

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

December 15, 2011

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 15th day of December, 2011, 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 Vincent Lutz; Terri Savage; Greg Sissel of BKD, LLP; Cindy Englebort of Wheeler & Associates, Inc.; Shirley McLennan and Mary Lutz 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"); Ashley Weber, Doris Vogt, and Joyce Stewart, 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 November 17, 2011, meeting. Director Savage moved to approve the minutes of the November 17, 2011, minutes. Director Cox seconded the motion, which passed by unanimous vote.

ENGAGE AUDITOR TO CONDUCT AUDIT FOR THE FISCAL YEAR END
DECEMBER 31, 2011

Mr. Sissel presented a proposal from BKD for preparation of the audit report for the fiscal year ending December 31, 2011, at an estimated cost of \$15,200, plus postage, printing, and delivery costs. After discussion, Director Cathcart moved to retain BKD to prepare the District's audit report. The motion was seconded by Director Savage and 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. Englebert stated that the District's 2010 taxes are 98.82% collected and the 2011 taxes are 7.17% collected as of the end of November. After discussion, Director Goff moved to approve the tax assessor/collector's report and pay the bills. Director Cox seconded the motion, which carried by unanimous vote.

Ms. Englebert reported that she offered Debra McDonald a payment plan on her delinquent tax account as authorized by the Board last month, but has not received a response from Ms. McDonald.

ADOPT RESOLUTION CASTING BALLOT FOR THE ELECTION OF A PERSON TO THE BOARD OF DIRECTORS OF THE HARRIS COUNTY APPRAISAL DISTRICT

Ms. Edwards presented the ballot for the election of a person to the Board of Directors of the Harris County Appraisal District ("HCAD"). After discussion, Director Savage moved to adopt the Resolution Casting Ballot for the Election of a Person to the Board of Directors of HCAD, casting the District's vote for Glenn Peters. Director Cathcart seconded the motion, which carried by unanimous vote.

TRAVEL REIMBURSEMENT GUIDELINES AND DIRECTOR EXPENSES FOR THE ASSOCIATION OF WATER BOARD DIRECTORS ("AWBD") WINTER CONFERENCE

Ms. Edwards reviewed the Travel Reimbursement Guidelines and Director expenses for the AWBD winter conference with the Board.

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 also reviewed the charges for District office items to the District's American Express and Sam's Club Discover cards for payment. Ms. McLennan stated that the budget does not contain a comparison of revenues by category because SWWC was not able to provide that information due to computer conversion problems.

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.

Director Goff stated that an electric supply contract was signed with Hudson Energy beginning January 7, 2013, at a rate of \$0.0606 per kilowatt hour for a two year period.

UPDATE ON REPAIRS TO RESIDENCES ON PARK WICK AND PARK ROCK AND COSTS RESULTING FROM SANITARY SEWER LINE REHABILITATION PROJECT

Ms. Edwards reported that Huff & Mitchell, Inc. ("HMI"), requested payment of Pay Estimate No. 4 that was withheld last month until the final accounting of the expenses incurred by the District for repairs and related housing has been resolved. Ms. Edwards stated that Ms. Stewart's attorney believed that the repairs to Ms. Stewart's home are complete, but he will confirm. The Board requested that Ms. Edwards send Ms. Stewart a letter notifying her that the deadline to report all claims for the damages to her home is January 15, 2012.

OPERATOR'S REPORT

Mr. Lane reported that SWWC is experiencing numerous problems with its conversion to a new computer system. Mr. Lane reported that a portion of the District's residents received a water bill last month and another portion received their water bill late. Mr. Lane reported that SWWC sent a letter to residents waiving the late fees and penalties. Mr. Lane stated that SWWC will credit the District for the waived late fees in the average amount of monthly late fee revenue over the prior six-month period. Ms. McLennan reported that the average revenue from late fees is approximately \$7,620 per month.

Ms. Webber presented problems with the SWWC computer conversion. Ms. Weber stated that approximately 480 water bills were mailed on December 9, 2011, with a letter explaining the computer conversion and stating that no late fees or water terminations will be performed. Ms. Weber stated that she informed SWWC that bills were not sent to all customers and bills were sent to the remaining customers on December 12, 2011, with the same letter. Ms. Weber reported that delinquent letters were sent to approximately 600 customers and that approximately half of those customers were not delinquent in payment of their water bills. Mr. Lane stated that SWWC will not charge the District for the erroneously sent delinquent letters. Ms. Weber also reported that the District's office address is not correct on the water bills. Copies of the letters are attached.

Director Labourdette discussed the SWWC computer conversion and Ms. Vogt, Weber, and Stewart discussed issues with the new system. Director Labourdette expressed the Board's appreciation for their hard work. Mr. Lane stated that he will arrange for training on the new computer system to be held in the District office. After discussion, Director Goff moved to approve bonuses as follows: \$1,000 for Ms. Weber, \$500 for Ms. Vogt, and \$500 for Ms. Stewart. Director Cox seconded the motion, which carried by unanimous vote.

Director Labourdette requested that Ms. Weber provide a list of customers that are five months past due and provide notice to them that they are past due on their

water bill accounts. Mr. Lane stated that SWWC is not presenting any service orders for payment because of the computer conversion and Director Labourdette reminded Mr. Lane that the District will not pay for service orders for work that is over 90 days old. Director Labourdette also requested that Ms. Weber provide a list of the customers that received the delinquent letter notice that were not delinquent to SWWC so that SWWC can send an apology letter to those customers. Director Labourdette stated that no water service terminations should be made because proper notification has not been made. Director Labourdette authorized the office staff to work overtime or close the office in order to resolve the problems.

Mr. Lane reviewed a written operations report, a copy of which is attached, with the Board. Mr. Lane emphasized that all field work is being effectively performed and the computer conversion is impacting billing and reporting only. Mr. Lane reported that the District's water accountability was 91.5% for the period ending November 11, 2011.

Director Labourdette stated that SWWC's computer problems affect the District's operating revenues and its customer relations. The Board directed Mr. Lane to notify SWWC that if all computer issues are not resolved within 90 days, the District will look for a new operations company.

UPDATE ON CUSTOMER REQUESTS

Ms. Weber reported that no customer requests were received.

NOTICE FROM THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY REGARDING WATER PLANT AT 1110 PARK MEADOW DRIVE

Mr. Calderon reported that the TCEQ noted an incorrect address on the notice of violation letter, and that the issue was actually with the generator at water well no. 4, which was corrected the same day the notice was received.

UPDATE ON REPAYMENT IN KIND TO CIMARRON MUNICIPAL UTILITY DISTRICT

Mr. Calderon reported that the District's repayment in kind through the interconnect to Cimarron Municipal Utility District remains suspended because of the drought.

TERMINATION OF SERVICE

The Board did not receive a list of delinquent accounts.

CLAIM FROM VEHICLE OWNER REGARDING DAMAGES

Mr. Calderon reported that Heather Smith, of 22022 North Fork, filed a claim to have her vehicle repaired in the amount of \$3,095.05. Mr. Calderon stated that a portion of Ms. Smith's driveway was removed during a repair of a water line leak in September of 2011, and SWWC has not completed the repair to Ms. Smith's driveway because Harris County has not yet approved the plans for the portion of the work within the road right-of-way. Mr. Calderon stated that Ms. Smith reported that she damaged her vehicle when she ran into the metal post that secures the netting around the unrepaired area. Copies of the photographs showing the damage to Ms. Smith's vehicle are attached. Ms. Edwards stated that the District is not responsible for damage to Ms. Smith's vehicle. The Board requested that Ms. Smith be notified that the repairs to her driveway have not been completed because Harris County has not yet approved the plans.

ADOPT AMENDED RATE ORDER

The Board considered adopting an Amended Rate Order that increases the fee for surface water to \$1.55 per 1,000 gallons of water used. After discussion, Director Savage moved to adopt the Amended Rate Order. Director Cathcart seconded the motion, which carried by unanimous vote.

ENGINEER'S REPORT

Mr. Baker presented the engineer's report, a copy of which is attached.

APPROVE PAY ESTIMATES, CHANGE ORDERS, AND/OR FINAL ACCEPTANCE, AS APPROPRIATE, FOR WATER WELL NO. 3 EMERGENCY REPAIRS

Mr. Baker reported that Alsay, Inc., did not submit any pay estimates for approval for water well no. 3 emergency repairs.

APPROVE PAY ESTIMATES, CHANGE ORDERS, AND/OR FINAL ACCEPTANCE, AS APPROPRIATE, FOR REPAIR TO SANITARY SEWER LINES IN MEMORIAL PARKWAY, SECTIONS 1 AND 2

Mr. Baker reported that HMI did not submit the final pay estimate for repair to the sanitary sewer lines in Memorial Parkway, Sections 1 and 2, but the project is complete.

APPROVE PAY ESTIMATES, CHANGE ORDERS, AND/OR FINAL ACCEPTANCE, AS APPROPRIATE, FOR THE ELEVATED STORAGE TANK REPAINTING

Mr. Baker reported that Tank Pro did not submit any pay estimates for approval for the elevated storage tank repainting, but the project is complete. Mr. Baker reported

that the additional costs incurred by the District totals \$14,746.83, which will be deducted from the \$22,471.50 remaining in retainage before the final pay estimate is paid. Mr. Baker noted that not all damages caused by the project have been accounted for yet. Mr. Baker stated that the check in the amount of \$19,485.00 for Pay Estimate No. 5 may be released.

APPROVE PAY ESTIMATES, CHANGE ORDERS, AND/OR FINAL ACCEPTANCE, AS APPROPRIATE, FOR WATER PLANT NO. 3 ELECTRICAL IMPROVEMENTS

Mr. Baker reported that the contract for water plant no. 3 electrical improvements was awarded to Gemini Contracting.

UPDATE ON THE KATY AREA ECONOMIC DEVELOPMENT COUNCIL

The Board did not receive a report on the Katy Area Economic Development Council ("KAEDC") meeting.

WEST MEMORIAL MUNICIPAL UTILITY DISTRICT SEWAGE TREATMENT PLANT MEETING

Director Goff reported on the West Memorial Sewage Treatment Plant ("West Memorial") meeting and stated that three of the six lift pumps are being replaced at a cost of \$38,000 each. Director Goff stated that an independent auditor is performing a review of the connection counts for each participating district. Ms. Edwards provided the 2011 audit of the West Memorial funds.

REVIEW OPERATION, REPAIR, AND MAINTENANCE OF ADMINISTRATIVE OFFICE BUILDING AND DISTRICT WEBSITE

Ms. Weber reported that plants were installed in the flower beds and crushed granite was installed along the walkways. Ms. Weber reported that the microwave is not spinning and she will check if it is still under warranty.

CONSTRUCTION CONTRACT FORM

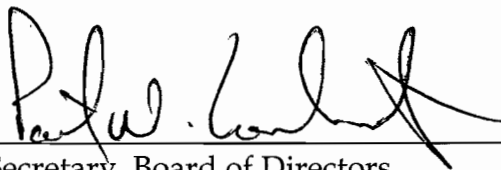
Ms. Edwards reviewed a memorandum from ABHR regarding new forms for construction contracts beginning in January of 2012, noting that the new form reflects provisions in House Bill 2093 that become effective on January 1, 2012, regarding indemnity provisions.

UPDATE ON WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

The Board did not receive a report on the West Harris County Regional Water Authority.

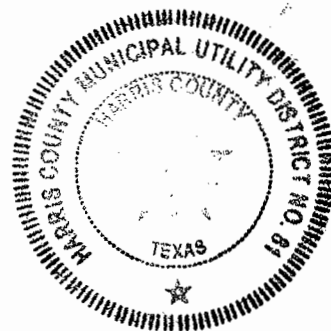
Director Goff stated that he purchased a Dell computer for the office.

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



Secretary, Board of Directors

(SEAL)



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