

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

September 11, 2017

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 September 2017, 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, thus constituting a quorum.

Also present were Tina Kelsey of Myrtle Cruz, Inc.; Froylan Garcia, Trent Gamble, Oluwafema Oyeyemi and Debbie Cornell, District residents; Alene Efaw of BGE, Inc. ("BGE"); Laura Flores of Tax Tech, Inc.; James Woodring and Scott Barr of Regional Water Corporation ("RWC"); Anthea Moran of FirstSouthwest, a Division of Hilltop Securities; 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

Ms. Cornell inquired regarding replacement of missing water meter box lids following Hurricane Harvey flooding and asked how to report meter box lids located in and around the District. Ms. Cornell also noted a sizeable bank erosion in South Mayde Creek near the Clay Road bridge.

Ms. Cornell, Mr. Garcia, Mr. Gamble and Mr. Oyeyemi discussed increased flooding in the area and increased flows through South Mayde Creek following development of the Grand Parkway and requested information regarding schedules for Harris County heavy debris removal in the District. The Board directed the residents to Harris County, Precinct 3 and the Harris County Flood Control District ("HCFCD") for additional information.

Mr. Woodring then reviewed website inquiries requiring no Board action and presented an inquiry from Carlee Arrambide regarding lowering of flags in Bundy Lake Park to half-mast.

MINUTES

The Board considered approving the minutes of the August 14, 2017 regular meeting. Following review and discussion, Director Smith moved to approve the August 14, 2017 regular meeting minutes, as submitted. The motion was seconded by Director Kerr and passed by a vote of 4 to 0, with Director DuBois abstaining.

HURRICANE HARVEY RELATED MATTERS

Ms. Efaw reported that a support column for the District's 12-inch potable water line that spans Mayde Creek near the Clay Road bridge collapsed. She said BGE's structural engineers are assessing the damage to determine the best way to repair the damage. She reported that although the water line currently is supported by one remaining column, the collapse is an emergency situation requiring immediate repairs. Discussion ensued regarding the procedure for requesting authorization from the Texas Commission on Environmental Quality ("TCEQ") to proceed with emergency repairs on the basis of negotiated bids and options for restoring and securing the water line support, including rebuilding the collapsed column or attaching the water line to the Clay Road bridge. Ms. Efaw said she has requested estimates for each option discussed. Following discussion, the Board determined that the collapse of the water line support column is an emergency situation, and that immediate repair is necessary to prevent a serious health hazard of unreasonable economic loss to the District. Director Smith then moved to authorize District consultants to take the necessary actions to request authorization from the TCEQ to proceed with the emergency repair on the basis of negotiated bids, as discussed. Director Thornhill seconded the motion, which passed unanimously.

Ms. Efaw also reported that Harris County's contractor, Earth First Landscapes, LLC ("Earth First"), is currently making repairs underneath the Clay Road bridge, but is not working on the eroded side slopes of South Mayde Creek. Ms. Efaw said Harris County has offered to work with the District to include the District's potential emergency repair to the water line support column as part of Earth First's scope of work, if necessary. Discussion ensued regarding the worsening and apparently accelerating erosion to the side slope of South Mayde Creek south of Clay Road, which is maintained by the HCFCD, including potential impacts on nearby commercial and residential property in the District. Following discussion, Director Smith moved to authorize ABHR to make a formal request to HCFCD to repair the side slope erosion along South Mayde Creek. Director Kerr seconded the motion, which passed unanimously.

Mr. Barr discussed the status of facilities during and immediately following Hurricane Harvey and reported a leak in the roof at the District Administration

building and fallen trees in Directors Park. He stated the District's water and wastewater facilities remained operational throughout the storms.

REPORT ON PARK, LANDSCAPE AND LAKE MAINTENANCE

The Board requested that ABHR notify Mike Stone & Associates ("MSA") to follow up to replace 2 fallen trees in Directors Park and propose a flag lowering protocol for Bundy Lake Park flags at the September special meeting.

GARBAGE COLLECTION AND RECYCLING

Director Elms reported storm event website posting regarding status of garbage and recycling service.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Flores reviewed the monthly tax assessor/collector's report, a copy of which is attached, including an update on 2016 taxes collected as of August 31, 2017. 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 Thornhill seconded the motion, which carried unanimously.

2017 TAX RATE

Ms. Moran discussed the process for establishing a tax rate. Ms. Moran recommended a levy of \$0.55 per \$100 valuation for debt service. The Board discussed a proposed \$0.25 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. A copy of the tax rate analysis is attached.

After discussion, Director Kerr moved to authorize the tax assessor to publish in the Katy Times notice of a public hearing on October 9, 2017 regarding the District's proposed adoption of a tax rate of \$0.80, comprised of a levy of \$0.55 for debt service and \$0.25 for operations and maintenance. Director Thornhill seconded the motion. Director Elms discussed funding for upcoming rehabilitation projects, including repairs that likely will be necessary as a result of the pending manhole survey.

Following review and discussion, the Board voted 4 to 1, with Director Elms opposing the motion, to authorize the tax assessor to publish in the Katy Times notice of a public hearing on October 9, 2017 regarding the District's proposed adoption of a tax rate of \$0.80, comprised of a levy of \$0.55 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.

RESOLUTION NOMINATING CANDIDATE FOR BOARD OF DIRECTOR ELECTION
FOR HARRIS COUNTY APPRAISAL DISTRICT

The Board took no action on this agenda item.

EXECUTIVE SESSION PURSUANT TO SECTION 551.076, TEXAS GOVERNMENT
CODE

The Board determined it was not necessary to convene in executive session.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Kelsey reviewed a summary of the bookkeeper's report and investment report, copies of which are attached, and presented the bills for payment. After review and discussion, Director DuBois moved to approve the bookkeeper's report, investment report and payment of the bills submitted. The motion was seconded by Director Thornhill and passed unanimously.

ANNUAL REPORT

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 Smith 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 Elms seconded the motion, which passed unanimously.

CONTINUING DISCLOSURE COMPLIANCE

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

ANNUAL REVIEW OF INVESTMENT POLICY AND AUTHORIZED DEPOSITORY
INSTITUTIONS AND QUALIFIED BROKER/DEALERS

The Board concurred to defer action until the October, 2017 regular meeting.

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 reported on pumpage numbers for August 2017 and current water and wastewater capacity.

The Board next reviewed and discussed a high volume water users report for the month of August, 2017 and District water conservation efforts.

Following review and discussion, Director Smith 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

Mr. Woodring updated the Board regarding customer compliance with previously approved customer payment plans. Mr. Woodring reported that RWC suspended termination of service during August due to Hurricane Harvey and did not mail out written notification of termination in advance of this meeting. Discussion ensued regarding waiver of penalties for delinquent accounts for the month of August, 2017, allowing an additional three months for customers requesting payment plans for a total of up to six months and waiving restrictions on requesting extension of a payment plan due to payment history.

Following review and discussion, Director Smith moved to (1) waive terminations for the months of August and September, 2017; (2) waive penalties for delinquent accounts for the month of August, 2017; and (3) authorize RWC to offer payment plans for up to six months regardless of customer payment history for September and October, 2017. The motion was seconded by Director Kerr and passed unanimously.

WATER WISE SPONSORSHIP

The Board deferred discussion on this agenda item.

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 discussed the inspection schedule for Lakes at Mason Park, Sections 5 and 6 and recommended that the Board approve Pay Estimate No. 4 and Final, subject to final inspection by Harris County with no deficiencies noted.

Ms. Efaw reported on the status of construction of Water Plant No. 3 and recommended approval of Pay Estimate No. 6 in the amount of \$247,842, payable to WW Payton and an invoice from Ninyo & Moore for materials testing in the amount of \$3,442.

Ms. Efav discussed and the Board considered the following requests for utility capacity commitment:

1. 5.9 equivalent single family connections ("ESFCs") to Mason-Morton Ranch, LLC to serve a 21,000 square foot retail building;
2. 11 ESFCs to Continental Superior Management Groups to serve a convenience store with fast food restaurants and future retail; and
3. 13.45 ESFCs to Kinmax, LLC for Kids R Kids, and an additional 11.08 ESFCs for irrigation.

Following review and discussion, Director Smith moved to approve (1) a commitment of 5.9 ESFCs to Mason-Morton Ranch, LLC; and (2) a commitment of 11 ESFCs to serve Continental Superior Management Groups' convenience store. Director DuBois seconded the motion, which passed unanimously. The Board deferred action on the utility commitment request from Kinmax, LLC, pending further discussions between BGE and Kinmax regarding wastewater treatment capacity.

Following review and discussion, upon a motion by Director Elms and a second by Director DuBois, the Board voted unanimously to (1) approve the engineering report; and (2) approve all pay estimates and invoices submitted for approval, as discussed above.

DISTRICT WEBSITE

Director Elms updated the Board regarding website postings following Hurricane Harvey regarding Harris County programs for heavy debris removal and storm recovery.

HOLIDAY IN THE PARK

There was no additional discussion for this agenda item.

DIRECTORS AND DISTRICT CONSULTANT'S REPORTS

There was no additional discussion for this agenda item.

RENEWAL OF INSURANCE

The Board discussed the October 1, 2017 expiration of the District's current insurance policy and reviewed renewal proposals from Arthur J. Gallagher & Co. Following review and discussion, Director Smith moved to renew through Arthur J.

Gallagher & Co. The motion was seconded by Director Kerr and passed by a vote of 4 to 0, with Director Thornhill abstaining.

Discussion ensued regarding the optional cyber liability coverage in the proposal from Arthur J. Gallagher & Co. Following discussion, the Board concurred not to accept the optional proposal for cyber liability coverage at this time.

REPORT ON PARK, LANDSCAPE AND LAKE MAINTENANCE (CONTINUED)

The Board requested that ABHR or MSA follow with Ms. Arrambide to let her know the Board was working on a solution to address lowering of the flags at Bundy Lake Park.

The Board requested that a representative of Storm Water Solutions, LLP attend the monthly parks meeting. Discussion ensued regarding maintenance of the Morton Ranch detention facilities.

Director Kerr requested that MSA bring the fencing replacement samples to the September special meeting.

Director Smith reported water ponding behind the Bundy Lake Park main gate next to Lakes of Bridgewater Drive and asked that MSA investigate a tree washed into South Mayde Creek near Lakes of Bridgewater Drive.

ATTORNEY'S REPORT

The Board reviewed and revised the Action List and discussed and amended the status of the items listed. The Board discussed agenda items for the September special meeting.

EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE

The Board determined it was not necessary to convene in executive session.

There being no additional business to consider, Director Thornhill moved to adjourn the meeting at 8:07 p.m. Director DuBois seconded the motion, which passed unanimously.

Mary DuBois
Secretary, Board of Directors

(SEAL)



LIST OF ATTACHMENTS TO MINUTES

Minutes
Page

tax assessor/collector's report3
tax rate analysis3
bookkeeper's report.....4
investment report4
operator's report4
engineer's report.....5