

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 81
OF HARRIS COUNTY, TEXAS

January 28, 2010

The Board of Directors ("Board") of Harris County Municipal Utility District No. 81 of Harris County, Texas (the "District"), met in regular session, open to the public, at 805 Hidden Canyon Dr., Katy, Texas 77450, inside the boundaries of the District, on the 28th day of January, 2010, and the roll was called of the duly constituted members of the Board of Directors, to-wit:

Jennifer Labourdette	President
John Savage	Vice President
Patrick Cathcart	Secretary
George Goff	Treasurer
Bruce Cox	Assistant Secretary

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

Also present were Danny Simpson, resident of the District; Tony Garza of Cornerstones Municipal Utility District ("Cornerstones"); Stephen Eustis of RBC Capital Markets; Stacy Waggoner of Wheeler & Associates, Inc.; Shirley McLennan of McLennan & Associates, L.P. ("McLennan"); Doug Baker and Jennifer Mays of Brown & Gay Engineers, Inc. ("B&G"); Dusty Lane and Joe Calderon of SWWC Services, Inc. ("SWWC"); Doris Vogt and Ashley Webber, District employees; Donna Brown, recording secretary; and Susan Edwards of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the December 17, 2009, meeting. Director Savage moved to approve the minutes of the December 17, 2009, meeting. Director Cathcart seconded the motion, which passed by unanimous vote.

COMMENTS FROM THE PUBLIC

Mr. Simpson presented photographs of the meter box at his residence, 22306 Smokey Hill. Mr. Simpson stated that leaves have been accumulating in the meter box since August and questioned how the meter was being read with the leaves in the meter box. Mr. Simpson also reported that a water line is leaking in front of his house. The Board requested that Mr. Calderon inspect the meter box and water leak and report back to the Board.

PROPOSAL FOR SECURITY PATROL

Mr. Garza reported that Cornerstones currently contracts with the Harris County Constable ("Constable") for security services and that the rates for these services have increased. Mr. Garza stated that Cornerstones is discussing security services with the District, Cimarron Municipal Utility District ("Cimarron"), and Memorial Municipal Utility District ("Memorial") to determine if the districts are interested in participating in a joint security services contract with the Constable. Mr. Garza stated that a more affordable rate might be negotiated if four districts are participating. The Board expressed interest in participating in the combined contract. Mr. Garza stated that he will meet with Cimarron and Memorial to determine if these districts are interested in participating in a joint security services contract with the Constable.

SUMMARY OF COSTS FOR BOND APPLICATION

Mr. Baker reviewed a Summary of Costs, a copy of which is attached, as the basis of a District application to the Texas Commission on Environmental Quality ("TCEQ") for approval of bonds. Ms. Edwards stated that the District has \$5,240,000 in authorized but unissued bonds. Mr. Eustis reviewed a debt service schedule for the proposed bond issue, a copy of which is attached to these minutes, noting that, based on the current assessed value and no future growth in the value, the District's debt service tax rate would need to be initially increased from \$0.14 per \$100 of assessed value to \$0.18 per \$100 of assessed value to provide adequate funds to pay for the bonds. Mr. Eustis noted that the maintenance tax could be lowered from \$0.21 per \$100 of assessed value to \$0.17 per \$100 of assessed value, to keep the same total tax of \$0.35 per \$100 of assessed value. Mr. Eustis recommended the Board submit a bond application to the TCEQ for expedited review. After discussion, Director Savage moved to authorize preparation of an expedited review bond application. Director Goff seconded the motion, which carried by unanimous vote.

TAX ASSESSOR/COLLECTOR REPORT

The Board next received the tax assessor/collector's report for the month, a copy of which is attached. Ms. Waggoner stated that the District's 2009 taxes are 51.15% collected as of the end of December. After discussion, Director Goff moved to approve the tax assessor/collector's report and pay the bills. Director Cathcart seconded the motion, which carried by unanimous vote.

BOOKKEEPER REPORT

The Board next received the bookkeeper's report, a copy of which is attached. Ms. McLennan reviewed each District account and the bills to be paid, as well as a budget to actual comparison, and the debt service requirements.

Ms. McLennan reported that the District received \$1,029.83 from State Farm Insurance as reimbursement for damage to a District fire hydrant. Ms. McLennan stated that the bookkeeper's report will be revised to reflect that the payroll deduction in the amount of \$878.94 was made to Rhonda Browning, not Francis Browning, for the payroll period ending December 15, 2009.

After discussion, Director Savage moved to approve the bookkeeper's report and the checks presented for payment. Director Cathcart seconded the motion, which carried by unanimous vote.

ACCEPT ANNUAL DISCLOSURE STATEMENTS FOR INVESTMENT OFFICER AND BOOKKEEPER

The Board considered accepting annual disclosures from the District's bookkeeper and Investment Officer for filing with the Texas Ethics Commission as required by the Public Funds Investment Act. Director Cathcart moved to accept the annual disclosures from the District's bookkeeper and Investment Officer and to authorize filing of same with the Texas Ethics Commission. Director Savage seconded the motion, which carried by unanimous vote.

CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY AND ADOPT RESOLUTION REGARDING ANNUAL REVIEW OF INVESTMENT POLICY AND ADOPT RESOLUTION ESTABLISHING AUTHORIZED DEPOSITORY INSTITUTIONS AND LIST OF QUALIFIED BROKER/DEALERS

The Board considered adopting a Resolution Regarding Annual Review of District's Investment Policy and a Resolution Establishing the Authorized Depository Institutions and List of Qualified Broker/Dealers (the "Resolutions"), which provides that the Board conducted its annual review of the District's Investment Policy, authorized depository institutions, and list of qualified broker/dealers. After discussion, Director Savage moved to adopt the Resolutions maintaining that the current Investment Policy remains in effect and adopting an updated list of authorized depository institutions and broker/dealers. Director Cathcart seconded the motion, which carried unanimously.

REVIEW ARBITRAGE REBATE STUDY FOR SERIES 1999 BONDS

Ms. Edwards reported that the arbitrage rebate study (the "Study") was performed on the District's Series 1999 Bonds and reflects that the District did not have any excess yield restriction earnings and does not owe the Internal Revenue Service any arbitrage rebate payment. After discussion, Director Savage moved to approve the Study. Director Goff seconded the motion, which carried by unanimous vote.

REPORT ON COLLECTION SERVICES WITH DILKS& KNOPIK, LLC

Ms. Edwards reported that the District engaged Fred Ward of Dilks & Knopik, LLC ("Dilks"), to collect \$1,425.64 from the 2004 bankruptcy of Cecil and Josephine Macklin that are being held in a U.S. Treasury fund. Ms. Edwards stated that Dilks will collect the funds for the District for a contingent fee of 1/3 of the total funds collected.

Mr. Lane also reported that SWWC made the District whole, without re-billing any customers, for the 84 customer payments that were lost after having been received by SWWC.

OPERATOR'S REPORT

Mr. Lane reviewed a written operations report, a copy of which is attached, with the Board. Mr. Lane reported that the District's water accountability was 98.8% for the period ending December 15, 2009. Mr. Lane reported on repair and maintenance activities for the month.

Mr. Lane reported that SWWC's auditor determined that SWWC under billed District residents on their water and sewer bills for the cost of garbage collection services and that SWWC will pay the District for the approximately \$29,061 shortfall in customer revenues received by the District. Mr. Lane said the garbage rates to the residents were increased in February, 2009, and SWWC included the correct charge on the February and March customer bills, and then erroneously reverted to the previous, lower rate in April, 2009. Mr. Lane reported that written documentation explaining the shortfall and the SWWC payment to the District will be provided next month for the District's financial records.

After discussion, Director Cathcart moved to approve the operator's report. Director Goff seconded the motion which passed unanimously.

UPDATE ON CUSTOMER REQUESTS

Mr. Lane reviewed a letter from Kimberly McCormick of 1075 Red Rock Canyon, a copy of which is attached. Mr. Lane reported that Ms. McCormick is complaining that the District's water plant, located behind her house, causes a disagreeable view from her backyard and that the water plant's security light that shines into her residence at night. Mr. Lane stated that Ms. McCormick also stated that the existing fence does not provide any privacy and is requesting that the District install a fence and trees that will provide more privacy in her backyard. The Board declined to take any action on Ms. McCormick's request. Mr. Lane stated that he will inspect the lighting at the water plant.

Mr. Lane also reviewed notes from a telephone conference with Carl and Mia Scott of 21230 Park Bend, a copy of which is attached. Mr. Lane stated that the Scotts are requesting an extension to pay their delinquent account. After discussion, Director

Cathcart moved to approve a payment plan with the Scotts, including an initial payment of \$150.00. Director Goff seconded the motion, which carried by unanimous vote.

ENCROACHMENT ON DISTRICT WATER LINE

The Board requested that Mr. Calderon contact Sylvia Alcantar to show her where her residence encroaches on the District's waterline easement.

TERMINATION OF SERVICE

The Board next conducted a hearing regarding termination of water and sewer services. Mr. Calderon informed the Board that all of the residents on the attached termination list were delinquent in payment of utility bills and were given written notification prior to the meeting of the opportunity to appear before the Board of Directors to explain, contest, or correct their utility service bills and show reason why utility services should not be terminated for reasons of nonpayment. He stated that no one, except Carl and Mia Scott, had requested an extension for payment of a delinquent account. Director Cathcart moved that because none of the residents on the list were present at the meeting nor had presented any written statement on the matter, except Carl and Mia Scott, the utility service for the residents on the list should be terminated if their utility bills are not paid in accordance with the District's Rate Order. Director Goff seconded the motion, which passed unanimously.

APPROVE OPERATOR CONTRACT AMENDMENT FOR IDENTITY THEFT PREVENTION PROGRAM IMPLEMENTATION

Mr. Lane reviewed an Amendment to the Operator Contract ("Amendment") to include implementation of the Identity Theft Prevention Program. After discussion, Director Cathcart moved to approve the Amendment. Director Savage seconded the motion, which carried by unanimous vote.

AMEND RATE ORDER

The Board did not take any action regarding Amending its Rate Order to increase the transfer fee to correspond to the SWWC charges for implementation of the Identity Theft Prevention Program.

AUTHORIZE PREPARATION AND FILING OF THE WEST HARRIS COUNTY REGIONAL WATER AUTHORITY 2009 WATER USAGE FORM

After discussion, Director Savage moved to authorize preparation and filing of the West Harris County Regional Water Authority 2009 Water Usage Form. Director Cathcart seconded the motion, which carries by unanimous vote.

ENGINEER'S REPORT

Mr. Baker presented the engineer's report, a copy of which is attached. Mr. Baker reviewed a list of anticipated maintenance and repair projects, a copy of which is included in the engineer's report.

APPROVE PAY ESTIMATES, CHANGE ORDERS, AND/OR FINAL ACCEPTANCE, AS APPROPRIATE, FOR CONSTRUCTION OF WATER WELL NO. 6

Mr. Baker reviewed and recommended that the Board approve Pay Estimate No. 6 in the amount of \$139,610.40 to W.W. Payton, Inc., for construction of water well no. 6. After discussion, Director Cathcart moved to approve Pay Estimate No. 6 to W.W. Payton, Inc., based on the engineer's recommendation. Director Goff seconded the motion, which carried by unanimous vote.

APPROVE PAY ESTIMATES, CHANGE ORDERS, AND/OR FINAL ACCEPTANCE, AS APPROPRIATE, FOR ELECTRICAL AND GENERATOR IMPROVEMENTS AT WATER PLANTS AND LIFT STATION

Mr. Baker stated that the contract for the electrical and generator improvements at the water plants and lift station was awarded to NTS Pumps, Motors & Controls ("NTS") last month.

WATER WELL NO. 3 EMERGENCY REPAIRS

Mr. Baker requested that the Board approve the plans and specifications and authorize advertisement for bids for rehabilitation of water well no. 3 (Option II), subject to receipt of approved plans from the Texas Commission on Environmental Quality ("TCEQ"). After discussion, Director Cathcart moved to approve the plans and specifications and authorize advertisement for bids for rehabilitation of water well no. 3 (Option II), subject to receipt of approved plans from the TCEQ. Director Goff seconded the motion, which carried by unanimous vote.

REPAIR OF WATER PLANT NO. 1 GROUND STORAGE TANK

Mr. Baker reported that the water plant no. 1 ground storage tank has been filled with water and the repair appears to have stopped most of the water leakage. Mr. Baker recommended no further action at this time.

APPROVE PLANS AND SPECIFICATIONS AND AUTHORIZE ADVERTISEMENT FOR BIDS FOR REPAIR TO SANITARY SEWER LINES IN MEMORIAL PARKWAY, SECTIONS 1 AND 2

Mr. Baker reported that the plans for repair to the sanitary sewer lines in Memorial Parkway, Sections 1 and 2 are complete, and the project will not be bid until authorized by the Board.

MOTOR CONTROL CENTER AND ELECTRICAL UPGRADES PROJECT AT CINCO PLANT

Mr. Baker did not discuss the motor control center and electrical upgrades.

REPORT ON PREPARATION OF EMERGENCY PREPAREDNESS PLAN

Mr. Baker stated that B&G is preparing the Emergency Preparedness Plan ("Plan") for submittal to the TCEQ by March 1, 2010.

WEST MEMORIAL MUNICIPAL UTILITY DISTRICT SEWAGE TREATMENT PLANT MEETING

Director Labourdette reported on the West Memorial Sewage Treatment Plant meeting.

REVIEW OPERATION, REPAIR, AND MAINTENANCE OF ADMINISTRATIVE OFFICE BUILDING

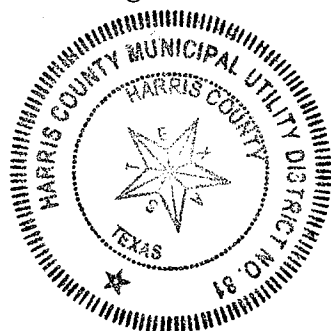
Director Labourdette stated that the lights have been ordered and are anticipated to arrive by February 7, 2010.

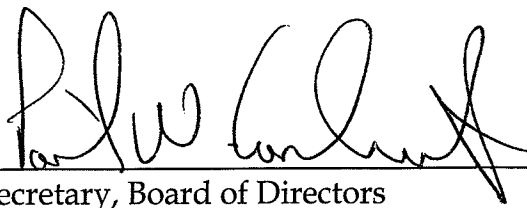
OTHER MATTERS

Director Labourdette stated that Maggie McKay resigned from her position as a District employee effective today, but is willing to fill in if the District ever needs her help. Ms. Edwards stated that Monument Pipeline contacted the District regarding construction of an above-ground meter on the existing utility easement. Mr. Baker reported that he will review the information from Monument Pipeline.

There being no further business to come before the Board, the Board concurred to adjourn the meeting.

(SEAL)




Secretary, Board of Directors

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