

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

November 12, 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 12th day of November, 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 Erin Garcia of Myrtle Cruz, Inc.; 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; John Chandler of Seaback Maintenance ("Seaback"); Marsha Jan of McCall Gibson Swedlund Barfoot, PLLC; Anthea Moran of First Southwest Company; Matt DuVal of Acclaim Energy Advisors; Bahnaz Vatani and Luis Taboada, Jr., District residents; and Tim Austin and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

Director Thornhill called the meeting to order at 6:00 p.m.

FINANCIAL AND BOOKKEEPING MATTERS

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

After review and discussion, Director DuBois moved to (1) approve the bookkeeper's report and investment report; and (2) approve the bills presented for payment, including handwritten check no. 1659 in the amount of \$109,631.63, payable to T&C Construction. Director Smith seconded the motion, which carried unanimously.

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.

EXECUTIVE SESSION PURSUANT TO SECTION 551.076, TEXAS GOVERNMENT CODE, TO DELIBERATE THE DEPLOYMENT, OR SPECIFIC OCCASIONS FOR IMPLEMENTATION OF SECURITY PERSONNEL OR DEVICES AND INTERLOCAL AGREEMENT WITH HARRIS COUNTY

The Board determined no executive session was necessary.

The Board also considered a modification requested by Harris County to extend the term of agreement for law enforcement services contracted through the County through February 2013 to account for a change in administration by the County of all security contracts. Upon a motion by Director Kerr and a second by Director Smith, the Board voted unanimously to approve signature of a modification to extend the term of agreement for law enforcement services through February 2013.

MINUTES

The Board considered approving the minutes of the regular meeting on October 8, 2012, as amended. Following review and discussion, Director DuBois moved to approve the minutes of regular meeting on October 8, 2012, as amended. Director Thornhill seconded the motion, which passed unanimously.

ACCLAIM ENERGY ADVISORS DEMAND RESPONSE PROGRAM

Mr. DuVal next discussed Acclaim Energy's 2012 Demand Response Program for District curtailment of energy use through the Energy Reliability Council of Texas ("ERCOT"), including discussion regarding facility connections needed for reporting and management, projected lead times prior to curtailment events and income benefit of the program. Following discussion, the Board requested that Acclaim Energy Advisors submit a proposal and proposed agreement for participation in the demand response program at the November special meeting. Director DuBois noted her abstention from discussion or approval of this matter since she now works for Acclaim.

DEVELOPER REIMBURSEMENT REPORT AND AUTHORIZE DISBURSEMENT OF SURPLUS FUNDS

Ms. Jan reviewed a reimbursement report dated November 12, 2012, detailing distribution of surplus funds released by order of the Texas Commission on Environmental Quality ("TCEQ"). Mr. Heisch updated the Board on pre-purchase inspection of facilities and repairs made prior to the TCEQ inspection. Upon a motion by Director Thornhill and a second by Director DuBois, the Board voted unanimously to authorize disbursement of surplus funds, as authorized by TCEQ Order, subject to receipt of fully executed receipts from developers receiving reimbursement and

payment of any outstanding delinquent taxes owed by developers receiving reimbursement.

GARBAGE COLLECTION

There was no discussion on this agenda item.

REPORT FROM SEABACK MAINTENANCE AND CONSIDER TERMINATION OF AGREEMENT

Mr. Chandler reviewed a schedule of park, landscape, and lake maintenance items completed during October 2012, including tree removal and duck removal at Bundy lake and proposed maintenance items for November 2012, including cleaning of the ponds, replacement of motors in pond fountains and repair of the gate lock at Directors' Park. Mr. Chandler then discussed with the Board the District's Master Services Agreement with Seaback, fertilization and seeding not included in Seaback's initial bid for management services, and the Board's general dissatisfaction with flower plantings. The Board discussed Seaback's subcontractor for flower plantings and that Seaback should replace the subcontractor if it is not performing, subject to original specifications and pricing authorized by the Board as part of the Master Services Agreement with Seaback. The Board also discussed with Mr. Chandler Board expectations regarding routine spot checking of District park facilities and meeting attendance.

Following discussion, the Board requested that Howard Manson with Today's Integration submit a cost estimate to repair the gate lock at Directors' Park. Mr. Woodring said that he would contact Mr. Manson for a proposal.

ITEMS RELATED TO BONDS

The Board next considered a proposal from Omnicap, LLC to conduct an arbitrage rebate study for the District's Series 2007 Bonds. Upon a motion by Director Thornhill and a second by Director Kerr, the Board voted unanimously to engage Omnicap, LLC to conduct an arbitrage rebate study for District's Series 2007 Bonds.

Mr. Austin next reviewed an arbitrage rebate report from Omnicap, LLC for the District's Series 2002 Bonds and noted that no rebate payment is due to the Internal Revenue Service. The Board concurred to accept the report and authorize ABHR to file the report in the District's records.

PRELIMINARY OFFICIAL STATEMENT FOR THE DISTRICT'S UNLIMITED TAX REFUNDING BONDS, SERIES 2013

Ms. Moran described a proposed bond refunding. The Board considered approving the Preliminary Official Statement for the District's \$4,305,628 Unlimited Tax Refunding Bonds, Series 2013. Following review and 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 2013 Refunding Bonds. The Board reviewed information from Ms. Moran about possible underwriters. Following review and discussion, Director Kerr moved to designate SAMCO Capital Markets, as underwriter of the Series 2013 Refunding Bonds. Director Smith seconded the motion, which passed unanimously.

PAYING AGENT/REGISTRAR AND ESCROW AGENT

The Board considered appointing a paying agent/registrar for the Series 2013 Refunding Bonds. Following discussion, Director Kerr moved to appoint Bank of New York as paying agent/registrar and escrow agent for the Series 2013 Refunding Bonds. Director Smith seconded the motion, which passed unanimously.

ALL DOCUMENTS RELATING TO THE SALE OF THE DISTRICT'S REFUNDING BONDS, SERIES, 2013 AND NECESSARY ACTION TO DELIVER THE BONDS TO THE UNDERWRITER

Mr. Austin presented and reviewed with the Directors a Resolution Authorizing the Issuance of the District's Series 2013 Refunding Bonds. After review and discussion regarding parameters for the District's Refunding Bonds, Series 2013, Director Kerr moved to approve the sale of the refunding bonds subject to a minimum net present value savings of 4%. Director Smith seconded the motion which passed unanimously. Director Kerr then moved to (1) adopt the Resolution Authorizing the Issuance of the District's Series 2013 Refunding Bonds; and (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. Director Smith seconded the motion, which passed unanimously.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Flores reviewed the monthly tax assessor/collector's report. Ms. Flores reported that the 2012 taxes are 0.04% collected as of October 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 Thornhill moved to (1) approve the tax assessor/collector's report and payment of the bills presented for payment from the tax account; and (2) authorize the District operator to include a tax payment reminder in the January water bills. Director DuBois seconded the motion, which carried unanimously. A copy of the tax assessor/collector's report is attached.

RESOLUTION REQUESTING APPRAISAL OF PROPERTY AND CERTIFICATE OF ESTIMATED APPRAISED VALUE

The Board discussed Ms. Moran's request for the District to obtain an estimate of value as of November 15, 2012. Following discussion, Director Thornhill moved to adopt a Resolution Requesting Appraisal of Property and Certificate of Estimated Appraised Value, and direct that the resolution be filed appropriately and retained in the District's official records. The motion was seconded by Director DuBois, and carried unanimously.

OPERATION OF DISTRICT FACILITIES, BILLINGS, REPAIRS AND MAINTENANCE

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 October 2012, current water and wastewater capacity, discussed wastewater permit compliance, updated the Board on the performance of the Ebara test pump, discussed a follow up call regarding an odor complaint in Morton Ranch and reported on build out projections for the District. Mr. Woodring stated the joint water accountability for the month of October was 102.1%. He also reported 9 new residential taps were installed.

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

TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT CUSTOMERS

Mr. Woodring discussed builder back-charges owed by Royce Homes and Trophy Homes. Ms. Woodring discussed a request from Ms. Vatani to waive delinquent fees on her account. The Board requested additional information regarding Ms. Vatani's account status.

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 Smith 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 and Trophy Homes until back-charges are paid. Director Thornhill seconded the motion, which carried unanimously.

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 first discussed future construction of water plant no. 3, phase 1 in 2014 and capacity of District wells and plants and requested authorization to begin design of water plant no. 3, phase 1.

Mr. Heisch reported no objection to the plans for water, sewer and drainage facilities to serve Lakes of Mason Park, Section 3. Mr. Hudson said the contract for Lakes of Mason Park, Section 3 should be awarded in January 2013.

Mr. Heisch next reported regarding Vineyard Meadow, Section 5, water, sewer, and drainage facilities and recommended the Board approve Pay Estimate No. 3 and Final in the amount of \$24,980, payable to Clearwater Utilities, Inc.

Mr. Heisch also reported regarding Vineyard Meadow, Section 6, water, sewer, and drainage facilities and recommended the Board approve Pay Estimate No. 1 in the amount of \$152,152.09, payable to Clearwater Utilities, Inc.

Mr. Heisch also reported regarding Vineyard Meadow, Section 7, water, sewer, and drainage facilities and recommended the Board approve Pay Estimate No. 1 in the amount of \$206,247.47, payable to Clearwater Utilities, Inc.

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. 8 in the amount of \$109,631.63, payable to T&C Construction.

Mr. Heisch also discussed construction of water, sewer and drainage to serve Lakes of Mason Park, Section 2 and recommended that the Board approve Pay Estimate No. 3 and Final in the amount of \$7,785.15, payable to Bay Utilities, LLC.

The Board next discussed the status of Elrod Road water plant improvements, including drainage, and Mr. Heisch recommended that the Board approve Pay Estimate No. 1 and Final in the amount of \$43,008, payable to Tackle Construction.

Mr. Heisch reported regarding the sanitary sewer camera survey for Lakes of Bridgewater Drive and presented for approval, Pay Estimate no. 1 in the amount of \$11,504.70, payable to CleanServe, Inc.

Mr. Heisch presented a request for extension of a utility commitment for Daudi Business Park through July 2013.

Mr. Heisch discussed the District's capital improvements plan and revising the previous cost estimate for a second portable generator.

The Board next considered a request from Harris County Municipal Utility District No. 449 ("No. 449) for a water interconnect for emergency use and as temporary supply for 50 single family residential equivalent connections.

Following review and discussion, based on the recommendation of the engineer, upon a motion by Director Thornhill and a second by Director DuBois, the Board voted unanimously to (1) approve the District engineer's report; (2) authorize the District engineer to design of water plant no. 3, phase 1; (3) approve Pay Estimate No. 3 and Final in the amount of \$24,980, payable to Clearwater Utilities, Inc. for Vineyard Meadow, Section 5, water, sewer, and drainage facilities; (4) approve Pay Estimate No. 1 in the amount of \$152,152.09, payable to Clearwater Utilities, Inc. for Vineyard Meadow, Section 6, water, sewer, and drainage facilities; (5) approve Pay Estimate No. 1 in the amount of \$206,247.47, payable to Clearwater Utilities, Inc. for Vineyard Meadow, Section 7, water, sewer, and drainage facilities; (6) approve Pay Estimate No. 8 in the amount of \$109,631.63, payable to T&C Construction for construction of the lift station at the wastewater treatment plant; (7) approve Pay Estimate No. 3 and Final in the amount of \$7,785.15, payable to Bay Utilites, LLC by Mason Road Development Co. for construction of water, sewer and drainage to serve Lakes of Mason Park, Section 2; (8) approve Pay Estimate No. 1 and Final in the amount of \$43,008, payable to Tackle Construction for Elrod Road plant improvements, including drainage; (9) approve Pay Estimate no. 1 in the amount of \$11,504.70, payable to CleanServe, Inc. for sanitary sewer camera survey for Lakes of Bridgewater Drive; (10) authorize extension of a utility commitment for Daudi Business Park through July 2013; and (11) approve an water interconnect to No. 449 for emergency use only but not as temporary supply for 50 connections, contingent upon completion of water plant no. 3, phase 1 and subject to

an acceptable written agreement payment by No. 449 of all costs to bring service to No. 449

DISTRICT WEBSITE

The Board took no action on this agenda item.

REVIEW ACTION LIST

The Board took no action on this agenda item.

INTERLOCAL AGREEMENT WITH HARRIS COUNTY FLOOD CONTROL FOR MOWING

Ms. Miller updated the Board on the District's request for a mowing reimbursement agreement from Harris County Flood Control District. The Board took no action on this agenda item.

DIRECTORS AND DISTRICT CONSULTANT'S REPORTS ABOUT DISTRICT OPERATIONS

Ms. Miller discussed a request from Harris County Precinct 3 ("Precinct 3") to amend the letter agreement between Precinct 3 and the District regarding water from Mason Park to be used for irrigating trees in Mason Park and along trails within the District boundary, changing the proposed monthly allocation of 50,000 gallons of water to a 6 month allocation of 300,000 gallons of water and to revise the agreement to include an auto renewal clause. Following discussion, the Board concurred to deny reallocation of water usage from monthly to a six month term, but to authorize an auto-renewal clause with a 30 day termination notice provision, for no more than 3 years.

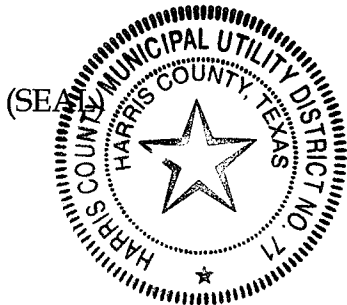
MEETING SCHEDULE

The Board agreed to hold special meetings on November 25, 2012, to prepare for Holiday in the Park and on November 28, 2012, to discuss park and recreation items.

CONTINUED DISCUSSION REGARDING SEABACK MAINTENANCE

The Board continued discussion regarding the District's Master Services Agreement with Seaback. Following discussion, the Board concurred to consider renewal of the District's Master Services Agreement with Seaback in February 2013.

There being no additional business to consider, the meeting was adjourned at 8:26 p.m.



Mary Dubois
Secretary, Board of Directors

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