

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 37  
MINUTES OF MEETING OF BOARD OF DIRECTORS

AUGUST 17, 2011

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, August 17, 2011, 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:

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

All members of the Board were present, except Director Carp. Also attending all or portions of the meeting were: Rudy Ammer, District resident; Kim Shelnutt of Myrtle Cruz, Inc. (the "Bookkeeper"), bookkeeper for the District; Kenneth Byrd of Equi-Tax, Inc. (the "Tax Assessor-Collector" or "Equi-Tax"), tax assessor-collector for the District; Joe Williams of Severn Trent Environmental Services, Inc. (the "Operator" or "ST"), operator for the District; David Leyendecker, P.E. of Clay & Leyendecker, Inc. (the "Engineer"), engineers for the District; and Regina D. Adams of Johnson Radcliffe Petrov & Bobbitt PLLC, 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 President inquired whether there was any public comment concerning the business of the District. There being no public comment, the President directed the Board to proceed with the agenda.

2. The Board first considered approval of the July 20, 2011 regular meeting minutes. Upon motion by Director Davis, seconded by Director Comeaux, after full discussion and with all Directors present voting aye, the Board approved such minutes as presented.

3. Ms. Adams then presented an engagement letter for auditing services from David L. Merritt, P.C., the District's Auditor, a copy of which is attached hereto as Exhibit "A", for the preparation of an audit of the District's financial statements for the fiscal year ended August 31, 2011, and noted a fee range of \$7,800 to \$8,200 for preparation of such audit, which is the same as in the prior year. The Board then reviewed the Control Environment and Risk Assessment Standards ("SAS 104-111"), a copy of which is attached hereto as Exhibit "B". Upon motion by Director Berckenhoff, seconded by Director Comeaux, after full discussion and with all Directors present voting aye, the Board engaged David L. Merritt, P.C., as the District's Auditor, and adopted SAS 104-111.

4. Ms. Shelnutt presented the Bookkeeper's Report and Investment Report, copies of which are collectively attached hereto as Exhibit "C".

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

b. Ms. Shelnutt next reviewed current and year-to-date revenue and expenditures against the District's budget for the fiscal year ending August 31, 2011.

c. Ms. Shelnutt then reviewed the proposed budget plans for the fiscal year ending August 31, 2012, a copy of which is attached hereto as Exhibit "D".

Upon motion by Director Berkenhoff, seconded by Director Comeaux, after full discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report and Investment Report as presented, and authorized payment of checks numbered 6442 through 6464 from the Operating Account.

5. The Tax Assessor-Collector's Report was presented by Mr. Byrd, a copy of which is attached hereto as Exhibit "E".

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

b. The Tax Assessor-Collector's Report reflected that 99.2% of the 2010 taxes have been collected as of July 31, 2011.

Mr. Leyendecker entered the meeting at this time.

c. Mr. Byrd then distributed copies of the 2011 tax rate recommendation to the Board, a copy of which is attached hereto as Exhibit "F". Mr. Byrd recommended a 2011 maintenance tax rate of \$0.52 per \$100 assessed valuation. The Board next discussed the process of publishing the net effective tax rate calculation and conducting a public tax hearing on the tax rate at the September 21<sup>st</sup> meeting.

Upon motion by Director Davis, seconded by Director Berkenhoff, after full discussion and with all Directors present voting aye, the Board approved the Tax Assessor-Collector's Report as presented, authorized payment of check number 1841 through 1842 from the Tax Account, and authorized the Tax Assessor/Collector to publish the net effective tax rate calculation of \$0.52 per \$100 assessed valuation and notice of the public tax hearing to be held at the September 21<sup>st</sup> meeting.

d. Mr. Byrd then reported that the first letters regarding delinquent tax accounts have been mailed. Ms. Adams then informed the Board that she spoke to Mr. Patrick Mahoney of Mahoney & Associates ("Mahoney"), delinquent tax attorney for the District, who informed her of three (3) delinquent accounts that he recommends letters be sent to regarding termination of service for non-payment of 2010 delinquent taxes.

Upon motion by Director Comeaux, seconded by Director Davis, after full discussion and with all Directors present voting aye, the Board authorized: 1) Mahoney to send notices for water termination for the three (3) 2010 delinquent tax accounts; and 2) set a public hearing to be held at the September 21<sup>st</sup> meeting for termination of water service on delinquent tax accounts.

Mr. Byrd exited the meeting at this time.

6. Mr. Williams then presented the Operator's Report, a copy of which is attached hereto as Exhibit "G".

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

b. Mr. Williams reported that 90.96% 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 seven (7) delinquent accounts for non-payment of water and sewer bills.

e. Mr. Williams informed the Board that ST inadvertently overcharged the District and it will be issuing a credit for such overage.

f. Mr. Williams then reported to the Board that the Mills Pointe Homeowners Association has not submitted a payment to the District in the previous month per its payment plan.

g. Mr. Williams then noted that there were two (2) water main breaks in the District.

h. Mr. Williams also reported that a resident on Weld Court requested that the District clean up the utility easement located in his backyard. The Board declined the request. Director Poe added that the area along the drainage easement behind the fenceline does need to be cleaned up.

Upon motion by Director Davis, seconded by Director Comeaux, after full discussion and with all Directors present voting aye, the Board approved the Operator's Report as presented, and authorized termination of service to seven (7) delinquent accounts pursuant to the District's Rate Order.

7. The Engineer's Report was presented by Mr. Leyendecker.

a. Mr. Leyendecker then reviewed five (5) bids for the aerobic digester, a copy of which is attached hereto as Exhibit "H". Mr. Leyendecker reported that R + B Group submitted the lowest bid in the amount of \$223,500.00 for the base bid and

\$235,500.00 for the alternate bid, which included a larger basin. Mr. Leyendecker then recommended that the alternate bid in the amount of \$235,500.00 be accepted.

b. Mr. Leyendecker then reported that the District has received a request for water and sewer capacity for a 30-acre tract located south of the STP.

Upon motion by Director Berckenhoff, seconded by Director Comeaux, after full discussion and with all Directors present voting aye, the Board: 1) approved the Engineer's Report; and 2) accepted the alternate bid from R + B Group for the larger basin digester in the amount of \$235,000.00.


8. Director Poe then stated that he has not heard back from Rick Thigpen regarding the irrigation analysis for the drip system on the berm. Director Poe then informed the Board that Katy Mills Mall has made some adjustments to the irrigation system and has removed some dead trees.

9. Ms. Adams then reviewed with the Board the draft of the Westhiemer Parkway Median Installation and Maintenance Agreement.

10. The Board then discussed the District's insurance renewal. Ms. Adams presented proposals from Highpoint Insurance Group LLC ("Highpoint"), AquaSurance LLC and Anco-McDonald Waterworks Insurance Services, L.L.C. Upon motion by Director Davis, seconded by Director Comeaux, after full discussion and with all Directors present voting aye, the Board accepted the proposal of Highpoint, a copy of which is attached as Exhibit "I".

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

SIGNED, PASSED and APPROVED this the 21<sup>st</sup> day of September, 2011.

  
Secretary, Board of Directors



EXHIBITS:

- A - Auditor engagement letter
- B - Risk Assessment Standards letter
- C - Bookkeeper's Report, including Investment Report
- D - Proposed budget plan for the fiscal year ending August 31, 2012
- E - Tax Assessor-Collector Report
- F - 2011 Tax Rate Information
- G - Operations Report
- H - Digester bid
- I - Insurance Renewal Proposal from Highpoint Insurance Group, LLC