

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

January 13, 2014

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 13<sup>th</sup> day of January, 2014, 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"); Kendall Purgatorio and Phil Martin of Mike Stone & Associates ("MSA"); Frank Sheehy of Harris County Municipal Utility District No. 287 ("No. 287"); John Elder, Karen Sears and Rebecca Correa of Acclaim Energy Advisors ("Acclaim"); Anthea Moran of First Southwest Company; Officer Steve Arhelger of Harris County Sherriff's Department; and Lynne Humphries, Katie Carner and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

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

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 6:02 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. Humphries, Ms. Carner and Ms. Miller also were present.

Director Thornhill entered executive session at 6:10 p.m.

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

At 6:11 p.m., the Board reconvened in Open Session. No action was taken as a result of discussion in executive session.

Officer Arhelger left the meeting.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Flores reviewed the monthly tax assessor/collector's report. Ms. Flores reported that 17.48% of the 2013 taxes were collected as of December 31, 2013. She also discussed historical collections, refunds due to overpayments, and the delinquent tax report.

The Board also considered requesting an appraisal and estimate of value from Harris County Appraisal District.

After review and discussion, Director DuBois moved to (1) approve the tax assessor/collector's report and payment of the bills presented for payment from the tax account; and (2) adopt a Resolution Requesting an Appraisal and Estimate of Value. Director Smith seconded the motion, which carried unanimously. A copy of the tax assessor/collector's report is attached.

Ms. Flores left the meeting.

APPOINT PAYING AGENT/REGISTRAR, ESCROW AGENT, PRELIMINARY OFFICIAL STATEMENT, OFFICIAL NOTICE OF SALE AND ADVERTISEMENT FOR SALE OF THE SERIES 2014 BONDS

Ms. Moran reviewed the Preliminary Official Statement and Official Notice of Sale for the District's \$5,300,000 Unlimited Tax Bonds, Series 2014 (the "Series 2014 Bonds"). The Board also considered appointing a Paying Agent/Registrar for the Series 2014 Bonds.

The Board then considered advertisement of the sale of the Series 2014 Bonds. Ms. Moran recommended a bond sale for February 10, 2014 and a closing of March 6, 2014.

Ms. Miller also presented an engagement proposal from McCall Gibson Swedlund Barfoot PLLC to prepare a reimbursement audit with an estimated fee between \$7,000 and \$9,000.

Following review and discussion, Director Thornhill made a motion (1) to appoint Bank of New York as the Paying Agent/ Registrar of the Series 2014 Bonds; (2) to authorize advertisement of the District's Series 2014 Bonds; (3) to authorize ABHR to schedule the bond sale for February 10, 2014; and (4) to engage McCall Gibson Swedlund Barfoot PLLC to prepare a reimbursement audit for an amount not to exceed \$9,000. The motion was seconded by Director Kerr and carried by unanimous vote.

Ms. Sears and Ms. Correa entered the meeting and Ms. Moran left the meeting.

#### COMMENTS AND WEBSITE INQUIRIES FROM THE PUBLIC

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

Mr. Woodring also discussed a request for refund of building rental from Jorge Flores due to a death in the family on the day of rental. After considering information provided by the resident through the District operator, Director Freeze moved to refund the building rental fee to Jorge Flores. Director Smith seconded the motion, which passed unanimously.

#### MINUTES

The Board considered approving the minutes of the special Holiday in the Park meeting on December 14, 2013 and the minutes of the December 9, 2013 regular meeting. Following review and discussion, Director Kerr moved to approve the minutes of the special Holiday in the Park meeting on December 14, 2013, as submitted, and the minutes of the December 9, 2013 regular meeting, as amended. Director Smith seconded the motion, which passed unanimously.

#### REPORT ON DEVELOPMENT

Ms. Miller distributed a report regarding the status of lot development and sales in Vineyard Meadows and Lakes of Mason Park.

#### GARBAGE COLLECTION AND RECYCLING

There was no additional discussion for this agenda item.

## REPORT ON PARK, LANDSCAPE AND LAKE MAINTENANCE

Ms. Purgatorio reported the fountain in Blue Jay Pond is under repair. The Board also discussed completion of Phase I reforestation at Bundy Lake Park and concurred to discuss Phase II reforestation at the March special meeting.

Mr. Martin reported ongoing lighting program issues at the Bundy Lake monument.

Director Smith reported brick/construction debris left anonymously in Bundy Lake Park. Mr. Woodring said RWC would remove the brick/construction debris.

Mr. Martin and Ms. Purgatorio left the meeting.

## FINANCIAL AND BOOKKEEPING MATTERS, JOINT FACILITIES BUDGET; ANNUAL DISCLOSURE STATEMENTS FOR INVESTMENT OFFICER AND BOOKKEEPER

Ms. Jarmon reviewed a summary of the bookkeeper's report and investment report and presented the bills for payment. She also reviewed the special projects budget, 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. Discussion ensued regarding available funding for water plant improvements.

Ms. Jarmon stated that in accordance with the District's Investment Policy, she is required to execute disclosure statements that disclose any relationships with banks and brokers who seek to sell investments to the District. Ms. Jarmon added that ABHR will file the disclosure statements with the Texas Ethics Commission and the Board of Directors.

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) accept the disclosure statements. Director DuBois seconded the motion, which carried 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 December 2013 and current water and wastewater capacity. He also reported on build out projections for the District.

The Board discussed Holiday in the Park 2013 and discussed possibly moving the 2014 event indoors at the District Administration Building. Mr. Woodring said RWC will send thank you cards to event donors, including the Morton Ranch High School choir, thanking all for donations and participation.

Mr. Woodring updated the Board regarding a Texas Commission on Environmental Quality ("TCEQ") compliance investigation of the Elrod water plant on August 2, 2010 noting too many pressure tanks at one site. He said RWC responded and no further action is required at this time.

Mr. Woodring also reported a foam over at the wastewater treatment plant due to cold weather. Mr. Woodring said he is meeting with a TCEQ inspector later this week to review and discuss.

Mr. Woodring updated the Board on RWC's final reconciliation of an under billing of some District residents from July 2013 through October 2013. He confirmed that in adjusting billing programs to compensate for irrigation, RWC made a data input error on one of the billing tiers resulting in an under-billing of \$65,147.36 for the period. He said measures have been implemented to prevent a recurrence. Mr. Woodring requested the Board allow RWC to make 2 or 3 payments to repay the District for the under-billing. Following review and discussion, Director DuBois moved to absorb the loss. Director Freeze seconded the motion, which passed by a vote of 4 to 0, with Director Smith opposing the motion.

Mr. Elder entered the meeting.

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, Gateway Homes, KB 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 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, Gateway Homes, KB Homes, Pulte Homes and Trophy Homes until back-charges are paid. Director Smith 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 updated the Board regarding boundary issues at lift station no. 5 and conveyance of easements from homeowners affected by District facilities and reported KB Homes is working with a lien holder on one lot to obtain consent.

Mr. Heisch next reported the status of pavement repair to Mason Road, and said he received only one bid of the three requested and recommended the Board award the contract to the lowest and only qualified bidder, Camino Services, LLC, in the amount of \$32,478.75. Discussion ensued regarding joint separation of storm sewer in this area of Mason Road. Mr. Heisch said Harris County now says the District's earlier waterline break caused the joint separation. Mr. Woodring said RWC televised the storm sewer and found two joint separations, neither of which were in the vicinity of the earlier waterline break. Mr. Heisch said he conveyed this information to Harris County and Harris County has requested a copy of the video. Additional discussion ensued regarding planned traffic control during the repair. After review and discussion, based on the recommendation of the District engineer, and because it would result in the best and most economical completion of the project, Director Smith moved to approve the award of the contract to Camino Services, LLC and to release the video to Harris County. Director Kerr seconded the motion which passed unanimously.

Mr. Heisch next reported the status of design of facilities to serve Vineyard Meadow, Section 8, said he received bids and recommended the Board award the contract to the lowest qualified bidder, Jaho, Inc., in the amount of \$432,671.15. After review and discussion, based on the recommendation of the District engineer, and because it would result in the best and most economical completion of the project, Director Smith moved to approve the award of the contract to Jaho, Inc. Director Kerr seconded the motion which passed unanimously. Upon inquiry by Director Kerr, Mr. Heisch said that the detention pond in Vineyard Meadow, Section 8 will be fully inspected, including an erosion inspection by Storm Water Solution, prior to any reimbursement to the developer for constructed facilities.

## ACCLAIM ENERGY ADVISORS GENMAX PROGRAM AND FIRST AMENDMENT TO DLO365 AGREEMENT

The Board received a presentation from Mr. Elder regarding 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. Mr. Elder discussed new legislation regarding use of generators and transporting power back into the electrical grid and proposed oversizing the new generator at the District's water plant no. 1 site. Discussion ensued regarding specifications and higher costs for the type of generators used in the GenMax program and projected recovery of the initial investment. Mr. Elder also discussed proposed generator run times and sound attenuation as part of the installation.

Following discussion, the Board concurred that Mr. Heisch and Ms. Humphries confirm with the TCEQ that oversizing of generators is permitted in order to participate in this program. In response to inquiry regarding competitive bidding requirements, Mr. Elder said Acclaim partners with the Texas General Land Office to meet purchasing requirements. Upon inquiry by Director Smith, Mr. Elder confirmed participation in the GenMax program will not interfere with other Acclaim curtailment programs in which the District is currently enrolled.

Mr. Sheehy, Mr. Elder, Ms. Sears, Ms. Correa and Ms. Humphries left the meeting.

## DISTRICT WEBSITE

The Board concurred to place a separate color notice in water billing notifying residents of enrollment for emergency email alerts.

As authorized at the December 2013 meeting, the Board considered a proposal from Off Cinco, previously known as Studio 60 Design, to increase the hourly billing rate to \$100 and reviewed an Amended and Restated Services Agreement with Off Cinco. Following discussion, upon a motion by Director Thornhill and a second by Director Smith, the Board voted unanimously to approve an Amended and Restated Services Agreement with Off Cinco to increasing the hourly billing rate to \$100. Director Smith seconded the motion, which passed unanimously.

## 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 registration for attendance at the Association of Water Board Directors 2014 summer convention in Fort Worth.

The Board also discussed the January 30 special meeting and requested ABHR remove a presentation Blue Umbrella and notify David Aitken of same.

### 2014 DIRECTORS ELECTION

Ms. Carner said Section 31.122 of the Texas Election Code (the "Code") requires the Secretary of the elected Board of Directors to keep her office open for election duties for at least three hours each day, during regular office hours, on regular business days during the period beginning not later than the 50th day before the election and ending not earlier than the 40th day after the election. Ms. Carner noted that the law was amended to allow an agent of the District to serve as the District's agent for election purposes. Following review and discussion, Director Thornhill moved to adopt a Resolution Designating an Agent of the Secretary of the Board and to appoint Jane H. Miller as the agent of the Board and to authorize posting of Notice of same at Harris County and in the District. Director Kerr seconded the motion, which passed unanimously.

Ms. Carner said the Notice of Candidate Filing Period will be posted in the District and recommended that the Board authorize posting of same on the District website. The Board concurred to also post the notice on the District website.

The Board next considered use of electronic voting systems and Ms. Carner noted that recent legislation exempts District from use of electronic voting machines when less than 250 voters voted at the most recent directors election.

The Board discussed the rate of pay for election officials. After discussion, Director Thornhill moved that the Board set the pay for election officials at \$15 per hour and claim an exemption from use of electronic voting systems. Director Kerr seconded the motion, which carried by unanimous vote.



There being no additional business to consider, Director Thornhill moved to adjourn the meeting at 7:53 p.m. Director Kerr seconded the motion, which passed unanimously.

*Mary DuBois*

Secretary, Board of Directors

(SEAL)



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