

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 71

2011 INFORMATION KIT

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Fact Sheet: District Overview

District Mailing Address

Harris County Municipal Utility District No. 71
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027
(713) 860-6400
(713) 860-6401 (fax)

District Website

The District's website is located at www.hcmud71.com, which, among other links and subjects, posts the District's monthly meeting agendas.

Public Information Officer/Media Contact

Ms. Lynne Humphries
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027
(713) 860-6400 (office)
(713) 860-6401 (fax)
lhumphries@abhr.com (email)

Emergency Contact

Mr. Stephen Woodring
Regional Water Corporation
Post Office Box 690406 (77269 0406)
19500 SH 249, Suite 210
Houston, TX 77070
(281) 897 9100 (office)
(281) 897 9333 (fax)
steve@regionalwater.net (email)

Date of Creation

December 13, 1977

Size of District and Annexations

- Original Size of District 628.7 Acres
- Annexation of 152.01 acres on 7/14/03
- Annexation of 104.57 acres on 10/13/03
- Annexation of 0.5477 acres on 04/12/04
- Annexation of 107.295 acres on 05/06/04
- Annexation of 31.97 acres on 12/13/04
- Annexation of 116.02 acres on 8/3/05
- Annexation of 175.91 acres on 11/17/05
- Current total acreage is 1,316.35

The total number of active single equivalent family connections as of September 1, 2011, is 3,567 and the District's projected total connections is 5,049.

Bond History

\$80,020,000 in bonds have been authorized by the voters and, as of September 1, 2010, \$51,220,000 have been issued and sold. \$6,630,000 in park bonds have been authorized and, as of October 1, 2011 none have been issued and sold. \$27,300,000 in refunding bonds have been authorized and, as of October 1, 2011, \$11,675,000 have been issued and sold. For additional information, please see separate section entitled, "How does the District fund its projects?" and separate fact sheet entitled, "District Bond Issuance History."

Tax Rate

The tax rate has declined from an initial rate of \$1.50 per \$100 in assessed value to \$1.10 per \$100 in assessed value for 2011. For additional information, please see separate section entitled, "How does the District fund its projects?"

Current Rate Order

The District's current Rate Order is available on the District's website, www.hcmud71.com.

Subdivisions

- Bridgewater Meadow
- Bridgewater Place
- Bridgewater Pointe
- Bridgewater Village
- Enclave at Bridgewater
- Lakes at Mason Park
- Lakes of Bridgewater
- Mason Lakes
- Morton Ranch
- Vineyard Meadow

- Westland Creek Village

In addition, Golbow Elementary School and T.H. McDonald Junior High School have been constructed by the Katy Independent School District on approximately 32 acres in the District and 3 churches have been constructed in the District.

Active Developers/Builders

- Centex Homes
- Buffington Capital
- Six J Investments
- D.R. Horton
- KB Home
- Frontera Homes
- Gateway Homes
- Greeneco
- K. Hovnanian/Brighton
- Saratoga Homes

Directors

Katrina Thornhill	President
Pam Kerr	Vice President
Mary DuBois	Secretary
Garth Freeze	Assistant Vice President
Phillip Smith Jr.	Assistant Secretary

For more complete information, please see separate sections entitled “Who manages the District”? and “How can I contact the District”?

Notable District Projects and Accomplishments

The District constructed and maintains an Administration Building open for rental for its residents. The Administration Building opened in 2002. The Administration Building is located at 21437 Clay Road, Katy, Texas, and is available for rental by contacting Regional Water Corporation at (281) 897-9100. Additional rental information is available on the District’s website, www.hcmud71.com.

The District operates a splash pad at Directors Park, 21437 Clay Road, Katy, Texas, for the enjoyment of its residents. Hours of operation and additional information about the splash pad can be found on the District’s website, www.hcmud71.com.

Effective December 12, 2008, the District and the City of Houston (the “City”) entered into a Strategic Partnership Agreement under which the City annexed a tract of land within the boundaries of the District for limited purposes. Under this agreement, the City gives the District one-half of the City’s sales tax revenues generated within the boundaries of the commercial properties in the limited purpose areas.

The District has also donated 6 acres to Harris County for the construction of a park.

Fact Sheet: District Bond Issuance History

District voters have authorized a total of \$80,020,000 of bonds for the purpose of acquiring, constructing, repairing, improving, and expanding waterworks, wastewater treatment, and storm drainage in the District. Thus far, the following unlimited tax bonds have been issued:

<u>Series</u>	<u>Type</u>	<u>Amount</u>
1981	Unlimited Tax Bonds	\$2,100,000
1997	Unlimited Tax Bonds	\$3,150,000
1999	Unlimited Tax Bonds	\$4,340,000
2001	Unlimited Tax Bonds	\$5,600,000
2002	Unlimited Tax Bonds	\$3,380,000
2003	Unlimited Tax Bonds	\$2,490,000
2004	Unlimited Tax Bonds	\$3,240,000
2004A	Unlimited Tax Bonds	\$1,560,000
2005	Unlimited Tax Bonds	\$2,350,000
2006	Unlimited Tax Bonds	\$2,700,000
2007	Unlimited Tax Bonds	\$9,680,000
2009	Unlimited Tax Bonds	\$9,700,000

District voters have authorized a total of \$6,630,000 of park bonds. Thus far, the District has not issued park bonds.

District voters have authorized a total of \$27,300,000 of refunding bonds. Refunding bonds are issued to lower the amount of payments due, like a homeowner might do if he refinances his home mortgage. Thus far, the following refunding bonds have been issued:

<u>Series</u>	<u>Type</u>	<u>Amount</u>
1989	Unlimited Tax Refunding Bonds	\$1,410,000
1997A	Unlimited Tax Refunding Bonds	\$145,000
2005A	Unlimited Tax Refunding Bonds	\$2,865,000
2006A	Unlimited Tax Refunding Bonds	\$7,255,000

What is a Municipal Utility District or MUD?

Municipal utility districts, or “MUDs,” are created to bring public water, sewer, drainage and other basic services to residents who are not served by a city. To accomplish the purposes for which they are created, MUDs are authorized by law to purchase, construct, own, operate and maintain all facilities necessary to supply water to, to collect and treat wastewater from, and to collect, store, and drain stormwater from the land within their boundaries. In addition to providing water, sewer and drainage services, MUDs may provide trash collection, fire service, and supplemental security patrol services, and may generally enhance communities by building parks and recreational facilities. In connection with providing services, a MUD adopts rules and charges for the services it provides, enters into contracts for goods and services, incurs debt, and levies taxes.

MUDs are authorized by Article XVI, Section 59 of the Texas Constitution and by Chapters 49 and 54 of the Texas Water Code. MUDs (also called “Districts”) are political subdivisions of the State of Texas. They can perhaps best be described as the most fundamental form of local government because they provide municipal level services, have elected officials, and are authorized to assess and collect taxes and sell bonds in order to pay off the debt incurred in providing their services. Because it is a political subdivision, the District’s meetings and files, including the meeting minutes, are open to the public. Unless it is financially dormant or otherwise exempt, each District also has an annual standardized independent audit. The audit results are filed with the Texas Commission on Environmental Quality (“TCEQ”) and are open to the public.

How and when was the District created?

The District was created by the Texas Water Commission, the predecessor to the TCEQ on December 13, 1977, with the idea that providing water, drainage, sewer, and other services to our communities was a job best done by a group of citizens who are residents of the District and who are elected by their neighbors. Operating as a MUD also allows broader latitude to customize services, promote community benefits, and respond to opportunities that benefit our customers.

Who are our customers and what area do we serve?

The District is comprised of approximately 1,316 acres of land located approximately 25 miles west of the central downtown business district of the City of Houston, Texas in Harris County. The District lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District. Access to the District is provided by Interstate Highway 10 west to Mason Road, a major thoroughfare into the District. The District is primarily residential in nature, but has and expects more development of retail and other commercial establishments sufficient to support residents' needs.

A list of the District's subdivisions can be found on page 2.

As of September 1, 2011, the District had 3,379 single family residences, and 12 commercial businesses. The District's 2011 certified value is \$365,140,671. For complete and updated information regarding the number of active residential or commercial connections, please post an inquiry at the "Contact Us" page on the District's website, www.hcmud71.com.

What utility services does the District provide for its residents?

The District is within the extraterritorial jurisdiction of the City of Houston, and the commercial areas in the District have been annexed for limited purposes (see page 3). Utility systems were designed and constructed to meet the standards of the City of Houston as well as all applicable State standards.

Water

The District currently has the capacity to supply 3.54 million gallons per day of potable water to its residents. In the event of a power failure, the District has generators that are equipped to run a minimum of 48 hours based on 50% usage prior to refueling service. Although the District owns all water supply facilities for the operation of such facilities, the District shares its water and sewer system with Harris County Municipal Utility District No. 287. The District contracts with an independent company, Regional Water Corporation, for the operation of such facilities. Additionally, the District's 5th water well is under construction and should be in service by the end of 2011 and will provide an additional 1.44 million gallons per day of potable water.

The District tests its water supply on a daily basis for disinfectant residuals, a monthly basis for bacteriological quality and on a three year frequency as scheduled by the TCEQ for minerals, metal, organics and radioactive constituents, and issues a Water Quality Report. The District also annually publishes a consolidated water quality report, the Consumer Confidence Report.

Wastewater/Sewer

The District treats and processes approximately 500,000 gallons of wastewater every day. Although owned by the District, the wastewater treatment system is operated by Regional Water Corporation.

The District is within the boundaries of the West Harris County Regional Water Authority (the “Authority”) which is responsible for implementing the required mandatory conversion from ground water to surface water. The District pays a monthly fee for all water pumped from our system to the Authority. The costs of conversion are passed only to our customers on the monthly water bill. More information about the Authority is on the District’s website.

Drainage

The District has 15 detention ponds and approximately 13,500 linear feet of drainage channels and approximately 120,000 linear feet of storm sewer lines.

What services does the District provide other than utilities?

Parks

The State of Texas allows MUDs to develop parks and other amenities within our neighborhoods by using District operating revenue, selling District bonds, and applying for grants. The District developed a master park plan which was approved by the voters of the District at the November 8, 2005, park bond election which authorized \$6,630,000 in park bonds. In the spring of 2009, the Board of Directors completed construction of a new gazebo facility at Bundy Lake for the use and enjoyment of District residents.

The District operates a splash pad located at Directors Park, 21437 Clay Road, Katy, Texas, for the enjoyment of its residents and a 6 acre County park. Hours of operation and additional information about the splash pad can be found on the District’s website, www.hcmud71.com.

Law Enforcement

State law allows MUDs to contract with qualified peace officers to provide law enforcement services in the District. The District currently contracts with the Harris County Sheriff’s Department for District coverage.

Trash Collection

State law authorizes MUDs to provide solid waste collection and removal services. The District contracts with Best Trash, LLC to provide trash collection services to the District’s residents. Trash collection in the District is on Tuesdays and Fridays. The

District does not offer recycling at this time.

Fire Protection Service

Fire protection services are provided by the West I-10 Fire Department.

What emergency plans does the District have?

Drought Contingency Plan

The State of Texas requires all MUDs to have a Drought Contingency Plan that sets forth the procedures to be used during drought conditions. The District's Amended and Restated Drought Contingency Plan was adopted on April 13, 2009, and is reviewed annually.

WATER CONSERVATION

The District encourages water conservation of our customers. Information about conserving water can be found on the District website.

Emergency Preparedness Plan

As required by State law, the District submitted its Emergency Preparedness Plan for approval by the TCEQ. The Emergency Preparedness Plan was approved by the TCEQ on April 23, 2010, and filed with applicable state agencies as required by state law.

Power Outages

The District is equipped with three stationary generators to provide emergency power for the District's two Water Plants and Wastewater Treatment Plant. Additionally, the District has purchased a mobile generator unit to provide emergency power for the District's wastewater lift stations and other power needs in the event of a major power outage.

Vulnerability Assessment

Pursuant to the Bioterrorism Preparedness and Response Act of 2002, the District performed a Vulnerability Assessment on June 30, 2004, and prepared an Emergency Response Plan filed with the U.S. Environmental Protection Agency on December 29, 2004.

Hurricane Protection and Evacuation

Regarding hurricane protection and evacuation, the District's website, www.hcmud71.com, includes a link to the website of Harris County's Office of Emergency Management, www.hcoem.org, which includes information on hurricane protection and evacuation routes.

How does the District fund its projects?

Taxes

The Texas Constitution allows the District, if authorized by its voters, to levy *ad valorem* taxes. Taxes are used to maintain and improve the District's systems and to pay off any bond debt. The District's tax rate is set annually by its Board of Directors after consultation with its independent financial advisor, and the rate is the same for all properties within the District. The District's 2011 tax rate is \$1.10 per \$100 in assessed value. The tax rate is set annually in September or October, after the Harris County Appraisal District certifies the tax roll. For complete and updated information regarding the District's tax rate (current and historical), you may consult the District's monthly meeting minutes, copies of which you may request via the "Contact Us" page on the District's website, www.hcmud71.com.

Bonds

The laws creating the District allow it to finance, subject to voter authorization, various acquisition, construction, maintenance and capital improvement projects by issuing and selling bonds. A District may also issue park bonds, fire protection bonds, and road bonds. The District repays the principal and interest on its bonds through *ad valorem* taxes and/or net operating revenues.

In the typical situation, the developer advances the money necessary to design and construct the District's initial water, sewer, and drainage infrastructure. This advance is conditioned on the District's promise to repay the developer to the extent approved by the TCEQ if and when property value increases to an amount sufficient to allow the District to sell bonds. In addition to selling bonds to repay the developer for the design and installation of the infrastructure system, a District may sell bonds (1) to install the system; (2) to repair, upgrade, maintain or enhance existing systems; (3) to refund existing bonds in order to lower debt service costs; and/or (4) to fund fire service, parks and roads. The District does not fund fire service or roads.

At an election, voters within the District must authorize the issuance of bonds prior to the District being able to issue bonds. Also, the TCEQ (except for refunding bonds) must review and approve the projects to be funded with bond proceeds and Texas Attorney General must approve the District's authority to sell the bonds and levy the taxes to repay them. Thus, a District cannot and does not incur debt without both voter approval and proper governmental safeguards. Moreover, no bond funds are paid to a developer until there has been a reimbursement audit by an independent auditor.

The District directors work to balance the need to minimize taxes with the need to provide consistent, quality services. As of October 1, 2011, the voters in the District have authorized the issuance of \$80,020,000 in bonds and the District has issued \$51,220,000.

Who manages the District?

The District is administered by a Board of Directors with five members who must either own property or be residents within the District, and who must be U.S. citizens. The District's Board has financial and operational authority for the District, but retains consultants and contractors who, among other things, operate, maintain, improve and repair the water, sewer and drainage systems and plants, bill and collect for water, sewer and trash collection services the District provides, and provide the District with financial and legal advice.

Board members are elected for four year staggered terms, with elections held every two years.

The current directors of the District and their respective terms are listed below:

Director	Office	Elected/Appointed	Term
Katrina Thornhill	President	Elected	5/12/08-5/12/12
Pam Kerr	Vice President	Elected	5/12/08-5/12/12
Mary DuBois	Secretary	Elected	5/08/10-5/10/14
Garth Freeze	Asst. Vice President	Appointed	9/30/09-5/12/12
Phillip Smith, Jr.	Asst. Secretary	Elected	5/08/10-5/10/14

Who assists in the operation of the District?

Auditor

The auditor conducts an independent annual audit that is filed with the TCEQ.

Mr. Michael McCall
McCall Gibson Swedlund Barfoot PLLC
13100 Wortham Center Drive, Suite 235
Houston, TX 77065-5610
(713) 462-0341 (office)
(713) 462-2708 (fax)

Bookkeeper and Investment Officer

The bookkeeper maintains the general ledger, reconciles bank and other financial statements, and prepares monthly activity and budget reports. The investment officer reviews and maintains the District's investments, and invests funds in accordance with the Texas Public Funds Investment Act and with the District's Investment Policy.

Ms. Mary Jarmon
Myrtle Cruz, Inc.
1621 Milam, 3rd Floor
Houston, TX 77002-8017

(713) 759-1368 (office)
(713) 759-1264 (fax)

Engineer

The engineer oversees the design, construction and installation of the water, sewer and drainage systems.

Mr. Rodney Heisch
Brown & Gay Engineers, Inc.
10777 Westheimer, Suite 400
Houston, TX 77042-3455
(281) 558-8700 (office)
(281) 558-9701 (fax)

Financial advisor

The financial advisor advises the District on issuing bonds and on adopting the annual tax rate.

Ms. Julie Peak
First Southwest Company
1021 Main Street, Suite 2200
Houston, TX 77002
(713) 654-8638 (office)
(713) 651-9361(fax)

General counsel

The District retains attorneys to act as general counsel, advising the Board of Directors on any matters that are presented. The firm selected by the Board is principally engaged in representing municipal utility districts in all aspects of their operations.

Ms. Lynne Humphries
Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027
(713) 860-6400 (office)
(713) 860-6401 (fax)

Bond and tax counsel

The District retains attorneys to act as bond and tax counsel, who assist in the District's issuance of tax-exempt bonds by providing a legal opinion that the bonds are valid and binding obligations of the District payable from a continuing ad valorem tax. The firm selected by the District is nationally recognized in this area.

Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027
(713) 860-6400 (office)
(713) 860-6401 (fax)

Operator

The operator is the everyday “face” of the District and is responsible for the supply and delivery of water, the collection and treatment of wastewater, ongoing inspection and maintenance of the various delivery and treatment systems (such as pipes and plants), maintaining water quality, billing, customer inquiries and issues and service initiation and termination.

Mr. Stephen Woodring
Regional Water Corporation
Post Office Box 690406 (77269 0406)
19500 SH 249, Suite 210
Houston, TX 77070 (281) 897 9100 (office)
(281) 897 9333 (fax)

Tax assessor/collector

The tax assessor/collector collects the ad valorem taxes in the District.

Ms. Esther Flores
Tax Tech, Inc.
873 Dulles Avenue, Suite A
Stafford, TX 77477
(281) 499-1223 (office)
(281) 499-1244 (fax)

How can I contact the District?

The District's Board of Directors meets the second Monday of each month at 6 p.m. at the District's Administration Building, located at 21437 Clay Road, Katy, Texas. Agendas for each meeting are posted at the District's water plant, located at 3210 Elrod Road, Katy, Texas 77449, and at the Harris County Courthouse at least 72 hours before every meeting, and on the website, at www.hcmud71.com. The Board of Directors invites all members of the public to attend its meetings.

You also may contact the Board of Directors by posting an inquiry at the “Contact Us” page on the District’s website, www.hcmud71.com.

For emergencies related to water supply and wastewater issues, contact:

Mr. Stephen Woodring
Regional Water Corporation
Post Office Box 690406 (77269 0406)
19500 SH 249, Suite 210
Houston, TX 77070
(281) 897 9100 (office)
(281) 897 9333 (fax)

For all other emergencies please contact the Harris County Sheriff’s Department:

Non-emergency number: 713-221-6000
Emergency number 911.

The District contracts with the Harris County Sheriff’s Department for two contract deputies.