

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

September 9, 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 9th day of September, 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 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"); Officer Steve Arhelger of Harris County Sheriff's Department; Anthea Moran of First Southwest Company; Chris Browne of Edminster, Hinshaw, Russ and Associates, Inc.; Sherrie Knoepful, Mike Stone and Kendall Purgatorio of Mike Stone & Associates ("MSA"); Marshall Schoth of AquaSurance, LLC; Dan McDonald of SIG/McDonald & Wessendorff; Bob Hudson of Texas Investment & Development Co.; June Tang of KB Home; and Hannah Brook and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

Director Thornhill called the meeting to order at 6:02 p.m.

COMMENTS AND WEBSITE INQUIRIES FROM THE PUBLIC

Mr. Woodring discussed three website inquiries, including consultant response to same, requiring no Board action, which are listed in the District operator's report attached to these minutes.

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 6:04 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 Arhelger. Ms. Brook and Ms. Miller also were present.

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

At 6:22 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 August 12, 2013. Following review and discussion, Director Thornhill moved to approve the minutes of the regular meeting on August 12, 2013, as amended. Director Smith seconded the motion, which passed unanimously.

REPORT ON DEVELOPMENT

Mr. Hudson reported regarding the status of lot development, landscaping upgrades in Vineyard Meadows, and sales in Vineyard Meadows and Lakes of Mason Park.

GARBAGE COLLECTION AND RECYCLING

Director Kerr updated the Board on previous resident complaints regarding co-mingling of garbage and recycling material on garbage collection routes. Director Kerr said that Matthew May of Best Trash replied that Best Trash vehicles for garbage and recycling collection are identical and that garbage and recycling material are collected separately. Director Freeze requested that Best Trash provide a quarterly report regarding recycling participation rates.

INSURANCE PROPOSALS

The Board discussed the District's September 30, 2013 policy expiration, reviewed renewal proposals from AquaSurance, LLC and SIG/McDonald & Wessendorff and received presentations from Mr. McDonald and Mr. Schoth. Following review and discussion, the Board concurred to defer action until the September special meeting.

REPORT ON PARK, LANDSCAPE AND LAKE MAINTENANCE

Ms. Knoepful reported on park, landscape and lake maintenance, including an update on projects approved at the August 29, 2013 special meeting. Ms. Knoepful also discussed with the Board adding a potable water source at the wastewater treatment

plant for irrigation of planted materials as an alternative when sodium and chlorine levels in reclaimed water irrigation are too high for plant materials to tolerate.

Mr. Brown reported that painters will be on site at Bundy Lake tomorrow to begin sanding and priming bollards and the monument. Mr. Brown said he estimates 3 days to complete painting of the bollards and 3 to 4 days for each side of the monument.

Director Smith requested removal of graffiti on a boulder across from the middle school at Mirror Lake.

Ms. Knoepful, Mr. Stone and Ms. Purgatorio left the meeting.

FINANCIAL AND BOOKKEEPING MATTERS, JOINT FACILITIES BUDGET

Ms. Garcia reviewed the bookkeeper's report and investment report and presented the bills for payment. She also reviewed the special projects budget, including proposals approved at the July special meeting, a joint facilities capital improvement project ("CIP") worksheet and a joint facilities budget. She also discussed certificates of deposit expiring and renewed and surplus funds on hand.

Ms. Brook discussed the requirements of the Public Funds Investment Act and the Public Funds Collateral Act in connection with the District's investments. She reviewed the current investment policy dated September 12, 2011.

The Board then reviewed the District's list of qualified broker/dealers.

After review and discussion, Director Thornhill moved to (1) approve the bookkeeper's report and investment report; (2) approve the bills presented for payment; (3) adopt the Resolution Regarding Annual Review of Investment Policy; and (4) adopt a Resolution Establishing the Authorized Depository Institution and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions. 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 August 30, 2013 are 99.20% collected. She also discussed historical collections and the status of certification of values for 2013, refunds due to overpayments and delivery of a second set of delinquent notices and reviewed a delinquent tax report. 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 DuBois seconded the motion, which carried unanimously. A copy of the tax assessor/collector's report is attached.

2013 TAX RATE

Ms. Brook 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 Smith and seconded by Director Kerr, the Board unanimously authorized the tax assessor to publish in the Katy Times notice of public hearing on October 14, 2013, 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.

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 August 2013 and current water and wastewater capacity. He also reported on build out projections for the District. Mr. Woodring stated the joint water accountability for the month of August was 92.7%. He also reported 13 new residential taps were installed in the District.

Mr. Woodring reported malfunction of disinfection equipment at the wastewater treatment plant resulting in two reportable E. Coli level events. Mr. Woodring said he is working with the vendor to replace or repair the equipment. Mr. Woodring and Mr. Heisch also reported regarding ongoing issues with lift pump nos. 1 and 3 at the wastewater treatment plant lift station.

Mr. Woodring and Mr. Heisch next discussed an Economic Response program offered by Acclaim Energy Advisors ("Acclaim"). Following discussion, the Board concurred to authorize Mr. Woodring to discuss program feasibility for water plant no. 1 with Acclaim.

Following review and discussion, Director Thornhill moved to approve the operator's report. The motion, which was seconded by Director Smith, passed unanimously.

TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT CUSTOMERS

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

The Board discussed the status of Portal Dental's compliance with and execution of a Wastewater Services Agreement with the District.

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, including Portal Dental if all terms and conditions of the District's Wastewater Services Agreement are not met by the termination date, and that further taps be withheld from Royce Homes, Pulte Homes and Trophy Homes until back-charges are paid. Director Thornhill seconded the motion, which carried unanimously.

AMEND OPERATOR CONTRACT AND RATE ORDER

The Board next reviewed an amended operating contract increasing the current fee for 1 inch residential taps and considered amending the District Rate Order to revise the tap fee to cover the additional costs. Following review and discussion, Director Thornhill moved to approve amendment to the operating contract and to amend the District Rate Order to revise the tap fee for 1 inch residential taps to charge three times the District's actual cost, effective October 1, 2013. Director Smith seconded the motion, which passed 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.

He reported the District's water use variance study is pending approval by the Texas Commission on Environmental Quality ("TCEQ").

Mr. Heisch next reported the status of design of facilities to serve Vineyard Meadow, Section 8, and requested authorization to advertise for bids for construction.

Mr. Heisch next discussed fencing and relocation of the electrical box at lift station no. 5.

Mr. Heisch also discussed the status of design of facilities to serve Vineyard Meadow, Section 9. Discussion ensued regarding planned lot sizes and lot minimum requirements. Director Kerr requested Ms. Tang verify lot sizes planned for Section 9.

Ms. Brook discussed Governor Perry's Proclamation Extending Drought Emergency and recommended that the District implement its Drought Contingency Plan. The Board discussed statewide drought conditions and methods of encouraging reduced water usage.

Following discussion, Director Kerr moved to (1) approve the engineering report; (2) authorize the District engineer to advertise for bids for construction of facilities to serve Vineyard Meadows, Section 8; and (3) authorize a message on the utility bills and District website requesting water conservation. The motion, which was seconded by Director Smith, passed unanimously.

DISTRICT WEBSITE

There was nothing additional to add to the District website.

HOLIDAY IN THE PARK

The Board confirmed the event date as December 14, 2013 from 4:00 p.m. to 6:00 p.m.

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 ABOUT DISTRICT OPERATIONS

The Board discussed an alternative consent agenda format for meeting agendas. Following review of sample agendas and discussion of same, Director Kerr moved to vote against changing to a consent agenda format. Director DuBois seconded the motion, which resulted in a 2 for and 2 against vote, with Director Thornhill abstaining from voting. The Board concurred that an agenda item to consider a consent agenda format be placed on the September special agenda.

MEETING SCHEDULE

The Board agreed the special meeting will be held on September 25, 2013 at 6:00 p.m. Upon a motion by Director Thornhill and a second by Director Smith, the Board voted unanimously to adjourn the meeting at 8:52 p.m.

(SEAL)



Mary Dubois

Secretary, Board of Directors

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