

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 61

Minutes of Meeting of Board of Directors

September 27, 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 September 27, 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:

Wheeler BeMent, President
R.D. Sherrill, 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 Secret of Hays Utility South Corporation ("Hays Utility"); Cindy Englebert of Wheeler & Associates, Inc. ("W&A"); Beulah Kelly of Myrtle Cruz, Inc.; Mark Eyring of Mark L. Roth, CPA; Anthea Moran of First Southwest Company; Kara Richardson of Marks Richardson PC ("MRPC"); and Bill Evans, Floyd Ball, Vince Zinnante and Joseph Ornowski, residents of the District.

The President called the meeting to order and declared it open for business. It was noted that the meeting was not being recorded due to technical difficulties.

As the first order of business, the Board considered comments from members of the public. In connection therewith, Mr. Ornowski advised that he observed that the detention pond was being mowed, but that based on his observations there was nothing to mow and that the mowing has just stirred up dust. He next queried the Board regarding the taxable value of his home as represented on his tax bill from the Harris County Appraisal District with respect to the total value taxed by the District. Ms. Englebert noted that she would research the matter and follow up with Mr. Ornowski.

As the next order of business, the Board considered approval of the minutes of the Board of Directors meeting held on August 23, 2011. After discussion of the minutes presented, Director Sherrill moved that the minutes of the meeting of August 23, 2011, be approved, as revised. 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 Sherrill moved that the Board approve payment on the General Operating Account at Compass Bank, being check nos. 5031 through 5052, inclusive, and on the Williamsburg Water Plant General Operating Account at Compass Bank, being check nos. 2992 and 3000 through 3005, inclusive, as identified in said reports. Director Erbert seconded said motion, which carried unanimously.

The Board next considered adoption of the District's operating budget for fiscal year ending October 31, 2012. Ms. Kelly presented and reviewed a proposed budget for the District and a proposed budget for the Williamsburg Water Plant for fiscal year ending October 31, 2012, a copy of which is attached hereto. A discussion then followed relative to the proposed figures allocated to pumpage fees, tap fees, legal notices, election expenses and amenity pond expenses. After discussion on the matter, Director Lusby made a motion to adopt the District's operating budget and the Williamsburg Water Plant budget for fiscal year ending October 31, 2012, as revised. Director Sherrill seconded said motion, which unanimously carried.

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. Ms. Richardson stated that the District's bookkeeper and operator reported that there were no unclaimed fees, funds, etc. for the period in question, but the District's tax assessor collector reported that there were unclaimed funds for the reporting period. After discussion on the matter, Director Sherrill moved that W&A be authorized to prepare an unclaimed property report and file same with the State Comptroller prior to November 1, 2011. Director Lowery seconded said motion, which unanimously carried.

The Board next considered the engagement of an auditor to prepare the District's audit report for the fiscal years ending October 31, 2011, and October 31, 2012. In that regard, Mr. Eyring made a presentation to the Board and requested that Mark L. Roth, CPA be engaged for two (2) years. He advised that Mr. Roth's fee for preparation of said audit would be \$9,500 for the District per year and \$1,000 for the Williamsburg Water Plant per year for two (2) years. After discussion on the matter, Director Lusby moved that Mark L. Roth, CPA be engaged to prepare the District's audit report for the fiscal years ending October 31, 2011, and October 31, 2012, at an annual fee of \$9,500 for the District audit and \$1,000 for the Williamsburg Water Plant audit. Director Sherrill 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 August, a copy of which is attached hereto. She reported that 98.91% of the District's 2010 taxes had been collected through August 31, 2011. She next presented the attached correspondence received from Jana Villarreal requesting a payment plan and also enclosing a copy of a good faith check in the amount of \$200.00. She advised that Ms. Villarreal has requested to pay \$205.00 in October, \$205.00 in November and the remainder of \$208.47 in December. After discussion on the matter, Director Sherrill made a motion to approve the payment plan as set out above. Director Erbert seconded said motion, which unanimously carried. After review and discussion of the reports presented, Director Sherrill moved that the Board approve said report and authorize payment on the Tax Account, being check nos. 1973 through 1980, inclusive, with check nos. 1973 through 1975 being voided, as identified in said tax assessor collector's report. Director Erbert 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 September 27, 2011, which had been prepared by the District's delinquent tax attorney, Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), a copy of which is attached hereto. She noted that Alpine Trees and Shrubs may visit a future Board meeting to appeal taxes owed by them that have become delinquent. After discussion, the Board requested that the Perdue report be sent via email to the Board prior to the Board meetings.

As the next order of business, the Board received the Financial Advisor's recommendation concerning the establishment of the District's 2011 tax rate and the consideration of a proposal of the District's 2011 tax rate. In that regard, Ms. Moran presented a 2011 No Growth Cash Flow Analysis, a copy of which is attached hereto, which included the financial advisor's recommendation that the District levy a 2011 debt service tax rate of \$0.44 and a maintenance tax rate of \$0.15 for a total combined tax rate of \$0.59. Ms. Moran noted that the District's average home value decreased from \$126,822 to \$121,246 as of January 1, 2011. After further discussion, Director BeMent made a motion authorizing the District's Tax Assessor/Collector to publish notice of a public hearing on the adoption of a proposed 2011 debt service tax rate of \$0.44 per \$100 of valuation and a 2011 maintenance tax rate of \$0.15 per \$100 of valuation, resulting in a combined proposed 2011 tax rate of \$0.59 per \$100 of assessed valuation to be held at the District's next regular meeting. 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 for the extension of District facilities to serve the StoneArch development. In connection therewith, Mr. Ainsworth reported that the water, sewer and drainage portion of the project is substantially complete and that the contractor has not filed for a final inspection. He noted that the remaining activities include acceptance of testing of the waterline and receipt of the electrical power for the private lift station. He further noted that there were no pay estimates for Board concurrence this month.

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 Bond Application Report relative to the District's proposed \$2,970,000 Unlimited Tax Bonds, Series 2011. In connection therewith, Mr. Ainsworth reported that the Report was filed with the TCEQ and that A&S will meet with a TCEQ representative on September 30th for a District site review.

The Board next considered requests for issuance of utility commitments. In that regard, Mr. Ainsworth reported that with respect to the Franz family request, A&S has not yet received a response from the City of Houston regarding the variance request. He noted that A&S has called the City for an appointment to review. Mr. Ainsworth next reported that A&S has been in email communications with a representative of Commercial Capital Investments relative to a 39 acre tract. He noted that the tract was previously annexed into the District and is located on the east side of Mason Road, north of Franz Road and south of the HCFCD ditch. He further noted that A&S has offered to meet with the property owners to review their options and requirements.

The Board next considered a report on the regional sewage treatment plant, including compliance with the wastewater discharge permit. In that regard, Director BeMent noted that there was not a Board meeting last month.

The Board next considered reports regarding the status of development of property within the District. In that regard, Mr. Ainsworth reported that with respect to the SafeKick building in Westside Office Park, construction continues and that the tap has been installed and the meter is set. He noted that the tap fee in the amount of \$33,983.40 has been paid.

With regard to the status of the TC Houston Industrial Development, Inc. building, Mr. Ainsworth reported that an updated request has been received for water and wastewater capacity to serve a 21.77 acre tract bisected by the boundaries of the District and Harris County MUD No. 62 ("No. 62") between Ravello and Westside Parkway. He advised that MRPC and No. 62's attorney have prepared a proposed agreement for allocation of services.

The Board next considered approval of Mutual Service Agreement between the District and No. 62 relative to the TC Houston Industrial Development, Inc. ("TC") project. Ms. Richardson reviewed the terms of the Agreement with the Board along with an exhibit detailing the location of various service lines to the development. Ms. Richardson further noted that Cobb Finley, representatives of TC, have submitted questions to MRPC related to the proposed development and requested Board approval to address same. After discussion, Director BeMent made a motion to approve the Mutual Service Agreement by and between the District and No. 62, authorize the President to execute and Secretary to attest same on behalf of the Board and District, and authorize A&S to prepare a response to Cobb Finley addressing the questions submitted. Director Lowery seconded said motion, which unanimously carried.

The Board next considered the report on the District's water, sanitary sewer and storm sewer systems for the month of August, a copy of which is attached hereto. In that regard, Ms. Secrest distributed an updated report to the Board and discussed the changes from the previously emailed report. She advised that Hays Utility discovered that the District has been supplying water to nine homes located in No. 62 and that No. 62 has been erroneously billing those homes as if the water was being supplied by No. 62. Ms. Secrest further noted that Hays Utility should send an invoice to the operator for No. 62 for amounts due to the District for water supplied by the District to such homes. She next reported that 92.54% of the water pumped during the month of August had been accounted for, that all bacteria samples were negative and that the District's facilities had been operated in compliance with their respective permits during the month.

Mr. Ainsworth next presented pictures of the Water Plant and advised that he is looking ahead to any future repairs. Director BeMent next requested Ms. Secrest and Mr. Ainsworth to obtain pricing on replacement of mechanical packings at the Water Plant.

Ms. Secrest next reported that an appeal had been received by Hays Utility from a resident requesting an adjustment to the May water bill for utilizing 23,000 gallons per month when their typical usage is between 2,000 to 3,000 gallons per month. She noted that the meter is working properly, but that a written request was not submitted. After discussion, the Board concurred to take no action on the matter until the resident submits a written request or attends a Board meeting to appeal the charges.

In connection with the status of the ground storage tank, Ms. Secrest reported that the status is unchanged.

Ms. Secrest next reported that a water main line break was repaired during the past month and that the fire hydrant repair at Mason Road and S. Colonial Parkway is complete.

The Board next considered a report on meeting with representatives of No. 62 and both district's operators to develop policies and procedures for maintaining high water accountability in connection with opening the two distribution systems. In connection therewith, Ms. Secrest presented a proposal for accountability action, a copy of which is attached to the operations report, and reviewed the same with the Board. After discussion on the matter, it was noted that the Board will review the proposal prior to the next Board meeting and then the District's representatives will meet with No. 62's representatives and both operators to discuss same prior to next month's meeting.

The Board next considered the status of the meter replacement throughout the District. In connection therewith, Ms. Secrest reported that eleven meters were replaced this month from the meter change out program.

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.

A discussion then followed relative to training procedures for the fire department. In connection therewith, Director Lowery reviewed the correspondence he prepared to the West I-10 Fire Department ("WFD") with the Board. After discussion, Director Lowery made a motion to approve the correspondence to the WFD, as presented, and to authorize MRPC to submit same. Director BeMent seconded said motion. A discussion then followed regarding said motion, with Directors Sherrill and Lusby agreeing that paragraph three in the correspondence should be revised. After further discussion on the matter, Director BeMent moved to amend Director Lowery's prior motion and authorize MRPC to send the correspondence to the WFD, as revised. Director Lowery seconded said motion, which unanimously carried.

A discussion then followed regarding items to be placed in the quarterly District newsletter.

The Board next discussed Senate Bill No. 100 (SB 100) passed by the 82nd Texas Legislature giving political subdivisions the authority to change the date of their general election for officers to the November uniform election date, and the adoption of a Resolution in connection therewith. In that regard, Ms. Richardson presented and reviewed the attached Memorandum prepared by MRPC relative to the timing of the May General Elections (Director Elections) as a result of SB100 with the Board. After discussion on the matter, the Board concurred to table the matter and to place the item on the next agenda for the Board's consideration.

The Board next considered approval of an agreement by and between the District and Election Systems & Software ("ESS") to reserve election equipment for the May 2012 Director Election. After discussion on the matter, Director Sherrill made a motion to approve an agreement by and between the District and ESS, subject to MRPC's review and approval by the Texas Secretary of State. Director BeMent seconded said motion, which unanimously carried.

The Board next considered matters for possible placement on future agendas.

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 SEPTEMBER 27, 2011

1. Sign in Sheet
2. Bookkeeping Report
3. Proposed Budget for fiscal year ending October 31, 2012
4. Tax Assessor/Collector Report
5. Jana Villarreal correspondence
6. Delinquent Tax Report
7. No Growth Cash Flow Analysis
8. Engineer's Report with related correspondence
9. Operations Report with related correspondence
10. Senate Bill No. 100 Memorandum