

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

March 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 11<sup>th</sup> day of March, 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.

Also present were Mary Jarmon 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"); Sgt. Grady Castleberry and Officer Steve Arfhelger of Harris County Sheriff's Department; Chris Browne of Edminster, Hinshaw, Russ and Associates, Inc. ("EHRA"); Bob Hudson of Texas Investment & Development Co.; Richard May and Aimee Ordeneaux Raley of Best Trash, LLC; and Lynne Humphries and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

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

TOUR OF DIRECTORS PARK AND REVIEW PROJECT SUMMARY AND BUDGET

The Board toured Directors Park further discussing components of the Directors Park proposal. Following the tour, the Board concurred that the proposal be revised, as discussed during the tour, and that a revised proposal be prepared for review and discussion at the March 28, 2013 special meeting.

COMMENTS AND WEBSITE INQUIRIES FROM THE PUBLIC

Mr. Woodring discussed an inquiry from District resident regarding detention maintenance.

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 6:34 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 Sergeant Grady Castleberry and Officer Steve Arhelger of Harris County Sheriff's Department.

RE-CONVENE IN OPEN SESSION, SECURITY REPORT AND RENEW HARRIS COUNTY DEPUTY CONTRACT FOR TWO DEPUTIES

At 6:58 p.m., the Board reconvened in Open Session. No action was taken as a result of discussion in executive session.

MINUTES

The Board considered approving the minutes of the regular meeting on February 11, 2013, as submitted and the special meeting on February 20, 2013, as amended. Following review and discussion, Director DuBois moved to approve the regular meeting on February 11, 2013, as submitted. Director Thornhill seconded the motion, which passed by a vote of 4 to 0 with Director Kerr abstaining from voting. Director DuBois then moved to approve the minutes of the special meeting on February 20, 2013, as amended. Director Kerr seconded the motion, which passed unanimously.

GARBAGE COLLECTION, INCLUDING DISCUSS RENEWAL OF GARBAGE CONTRACT AND POSSIBLE ADDITION OF RECYCLING

Ms. Raley discussed a proposal to implement a District recycling program for \$1.42 per connection, for a total 2013 price of \$4.00 with the annual consumer price index increase beginning in 2014. Ms. Raley also discussed current markets for new recycling contracts and discussed proposed collection dates, as well as trucks that would service the area. Ms. Jarmon discussed surplus budget funds available to cover the cost of the increase. After review and upon a motion by Director Kerr and a second by Director Thornhill, the Board voted 3 to 2, with Directors Smith and Freeze voting against the motion, to approve the proposal and contract, a copy of which is attached, subject to attorney review and effective June 1, 2013, including the addition of recycling and to carry the cost of the increase until the new budget cycle at which time the Board may reconsider carrying the cost of the increase.

Ms. Raley provided additional information regarding types of acceptable recycling containers, including bags. She also said Best Trash would provide recycling information

for the website and utility billing inserts. Mr. May said the recycling bins will be delivered at the end of May 2013.

#### REPORT FROM SEABACK MAINTENANCE

No report was given.

#### FINANCIAL AND BOOKKEEPING MATTERS, INCLUDING ADDITIONAL SURPLUS FUNDS REIMBURSEMENT TO DR HORTON

Ms. Jarmon reviewed the bookkeeper's report and investment report and presented the bills for payment. Ms. Jarmon notes the receipt of sales tax payments from the City of Houston received pursuant to the District's Strategic Partnership Agreement with the City of Houston. The Board noted some businesses were missing. Ms. Miller and Ms. Jarmon will work with the City to collect the payments. Ms. Jarmon also presented a revised, final report for the District's general fund reimbursement correcting an error in developer interest calculation reimbursing an additional \$5,062.69 to DR Horton. After review and discussion, Director Thornhill moved to (1) approve the bookkeeper's report and investment report; (2) approve the bills presented for payment; and (3) authorize a disbursement to DR Horton in the amount of \$5,062.69. Director DuBois seconded the motion, which carried unanimously.

#### BOOKKEEPER BILLING MATTERS AND AMENDED AND RESTATED BOOKKEEPER SERVICES AGREEMENT

Ms. Jarmon presented and discussed a letter to the Board, a copy of which is attached. She stated that Myrtle Cruz, Inc. ("Myrtle Cruz") has historically not maintained written documentation of time spent on services related to hourly rate work on non-recurring services such as work associated with bond issues, bond anticipation notes and surplus funds applications ("Non-Recurring Services") under the existing services agreement between Myrtle Cruz and the District. She also stated that in the past Myrtle Cruz has billed such services to the District based on time estimates provided by Myrtle Cruz bookkeepers, without corresponding written support. Discussion ensued.

Ms. Jarmon also presented and reviewed an Amended and Restated Bookkeeper Services Agreement (the "Amended Agreement"). She stated that the Amended Agreement includes flat fees for the various Non-Recurring Services, which services had been previously billed at an hourly rate, and she reviewed the schedule of flat fees. Following discussion, upon a motion by Director Kerr and a second by Director Thornhill, the Board voted unanimously to approve the Amended and Restated Bookkeeper Services Agreement.

## ANNUAL REPORT

Ms. Humphries stated that pursuant to the District's continuing disclosure obligations in connection with the District's outstanding bonds, the District is required to annually update and file with various regulatory agencies an Annual Report concerning the District's financial and operating information and the audit as of fiscal year end September 30, 2012. Ms. Humphries said that the District's Official Statement from the District's Series 2013 Refunding Bonds will serve as Exhibit A to the report. After discussion, Director Thornhill moved to approve the Annual Report and authorize the attorney to submit the District's updated financial and operating data in compliance with the continuing disclosure provisions contained in the District's bond resolutions through EMMA and direct that the report be filed appropriately and retained in the District's official records. Director Kerr 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 collected through February 28, 2013 are 95.75% collected. She also discussed historical collections and certified values for 2012. 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 DuBois seconded the motion, which carried unanimously. A copy of the tax assessor/collector's report is attached.

## RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

The Board next considered adopting a Resolution Concerning Exemptions from Taxation. Ms. Humphries stated that last year the Board granted a \$20,000 exemption for all residents 65 years of age or older or disabled persons, but rejected the general residential homestead exemption and the exemption for travel trailers. Following review and discussion, Director Smith moved to adopt the Resolution Concerning Exemptions from Taxation, reflecting no changes to the previous year's exemptions, and direct that the Resolution be filed appropriately and retained in the District's official records. Director Kerr seconded the motion, and it passed unanimously.

## OPERATION OF DISTRICT FACILITIES AND TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT CUSTOMERS

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 February 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 February was 93.4%. He also reported 12 new residential taps were installed.

Mr. Woodring also reviewed an amendment to the District's contract with Regional Water to incorporate District plant mowing, as requested by Board, effective April 1, 2013 at Seaback's cost.

Mr. Woodring reported the well motor at water plant no. 2 failed as a result of moisture in the windings and that repairs, including a rebuild of the motor, are estimated at \$13,000. He said that a shroud enclosure can be constructed for an additional \$1,000. Following discussion, Director Smith moved to authorize repair of the well motor for an amount not to exceed \$13,000 and construction of a shroud enclosure for an additional \$1,000. Director Thornhill seconded the motion, which passed unanimously.

Mr. Woodring also recommended replacing the autodialer at water plant no. 1 for an estimated \$3,000 due to intermittent electronic problems affecting programming. Following discussion, upon a motion by Director Kerr and a second by Director Thornhill, the Board voted unanimously to authorize repair of the autodialer at water plant no. 1 for an amount not to exceed \$3,000.

Following review and discussion, Director Kerr moved to (1) approve the District operator's report; and (2) approve an amendment to the District's contract with Regional Water to incorporate District plant mowing. Director Thornhill seconded the motion, which passed unanimously.

Mr. Woodring then presented a written appeal from customer Monique Phillips requesting waiver of an \$8 delinquent letter fee and reimbursement of a \$35 bank stop payment charge. Following discussion and review of information provided by the resident and District operator, Director Kerr moved to deny Ms. Phillips' request. The motion, which was seconded by Director Smith, passed unanimously.

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 Smith seconded the motion, which carried unanimously.

#### WATER SMART APPLICATION

Mr. Woodring discussed the District's 2012 Water Smart Application, a copy of which is attached, to the Association of Water Board Directors, including a Resolution Authorizing Application for the Water Smart Program. He noted the purple pipe within the District meets part of the requirements to participate in the Water Smart program.

Following review and discussion, Director Thornhill moved to approve a Resolution Authorizing Application for the Water Smart Program. The motion was seconded by Director Kerr, and carried unanimously. Mr. Woodring said he would bring the completed Water Smart Application packet to the March 28, 2013 special meeting for Board review.

#### AUTOMATED CLEARING HOUSE AGREEMENT WITH BBVA COMPASS

The Board next considered an Automated Clearing House Agreement with BBVA Compass to provide additional payment options for District utility customers. Upon a motion by Director Kerr and a second by Director DuBois, the Board voted unanimously to approve an Automated Clearing House Agreement with BBVA Compass.

#### ANNUAL REPORT ON IMPLEMENTATION OF WATER CONSERVATION PLAN

The Board discussed the Texas Water Development Board Water Conservation Program Annual Report due May 1, 2013, a copy of which is attached. The Board concurred and requested that the District operator prepare the report for approval at the April 2013 regular Board meeting.

#### REPORT ON DEVELOPMENT

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

#### 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 next reported the status of preliminary design of water plant no. 3, phase 1 and said Brown and Gay is currently working on a site assessment and property survey. Mr. Heisch also discussed amending the District's elevated storage tank waiver which will be needed for the District's next bond application. Following discussion, Director Kerr moved to authorize Brown and Gay to prepare an application for amendment to the District's elevated storage tank waiver. Director Thornhill seconded the motion, which passed unanimously.

Mr. Heisch 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. He 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 A&M Capital, the landowner at the corner of Mason Road and Elrod Road. Mr. Heisch said the landowner is amenable to granting the easement, but will require compensation for the legal fees related to the easement. The Board concurred to offer \$1,000 as payment for the easement. The Board said the cost should be paid from the Miles Family deposit.

Mr. Heisch updated the board on plan approval for Vineyard Meadow, Section 8, water, sewer, and drainage facilities, Vineyard Meadow, Section 9, water, sewer, and drainage facilities and Lakes of Mason Park, Section 3.

Mr. Heisch next reported regarding status of construction Vineyard Meadow, Section 6, water, sewer, and drainage facilities and recommended the Board approve Pay Estimate No. 3 in the amount of \$10,684.44, payable to Clearwater Utilities, Inc.

Mr. Heisch discussed construction of water, sewer, and drainage facilities in Vineyard Meadow, Section 7, and recommended the Board approve Pay Estimate No. 3 in the amount of \$8,919.14, payable to Clearwater Utilities, Inc.

Mr. Heisch reported on the sanitary sewer camera survey for Lakes of Bridgewater Drive and said all lines have been televised and the overall condition of the sanitary sewer line was better than expected.

The Board concurred to meet in special session on May 20, 2013 at 6:00 p.m. to review the Geographical Information System ("GIS"), Phase 1 program at the next regular meeting.

Mr. Heisch said Brown and Gay is working to finalize a cost summary for bond application no. 14.

Following discussion, Director Kerr moved to (1) approve the engineering report; (2) approve Pay Estimate No. 3 in the amount of \$10,684.44, payable to Clearwater Utilities, Inc. for Vineyard Meadow, Section 6; (3) Pay Estimate No. 3 in the amount of \$8,919.14, payable to Clearwater Utilities, Inc. for construction of water, sewer, and drainage facilities in Vineyard Meadow, Section 7; and (4) authorize the District engineer to take the necessary steps to secure the easement needed for the Miles tract, as discussed. Director DuBois seconded the motion, which passed unanimously.

#### DISTRICT WEBSITE

The Board discussed adding information regarding the new recycling program and utility payment options on the District website.

#### ACTION LIST OF ACTIONS AUTHORIZED AT PREVIOUS MEETINGS AND UPDATE ON STATUS OF PERFORMANCE OR COMPLETION

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

#### DEVELOPMENT AND MAINTENANCE OF PARKS

Mr. Woodring said that bids for park maintenance are due March 21, 2013 and will be presented at the March 28, 2013 special meeting.

Upon inquiry by Director Smith, Mr. Woodring said that software for the lighting controller for the Bundy Lake monument is on order.

#### DIRECTORS AND DISTRICT CONSULTANT'S REPORTS ABOUT DISTRICT OPERATIONS

The Board discussed a sales and use tax election called by Harris County Emergency Services District No. 9 ("ESD 9") for May 2013. The Board concurred and requested that ESD 9 election information be posted on the District website.

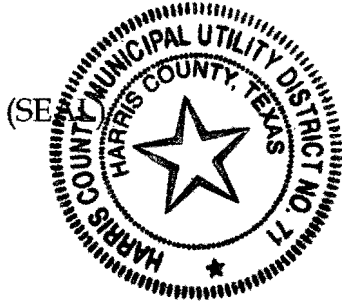
#### MEETING SCHEDULE

The Board confirmed 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 8:55 p.m. The motion, which was seconded by Director Smith, passed unanimously.



Mary Dubois  
Secretary, Board of Directors

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