MAY ENGAGE IN INVESTMENT TRANSACTIONS

Ms. Humphries discussed the requirements of the Public Funds Investment Act and the Public Funds Collateral Act in connection with the District's investments. She discussed with the Board the current investment policy dated September 12, 2011, and recommended no revisions. After review and discussion, Director Thornhill moved that the Board adopt the Resolution Regarding Annual Review of Investment Policy. Director Smith seconded the motion, which carried unanimously.

The Board then reviewed the District's list of qualified broker/dealers. Following review and discussion, upon a motion by Director Thornhill and a second by Director Kerr, the Board voted unanimously to adopt Resolution Establishing the Authorized Depository Institution and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Flores reviewed the monthly tax assessor/collector's report. Ms. Flores reported that the 2011 taxes are 99.14% collected as of August 31, 2012, discussed historical collections and certified values for 2012, including additional certified value expected and the status of referring delinquent accounts for collection. After review and discussion, Director Kerr moved to approve the tax assessor/collector's report and payment of the bills presented for payment from the tax account. Director Thornhill seconded the motion, which carried unanimously. A copy of the tax assessor/collector's report is attached.

2012 TAX RATE

Ms. Humphries discussed the public hearing process for establishing a tax rate. Ms. Moran recommended a levy of \$0.87 per \$100 valuation for debt service and \$0.23 for operations and maintenance. The Board also discussed historical home values, water and sewer rates and the "parity" tax rate which produces the same revenue as last year. After discussion, upon a motion made by Director Kerr and seconded by Director Thornhill, the Board unanimously authorized the tax assessor to publish in the Katy Times notice of public hearing on October 8, 2012, regarding the District's proposed adoption of a tax rate of \$1.10, comprised of a levy of \$0.87 for debt service and \$0.23 for operations and maintenance. The Board concurred that the proposed tax levy notice be posted to the District website.

Ms. Moran and Ms. Flores left the meeting.

OPERATION OF DISTRICT FACILITIES AND MASTER SERVICES AGREEMENT WITH EDMINSTER, HINSHAW, RUSS AND ASSOCIATES, INC. FOR LANDSCAPE ARCHITECT SERVICES

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. Mr. Woodring reported pumpage and surface water use numbers for August, 2012, discussed wastewater permit compliance, reported elevated ammonia levels due to problems with the sludge pump at the wastewater treatment plant and reported build out projections for the District. Mr. Woodring stated the joint water accountability for the

month of August was 89% and was lower because Harris County Municipal Utility District No. 287's meter readings were not received. He also reported 17 new residential taps were installed.

After review and discussion, upon a motion by Director Smith and a second by Director Thornhill, the Board voted unanimously to approve the District operator's report.

The Board discussed a request from Harris County (the "County") for a tap at the 6 acre park and for a water tank filling station to water trees in the park and along trails outside the park. Following discussion, Director Thornhill moved to deny the request from the County for a water tank filling station to water trees along trails outside the park. Director Kerr seconded the motion which passed unanimously.

Mr. Brad Seaback discussed the District's services agreement with Seaback and reviewed a summary of Seaback's general understanding of the terms and conditions contract, including maintenance schedules. Mr. Brad Seaback said that he had some suggested changes to the schedules with regard to seeding and fertilization. He also reported that he is meeting with other tree companies for proposals on September 17, 2012 at 9:00 a.m. and said that the duck removal at Bundy Lake park would begin on Wednesday. Upon inquiry by Director Smith, Mr. Brad Seaback said that he would check to see why the circulation pump at the monument is not running. The Board also discussed with Mr. Brad Seaback the information it wants regarding West Nile virus mosquito prevention. Director Smith requested that proposals include stocking the pond with a type of fish that eats mosquitoes.

TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT CUSTOMERS

Mr. Woodring discussed builder back-charges owed by Royce Homes, Trophy Homes, and NuWay Homes.

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 in accordance with the procedures set forth in the District's Rate Order and that further taps be withheld from Royce Homes, Trophy Homes and NuWay Homes until back-charges are paid. Director Smith seconded the motion, which carried unanimously.

AMEND RATE ORDER

The Board next considered amending the District's Rate Order to pass to the customer a consumer pricing index increase imposed by the District's garbage contractor. Following discussion, the Board determined it did not need to pass on the increase.

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 he received bids for water, sewer and drainage to serve Vineyard Meadows, Section 6 and recommended the Board award the contract to the lowest qualified bidder, Clearwater Utilities, Inc., in the amount of \$173,100. 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 approve the award of the contract to Clearwater Utilities, Inc. Director Kerr seconded the motion which passed unanimously.

Mr. Heisch reported he received bids for water, sewer and drainage to serve Vineyard Meadows, Section 7 and recommended the Board award the contract to the lowest qualified bidder, Clearwater Utilities, Inc., in the amount of \$230,900. 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 approve the award of the contract to Clearwater Utilities, Inc. Director Kerr seconded the motion which passed unanimously.

Mr. Heisch reported on the status of construction of the lift station at the wastewater treatment plant and recommended the Board approve Pay Estimate No. 6 in the amount of \$114,361.74, payable to T&C Construction.

Mr. Heisch reported that the District's surplus funds application to the Texas Commission on Environmental Quality was administratively complete on July 20, 2012.

The Board discussed scheduling a special meeting to review the geographical information system (GIS) after the first of the year.

Following review and discussion, based on the recommendation of the engineer, upon a motion by Director Thornhill and a second by Director Kerr, the Board voted unanimously to (1) approve the District engineer's report; (2) approve Pay Estimate No. 6 in the amount of \$114,361.74, payable to T&C Construction for the construction of

the lift station at the wastewater treatment plant; and (3) approve the Letter Financing Agreement for the construction contracts awarded tonight.

PROPOSALS FOR DISTRICT'S INSURANCE POLICIES

The Board next reviewed proposals and coverage questionnaires from Highpoint Insurance and SIG/McDonald & Wessendorff. Ms. Miller reported that Harco Insurance declined the District's invitation to submit a proposal. Mr. Heisch confirmed that District facilities and values were submitted to both carriers. Following review and discussion, Director Kerr moved to accept the proposal submitted by Highpoint Insurance, subject to confirmation that none of the carrier are surplus lines carriers and are all licensed to conduct business in the state of Texas. Director Smith seconded the motion which failed by a vote of 2 to 0, with Directors Thornhill and Freeze abstaining from voting. The Board requested that this agenda item be placed on the special meeting agenda for September 26, 2012 and that representatives from both companies attend.

DISTRICT WEBSITE

The Board took no action on this agenda item.

ACTION LIST

The Board reviewed and revised the Action List and discussed the status of the items listed. Director Thornhill said that she would try to contact the principal of Morton Ranch Elementary regarding the Water Wise program.

SECURITY REPORT

There was no additional discussion on this agenda item.

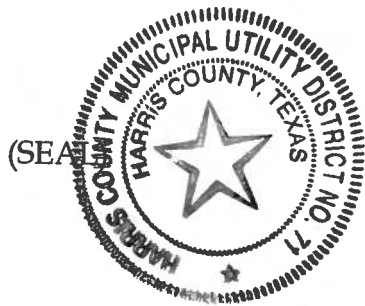
DIRECTORS AND DISTRICT CONSULTANT'S REPORTS ABOUT DISTRICT OPERATIONS

There was no additional discussion on this agenda item.

MEETING SCHEDULE.

The Board agreed to hold a special meeting on September 26, 2012 at 6:00 p.m.

There being no further business to discuss, the meeting was adjourned at 8:32 p.m.



Mary Ambler
Secretary, Board of Directors

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