

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 37

MINUTES OF MEETING OF BOARD OF DIRECTORS

May 21, 2014

The Board of Directors (the "Board" or the "Directors") of Fort Bend County Municipal Utility District No. 37 (the "District") met in regular session at 7:00 p.m., at 1301 Misty Bend, Katy, Texas 77494, on Wednesday, May 21, 2014, pursuant to notice of said meeting posted in accordance with Chapter 551 of the Texas Government Code. The roll was called of the members of the Board, to-wit:

Kenneth L. Comeaux	President
Stephen Berckenhoff	Vice President
David A. Carp	Secretary
Rudy Ammer	Treasurer
Larry W. Davis	Assistant Secretary/Investment Officer

All members of the Board were present, thus constituting a quorum. Also attending all or portions of the meeting were: Brenda Ritter and family members; Dave Dedee, a resident of the District; John Cassidy, a resident of the District and election judge; Dennis Gordan, formerly of Severn Trent Environmental Services, Inc. (the "Operator" or "ST"); Cody Johnson; Kim Shelnett of Myrtle Cruz, Inc. (the "Bookkeeper" or "MCI"), bookkeeper for the District; Jeff Sonnheim of Equi-Tax, Inc. (the "Tax Assessor/Collector" or "Equi-Tax"), tax assessor/collector for the District; Joe Williams of ST, operator for the District; and Regina D. Adams, Alan P. Petrov and Andrew P. Johnson, III, of Johnson Radcliffe Petrov & Bobbitt PLLC (the "Attorney" or "JRPB"), attorneys for the District.

The President, after finding that the notice of the meeting was posted as required by law and determining that a quorum of the Board was present, called the meeting to order and declared it open for such business as may regularly come before it.

1. The Board presented a plaque to the Ritter family in memory of former Director, Tom Ritter. The Board then escorted the Ritter family outside to view the bench that was installed in memory of Mr. Ritter.

**Election Agenda:**

2. Director Comeaux, after finding that the notice of the meeting was posted as required by law and determining that a quorum of the Canvassing Authority/Board was present, called the meeting to order and declared it open for such business as may regularly come before it.

3. Director Comeaux serving as the presiding officer of the Canvassing Authority, then announced that the biennial Directors Election had been held in the District on Saturday, May 10, 2014 (the "Election") for the purpose of electing three (3) Directors to the Board. Ms. Adams then reviewed the Election returns with the Canvassing Authority and reported that the four (4) candidates received the following votes:

Jeff Gilliland	16 votes
Rudolph Ammer	39 votes
Kenneth Comeaux	44 votes
Steve Berckenhoff	48 votes

Ms. Adams noted that there were no provisional votes cast in the Election. Ms. Adams next stated that, based on the Election returns, and upon adoption of the Order Canvassing the Election, Rudolph Ammer, Kenneth L. Comeaux and Stephen Berckenhoff have been elected to the Board to serve four (4) year terms of office to expire in May 2018. Upon motion by Director Berckenhoff, seconded by Director Davis, after full discussion and the question being put to the Canvassing Authority, the Canvassing Authority voted unanimously to adopt an Order Canvassing Returns and Declaring Results of Directors Election, a copy of which is attached hereto as Exhibit "A", thereby declaring Rudolph Ammer, Kenneth L. Comeaux and Stephen Berckenhoff as duly elected members of the Board.

Director Comeaux, as the presiding officer of the Canvassing Authority then executed and delivered the Certificates of Election for Directors Ammer, Comeaux and Berckenhoff, copies of which are attached hereto as Exhibit "B".

4. Director Comeaux then closed the canvassing meeting and convened the Board meeting. Ms. Adams then presented the Director Qualification Affidavits, copies of which are attached hereto as Exhibit "C", to Directors Ammer, Comeaux and Berckenhoff, who executed same, thereby verifying their qualifications to serve as Directors of the District.

5. Ms. Adams next presented Directors Ammer, Comeaux and Berckenhoff with their sworn Statement of Elected/Appointed Officer, a copy of which is attached hereto as Exhibit "D", as required by the Texas Constitution, which statement was then duly executed by Directors Ammer, Comeaux and Berckenhoff. Ms. Adams then proceeded to administer the Oaths of Office to Directors Ammer, Comeaux and Berckenhoff, copies of which are attached hereto as Exhibit "E".

6. The Board next considered electing officers for the Board. Upon motion by Director Carp, seconded by Director Davis, after full discussion and with all Directors present voting aye, the Board voted that the Directors' positions will be as follows:

Stephen Berckenhoff	President
David A. Carp	Vice President
Rudolph Ammer	Secretary
Larry W. Davis	Treasurer/Investment Officer
Kenneth L. Comeaux	Assistant Secretary

**Regular Meeting:**

7. The President inquired whether there was any public comment concerning the business of the District.

Mr. Dedee reported that CenterPoint Energy recently installed one of the District's light poles near his residence at 1210 Weidner. Mr. Dedee requested that the pole be relocated or

removed. Director Ammer stated that he spoke with David Leyendecker, of Clay & Leyendecker, Inc., the District's Engineer, and was informed that the light pole was not installed in accordance with plans and specifications. Director Ammer noted that such light pole was installed in the wrong location and should have been installed by the tennis courts. Directors Berckenhoff and Ammer stated that the District has been working with CenterPoint Energy for over a year to install the new light poles.

Mr. Cassidy then reported that the Pin Oak Village Homeowner's Association ("HOA") President communicated with Don Massey of Simon Properties, owner of Katy Mills Mall, who indicated that the berm will be turned over to the City of Katy for maintenance when the new boardwalk is installed. Director Ammer stated that is what Mr. Massey told him as well. Ms. Adams stated that she has tried to contact Mr. Massey several times about such proposal and he has not returned her calls. Ms. Adams reported that the HOA has requested that the District request that a fence be constructed to separate the berm from the boardwalk to be constructed. A discussion ensued regarding the HOA's request. It was the consensus of the Board to review a conceptual sketch of the proposed plans for the boardwalk and the berm maintenance. Ms. Adams stated that she will contact the District's Engineer and will attempt communication with Mr. Massey again regarding such matter.

In response to a question from Mr. Cassidy regarding garbage collection in the District, Director Carp stated that Mr. Cassidy should contact the District's garbage collection provider, Waste Corporation of Texas, L.P., with any complaints. Director Berckenhoff thanked Mr. Cassidy for his and his wife's participation as election officials in the recent Director's Election.

There being no further public comments, the President directed the Board to proceed with the agenda.

8. The Board then considered approval of the April 16, 2014 regular meeting minutes. Upon motion by Director Comeaux, seconded by Director Ammer, after full discussion and with all Directors present voting aye, the Board approved such minutes, as presented.

Messrs. Johnson entered the meeting at this time.

9. Ms. Shelnett presented the Bookkeeper's Report and Investment Report, copies of which are attached hereto as Exhibit "F".

a) Ms. Shelnett first reviewed the written report and responded to questions from the Board.

b) Ms. Shelnett next reviewed current and year-to-date revenue and expenditures against the District's budget for the fiscal year ending August 31, 2014.

c) Ms. Adams then reviewed with the Board the Amended and Restated Order Designating Investment Officer and Establishing Rules, Policies, and Code of Ethics for the Investment of District Funds and Review of Investments (the "Amended Investment Policy"). Ms. Adams reported that a water district industry auditor informed the Attorney that the Amended Investment Policy must contain a provision in connection with the

settlement of transactions. Upon motion by Director Davis, seconded by Director Ammer, and after full discussion and with all Directors present voting aye, the Board approved the Amended Investment Policy, a copy of which is attached hereto as Exhibit "G".

d) Ms. Shelnutt requested an amendment to the Agreement for Bookkeeping Services with MCI reflect an increase in the Bookkeeper's hourly rate and monthly base fee. Upon a motion by Director Carp, seconded by Director Davis, with all directors present voting aye, the Board authorized the Second Amendment to Agreement for Bookkeeping Services with MCI, to reflect an increase in the hourly rate from \$50.00 to \$65.00 per hour and a base rate of \$1,525.00 per month, a copy of which is attached hereto as Exhibit "H".

Upon motion by Director Davis, seconded by Director Carp, after full discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report, as presented, and authorized payment of checks numbered 7199 through 7223 from the Operating Account.

10. The Tax Assessor/Collector's Report was presented by Mr. Sonnheim, a copy of which is attached hereto as Exhibit "I".

a) Mr. Sonnheim reviewed the written report and responded to questions from the Board.

b) The Tax Assessor/Collector's Report reflected that 95.1% of the 2013 taxes have been collected as of April 30, 2014.

c) Mr. Sonnheim reported that the preliminary taxable value for 2014 is approximately \$167,269,018.

Upon motion by Director Comeaux, seconded by Director Ammer, after full discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report, as presented and authorized payment of checks numbered 1949 through 1952 from the Tax Account.

11. Mr. Williams then presented the Operation's Report, a copy of which is attached hereto as Exhibit "J".

a) Mr. Williams reviewed the written report and responded to questions from the Board.

b) Mr. Williams reported that 90.77% of the water pumped was accounted for during the previous month.

c) Mr. Williams then reported that there were no excursions at the wastewater treatment plant (the "STP").

d) Mr. Williams reported that there were ten (10) delinquent accounts for non-payment of water and sewer bills.

e) Mr. Williams reported that a new diffuser will be installed at the STP around June 2<sup>nd</sup> or June 3<sup>rd</sup>.

f) Mr. Williams reported that the Texas Commission on Environmental Quality ("TCEQ") recently inspected the District's STP and related facilities and provided the Operator with its inspection report. A discussion ensued regarding the substantial level of inflow and infiltration noted in the TCEQ inspection report. Mr. Williams stated that he will coordinate with Mr. Leyendecker to make any necessary recommendations to the Board. Director Berckenhoff inquired whether the inflow and infiltration could be related to the overflow from or draining of swimming pools in the District.

g) Mr. Williams reported that the Operator repaired the manholes near the tennis courts in an effort to make the manholes flush with the ground. Mr. Williams also reported that a shallow manhole is being installed within the drainage ditch the following day.

h) Mr. Williams distributed the draft 2013 Drinking Water Quality Report/Consumer Confidence Report (the "CCR") for the Board and Ms. Adams' review, a copy of which is attached hereto as Exhibit "K". Mr. Williams stated that the District's water meets all federal requirements.

i) The Board reviewed the Notice that the North Fort Bend Water Authority ("NFBWA") is in the process of instituting landscape irrigation system requirements for properties within its boundaries, a copy of which is attached hereto as Exhibit "L".

Upon motion by Director Ammer, seconded by Director Comeaux, after full discussion and with all Directors present voting aye, the Board approved the Operator's Report, as presented including, authorizing termination of service to ten (10) delinquent accounts pursuant to the District's Rate Order, and approving the 2013 CCR and authorizing distribution of same.

12. The Board reviewed the Notice of Stage 1 Drought Conditions from the NFBWA, a copy of which is attached hereto as Exhibit "M". The Notice requests that all NFBWA water users implement Stage 1, drought contingency and voluntarily reduce water usage. Upon motion by Director Davis, seconded by Director Carp, after full discussion and with all Directors present voting aye, the Board voted unanimously that the District implement Stage 1 of its Drought Contingency Plan, thereby implementing voluntary water use restrictions.

Mr. Sonnheim exited the meeting at this time.

13. Due to the absence of Mr. Leyendecker there was no Engineer's Report.

14. A discussion ensued regarding the matter of the District's Attorney Fee Agreement and potential assignment of same, as may be necessary. Director Berckenhoff recommended that the Board explore various ways to determine how to move forward with this matter. Upon motion by Director Ammer, seconded by Director Davis, after full discussion and with all Directors present voting aye, the Board appointed Directors Berckenhoff and Carp as the attorney interview committee and to make a recommendation to the Board at the next meeting.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

SIGNED, PASSED and APPROVED this 18<sup>th</sup> day of June, 2014.



Secretary, Board of Directors

EXHIBITS:

- A - Order Canvassing Returns and Declaring Results of Directors Election
- B - Certificates of Election for Directors Ammer, Comeaux and Berckenhoff
- C - Director Qualification Affidavits of Directors Ammer, Comeaux and Berckenhoff
- D - Statements of Elected/Appointed Officer of Directors Ammer, Comeaux and Berckenhoff
- E - Oaths of Office of Directors Ammer, Comeaux and Berckenhoff
- F - Bookkeeper's Report, including Investment Report
- G - Amended Investment Policy
- H - Amended Bookkeeping Agreement
- I - Tax Assessor/Collector's Report
- J - Operations Report
- K - Notice from NFBWA regarding landscape irrigation system requirements
- L - 2013 CCR
- M - Notice from NFBWA regarding Stage 1 Drought Conditions