

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

September 14, 2015

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 14th day of September, 2015, 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
Vacant	Assistant Vice President
Phillip Smith, Jr.	Assistant Secretary

and all of the above were present, thus constituting a quorum.

Also present were Jennifer Elms and Daniel Clark, District residents; Tracy Scott of Myrtle Cruz, Inc.; Kim Courte of Arthur J. Gallagher & Co.; Rodney Heisch of Brown & Gay Engineers, Inc. ("Brown & Gay"); Esther Flores of Tax Tech, Inc.; James Woodring, Steve Woodring and Scott Barr of Regional Water Corporation ("RWC"); Kendall Purgatorio and Josh Wailes of Mike Stone Associates, Inc. ("MSA"); Anthea Moran of First Southwest Company "First Southwest"; Joe Goggans and Julie Glass of United Development Funding ("UDF"); Officer Steve Arhelger of Harris County Sherriff's Department; and Katie Carner and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

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

COMMENTS AND WEBSITE INQUIRIES FROM THE PUBLIC

Mr. Woodring discussed a request from Crest Management, on behalf of the homeowner's association for Mason Lakes, to barricade Mt. Elbus Way, including access to the District's detention pond from Mt. Elbus Way, for a National Night Out movie night on October 3, 2015 from 6:30 p.m. to 9:00 p.m.

Mr. Clark complained of unexplained and unexpected high water usage and submitted an application to fill a vacancy on the District Board of Directors.

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 6:08 p.m., Director Thornhill announced that the Board would convene in executive session to deliberate the deployment or specific occasions for implementation of security personnel or devices in the District. The Board met with Officer Arhelger. Ms. Carner and Ms. Miller also were present.

RE-CONVENE IN OPEN SESSION, SECURITY REPORT

At 6:39 p.m., Director Thornhill announced the Board would reconvene in Open Session.

UNLIMITED TAX BONDS, SERIES 2015A

Ms. Moran discussed with the Board the proposed bond sale for the Series 2015 Unlimited Tax Bonds (the "Bonds"). Ms. Moran recommended that the Board appoint Bank of New York Mellon Trust Co. to be the Paying Agent/Registrar for the Bonds. Director Kerr then moved that the Board appoint Bank of New York Mellon Trust Co. to be the Paying Agent/Registrar for the Bonds. Director DuBois seconded the motion, which carried unanimously.

Ms. Moran then recommended that the Board appoint Compass Bank to be the Escrow Agent. Director Kerr then moved that the Board appoint Compass Bank to be the Escrow Agent. Director DuBois seconded the motion, which carried unanimously.

Ms. Moran next reviewed the Preliminary Official Statement ("POS") and Notice of Sale ("NOS") for the Bonds with the Board and discussed the closing schedule. After review and discussion, Director Kerr moved to approve the POS and NOS, subject to final consultant review. Director DuBois seconded the motion, which carried unanimously.

Ms. Moran also discussed with the Board the requirements for advertising for the sale of the Bonds and requested authorization to advertise the sale of the Bonds. After review and discussion, Director Kerr moved to authorize the financial advisor to advertise the sale of the Bonds and schedule the bond sale for October 19, 2015 at 6:00 p.m., subject to receipt of a revised staff memorandum from the Texas Commission on Environmental Quality ("TCEQ"). Director DuBois seconded the motion, which carried unanimously.

The Board discussed engagement terms and conditions for McCall Gibson Swedlund Barfoot PLLC to conduct the developer reimbursement audit for the Bonds. After review and discussion, Director Kerr moved that the Board engage McCall Gibson Swedlund Barfoot PLLC to conduct the developer reimbursement audit for the Bonds. Director DuBois seconded the motion, which carried unanimously.

Ms. Moran also requested authorization to make application for a bond credit rating through Moody's Investors Services. Following discussion, upon a motion by Director Kerr and a second by Director DuBois, the Board voted unanimously to authorize First Southwest Company to apply for a bond credit rating through Moody's Investors Services.

MINUTES

The Board considered approving the minutes of the August 10, 2015 regular meeting. Following review and discussion, Director Smith moved to approve the minutes of the August 10, 2015 regular meeting. Director Kerr seconded the motion, which passed by a vote of 3 to 0, with Director DuBois abstaining from voting.

GARBAGE COLLETION AND RECYCLING

There was no discussion for this agenda item.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Flores reviewed the monthly tax assessor/collector's report. Ms. Flores reported that 98.58% of the 2014 taxes were collected as of August 30, 2015.

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 Smith moved to (1) approve the tax assessor/collector's report and payment of the bills presented for payment from the tax account; and (2) approve the Payment Credit Card Industry Data Security Standard Self-Assessment Questionnaire and Attestation of Compliance, subject to final review by ABHR. Director DuBois seconded the motion, which carried unanimously. A copy of the tax assessor/collector's report is attached.

2015 TAX RATE

Ms. Moran discussed the public hearing process for establishing a tax rate. Ms. Moran recommended a levy of \$0.74 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 Houston Chronicle notice of a public hearing on Oct. 12, 2015 regarding the District's proposed adoption of a tax rate of \$0.97, comprised of a levy of \$0.74 for debt service and \$0.23 for operations and maintenance. The Board concurred that the proposed tax levy notice also be posted to the District website.

Additional discussion ensued regarding publications for the District that meet tax publication/notice requirements. Following review and discussion, Director Kerr moved to amend her earlier motion to publish notice of a public hearing on Oct. 12, 2015 regarding the proposed 2015 tax rate in the Katy Times. Director Smith seconded the motion, which passed unanimously.

REPORT ON PARK, LANDSCAPE AND LAKE MAINTENANCE

Ms. Purgatorio reported the splash pad in Director's Park is closed for the season and will be winterized.

Ms. Purgatorio next reported the status of proposals for irrigation controller rain sensors. She also provided the Board an updated construction schedule for improvements to Lone Star Lake and discussion ensued regarding possible paving assistance from Harris County, Precinct 3 and signage during construction. Ms. Purgatorio said MSA plans to install the reforestation trees at the same time trees are installed at Lone Star Lake, as part of this project. She said, however, that if the project is delayed, she will move the reforestation project forward to be done independently.

Ms. Purgatorio updated the Board regarding efforts to contact the Bridgewater Community Association ("BCA) to request that the BCA split the cost to trim back 20 oak tree canopies at the back of Bundy Lake Park and remove 9 tree stakes. Discussion ensued regarding use of water in BCA maintained medians.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Scott reviewed a summary of the bookkeeper's report and investment report and presented the bills for payment.

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 an update list of the District's 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 Smith seconded the motion, which carried unanimously.

REPORT ON DEVELOPMENT

Mr. Goggans updated the Board regarding funding for and development of Lakes at Mason Park, Sections 5 and 6. He said developer's engineer has been authorized to proceed with plans and re-approval of the plat. Ms. Carner discussed UDF's deferral of reimbursement and guarantees made for completion of the paving for Lakes at Mason Park, Sections 5 and 6.

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.

Discussion ensued regarding Mr. Clark's complaint regarding high water use, including meter age and length of time the irrigation sprinkler system has been tied into the system. Following discussion, Director Thornhill moved to (1) authorize RWC to replace the meter and have the original meter inspected by a third party; and (2) authorize the District operator to accept the average bill of \$80 as account payment until inspection and findings are complete. Director Smith seconded the motion, which passed unanimously.

Mr. Woodring reported pumpage numbers for August 2015 and current water and wastewater capacity. He also reported on build out projections.

Mr. Woodring reported a sanitary sewage overflow on Blacktip Drive and another over Labor Day Weekend on Blackmeade Court and recommended televising those line segments for an amount not to exceed \$3,500. Following review and discussion, Director DuBois moved to authorize the work, as discussed. Director Thornhill seconded the motion, which passed by a vote of 3 to 0, with Director Smith being absent during the vote.

Mr. Woodring next presented a request from customer, Miriam Aziz, requesting the Board waive the returned check charge on her bill. After considering account information provided by the District operator, Director Thornhill moved to waive the returned check charge. The motion was seconded by Director DuBois. Additional discussion ensued to confirm mailing and payment information. Following review and discussion, the motion passed by a vote of 3 to 0, with Director Kerr abstaining from voting.

Mr. Woodring updated the Board regarding completed emergency repairs at Water Plant No. 2 and voluntary conservation measures from Stage 1 of the District's Drought Contingency Plan. Following review and discussion, Director Smith moved to rescind the voluntary conservation measures. Director DuBois seconded the motion, which passed unanimously. The Board concurred to notify customers on the District website and in utility billing that voluntary restrictions are rescinded.

Mr. Woodring updated the Board regarding the number of returned consumer awareness surveys regarding disposal of rags and wipes.

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

TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT CUSTOMERS

Discussion ensued regarding payment options available to District customers. Mr. Woodring then discussed builder back-charges owed by Royce Homes, Trophy Homes, Colina Homes and Vestalia 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 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, Colina Homes and Vestalia Homes until back-charges are paid. Director Kerr 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, including Water Plant Nos. 1 and 2 improvements. A copy of the engineer's report is attached.

Mr. Heisch discussed investigation of a potential pet waste collection system on the iLuckyDog campus.

Mr. Heisch discussed Phase 1 of the sanitary sewer extension to serve the Miles tract. Discussion ensued regarding status of the paving work.

Following review and discussion, and based upon the engineer's recommendations, Director Thornhill moved to approve the engineering report. Director Kerr seconded the motion, which carried unanimously.

Ms. Carner discussed the upcoming expiration of the District's Interlocal Agreement with Harris County Flood Control ("HCFCD") for mowing. Following review and discussion, Director Kerr moved to authorize ABHR to send correspondence to HCFCD requesting renewal of the District's Interlocal Agreement for mowing. Director Smith seconded the motion, which passed unanimously.

DISTRICT WEBSITE

The Board concurred to post the following items to the District website: notices regarding construction at Lone Star Lake, notice regarding rescission of the voluntary water conservation measures and notice of hearing regarding the District's proposed 2015 tax rate.

DIRECTORS AND DISTRICT CONSULTANT'S REPORTS ABOUT DISTRICT OPERATIONS

Director DuBois requested RWC prepare information regarding disposable wipes for commercial customers.

INSURANCE RENEWAL

The Board discussed the October 1, 2015 expiration of the District's current insurance policy and reviewed renewal proposals from AquaSurance, LLC, SIG/McDonald & Wessendorff Insurance, HARCO Insurance Services and Arthur J. Gallagher & Co. Following review and discussion, Director Kerr moved to renew through Arthur J. Gallagher & Co. The motion was seconded by Director Smith and passed by a vote of 3 to 0, with Director Thornhill abstaining.

ATTORNEY'S REPORT

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

Ms. Carner 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 and 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 DuBois seconded the motion, which passed unanimously.

Ms. Carner next discussed Omnicap Group LLC's arbitrage analysis of the District's Series 2005A Unlimited Tax Bonds and said the report finds that no rebates are due.

The Board reviewed the District's procedures for continuing disclosure compliance. Ms. Carner stated that no changes are required at this time.

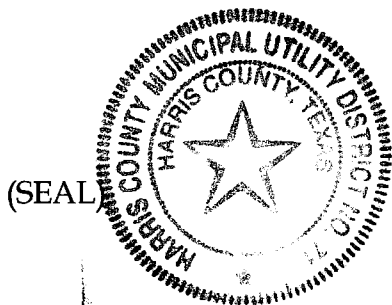
The Board discussed agenda items for the September 30, 2015, special meeting.

The Board next discussed the Board vacancy and applications to fill the vacancy received to date.

Ms. Carner reviewed a Memorandum from ABHR regarding conflict of interest disclosure required under Chapter 176 of the Texas Local Government Code and disclosure forms adopted by the Texas Ethics Commission, a copy of which is attached. Ms. Carner stated that pursuant to Chapter 176 of the Texas Local Government Code, the District will maintain a List of Local Government Officers. Ms. Carner reviewed the List of Local Government Officers. After review and discussion, Director Thornhill moved to approve and authorize execution of the List of Local Government Officers and direct that the List be filed appropriately and retained in the District's official records. Director DuBois seconded the motion, which passed by unanimous vote.

The Board discussed the status of reimbursement for damage to the fence at Director's Park.

There being no additional business to consider, Director Thornhill moved to adjourn the meeting at 8:40 p.m. Director DuBois seconded the motion, which passed unanimously.



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Secretary, Board of Directors

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