

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 61

Minutes of Meeting of Board of Directors

June 28, 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 June 28, 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"); Anthea Moran of First Southwest Company; Matt Waller of The Interfin Companies; David Marks of Marks Richardson PC ("MRPC"); Vince Zinnante of Harris County Municipal Utility District No. 62; Floyd Ball 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, Mr. Ball requested a copy of the Utility Development Agreement with Cinco Ranch. Mr. Marks provided Mr. Ball with a copy of the requested UDA during the meeting. Mr. Ball also expressed concern about grass fires in the District and noted that the District has been taking care of its property.

As the next order of business, the Board considered approval of the minutes of the Board of Directors meeting held on May 24, 2011. After discussion of the minutes presented, Director BeMent moved that the minutes of the meeting of May 24, 2011, be approved, as corrected. Director Erbert seconded said motion, which unanimously carried.

The Board next considered reorganization of officers of the District. In that regard, Director Sherrill expressed his desire to resign his office of President of the Board of Directors effective immediately. He then discussed his motivation for running for President, being that he wanted to help heal the District division resulting from the contested election. He stated that he feels the Board has come together to work in a cooperative manner. After further discussion, Director Sherrill nominated Director BeMent for the office of President of the Board of Directors. Director Lowery seconded said motion, which unanimously carried. Director BeMent assumed the chair. Director Lowery then nominated Director Sherrill for the office of Vice President of the Board of Directors. 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 Sherrill moved that the Board approve payment on the General Operating Account at Compass Bank, being check nos. 4970 through 4993, inclusive, and on the Williamsburg Water Plant General Operating Account at Compass Bank, being check nos. 2981 through 2986, inclusive, as identified in said reports. Director Lusby seconded said motion, which carried unanimously.

The Board next considered authorizing the preparation of an Unclaimed Property Report as of June 30, 2008, and the filing of same with the State Comptroller prior to November 1, 2011. After discussion on the matter, Director Lowery moved that the District's consultants be authorized to prepare an Unclaimed Property Report, if necessary, and that MRPC file same with the State Comptroller prior to November 1, 2011. Director Lusby seconded said motion, which unanimously carried.

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 May, a copy of which is attached hereto. She reported that 98.62% of the District's 2010 taxes had been collected through May 31, 2011. 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. 1001, and 1954 through 1956, inclusive, as identified in said tax assessor collector's report. Director Lusby 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 June 28, 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. Ms. Englebert noted that documents were needed to move accounts to Wells Fargo.

Ms. Englebert next presented the 2011 Preliminary Report of Appraised and Taxable Value in the District received from the Harris County Appraisal District, which denotes an Initial Taxable Value of \$107,760,130, plus Personal Property value of \$4,054,262 for a total of \$111,814,392, plus the value of the annexation tracts of approximately \$4,000,000. A copy of said preliminary report is attached hereto.

The Board next considered authorizing Perdue to proceed with the collection of 2010 delinquent taxes, including the filing of lawsuits. After discussion on the matter, Director Lusby moved that Perdue be authorized to proceed with the collection of the District's 2010 and prior years delinquent tax accounts on July 1, 2011, including the filing of lawsuits as necessary. Director Lowery seconded said motion, which unanimously carried.

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 deferred authorizing the engineer to prepare the plans and specifications for rehabilitation of the District's sanitary sewer system.

The Board next considered the status of contract with Monarch Civil Constructors, LLC ("Monarch") for the extension of District facilities to serve the StoneArch development. In connection therewith, Mr. Ainsworth reported that work began on June 7, 2011, and presented Pay Estimate No. 1 in the amount of \$375,076.19, a copy of which is attached hereto, and recommended that the Board concur in the payment of same by the developer. After discussion, Director Sherrill made a motion to concur in the payment of Pay Estimate No. 1 in the amount of \$375,076.19 to Monarch by the developer, as set out above. Director Lusby seconded said motion, which unanimously carried.

The Board next deferred the acceptance of site and/or easement conveyances for facilities constructed or to be constructed for the District.

The Board next considered the status of the waterline relocation and installation of a new valve relative to the Harris County Precinct 3 drainage modifications to Mason Road in connection with the storm water flow into the District. In connection therewith, Mr. Ainsworth reported that the project is complete.

The Board next considered the status of installation of a fire hydrant by Weston MUD on the Academy property located on the east side of Mason Road. As provided in the contract by and between Weston MUD and the District, said hydrant is to be connected to the District's water line located on the west side of Mason Road. In connection therewith, Mr. Ainsworth reported that he had nothing new to report.

The Board next considered review and approval of Bond Application Report for the Series 2011 Bonds. In that regard, Mr. Waller addressed the Board and requested that it reimburse Westside Ventures for a portion of the funds it has expended constructing District facilities out of proceeds of the bond issue. Ms. Moran then distributed a revised cash flow report, a copy of which is attached hereto. The Board concurred that it should structure debt service based upon assumption that the District will issue additional bonds over the next couple of years to maintain maximum flexibility. After discussion, Director Sherrill moved that the Board authorize revisions to the Bond Application Report relative to the Series 2011 Bonds to issue approximately \$1,250,000 in bonds to reimburse Westside Venture. Director Lusby seconded said motion, which unanimously carried.

The Board deferred consideration of approval of Order Authorizing Application to the Texas Commission on Environmental Quality ("TCEQ") for approval of the Series 2011 Bonds.

The Board next considered requests for issuance of utility commitments. In that regard, Mr. Ainsworth reported that with respect to the Laundromat to be located in the commercial strip center on Mason Road, the applicant was notified as to the next steps required including making contact with the Operator and submittal of architectural and plumbing plans and to date, has not received the plans. Mr. Ainsworth next reported relative to the request for water and sewer service from the Franz family, that Kevin Franz recently provided deeds for all parcels in the tract and that the package to the City of Houston has been prepared and submitted for review.

The Board next considered a report on the regional sewage treatment plant, including compliance with the wastewater discharge permit. In that regard, Director BeMent reported that the second of the new blower motors failed, were replaced under warranty and the controllers were also replaced.

The Board considered reports regarding the status of development of property within the District. In that regard, Mr. Ainsworth reported that the Safekick building is under construction. Mr. Waller reported that he is negotiating a contract for a 21 acre site (with 6 acres in the District) across the street from the Safekick building.

The Board next considered the report on the District's water, sanitary sewer and storm sewer systems for the month of May, a copy of which is attached hereto. In that regard, Ms. Secrest reported that 91.40% of the water pumped during the month of May had been accounted for. She next reported that all bacteria samples were negative and that there were no appeals received. Ms. Secrest next reported that the District's facilities had been operated in compliance with their respective permits during the month.

The Board next considered the status of the meter replacement throughout the District. In connection therewith, Ms. Secrest reported that there are four meters with over 1.8 million gallons and 32 meters with over 1.6 million gallons that need to be replaced. A High Read – Old Meter Report is attached hereto. After discussion, Director BeMent moved that the operator be authorized to replace meters with over 1.6 million gallons. Director Lusby seconded said motion, which unanimously carried.

The Board next considered a report on the investigation of the District's water accountability. The Board discussed accountability and Ms. Secrest noted that both the District and Harris County Municipal Utility District No. 62 have accountability in the 90+% range.

Ms. Secrest next reported that Pump #2 at Lift Station #1 needs repair. In that regard, she presented a proposal from All-Pump & Equip. Co. dated June 22, 2011, to repair the pump in the amount of \$8,323.96, plus rental of a temporary pump. Ms. Secrest noted that she will file an insurance claim for repairs to the pump. After discussion, Director Lusby moved that the proposal from All-Pump & Equip. Co. in the amount of \$8,323.96, plus rental be approved the repair Pump #2 at Lift Station #1. Director Sherrill seconded said motion, which unanimously carried.

Ms. Secrest next reported that approximately 484,000 gallons of water was wasted through a hydrant that was opened and left open overnight. She stated that they have no information on who opened the hydrant or why.

Ms. Secrest next presented correspondence from the TCEQ dated June 3, 2011, relative to a monitoring violation. She advised that the violation was remedied, a notice was published in the Katy Times, and a response filed with the TCEQ. A copy of said violation correspondence is attached hereto.

Ms. Secrest next reported relative to the ground storage tank and advised that photos of the rusting tank bolts were reviewed. Mr. Ainsworth advised that the bolts will last at least five more years with periodic tightening. Director BeMent requested that a leak test be performed. Mr. Ainsworth recommended that the Board wait until the dry months pass before performing the leak test. The Board concurred with his recommendation.

Mr. Hays next reported that 551,000 gallons per day of water is being used in the District. He noted that 10 hours per day is the average runtime.

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

The Board deferred consideration of 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.

Mr. Marks next presented for the Board's information and approval a Voting System Annual Filing Form ("Form") from the Secretary of State's Office. He advised that pursuant to Section 123.061 of the Texas Election Code, each political subdivision in the State of Texas is required to complete and file said Form with the Secretary of State's Office. After discussion on the Form, Director Lusby moved that same be approved and that MRPC be authorized to prepare and file same with the Secretary of State's Office, as required by law. Director Erbert seconded said motion, which unanimously carried.

The Board next considered authorizing payment of a deposit to HOA for a key to the meeting room. After discussion, Director Lowery moved that payment of a deposit to the HOA for a key to the meeting room be approved. Director Lusby seconded said motion, which unanimously carried.

A discussion then followed regarding items to be placed in the quarterly District newsletter. Director BeMent volunteered to write an article on fire safety and drought conditions.

Director Lowery next inquired as to whether something can be done to provide better training for the Fire Department. He noted that when the Fire Department responded to a house fire within the District, they appeared to not know what they were doing. Mr. and Mrs. Evans responded relative to the fire related problems.

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 JUNE 28, 2011

1. Sign in Sheet
2. Bookkeeping Report
3. Tax Assessor/Collector Report
4. Delinquent Tax Report
5. HCAD – Preliminary Report of 2011 Appraised Values dated 5/18/11
6. Engineer's Report with related correspondence
7. Operations Report with related correspondence
8. Correspondence from TCEQ dated 6/3/11