

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

February 11, 2013

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 11th day of February, 2013, 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 Kerr, thus constituting a quorum.

Also present were Mary Jarmon of Myrtle Cruz, Inc.; Kelli Schroeder of Brown & Gay Engineers, Inc. ("Brown & Gay"); Esther Flores of Tax Tech, Inc.; Ginny Woodring and Steve Woodring of Regional Water Corporation ("RWC"); John Chandler and Brad Seaback of Seaback Maintenance ("Seaback"); Anthea Moran of First Southwest Company; Chris Browne of Edminster Hinshaw and Associates; Bob Hudson of Texas Investment & Development Co.; Matthew May of Best Trash, LLC; Marsha Jan of McCall Gibson Swedlund Barfoot PLLC; Mark Hardy of DR Horton; and Lynne Humphries and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

Director Thornhill called the meeting to order at 6:01 p.m.

COMMENTS AND WEBSITE INQUIRIES

Mr. Woodring discussed one website inquiry requiring no Board action, which is listed in the District operator's report attached to these minutes.

MINUTES

The Board considered approving the minutes of the regular meeting on January 14, 2013, as amended and the special meeting on January 28, 2013, as submitted. Following review and discussion, Director DuBois moved to approve the regular meeting on January 14, 2013, as amended and the special meeting on January 28, 2013, as submitted. Director Thornhill seconded the motion, which passed unanimously.

GARBAGE COLLECTION

Mr. May discussed options to implement a District recycling program without front end cost to District residents and incorporating the cost of recycling into a lower overall trash rate. The Board concurred to defer decision until the March regular meeting.

REPORT FROM SEABACK MAINTENANCE ON PARK, LANDSCAPE, AND LAKE MAINTENANCE

Mr. Seaback reviewed a schedule of park, landscape, and lake maintenance items to be completed during February 2013. The Board requested that Mr. Seaback provide electronically a copy of the map showing the well locations.

BOND APPLICATION NO. 14 ITEMS

Ms. Humphries, Ms. Jarmon and Ms. Moran next discussed surplus funds in the District's general fund and reimbursing fully two of the remaining 4 developers in the District using money market rates to calculate developer interest instead of bond rates saving approximately \$625,000 in soft costs, reducing developer interest for approximately \$2.4 million in projects while maintaining a 12 month reserve and reserve adequate for approved capital projects. Ms. Moran reviewed a proposal to fund developer and District projects, a copy of which is attached to these minutes. In response to inquiry from Director Thornhill regarding taxes or back charges owed by any of the developers to be reimbursed, Ms. Flores and Mr. Woodring said that none of the developers to be reimbursed were delinquent. Ms. Jan reviewed a reimbursement report regarding surplus funds to be reimbursed.

Ms. Moran next reviewed a cost summary for a proposed fourteenth bond application and a pro forma cash flow analysis.

Following discussion and review of the documents presented, Director Smith moved to (1) authorize the District consultants to begin preparation of bond application no. 14; (2) approve the reimbursement report prepared by Ms. Jan; and (3) authorize disbursement of funds pursuant to the surplus funds reimbursement report. Director Thornhill seconded the motion, which passed unanimously.

ARBITRAGE REBATE STUDY FOR SERIES 2004 AND 2004A BONDS

Ms. Humphries next discussed engaging Omnicap, LLC to conduct arbitrage rebate studies for the District's Series 2004 and 2004A Bonds in the amount of \$2,500 per report. After review and discussion, upon a motion by Director Thornhill and a second

by Director Freeze, the Board voted unanimously to engage Omnicap, LLC to conduct arbitrage rebate studies for the District's Series 2004 and 2004A Bonds.

ASSOCIATION OF WATER BOARD DIRECTORS WINTER CONFERENCE, REIMBURSEMENT OF ELIGIBLE EXPENSES, AND SUMMER CONFERENCE

Ms. Jarmon stated that she 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 Thornhill 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

Ms. Jarmon reviewed the bookkeeper's report and investment report and presented the bills for payment. After review and discussion, Director Thornhill moved to (1) approve the bookkeeper's report and investment report; and (2) approve the bills presented for payment. Director DuBois seconded the motion, which carried unanimously.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Flores reviewed the monthly tax assessor/collector's report. Ms. Flores reported that the 2012 taxes collected through Friday last week are 95% collected. She also discussed historical collections and certified values for 2012. Ms. Flores reported delinquent notices will be mailed at the end of February 2013. 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. Mr. Woodring reported pumpage and surface water use numbers for January 2013, current water and wastewater capacity, discussed wastewater permit compliance, updated the Board on the performance of the new lift station at the wastewater treatment plant and reported on build out projections for the District. Mr. Woodring stated the joint water accountability for the month of January was 93.3%. He also reported 14 new residential taps were installed.

Mr. Woodring discussed an issue with booster pump no. 4 at water supply plant no. 2 and reported a repair made to the electric motor in the amount of \$6,700.

Mr. Woodring next discussed repair to the fine bubble system at the wastewater treatment plant for \$116,008. The Board requested the District operator notify Harris County Municipal Utility District No. 287 ("No. 287") of the cost to repair the fine bubble system. The Board also discussed with Mr. Woodring accelerating sludge hauling.

Following review and discussion, Director Smith moved to (1) approve the District operator's report; (2) authorize repair to booster pump no. 4 at water supply plant no. 2 for an amount not to exceed \$6,700; (3) authorize repair of the fine bubble system at the wastewater treatment plant for an amount not to exceed the District's share of \$116,008; and (4) authorize the District operator to submit a water usage report to West Harris County Regional Water Authority. Director Thornhill seconded the motion, which passed unanimously.

TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT CUSTOMERS

Mr. Woodring discussed builder back-charges owed by Royce Homes, Trophy Homes and Saratoga 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 Thornhill 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 Saratoga Homes until back-charges are paid. Director DuBois seconded the motion, which carried unanimously.

SERVICES AGREEMENT FOR SLUDGE HAULING

The Board next discussed sludge hauling and reviewed proposals from Terra Renewal Services, LLC and K3BMI. Following review and discussion, Director Thornhill moved to approve a Services Agreement with K3BMI for sludge hauling. The motion, which was seconded by Director Smith, passed unanimously. Director DuBois requested that a representative of K3BMI attend the next regular meeting.

ENGINEERING MATTERS

Ms. Schroeder 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.

Ms. Schroeder first reported that the extension of conduit over the bleach containment wall at the Elrod Road plant is on hold until the water well no. 4 project one-year warranty period expires on March 6, 2013. She reported the warranty inspection was made on February 7, 2013 and one corrective repair to the generator fuel line was made.

Ms. Schroeder next reported the status of preliminary design of water plant no. 3, phase 1 and said design will take 6 months and that, based upon the development schedule in the District and No. 287, the Districts will need production from the well before the end of 2014. Ms. Jarmon confirmed that funding for the engineering will be paid through general operating funds, to be reimbursed with future bond funds.

Ms. Schroeder then discussed the status of design of a sanitary sewer line extension to serve the Miles Family tract and reported the topographic survey as complete. She said the City of Houston changed the easement requirements for the tract and an additional 10 foot sanitary easement and temporary construction easement will be needed from the landowner at the corner of Mason Road and Elrod Road. Ms. Schroeder said the landowner is amenable to granting the easement.

Ms. Schroeder reported on the construction of the lift station at the wastewater treatment plant and recommended that the Board approve Pay Estimate No. 11 and Final in the amount of \$155,918.20, payable to T&C Construction and Change Order No. 1 for a net decrease of \$12,100.85.

Ms. Schroeder reported on the sanitary sewer camera survey for Lakes of Bridgewater Drive and said all lines have been televised and review of tapes is close to completion. She said the overall condition of the sanitary sewer line was better than expected and there are not many repairs required.

Ms. Schroeder next reviewed the Capital Improvements Plan and requested authorization to begin the projects listed. Ms. Jarmon confirmed that the District's share of the projects listed is \$375,112. Director Thornhill requested that the District engineer provide dates for review of the GIS program, Phase 1 program at the next regular meeting.

Following review and discussion, Director Thornhill moved to (1) approve the engineer's report; (2) authorize the District engineer to design water plant no. 3; (3)

authorize payment of engineering fees associated with the design of water plant no. 3 from the general operating fund; (4) approve a Resolution Expressing Intent to Reimburse the operating account for Intent to reimburse the operating account for fees associated with the design of water plant no. 3 from future bond proceeds; (5) approve Pay Estimate No. 11 and Final in the amount of \$155,918.20, payable to T&C Construction and Change Order No. 1 for a net decrease of \$12,100.85; and (6) authorize the District engineer to proceed with construction of the extension of conduit over the bleach containment wall at the Elrod Road plant. The motion, which was seconded by Director DuBois, passed unanimously.

DEVELOPMENT AND MAINTENANCE OF DISTRICT, DETENTION PONDS, LAKES, PARKS, AND RECREATIONAL FACILITIES AND UPDATE ON BID PACKAGE FOR PARK MAINTENANCE PROPOSALS AND CONTRACT WITH SEABACK FOR PLANT SITE MOWING

Mr. Hudson reported the status of lot development and sales in Lakes of Mason Park.

The Board discussed revision of specifications for maintenance of District detention ponds, lakes, parks and recreational facilities, including removal of mowing water and sewer facilities, addition of routine playground inspection and clarification of seeding and fertilizing requirements. The Board requested that Mr. Woodring include the mowing as part of the District's contract with Regional Water and that Mr. Woodring bring an amended contract for subcontractor services to the next regular meeting. The Board also concurred that the specifications for the park maintenance require a monthly written report of activities scheduled and completed and additional services requiring Board approval. Following discussion, upon a motion by Director Thornhill and a second by Director Smith, the Board voted unanimously to (1) approve the revisions to specifications for maintenance of District detention ponds, lakes, parks and recreational facilities, including removal of mowing water and sewer plant facilities, addition of routine playground inspection and clarification of seeding and fertilizing requirements, as discussed; and (2) authorize ABHR to send notice of termination of the current parks maintenance contract to Seaback Maintenance, effective March 31, 2013.

The Board concurred that bids will be reviewed at the second meeting in March 2013 and that the new contractor should begin on April 1, 2013.

DISTRICT WEBSITE

There was no additional discussion on this agenda item.

REVIEW ACTION LIST OF ACTIONS

The Board reviewed and revised the Action List and discussed and amended the status of the items listed.

DIRECTORS AND DISTRICT CONSULTANT'S REPORTS

There was no additional discussion on this agenda item.

MEETING SCHEDULE

The Board confirmed the regular meeting on March 11, 2013 at 6:00 p.m. and a special parks meeting on March 28, 2013 at 6:00 p.m.

There being no further business to consider, Director Thornhill moved to adjourn the meeting at 8:09 p.m. The motion, which was seconded by Director DuBois, passed unanimously.



Mary DuBois
Secretary, Board of Directors