

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 61

Minutes of Meeting of Board of Directors

February 22, 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 February 22, 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"); Robin Secrest of Hays Utility South Corporation ("Hays Utility"); Cindy Englebert and Avik Bonnerjee of Wheeler & Associates, Inc.; Beulah Kelly of Myrtle Cruz, Inc. ("MCI"); Rick Lawler of E.M.A. Solutions, LP; David Marks of Marks Richardson PC ("MRPC"); Floyd Ball, Jim Sands, Joe Ornowski, Carolyn Hinch and Loretta and Bill Evans, District residents.

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

As the first order of business, the Board considered comments from members of the public. In that regard, Ms. Evans told the Board about her experience at the Association of Water Board Directors Conference and provided seminar notes from same. Mr. Ball next requested a copy of the Annexation Agreement, relating to the Franz Family annexation of approximately 19 acres.

As the next order of business, the Board considered approval of the minutes of the Board of Directors meeting held on January 25, 2011. After discussion of the minutes presented, Director BeMent moved that the minutes of the meeting of January 25, 2011, be approved, as corrected. Director Lowery 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 Erbert moved that the Board approve payment on the Capital Projects Account at Compass Bank, being check no. 1141, inclusive, on the General Operating Account at Compass Bank, being check nos. 4875 and 4895 through 4915, inclusive, and on the Williamsburg Water Plant General Operating Account at Compass Bank, being check nos. 2954 through 2961, inclusive, as identified in said reports. Director Lusby seconded said motion, which carried unanimously.

Mr. Marks next presented a reviewed a report prepared by Arbitrage Compliance Specialists, Inc. with the Board.

Mr. Marks next advised the Board that the Public Funds Investment Act requires the Board of Directors of the District to review, revise and adopt at least annually a list of qualified brokers authorized to engage in investment transactions with the District. In that regard, he reviewed with the Board a Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, and a list of financial institutions, brokers and dealers attached thereto as Exhibit "A", a copy of which is attached hereto. Mr. Marks advised the Board that if any of the directors have a relationship with any of the institutions shown on the list that could create a conflict of interest, then that institution(s) should be deleted from the list that the Board adopts. A discussion then followed regarding same. After discussion, Director BeMent moved that the Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved by the Board as presented. Director Lusby seconded said motion, which unanimously carried.

The Board next considered the status of collection of taxes. In that regard, Ms. Englebert introduced Mr. Bonnerjee to the Board and presented a report and the delinquent tax roll for the month of January, a copy of which is attached hereto. She reported that 96.22% of the District's 2010 taxes had been collected through January 31, 2011. After review and discussion of the reports presented, Director Lusby moved that the Board approve said report and authorize payment on the Tax Account, being check nos. 1923 through 1932, inclusive, and two (2) wire transfers, as identified in said tax assessor collector's report. Director Lowery seconded said motion, which carried unanimously.

Ms. Englebert next presented the attached list of Uncollectible Accounts from the tax years 2005 – 2009. After discussion on the matter, Director Erbert moved that Wheeler & Associates be authorized to move said accounts to the uncollectible list. Director Lowery seconded said motion, which unanimously carried.

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 February 22, 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.

Mr. Marks next outlined for the Board the various tax exemptions available for the District, including the exemptions provided for by Article VIII, Section 1-b of the Texas Constitution, and Sections 11.13 and 11.184 of the Property Tax Code. In connection therewith, Mr. Ornowski addressed the Board and recommended that the Board consider increasing its tax exemptions for 2011. After discussion on the matter, Director Erbert moved the Board keep the current tax exemptions being: 1) the District grant an exemption of \$25,000 of the appraised value of residence homesteads for persons under a disability or sixty-five years of age or older from ad valorem taxes levied by the District during the calendar year 2011, 2) that a 20% residential homestead exemption be granted for the year 2011, 3) that the exemption for charitable organizations not be granted for the year 2011, and 4) that the attached Resolution relative to same be approved and adopted by the Board and District. Director Lusby seconded said motion, which carried unanimously.

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. Mr. Ainsworth stated that the project will not be bid until the required easements have been recorded and the developer has all his financing finalized and approved.

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 work and the water well is ready to be placed into operation once the electrical issue is resolved.

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 is ready to install the fountains and place into operation once the electrical control panel is energized.

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. He noted once the controllers are in, the remainder of the work can be completed.

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 completed the installation of the fence.

The Board next considered the acceptance of site and/or easement conveyances for facilities constructed or to be constructed for the District, including a waterline easement from Mason & Franz Partners, LP (0.3110 acre) and a waterline easement from Global New Millennium Partner, Ltd. (0.0390 acre). Mr. Marks presented and reviewed said easements with the Board. After discussion on the matter, Director Lowery moved that the above referenced waterline easements be approved and accepted by the District. Director Lusby seconded said motion, which unanimously carried.

Ms. Englebert, Ms. Kelly and Mr. Bonnerjee exited the meeting 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 the Harris County Utility Coordinating Department forwarded proposed plans for the requested drainage improvements on Earl of Dunmore to capture and reduce excess sheet flow from Mason Road into the subdivision. He stated that based on the plans as presented, there is a conflict with an existing District waterline that may require

relocation to permit the construction of the additional storm sewer line. Mr. Hays reported it will cost approximately \$800.00 to excavate the area to verify the location of the line. After discussion on the matter, Director Lusby moved that the operator be authorized to verify the location of the existing line. Director BeMent seconded said motion, which unanimously carried.

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 A&S has not received an update as to the status within the Harris County Attorney's office regarding possible legal action.

The Board next considered a request from Weston MUD for a fire hydrant be installed on the District's water line on the west side of Mason Road. In connection therewith, Mr. Ainsworth noted that the purpose of the connection is to address a request/comment from the Harris County Fire Marshall for a secondary fire water source in case Weston MUD and the Academy internal fire system fails. He noted that Weston MUD will pay all costs associated with facility modification and will enter into an agreement to reimburse the District in the event of a fire. After discussion on the matter, Director BeMent moved to authorize the installation of a fire hydrant and enter into an agreement with Weston MUD, provided Weston MUD pay all of the District's costs in connection with same. Director Lusby seconded said motion, which unanimously carried.

As the next order of business, the Board considered the annual review of the Resolution Adopting Prevailing Wage Rate Scale for Construction Projects and consideration of authorizing a survey of wages. In connection therewith, Mr. Marks noted that no wage rate changes have been made by the City of Houston and recommended the Board leave the current Resolution as is. After discussion, Director BeMent moved that the Resolution should continue, without amendment or revision. Director Erbert seconded said motion, which unanimously carried.

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 an Application for Service from Safekick for a 10,000 square foot office building to be located in Westside Office Park. The Board concurred that Mr. Ainsworth should authorize service to the building upon approval of the building plans.

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 a tour of the plant will be held on April 13. He further reported that they are considering switching from liquid bleach to chlorine gas, which will save money.

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 January, a copy of which is attached hereto. In that regard, Ms. Secrest reported that 82.98% of the water pumped during the month of January had been accounted for. She 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.

The Board next considered the status of the storm sewer cleanout and debris removal from infrastructure within the District. In connection therewith, Ms. Secrest presented and reviewed photos of the storm sewer manholes. She noted that the storm did not clean out the manholes. Mr. Ainsworth further noted that he has not yet received a response from Commissioner Raddick regarding the District's request for Harris County to clean out the 71 manholes located within the District.

The Board next considered a report on the investigation of the District's water accountability. In that regard, Ms. Secrest reported that since separating No. 61 and No. 62's systems, the District's accountability is at 91.08%. She noted that she spoke with the operator for No. 62 who advised that No. 62's accountability was "not good."

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 renewal of the District's insurance coverage for term expiring March 31, 2011. In connection therewith, Mr. Marks distributed renewal proposals received from HighPoint Insurance Group, LLC ("HighPoint") relative to property, comprehensive boiler and machinery, commercial general liability and hired car and non ownership automobile liability, pollution liability, directors and officers liability, umbrella, public employee blanket crime, directors position schedule bond, tax assessor/collector bond, worker's compensation, and business travel coverage scheduled to expire on March 31, 2012, copies of which are attached. After discussion on the matter, Director BeMent moved that the renewal proposal from HighPoint for the coverage's set out above, be approved, and that the President be authorized to execute same on behalf of the Board and District. Director Lowery seconded said motion, which unanimously carried.

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 reported that he has sent an email to Mr. Young explaining the compromise suggested by the Board, but had not received any response.

The Board next considered a discussion regarding items to be placed in the quarterly District newsletter. In connection therewith, it was noted that the quarterly newsletter has been prepared and distributed to District residents. The Board further requested that information regarding the sanitary sewer repairs and rehabilitation be included in the next newsletter.

The Board next discussed the engineer's contract and services with the District. In connection therewith, Mr. Ainsworth addressed the Board regarding his contract and relationship with the Board.

Ms. Hinch next queried the WHCRWA charge on her water bill.

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

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

/s/ W.R. Lusby

W.R. Lusby
Secretary

ATTACHMENTS TO MINUTES OF BOARD OF DIRECTORS
MEETING OF FEBRUARY 22, 2011

1. Sign in Sheet
2. AWBD Seminar Notes
3. Bookkeeping Report
4. Tax Assessor/Collector Report
5. Uncollectible Accounts List
6. Delinquent Tax Report
7. Resolution Concerning Exemption from Taxation
8. Engineer's Report with related correspondence
9. Weston MUD Memo
10. Operations Report with related correspondence
11. HighPoint Insurance Renewal Proposal