

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 61**

**Minutes of Meeting of Board of Directors**

**January 25, 2011**

The Board of Directors of Harris County Municipal Utility District No. 61 met at the Williamsburg Settlement Clubhouse, 1602 Hoyt Lane, Katy, Harris County, Texas 77449, on January 25, 2011, in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted officers and members of said Board of Directors, as follows:

R.D. Sherrill, President  
Wheeler BeMent, Vice-President  
W.R. Lusby, Secretary  
Richard Erbert, Assistant Secretary  
Billy Lowery, Director

and all of said persons were present, thus constituting a quorum.

Also present were Jim Ainsworth of A&S Engineers, Inc. (“A&S”); Don Hays and Robin Secrest of Hays Utility South Corporation (“Hays Utility”); Cindy Englebert of Wheeler & Associates, Inc.; Beulah Kelly of Myrtle Cruz, Inc. (“MCI”); Mark Roth and Mark Eyring of Mark Roth, CPA; Rick Lawler of E.M.A. Solutions, LP; David Marks of Marks Richardson PC (“MRPC”); Floyd Ball, Kathy and Jim Darby and Loretta and Bill Evans, District residents.

The President called the meeting to order and declared it open for business.

The Board next considered comments from members of the public. In that regard, Mr. Ball requested a copy of the Annexation Agreement, relating to the property referenced in the Utility Development Agreement with Senior Mason Apartments, which was approved at the last meeting.

As the next order of business, the Board considered approval of the minutes of the Board of Directors meeting held on December 28, 2010. After discussion of the minutes presented, Director Erbert moved that the minutes of the meeting of December 28, 2010, be approved, as corrected. Director Lowery seconded said motion, which unanimously carried.

The Board next considered approval of the audit report for fiscal year ended October 31, 2010. In that regard, Mr. Roth presented and reviewed with the Board a draft of said audit report, a copy of which is attached hereto. After discussion concerning the audit presented, Director Lusby moved that the audit report for the fiscal year ended October 31, 2010, be approved as presented, that the President be authorized to execute the Annual Filing Affidavit on behalf of the Board and District, and that such audit report and Annual Filing Affidavit be filed with the appropriate governmental authorities, including the Texas Commission on Environmental Quality (“TCEQ”). Director Erbert seconded said motion, which unanimously carried.

The Board next considered the financial and investment reports and invoices presented for payment. In that regard, Ms. Kelly distributed the attached bookkeeping reports, investment inventory reports and bills for payment. After review and discussion of the reports presented, Director Lusby moved that the Board approve payment on the Capital Projects Account at Compass Bank, being check nos. 1139 and 1140, inclusive, on the General Operating Account at Compass Bank, being check nos. 4860 and 4872 through 4899, inclusive, and on the

Williamsburg Water Plant General Operating Account at Compass Bank, being check nos. 2948 through 2955, inclusive, as identified in said reports. Director Lowery seconded said motion, which carried unanimously.

The Board next discussed the Water Plant and District budget. In connection therewith, Ms. Kelly reported on the changes made to the budgets relating to the pumpage fees. She further advised that she will change the budget format back to its previous format.

The Board next considered the annual review of the District's Order Establishing Policy for Investment of District Funds and Appointing Investment Officer ("Order"), including the approval of Amendment to or renewal thereof, and the adoption of a Resolution relative thereto. In connection therewith, Mr. Marks presented and reviewed the attached Order with the Board and noted that the Depository Pledge Agreement, attached as Exhibit B thereto, has been revised to allow the Bank to terminate the Agreement, as requested by the Bank. After discussion on the matter, Director Erbert moved that (1) the Resolution Regarding Review of Order Establishing Policy for Investment of District Funds and Appointing Investment Officer be adopted, that (2) the Order be adopted, and (3) the President be authorized to sign and the Secretary to attest said Resolution and said Order on behalf of the Board and District. Director Lusby seconded said motion, which unanimously carried.

The Board next deferred the adoption of a Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District until the next meeting.

The Board next considered review of the District's Order Adopting the District's Code of Ethics and other Policies. After discussion on the matter, the Board concurred that the Code of Ethics should continue, without amendment or revision.

Mr. Roth and Mr. Eyring exited the meeting at this time.

The Board next considered the status of collection of taxes. In that regard, Ms. Englebert presented a report and the delinquent tax roll for the month of December, a copy of which is attached hereto. She reported that 39.79% of the District's 2010 taxes had been collected through December 31, 2010. After review and discussion of the reports presented, Director Erbert moved that the Board approve said report and authorize payment on the Tax Account, being check nos. 1917 through 1922, inclusive, and two (2) wire transfers, as identified in said tax assessor collector's report. Director Lowery seconded said motion, which carried unanimously.

There was next a discussion regarding the status of the District's delinquent tax accounts. Ms. Englebert presented for the Board's review and information a written report dated January 25, 2011, which had been prepared by the District's delinquent tax attorney, Perdue, Brandon, Fielder, Collins & Mott, L.L.P., a copy of which is attached hereto. She noted that the Ennis Raymond Schneider delinquent account has been paid in full.

Mr. Marks next advised the Board that pursuant to Section 33.11 of the Property Tax Code, as amended, the Board is authorized to impose, under certain conditions, an additional penalty not to exceed twenty percent (20%) of the delinquent personal property taxes, penalty and interest due the District on April 1 on taxes that remain delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent. After discussion on the matter, Director Lusby moved that the Resolution

Authorizing Additional Penalty on Delinquent Personal Property Taxes, a copy of which is attached hereto, be adopted by the Board and District and that the delinquent tax attorney be authorized to proceed with the collection of same. Director BeMent seconded said motion, which unanimously carried.

Ms. Kelly and Ms. Englebert exited the meeting at this time.

The Board next considered authorizing the design, advertisement for bids and/or award of construction contracts, status of construction contracts previously awarded and acceptance of sites and easements. In that regard, Mr. Ainsworth presented a report relative to same, a copy of which is attached hereto.

The Board next considered approval of plans and specifications and authorize advertisement for bids for extension of District facilities to serve the StoneArch development. In connection therewith, Mr. Ainsworth reported that Stonearch Development has two (2) design packages in process. He noted that the first package is the water, sewer and drainage package external to the project site and the second is the internal plans associated with the site development. The Board then discussed the ownership of the detention pond.

The Board next considered the status of the contract with O'Day Drilling, Inc. ("O'Day") for the make up water well relative to construction of the detention pond lake. In connection therewith, Mr. Ainsworth reported that O'Day has completed the drilling of the well and has installed the pump. He noted that A&S is waiting on the well controller to be installed, and noted that the well will be operational once installed. Mr. Ainsworth distributed the attached photos relative to same.

The Board next considered the status of the contract with Lake Management Services, LP ("Lake") relative to Phase I of amenity improvements to detention pond. In connection therewith, Mr. Ainsworth reported that Lake has been notified to install the fountains and controls as the electrical service has been obtained from CenterPoint Energy/Constellation.

The Board next considered the status of the contract with S.T.P. Services, LP ("STP") for the electrical portion of the detention pond fountains. In connection therewith, Mr. Ainsworth reported that the Board approved a solicited bid from STP in the amount of \$47,500, and noted that STP will install the controllers when the weather clears and dries up.

The Board next considered the status of the contract with All Types Irrigation, Inc. ("All Types") for installation of a 2" make up water line and installation of two junction boxes for water level control. In connection therewith, Mr. Ainsworth stated the All Types has completed its scope of the work and payment has been made. He then recommended that the Board approve the issuance of a Certificate of Completion to the contractor relative to said project. After discussion, Director Lusby moved that the engineer be authorized to issue a Certificate of Completion to All Types and that the project be accepted as complete. Director Lowery seconded said motion, which unanimously carried.

The Board next considered the status of the contract with Foster Fence Company Ltd. ("Foster") relative to installation of a fence to secure the make up well and electrical/control panel. In connection therewith, Mr. Ainsworth reported that Foster has been notified to proceed with the fence installation.

The Board next considered the status of contract with CleanServe, Inc. relative to cleaning and televising the District's sanitary sewer lines. In connection therewith, Mr. Ainsworth reported that the project is complete and presented Pay Estimate No. 3 (final) in the amount of \$4,921.36, a copy of which is attached hereto, and recommended that Board approve the payment of same, accept the project as complete and authorize A&S to issue a Certificate of Completion to CleanServe once the video tapes have been reviewed. After discussion, Director Lusby made a motion to approve Pay Estimate No. 3 (final) in the amount of \$4,921.36 to CleanServe, accept the project as complete, and authorize issuance of a Certificate of Completion, as set out above. Director Erbert seconded said motion, which unanimously carried.

The Board next concurred to defer acceptance of site and/or easement conveyances for facilities constructed or to be constructed for the District, after Mr. Ainsworth noted that there was no action required by the Board at this time.

The Board next considered the status of request to Harris County Precinct 3 to make drainage modifications to Mason Road in connection with the storm water flow into the District. Mr. Ainsworth reported that he has nothing new to report as Mr. Schilhab still has not yet received any information from the Harris County Public Infrastructure Department who is handling the design for Precinct 3.

The Board next considered the status of request to Harris County regarding Franz Road Office Park drainage issue. Mr. Ainsworth reported that Harris County previously stated that the owner's engineer has submitted plans to correct the issue and the County had returned the plans with comments. He noted that Harris County advised that they have not received any response back and noted that A&S has been advised that this site has been submitted to the Harris County Attorney's office for possible legal action.

Mr. Ainsworth next presented a memo from Weston MUD requesting a fire hydrant be installed on the District's water line on the west side of Mason Road, a copy of which is attached hereto. The Board requested that same be placed on the next agenda for further discussion.

The Board next considered requests for issuance of utility commitments. With regard to the status of request for water and sewer service from the Franz Family, Mr. Ainsworth noted that A&S has received revised forms from the City of Houston staff for application to allow the tract to be served on an interim basis without a subdivision plat being recorded. He stated that A&S will work with the Attorney to have the appropriate forms filed with the City. Mr. Ainsworth next stated that A&S has received email communications from Interfin advising that a 2 acre tract is under contract for the construction of an approximate 10,000 square foot building south of the Det Norski Building.

The Board next considered the status of the storm sewer cleanout and debris removal from infrastructure within the District. In connection therewith, Mr. Ball suggested that the operator re-inspect to see if the recent rain has washed the debris out. Mr. Ainsworth noted that the amount of debris in the detention pond indicates that there has been some cleaning in the system. Mr. Hays advised that he will check a couple of manholes. Mr. Ainsworth further noted that A&S prepare correspondence to Commissioner Raddick requesting that Harris County clean out the 71 manholes.

The Board next considered a report on the regional sewage treatment plant, including compliance with the wastewater discharge permit. In that regard, Director BeMent advised that

the expansion is complete. He noted the total construction cost was \$6.4 million with the District's portion being \$287,700. He further reported that the re-coating of the lift station will begin soon and that the plant is currently running at 24% capacity.

The Board next deferred the status of development of property within the District after noting no developers were present at the meeting.

The Board next considered the report on the District's water, sanitary sewer and storm sewer systems for the month of December, a copy of which is attached hereto. In that regard, Mr. Hays reported that 80.18% of the water pumped during the month of December had been accounted for. He stated that 82.98% of the water had been accounted for through January 17, 2011, when the valve with No. 62 was closed. He next reported that the District's facilities had been operated in compliance with their respective permits during the month, that all bacteria samples were negative and that there were no appeals received.

Mr. Hays next noted that there is no change relative to the status of the storage tank.

The Board next considered a report on the investigation of the District's water accountability. In that regard, Mr. Ainsworth stated he is working with the District's operator to address the separation from Harris County Municipal Utility District No. 62. Ms. Secrest stated that Hays continue to monitor the system and that there has been no change in the accountability. Ms. Darby, a District resident, next reported she had and is having water quality problems. Ms. Secrest stated she would investigate same.

The Board next considered authorizing the operator to provide the required information to districts receiving water through emergency water interconnects relative to Consumer Confidence Reports. After discussion, the Board concurred that the operator be authorized to provide the required information.

The Board next considered the status of surface water issues and the West Harris County Regional Water Authority ("WHCRWA"). In connection therewith, Mr. Ainsworth stated he had nothing new to report.

The Board next considered the status of requests to Harris County Municipal Utility District No. 63 and West Harris County Municipal Utility District No. 5 for reimbursement for drainage easement. In connection therewith, Mr. Marks discussed the issues being raised by the attorney for Harris County Municipal Utility District No. 63 ("No. 63") and a letter written back in 2004 relative to same with the Board. After discussion on the matter, Director BeMent moved that the District offer a settlement to No. 63 based on the audit prepared by Mr. Roth. Director Lowery seconded said motion, which unanimously carried.

The Board next discussed the operator's contract and services with the District. Director BeMent queried if the operator has a maintenance log to tract District repairs. Mr. Hays advised that Hays has a repair log on an old system that works well.

The Board next considered a discussion regarding items to be placed in the quarterly District newsletter. In connection therewith, it was noted that the next newsletter will be prepared and distributed by January 31, 2011.

The Board next considered matters for possible placement of future agendas. After discussion, the Board concurred to review the engineer's contract at the February Board meeting.

There being no further business to come before the Board, the meeting was adjourned.

/s/ W.R. Lusby

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W.R. Lusby  
Secretary

ATTACHMENTS TO MINUTES OF BOARD OF DIRECTORS  
MEETING OF JANUARY 25, 2011

1. Sign in Sheet
2. Draft Audit Report
3. Bookkeeping Report
4. Tax Assessor/Collector Report
5. Delinquent Tax Report
6. Resolution Authorizing Additional Penalty on Delinquent Personal Property Taxes
7. Engineer's Report with related correspondence
8. Weston MUD Memo
9. Operations Report with related correspondence