

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

September 8, 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 8th day of September, 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 except Director DuBois, thus constituting a quorum.

Also present were Mary Jarmon of Myrtle Cruz, Inc.; Rodney Heisch of Brown & Gay Engineers, Inc. ("Brown & Gay"); Esther Flores of Tax Tech, Inc.; Steve Woodring and Ginny Woodring of Regional Water Corporation ("RWC"); Christine Crotwell of First Southwest Company; Bob Hudson of Texas Investment & Development Co.; Kendall Purgatorio of Mike Stone Associates, Inc. ("MSA"); Officer Arhelger and Deputy Carhee of Harris County Sheriff's Department; and Lynne Humphries, Katie Carner and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

Director Thornhill called the meeting to order at 6:01 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 and Deputy Carhee. Ms. Humphries, Ms. Carner and Ms. Miller also were present.

RE-CONVENE IN OPEN SESSION, SECURITY REPORT

At 6:25 p.m., the Board reconvened in Open Session. No action was taken as a result of discussion in executive session.

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.

MINUTES

The Board considered approving the minutes of the regular meeting on August 11, 2014 and the minutes of the August 25, 2014 special meeting. Following review and discussion, Director Smith moved to approve the minutes of the regular meeting on August 11, 2014, as amended, and the minutes of the August 25, 2014 special meeting, as submitted. Director Freeze seconded the motion, which passed unanimously.

GARBAGE COLLECTION AND RECYCLING

There was no discussion for this agenda item.

REPORT ON PARK, LANDSCAPE AND LAKE MAINTENANCE

Ms. Purgatorio reported the splash pad is now closed for the winter and MSA is winterizing the piping.

Ms. Purgatorio said MSA met with Michael Murr regarding the proposed Bundy Lake Rehabilitation project and is working through a draft proposal.

Ms. Purgatorio said work will begin tomorrow to replace retaining wall bricks at the gazebo located at Bundy Lake due to vandalism.

Ms. Purgatorio reported only the task of installing the concrete pad remains to complete the backflow assembly repair project at Directors Park. Mr. Woodring reported Accurate Meter submitted a proposal to annually inspect backflow assemblies for \$100 per assembly. Mr. Woodring said he would work with MSA to include backflow assemblies in recreational areas in the annual inspection.

Ms. Purgatorio reported the Morton Ranch pilot channel is scheduled to be cleaned this week.

Discussion ensued regarding original installation of lighting at the Bundy Lake monument and associated invoicing for electrical services through Edminster, Hinshaw, Russ & Associates, Inc. Following discussion, the Board concurred to authorize ABHR to obtain unpaid invoices for electrical services rendered and send a letter to EHRA requesting payment of same.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Jarmon reviewed a summary of the bookkeeper's report and investment report and presented the bills for payment. She also reviewed and discussed the special projects and joint facilities budgets. She also discussed certificates of deposit expiring and renewed, and operating funds.

Ms. Carner 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 Kerr 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 Freeze 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 99.01% of the 2013 taxes were collected as of August 30, 2014. Ms. Flores also discussed historical collections, refunds due to overpayments, and provided a delinquent tax report.

Ms. Flores presented and reviewed a "Payment Credit Card Industry Data Security Standard Self-Assessment Questionnaire and Attestation of Compliance" and said this is an annual questionnaire necessary to the District's acceptance of credit card payments for taxes. She explained that Tax Tech is responsible for the District's compliance with the security standards and noted that the District is in compliance with all applicable standards. After review and discussion, Director Thornhill moved to approve the questionnaire, subject to final review by ABHR. The motion, which was seconded by Director Kerr, passed unanimously.

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 Kerr seconded the motion, which carried unanimously. A copy of the tax assessor/collector's report is attached.

2014 TAX RATE

Ms. Crotwell discussed the public hearing process for establishing a tax rate. Ms. Moran recommended a levy of \$0.83 per \$100 valuation for debt service. The Board discussed a \$0.23 rate 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 Kerr and seconded by Director Smith, the Board unanimously authorized the tax assessor to publish in the Katy Times notice of a public hearing on October 13, 2014, regarding the District's proposed adoption of a tax rate of \$1.06, comprised of a levy of \$0.83 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.

REPORT ON DEVELOPMENT

Mr. Hudson reported regarding lot development and sales in Vineyard Meadows and Lakes of Mason Park.

OPERATION OF DISTRICT FACILITIES

Mr. Woodring then distributed the operator's report, a copy of which is attached, reviewed the operations and repairs performed in the District during the previous month.

Mr. Woodring reviewed a request from customer Iqrar Baig requesting a leak adjustment for the months of June, July and August 2014.

Mr. Woodring reported pumpage numbers for August 2014 and current water and wastewater capacity. He also reported on build out projections for the District.

Following review and discussion, Director Smith moved to (1) approve the operator's report; and (2) authorize the District operator to offer a payment plan to customer, Iqrar Baig. The motion, which was seconded by Director Kerr, passed unanimously.

TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT CUSTOMERS

Mr. Woodring discussed builder back-charges owed by Royce Homes, Trophy Homes, Vestalia Homes and Greeneco Builders. 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 Smith 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, Vestalia Homes and Greeneco Builders until back-charges are paid. Director Thornhill 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. A copy of the engineer's report is attached.

Mr. Heisch reported 3 bids received for construction of water, sewer and drainage to serve Vineyard Meadows, Section 9 and recommended the Board award the contract to the lowest qualified bidder, Lonnie Lischka Company, LP, in the amount of \$225,126.96. After review and discussion, and because it would result in the best and most economical completion of the project, Director Thornhill moved to approve the award of the contract to Lonnie Lischka Company, LP, subject to verification of payment and performance bonds and insurance. Director Smith seconded the motion, which passed unanimously.

Mr. Heisch updated the Board on sanitary sewer rehabilitation at Lakes of Bridgewater Drive and recommended the Board approve Pay Estimate No. 2 and Final in the amount of \$6,691.50.

Mr. Heisch next reported the status of repairs to the detention outfall pipe in Bridgewater Pointe and said Storm Water Solutions, LP is finished and the final invoice was sent to MSA.

Mr. Heisch next discussed proposed water plant no. 1 and 2 improvements and water plant no. 3. Discussion ensued regarding build out of Harris County Municipal District No. 287 ("No. 287"), updated connection percentages and revising joint water facilities and the cost sharing agreement between the District and No. 287.

Mr. Heisch said he received a notice regarding service to an ice cream and yogurt shop opening in the District.

Mr. Heisch also reported regarding a request received from the West Harris County Regional Water Authority for participation in a pilot program for automated meter reading system at no cost to the District. The board concurred to request additional information regarding the pilot program.

Following review and discussion, and based upon the engineer's recommendations, Director Thornhill moved to approve the engineering report and Pay Estimate No. 2 and Final in the amount of \$6,691.50, payable to Layne Inliner, LLC for

sanitary sewer rehabilitation at Lakes of Bridgewater Drive. Director Smith seconded the motion, which carried unanimously.

Ms. Carner said Buffington Capital requested the District abandon its interest in a utility easement in Lakes at Mason Park, Section 4 allowing CenterPoint Energy to install its electric and gas services along the back of the lots that abut the plat boundary. Mr. Heisch said the District has no facilities in the easement and has no plans to do so. Following review and discussion, Director Thornhill moved to abandon the District's interest in a utility easement in Lakes at Mason Park, Section 4 allowing CenterPoint Energy to install its electric and gas services along the back of the lots that abut the plat boundary. The motion was seconded by Director Smith and passed unanimously.

DISTRICT WEBSITE

There was no additional discussion on this agenda item.

DIRECTORS AND DISTRICT CONSULTANT'S REPORTS ABOUT DISTRICT OPERATIONS

There was no additional discussion on this agenda item.

INSURANCE RENEWAL

The Board discussed the October 1, 2014 expiration of the District's current insurance policy and reviewed renewal proposals from AquaSurance, LLC, SIG/McDonald & Wessendorff Insurance and Highpoint Insurance Group, LLC. Following review and discussion, Director Smith moved to renew through AquaSurance, LLC. The motion was seconded by Director Kerr and passed by a vote of 3 to 0, with Director Thornhill abstaining because she is employed by SIG/McDonald.

ATTORNEY'S REPORT

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

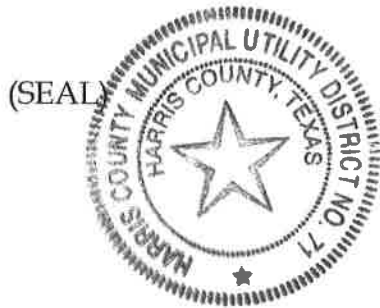
Ms. Humphries reviewed an Annual Report containing updated financial and operating data to be filed in accordance with the continuing disclosure provisions contained in the District's bond resolutions. Following review and discussion, Director Thornhill moved to approve the Annual Report, subject to final revision by ABHR to include 2014 information, authorize the attorney to submit the District's updated financial and operating data in compliance with the continuing disclosure provisions contained in the bond resolutions, and direct that the Annual Report be filed appropriately and retained in the District's official records. Director Kerr seconded the motion, which passed unanimously.

The Board discussed agenda items for the September 29, 2014 special meeting.

HOLIDAY IN THE PARK

The Board discussed plans for Holiday in the Park 2014 and concurred to schedule the event for December 13, 2014 from 4:30 p.m. to 6:30 p.m.

There being no additional business to consider, Director Thornhill moved to adjourn the meeting at 8:15 p.m. Director Smith seconded the motion, which passed unanimously.



Mary DuBois

Secretary, Board of Directors

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