

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

October 14, 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 13th day of October, 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 Arhelger of Harris County Sherriff's Department; Bob Hudson of Texas Investment & Development Co.; Maria Julia of KB Home ("KB"); District residents, Saturnine Lomeli, Jacqlyn Minimah and Vincent Wilson; and Lynne Humphries, Katie Carner 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 website inquiries, including consultant response to same, requiring no Board action, which are listed in the District operator's report attached to these minutes.

Ms. Minimah and Mr. Vincent discussed a recent increase in their water bill, and contact with RWC and a plumber to address potential leaks. Mr. Woodring said RWC would investigate further and make a recommendation to the Board at the October special meeting.

Ms. Woodring said Mr. Lomeli left the meeting and that RWC is investigating the issue reported by Mr. Lomeli and will make a recommendation to the Board at the October special meeting.

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 6:12 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 Sgt. Castleberry and Officer Arhelger. Ms. Humphries, Ms. Carner and Ms. Miller also were present.

RE-CONVENE IN OPEN SESSION, SECURITY REPORT AND RENEW INTERLOCAL AGREEMENT WITH HARRIS COUNTY SHERIFF'S DEPARTMENT

At 6:32 p.m., the Board reconvened in Open Session. Following discussion in executive session, Director Kerr moved to authorize ABHR to send a letter instructing Harris County to return for the District's signature a patrol contract retaining the same total hours and officers for 2014. The motion, which was seconded by Director Thornhill, passed unanimously.

MINUTES

The Board considered approving the minutes of the special meeting on August 29, 2013, the minutes of the September 9, 2013 regular meeting and the minutes of the special meeting on September 25, 2013. Following review and discussion, Director Thornhill moved to approve the August 29, 2013 minutes, as amended, the September 9, 2013 minutes, as amended and the September 25, 2013 minutes, as submitted. 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 and presented contracts for water, sewer and drainage to serve Lakes at Mason Park Section 4. Ms. Miller confirmed that payment and performance bonds for construction of Lakes of Mason Park, Section 4 were reviewed by ABHR and are compliant with District policy for sureties issuing payment and performance bonds.

Ms. Julia reported regarding KB's plans for Vineyard Meadows, Sections 6 and 7.

GARBAGE COLLECTION AND RECYCLING

Director Thornhill responded regarding previous resident complaints regarding co-mingling of garbage and recycling material on garbage collection routes and said that she saw two separate trucks on the route on recycling day.

REPORT ON PARK, LANDSCAPE AND LAKE MAINTENANCE, INCLUDING MOWING STORM WATER PERMIT PROPOSALS, AND PARK MAINTENANCE AND AMENDMENT TO ADMINISTRATION BUILDING, GAZEBO AND RENTAL POLICIES AND PROCEDURES

The Board reviewed a proposed amended Administration Building, Gazebo and Rental Policies and Procedures, but took no action.

Mr. Woodring discussed a power outage during a resident scheduled event and reviewed options to replace wiring from the administration building to water plant no. 2 or abandon the current electrical connection from the administration building to water plant no. 2 and install a stand alone electrical connection for the administration building. Following review and discussion, Director Kerr moved to replace the electrical wiring from the administration building to water plant no. 2 for an amount not to exceed \$45,000. Director DuBois seconded the motion, which passed by a vote of 3 to 1, with Director Thornhill abstaining from voting and Director Smith opposing the motion.

In conjunction with the power outage discussed above, the Board considered refunding \$200 in rental fees to Grace Ekundare. Following review and discussion, Director Phillip moved to refund \$200 to Grace Ekundare. Director Thornhill seconded the motion, which passed unanimously.

FINANCIAL AND BOOKKEEPING MATTERS, JOINT FACILITIES BUDGET

Ms. Jarmon 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 operating funds.

The Board also discussed options for managing communications between the District and the City of Houston regarding sales tax reporting and collection. Ms. Flores suggested the District hire Avik Bonnerjee, who is a consultant specializing in Strategic Partnership Agreement matters.

After review and discussion, Director Kerr moved to (1) approve the bookkeeper's report and investment report; (2) approve the bills presented for payment; and (3) ask ABHR to get a proposal from Mr. Bonnerjee. 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 September 30, 2013 are 99.27% collected. She also discussed historical collections, the status of certification of values for 2013, refunds due to overpayments, delivery of a second set of delinquent notices, and the delinquent tax report. After review and discussion, Director DuBois 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.

PUBLIC HEARING REGARDING DISTRICT'S TAX RATE, ORDER LEVYING TAXES, AND AMENDMENT TO INFORMATION FORM

The Board opened the public hearing on the District's proposed tax levy. Ms. Flores confirmed that notice of the proposed levy had been published. There being no comments from the public, the Board closed the public hearing and considered an Order Levying Taxes, reflecting a tax rate of \$1.10 per \$100 valuation consisting of \$0.87 for debt service and \$0.23 for operations and maintenance. The Board confirmed its intention that the 2013 tax levy includes a maintenance tax for the fiscal year ending September 30, 2014, and a debt tax to pay debt service for the 2014 calendar year. Ms. Flores discussed mailing duplicate statements in January to homeowners whose mortgage companies received a direct tax bill. Upon a motion made by Director Thornhill and seconded by Director DuBois, the Board unanimously adopted the Order Levying Taxes and authorized the execution and filing of the Amendment to the District's Information Form to reflect the tax rate for 2013. The Board declined to send duplicate statements.

ACCEPT LETTER OF REPRESENTATION AND AUTHORIZE EXECUTION OF CREDIT CARD PROCESSING SELF-ASSESSMENT QUESTIONNAIRE.

Ms. Flores stated Global Payments Direct, Inc. has requested the District execute a Credit Card Processing Self-Assessment Questionnaire. Ms. Flores presented a Letter of Representation executed by Copperfield Services, Inc. regarding the Payment Card Industries-Data Security Standards Compliance Certification. After review and discussion, Director DuBois moved to accept the letter of representation and authorize execution of the Credit Card Processing Self-Assessment Questionnaire, and direct that the Letter and Questionnaire be filed appropriately and retained in the District's official records. Director Thornhill seconded the motion, which passed unanimously.

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 numbers for September 2013 and current water and wastewater capacity. He also reported on build out projections for the District. Mr. Woodring stated the joint water accountability was lower for month of August, which is likely attributable to the timing of meter readings in the District and Harris County Municipal Utility District No. 287 ("No. 287"). He also reported 21 new residential taps were installed in the District.

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

Mr. Woodring discussed a backcharge disputed by Gateway Homes. Following review of correspondence from Gateway Homes along with detailed backcharge information, Director Kerr moved to deny Gateway Homes' request for waiver of backcharges. 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 Pulte 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 DuBois 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, Pulte Homes and Trophy Homes until back-charges are paid. Director Freeze 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.

The Board discussed the Acclaim Energy GenMax program in conjunction with the District's pending request to the Texas Commission on Environmental Quality ("TCEQ") for a water use variance. Director DuBois did not participate in this discussion. Following discussion, Director Thornhill requested that discussion of Acclaim Energy's

GenMax program and a First Amendment to the District's DLO365 Agreement with Acclaim Energy be placed on the November 2013 regular agenda. The Board concurred to authorize ABHR to invite a representative of No. 287 to the November regular Board meeting to hear about the Acclaim Energy programs available in conjunction with proposed improvements at water plant nos. 1 and 2. Mr. Heisch also discussed proposed sound attenuation for auxiliary power proposed for water plant nos. 1 and 2.

Mr. Heisch also discussed the status of design of facilities to serve Vineyard Meadow, Section 9 and Ms. Julia said she would verify that lot sizes planned for Section 9 comply with the Financing Agreement.

Mr. Heisch next updated the Board regarding possible relocation of fencing and an electrical box at lift station no. 5 that is actually located outside the property boundaries. Ms. Humphries discussed with the Board options for resolving encroachment and fencing issues and Ms. Julia said she would contact the affected homeowners to request an easement which would allow the District to keep the fence and electrical box in place. Ms. Julia reported in initial conversations with the two affected homeowners, they were amenable to a 6 foot wooden fence as fencing replacement. Discussion ensued regarding original staking of the lift station boundary lines. Director Kerr requested that the District engineer in the future require as built surveys before final acceptance of facilities by the District. Following review and discussion, the Board concurred to defer a decision until the October 30, 2013 special meeting.

The Board also discussed construction of water, sewer and drainage to serve Lakes of Mason Park, Section 3, and Mr. Heisch recommended the Board approve payment of Pay Estimate No. 3 in the amount of \$11,058, to be pre-funded by the developer.

Mr. Heisch reported bond application no. 14 was declared administratively complete by the Texas Commission on Environmental Quality on September 11, 2013.

Following review and discussion, Director Thornhill moved to (1) approve the engineering report; and (2) approve payment of Pay Estimate No. 3 in the amount of \$11,058 for construction of water, sewer and drainage to serve Lakes of Mason Park, Section 3, subject to pre-funding by the developer. The motion, which was seconded by Director DuBois, passed unanimously.

DISTRICT INFORMATION KIT AND DISTRICT WEBSITE

Ms. Humphries reviewed with the Board the most current draft of the District Information Kit. The Board concurred to defer action until its November regular meeting.

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

There was no additional discussion under this agenda item.

MEETING SCHEDULE AND AGENDA FOR SPECIAL PARKS MEETING

The Board confirmed its special meeting on Wednesday, October 30, 2013 at 6:00 p.m., and discussed agenda items, including proposals for sales tax management and discussion regarding the fence at lift station no. 5.

The Board also confirmed a special meeting on November 25, 2013 and a special meeting on November 16, 2013 at 10:00 a.m. at Bundy Lake Park to decorate for Holiday in the Park. The Board confirmed no special parks meeting in December.

DISCUSSION REGARDING CHANGE TO CONSENT AGENDA FORMAT

The Board discussed an alternative consent agenda format for meeting agendas and concurred to defer discussion for the October special meeting. Director Thornhill requested that consultants prepare report summaries to be delivered on the top of meeting reports in advance of meetings.

There being no additional business to consider, the meeting was adjourned.

(SEAL)



Mary Dubois
Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

Minutes
Page

tax assessor/collector's report	4
operator's report	4
termination and tap withholding list	5
engineer's report.....	5