

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

September 12, 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 12th day of September, 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:

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 except Director Thornhill, 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"); Officer Steve Arhelger of the Harris County Sheriff's Department; Christine Crotwell of FirstSouthwest, a Division of Hilltop Securities; Stephen Lewis, District resident; John Elder of Acclaim Energy Advisors ("Acclaim"); Robert Moorman of Aurous Development Services, Ltd.; Bryan Gaige of TXU Energy; and Katie Carner and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

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

COMMENTS AND WEBSITE INQUIRIES FROM THE PUBLIC

Mr. Woodring said there were no website inquiries requiring Board action.

REPORT ON DEVELOPMENT

Mr. Moorman updated the Board regarding plans for and the status of construction of water, sewer and drainage facilities to serve Bridgewater Meadows, Section 4, including discussion regarding necessary approvals from Transcontinental Gas Pipe line Company, LLC.

MINUTES

The Board considered approving the minutes of the August 8, 2016 regular meeting. Following review and discussion, Director Elms moved to approve the August

8, 2016 regular meeting minutes, as amended. Director DuBois seconded the motion, which passed by a vote of 3 to 0, with Director Smith abstaining from voting.

ELECTRICITY PRICES AND EXTENSION OF ELECTRICITY CONTRACT

Mr. Elder discussed expiration of the District's current electricity contract with Reliant Energy on November 30, 2018 and reviewed current energy market pricing for contract terms beginning December 1, 2018. Following review and discussion, Director Smith moved to authorize Director Kerr to finalize and sign a 24 month contract with MidAmerican Energy beginning December 1, 2018. The motion was seconded by Director Kerr and passed by a vote of 3 to 0, with Director DuBois abstaining from voting.

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 6:14 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. Carner and Ms. Miller also were present.

RE-CONVENE IN OPEN SESSION, SECURITY REPORT

At 6:33 p.m., the Board reconvened in Open Session.

GARBAGE COLLECTION AND RECYCLING

There was no discussion for this agenda item.

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

The Board reviewed a report on Park, Landscape and Lake Maintenance and Repair report from Mike Stone Associates ("MSA"), including park and landscape maintenance completed, including emergency items at Bundy Lake Park under \$500, pending and scheduled repairs at Director's Park, Bundy Lake, District detention ponds, District common areas and the administration building. Directors Smith and Elms requested that ABHR report to MSA 3 fountains down and lighting out of sync at Bundy Lake and add to the District Action List an item to follow up regarding fence damage at the Water Plant.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Flores reviewed the monthly tax assessor/collector's report and 2015 taxes collected as of August 31, 2016 and discussed ~~the status of~~ certified values for 2016. After review and discussion, Director Smith moved to (1) approve the tax assessor/collector's report; and (2) authorize payment of the bills presented for payment from the tax account. Director DuBois seconded the motion, which carried unanimously. A copy of the tax assessor/collector's report is attached.

2016 TAX RATE

Ms. Crotwell discussed the public hearing process for establishing a tax rate. Ms. Crotwell recommended a levy of \$0.64 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 Elms, the Board unanimously authorized the tax assessor to publish in the Katy Times notice of a public hearing on Oct. 10, 2016 regarding the District's proposed adoption of a tax rate of \$0.89, comprised of a levy of \$0.64 for debt service and \$0.25 for operations and maintenance. The Board concurred that the proposed tax levy notice also be posted to the District website and requested updated budgets from Brown & Gay and MSA.

TAX ASSESSOR PAYMENT CARD INDUSTRY DATA SECURITY STANDARD SELF-ASSESSMENT QUESTIONNAIRE AND ATTESTATION OF COMPLIANCE

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. Following review and discussion, upon a motion by Director Smith and a second by Director DuBois, the Board voted unanimously to authorize signature upon a certificate of Compliance.

HOLIDAY IN THE PARK

The Board concurred to defer discussion until the Board's September 29, 2016 special meeting.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Kelsey reviewed a summary of the bookkeeper's report and investment report and presented the bills for payment. After review and discussion, Director DuBois

moved to (1) approve the bookkeeper's report and investment report; and (2) approve the bills presented for payment. Director Kerr seconded the motion, which carried unanimously.

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 Elms moved (1) adopt the Resolution Regarding Annual Review of Investment Policy; and (2) 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 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 August 2016 and current water and wastewater capacity. He also reported on build out projections, pending insurance claims, and recommended the Board approve the following repairs:

1. Repair nonpotable water system leak at the wastewater treatment plant for an estimated amount of \$5,000; and
2. Repair of hydrant in front of ILucky Dog for an estimated amount of \$8,500.

Mr. Woodring next reviewed a letter of appeal from District customer, Therese Wilson, requesting a leak adjustment following a possible leak. Mr. Woodring said RWC confirmed that the reported leak was on the customer's side of the connection and recommend the Board authorize offer of a payment plan. Following review and discussion, Director Smith moved to authorize RWC to offer the customer a payment plan, as discussed. The motion was seconded by Director Kerr and passed unanimously.

Mr. Woodring updated the Board regarding water level monitoring at Bundy Lake, the status of repair of water well at Water Plant No. 2, and the District's implementation of Mild Drought Restrictions pursuant to the District's Drought Contingency Order. He said the District last hit trigger conditions on August 12, 2016 and requested authorization to lift drought restrictions when samples from the water well at Water Plant No. 2 are returned and satisfactory, to remove all signs throughout

the District notifying the public of drought restrictions in place and to post notice of the removal of drought restrictions on the District website.

Following review and discussion, Director Elms moved to (1) approve the operator's report; (2) approve repairs requested and listed above; and (3) authorize the District operator to lift drought restrictions when samples from the water well at Water Plant No. 2 are returned and satisfactory, to remove all signs throughout the District notifying the public of drought restrictions in place and to post notice of the removal of drought restrictions on the District website. The motion, which was seconded by Director DuBois, passed unanimously.

TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT CUSTOMERS

Mr. Woodring presented a list of delinquent customers to the Board and reported the residents on the termination list were delinquent in payment of their water and sewer bills and were given written notification, in accordance with the District's Rate Order, prior to the meeting of the opportunity to appear before the Board of Directors to explain, contest, or correct their bills and to show why utility services should not be terminated for reason of non-payment. Following review and discussion, Director Smith moved to authorize termination of delinquent accounts in accordance with the District's Rate Order, direct that the delinquent customer list be filed appropriately and retained in the District's official records and that further taps be withheld from Royce Homes, Trophy Homes, Colina Homes and Vestalia Homes until back-charges are paid. The motion was seconded by Director Kerr and passed by unanimous vote.

UPDATE REGARDING WATER WISE SPONSORSHIP

Director Elms updated the Board regarding sponsorship of Harris-Galveston Subsidence District's Water Wise program (the "Subsidence District") and efforts to coordinate and implement an associated curriculum with the participating elementary campus within the District.

ENGINEERING MATTERS

Ms. Efaw presented the engineer's report and updated the Board regarding engineering matters and the status of current construction projects more specifically described in the attached engineer's report.

Ms. Efaw first discussed the status of design of Bridgewater Meadows, Section 4, reviewed bids and recommended the Board award the contract to the lowest qualified bidder, Crostex Construction, in the amount of \$717,465.90, subject to receipt of the funds from the developer. Ms. Efaw also requested that the Board approve and authorize signature upon an associated Consent to Use Easement Area with

Transcontinental Gas Pipeline, Ltd. ("Transco"), subject to ABHR's confirmation that the document submitted by Transco conforms to the form previously negotiated with the District.

Ms. Efaw next discussed the status of construction of wastewater treatment plant improvements and recommended the Board approve Pay Estimate No. 8 in the amount of \$88,005.31.

Ms. Efaw updated the Board regarding construction of the access road to Water Plant No. 3 and discussed CenterPoint Energy ("CenterPoint") easements to bring power to Water Plant No. 3. She recommended that the Board approve the electrical easement, subject to confirmation of location from CenterPoint and Harris County Municipal Utility District No. 287 ("No. 287").

Following review and discussion, upon a motion by Director Elms and a second by Director Smith, the Board voted unanimously to (1) approve the engineering report; (2) approve all pay estimates discussed above; (3) because it would result in the best and most economical completion of construction of Bridgewater Meadows, Section 4, approve the award of the contract to Crostex Construction, subject to receipt of the funds from the developer; (4) authorize signature upon an associated Consent to Use Easement Area with Transco, subject to ABHR's confirmation that the document submitted by Transco conforms to the form previously negotiated with the District; and (5) approve an easement to CenterPoint, subject to confirmation of location from CenterPoint and No. 287.

Discussion ensued regarding contacting Harris County Flood Control District or Harris County Commissioner Precinct 3 regarding a washout at the ILuckyDog construction site.

DISTRICT WEBSITE

Director Elms reported that the District's website administrator will attend the October, 2016 special meeting to request amendment of the website administration contract.

DIRECTORS AND DISTRICT CONSULTANT'S REPORTS ABOUT DISTRICT OPERATIONS

The Board discussed agenda items for the September special meeting and registration for the upcoming Texas Association of Water Board Directors ("AWBD") winter conference.

ATTORNEY'S REPORT

Ms. Carner updated the Board regarding necessary assignments and financing agreements associated with and necessary for the development of Bridgewater Meadows, Section 4.

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 Elms 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.

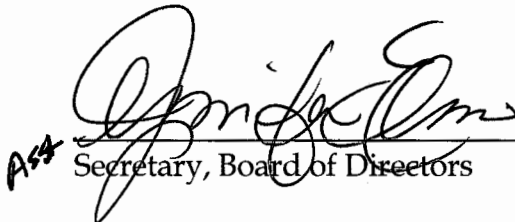
The Board reviewed the District's procedures for continuing disclosure compliance. Ms. Carner stated that no changes are required at this time.

The Board reviewed and revised the Action List and discussed and amended the status of the items listed and confirmed special meetings on September 26, 2016 and October 26, 2016.

MONUMENT LIGHTING SHOW

The Board concurred to defer until the September 29, 2016 special meeting.

There being no additional business to consider, Director DuBois moved to adjourn the meeting at 7:54 p.m. Director Smith seconded the motion, which passed unanimously.


Secretary, Board of Directors



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