

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

January 11, 2016

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 11th day of January, 2016, 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:

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|--------------------|--------------------------|
| Katrina Thornhill | President |
| Pam Kerr | Vice President |
| Mary DuBois | Secretary |
| Phillip Smith, Jr. | Assistant Vice President |
| Jennifer Elms | Assistant Secretary |

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

Also present were Tina Kelsey of Myrtle Cruz, Inc.; Alene Efaw of Brown & Gay Engineers, Inc. ("Brown & Gay"); Esther Flores of Tax Tech, Inc.; Steve Woodring and Scott Barr of Regional Water Corporation ("RWC"); Josh Wailes and Nick Cook of Mike Stone Associates, Inc. ("MSA"); Anthea Moran of First Southwest Company; Robert Moorman and Andrew Kupstas of Aurous Development Services, Ltd; Officer Arhelger of the Harris County Sheriff'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 website inquiries requiring no Board actions, including consultant response to same, which are listed in the District operator's report attached to these minutes.

Mr. Moorman reported that Hacienda Services closed on 88 lots within Bridgewater Meadows, Section 4 and is ready to move forward with development. Mr. Moorman also introduced Adam Kupstas.

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 Deputy Arhelger. Ms. Carner and Ms. Miller also were present.

RE-CONVENE IN OPEN SESSION, SECURITY REPORT

At 6:31 p.m., the Board reconvened in Open Session. Following review and discussion in executive session, Director Smith moved to approve an Interlocal Agreement for Law Enforcement Services with Harris County. The motion, which was seconded by Director Kerr, passed unanimously.

ADDITIONAL PATROL SERVICES

The Board took no action on this agenda item and concurred to authorize removal of the item from the agenda.

MINUTES

The Board considered approving the minutes of the December 14, 2015 regular meeting. Following review and discussion, Director DuBois moved to approve the December 14, 2015 regular meeting minutes, as amended. Director Elms seconded the motion, which passed unanimously.

GARBAGE COLLECTION AND RECYCLING

Mr. May discussed an annual Consumer Pricing Index ("CPI") increase and an associated under billing error from June 2015 through November 2015 and presented an invoice requesting payment for the amount under billed during that period. Mr. May said Best Trash's billing system has been updated to ensure against similar future billing errors. Following review and discussion, Director Smith moved to pay the invoice for the amount under billed. Director Kerr seconded the motion, which passed unanimously. Mr. May also reported regarding recycling collection and tonnage.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Flores reviewed the monthly tax assessor/collector's report and 2015 taxes collected as of December 31, 2015 and reported that courtesy notices have been mailed to District residents notifying residents that tax bills for 2015 were mailed to mortgage companies.

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

SUPPLEMENTAL REIMBURSEMENT

The Board took no action on this agenda item and concurred to authorize removal of the item from the agenda.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Kelsey reviewed a summary of the bookkeeper's report and investment report and presented the bills for payment. Ms. Kelsey also reviewed a draft joint facilities budget for the fiscal year ending March 31, 2016.

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) authorize the District bookkeeper to forward the draft joint facilities budget for the fiscal year ending March 31, 2016 to Harris County Municipal Utility District No. 287. Director Smith seconded the motion, which carried unanimously.

Ms. Moran reviewed preliminary refunding numbers to partially refund the District Series 2007 and 2009 bonds and potential savings to the District. Following review and discussion, the Board concurred to authorize First Southwest to prepare a Preliminary Official Statement and to designate SAMCO as the underwriter for the refunding transaction. Ms. Moran also announced the merger of First Southwest Company with Hilltop Securities, Inc. on January 25, 2016.

REPORT ON DEVELOPMENT

Mr. Kupstas updated the Board regarding development plans for Bridgewater Meadows, Section 4.

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 2015 and current water and wastewater capacity. He also reported on build out projections.

Mr. Woodring discussed and requested authorization to make the following repairs:

1. Booster pump no. 3 electric motor not to exceed \$10,000; and
2. Tap line leak at 22106 Rivermead estimated at \$3,100.

Following review and discussion, upon a motion by Director Elms and a second by Director DuBois, the Board voted unanimously to approve both repairs discussed above.

Mr. Woodring and Ms. Carner updated the Board regarding demand for payment from Johnique Lowrey for District fence damage. The Board requested that RWC confirm whether Ms. Lowrey still held an account with the District and, if so, that her account be noted for consideration regarding future use of District recreational facilities.

Mr. Woodring also requested permission to prepare and submittal of a Water Usage Reporting Form to the West Harris County Regional Water Authority. Upon a motion by Director Smith and a second by Director DuBois, the Board voted unanimously to authorize preparation and submittal of the Water Usage Reporting Form to the West Harris County Regional Water Authority.

The Board next discussed the previously completed disposable wipe customer survey and associated cost of administration of the survey, the status of pending bar screen improvements at the wastewater treatment plant and concurred to defer further discussion regarding a second disposable wipe survey until the agenda for April 2016.

The Board also discussed utility payment options, but concurred that no change is necessary at this time. The Board requested that RWC investigate credit payment options that offer real time credit payment service.

The Board discussed notice received from the West Harris County Regional Water Authority regarding groundwater and surface water fee increases effective January 1, 2016. Following review and discussion, Director Smith moved to authorize a message on water bills notifying residents of the fee increase. Director Dubois seconded the motion, which passed unanimously.

Following review and discussion, Director Smith moved to approve the operator's report. The motion, which was seconded by Director DuBois, 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 KB Homes, 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 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, and that further taps be withheld from KB Homes, Royce Homes, Trophy Homes, Colina Homes and Vestalia Homes until back-charges are paid. Director Elms seconded the motion, which carried unanimously.

ENGINEERING MATTERS

Ms. Efaw 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.

The Board discussed with the District operator and engineer obtaining as built for the commercial construction at the southeast corner of Mason Road and Morton Road and requested that the District operator confirm there are no cross connections and work with the District engineer to update the District's geographic information system ("GIS").

Ms. Efaw first discussed Water Plant No. 1 and No. 2 improvements and recommended the Board approve Pay Estimate No. 1 in the amount of \$43,036.56, payable to Long & Sons, Inc.

Ms. Efaw reported the progress of the Morton Road Sanitary Sewer Extension, Phase 1 and recommended the Board approve Change Order No. 2 in the amount of \$3,500 to raise 2 manholes.

Ms. Efaw updated the Board regarding design of Water Plant No. 3, and Ms. Carner presented a Special Warranty Deed from Clay Road Development Co., Ltd. for Water Plant No. 3.

Following review and discussion, and based upon the engineer's recommendations, Director Elms moved to (1) approve the engineer's report; (2) approve Pay Estimate No. 1 in the amount of \$43,036.56, payable to Long & Sons, Inc. for Water Plant No. 1 and No. 2 improvements; (3) approve Change Order No. 2 in the amount of \$3,500 to raise 2 manholes for the Morton Road Sanitary Sewer Extension, Phase 1; and (4) accept a Special Warranty Deed from Clay Road Development Co., Ltd. for Water Plant No. 3. Director DuBois seconded the motion, which carried unanimously.

REPORT ON PARK, LANDSCAPE AND LAKE MAINTENANCE AND REPAIR AND DEVELOPMENT OF DISTRICT LAKES, PARKS AND RECREATIONAL FACILITIES

Mr. Wailes introduced Nick Cook and discussed park and landscape maintenance completed, including emergency items at Bundy Lake Park under \$500, pending and scheduled at Director's Park, Bundy Lake, District detention ponds, District common areas and the administration building.

Mr. Wailes updated the Board regarding potential contractors for duck population control. He also discussed the Board's previous plans for additional screening and fencing at Director's Park and the Board concurred to remove the agenda item.

Mr. Wailes updated the Board regarding proposal to repair cracked sidewalk panels at Director's Park that are potential trip hazards.

The Board discussed the status of interim parking lot lighting installation proposals for Bundy Lake Park. The Board requested to see the proposed lighting plan at the January special meeting. Mr. Wailes also provided cut sheet copies for the previously approved Bundy Lake Park signage for Board review.

Mr. Wailes reported bad weather has delayed pavement installation at Lone Star Lake. He said he has requested a new start date from the contractor.

Mr. Wailes updated the Board regarding pending demolition of the Bundy Lake Park restroom building and said he is requesting an additional proposal to move the electrical panel from the building and rebuild the service in another location.

Discussion ensued regarding light programming at the Bundy Lake monument lighting. Director Smith requested to review the programming software.

Mr. Wailes reported that the fountain at Mirror Lake is turned off and discussion ensued regarding relocating the fountain to a deeper part of Bundy Lake and other options to return the fountain to service.

DISTRICT WEBSITE

There was no discussion for this agenda item.

DIRECTORS AND DISTRICT CONSULTANT'S REPORTS ABOUT DISTRICT OPERATIONS

The Board discussed the upcoming Association of Water Board Directors winter conference in Galveston, Texas.

SPRING EVENT

The Board concurred to defer discussion until the January special meeting.

ATTORNEY'S REPORT

Ms. Carner reported that pursuant to Chapter 176 of the Texas Local Government Code, the District will maintain and update annually a List of Local Government Officers. Ms. Carner reviewed the List of Local Government Officers. After review and discussion, Director DuBois 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 Smith seconded the motion, which passed by unanimous vote.

Ms. Carner reported on the District's compliance activities during the prior calendar year related to bond financings. Ms. Carner stated that no corrective action is required at this time.

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

Ms. Carner presented and reviewed a memorandum from ABHR regarding implementation of House Bill 1295 that was passed by the Texas Legislature during the 84th Legislative Session, which enacted Section 2252.908, Government Code, imposing new requirements for any new, amended, extended or renewed contracts entered into by governmental entities on or after January 1, 2016. A copy of the memorandum is attached. Ms. Carner stated that business entities must file a FORM 1295 with the Texas Ethics Commission and disclose certain interested parties, intermediaries, and controlling interests when seeking any contract that is in excess of \$1 million or requires an action or vote by the governing body before a governmental entity may enter into a contract. She discussed FORM 1295 promulgated by the Texas Ethics Commission for a business entity to complete, execute and notarize, and provide to the governmental entity at or in advance of the meeting at which the related contract may be considered.

The Board discussed agenda items for a January special meeting and February regular meeting and confirmed a regular meeting on February 8, 2016 and a special meeting on February 29, 2016.

Ms. Carner updated the Board regarding Harris County Municipal Utility District No. 61's ("No. 61") proposed purchase of additional waterline near the District's emergency interconnect with No. 61.

2016 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 his office open for election duties for at least three hours each day, during regular office hours, on regular business days

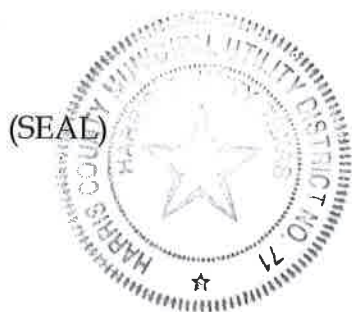
during the period beginning not later than the 50th day before the election and ending not earlier than the 40th day after the election. Ms. Carner noted that the law was amended to allow an agent of the District to serve as the District's agent for election purposes. Following review and discussion, Director DuBois 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 Smith seconded the motion, which passed unanimously.

Ms. Carner said that the Notice of Candidate Filing Period will be posted in the District. Upon a motion by Director DuBois and a second by Director Smith, the Board voted unanimously to authorize posting of the Notice of Candidate Filing Period in the District.

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 the previous directors election was cancelled. The Board concurred to publish notice of the District's exemption election.

The Board discussed the rate of pay for election officials. After discussion, Director DuBois moved that the Board set the pay for election officials at \$15 per hour. Director Smith seconded the motion, which carried by unanimous vote.

There being no additional business to consider, Director Thornhill moved to adjourn the meeting at 8:28 p.m. Director Kerr seconded the motion, which passed unanimously.



Mary DuBois
Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

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