

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

August 15, 2012

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 15, 2012, 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:

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

All members of the Board were present. Also attending all or portions of the meeting were: Sylvia Avila of Waste Corporation of Texas, L.P. ("WCA"); Kim Shelnett 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 ("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 President inquired whether there was any public comment concerning the business of the District. The Board recognized Ms. Avila who stated that WCA wanted to ensure that their services have been satisfactory. The Board then stated that they have not received any garbage collection complaints.

Ms. Avila exited the meeting at this time.

2. The Board then considered approval of the July 11, 2012 regular meeting minutes. Upon motion by Director Berckenhoff, seconded by Director Carp, 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, 2012, 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 Carp, seconded by Director Berckenhoff, 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. Shelnett presented the Bookkeeper's Report and Investment Report, copies of which are attached hereto as Exhibit "C".

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, 2012.

c. Ms. Shelnett then reviewed the proposed budget plans for the fiscal year ending August 31, 2013, a copy of which is attached hereto as Exhibit "D".

d. 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. Shelnett noted that the authorized broker list, which is required pursuant to the Amended Investment Policy, will be updated to include additional banks.

e. Ms. Shelnett reported that the District has not received payment from Michael Walton of Mustang Development. Mr. Leyendecker added that he will bill the District for the engineering fees associated with the construction of the aerobic digester at the wastewater treatment plant ("STP") (the "Digester Project") so the District can bill Mr. Walton.

Upon motion by Director Comeaux, seconded by Director Berckenhoff, after full discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report as presented, authorized payment of checks numbered 6712 through 6733 from the Operating Account.

5. The Board then further reviewed the proposed budget for the fiscal year ending August 31, 2013 (the "Budget"), including the North Fort Bend Water Authority revenue and expenses and the expenses for legal fees, repairs and maintenance and engineering.

Upon motion by Director Berckenhoff, seconded by Director Comeaux, after full discussion and with all Directors present voting aye, the Board approved the Budget and approved the Order Adopting the Budget.

6. 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 98.9% of the 2011 taxes have been collected as of July 31, 2012.

c. Mr. Byrd then distributed copies of the 2012 tax rate recommendation to the Board, a copy of which is attached hereto as Exhibit "F". Mr. Byrd recommended a 2012 maintenance tax rate of \$0.525 per \$100 assessed valuation. The Board next discussed the process of publishing the net effective tax rate calculation and conducting a public hearing on the tax rate at the September 19th Board meeting.

d. Mr. Byrd then stated that Mr. Patrick Mahoney of Doré Mahoney Law Group, P.C. ("Mahoney"), the District's delinquent tax attorney, informed him that there were no delinquent accounts eligible for termination of service for non-payment of 2011 delinquent taxes.

Upon motion by Director Ammer, seconded by Director Comeaux, 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 check numbers 1885 through 1885 from the Tax Account, and authorized the Tax Assessor/Collector to publish the net effective tax rate calculation of \$0.525 per \$100 assessed valuation in the *Katy Times* and notice of the public hearing on the 2012 tax rate to be held at the September 19th Board meeting.

Mr. Byrd exited the meeting at this time.

7. 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 91.42% of the water pumped was accounted for during the previous month.

c. Mr. Williams then reported that there were no excursions at the STP.

d. Mr. Williams reported that there were 12 delinquent accounts for non-payment of water and sewer bills.

e. Mr. Williams then requested transferring one (1) account in the amount of \$9.84 to uncollectible accounts.

f. Mr. Williams also reported that Ms. Anastasia Lane, property owner located at 1623 Mills Pass Lane, contacted ST concerning a leak and that such matter has been addressed.

Upon motion by Director Carp, seconded by Director Berckenhoff, after full discussion and with all Directors present voting aye, the Board: 1) approved the Operator's Report, as presented;

2) authorized termination of service to 12 delinquent accounts pursuant to the District's Rate Order; and 3) authorized writing off one (1) uncollectible account.

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

a. Mr. Leyendecker presented Pay Estimate No. 4 and Final in the amount of \$60,596.02 from R+B Group, Inc. ("R+B Group"), the contractor for the Digester Project. Mr. Leyendecker then recommended payment for such pay estimate.

Upon motion by Director Ammer, seconded by Director Berckenhoff, after full discussion and with all Directors present voting aye, the Board approved the Engineer's Report and approved Pay Estimate No. 4 and Final in the amount of \$60,596.02 to R+B Group in connection with the Digester Project.

9. The Board noted there was no update on the status of maintenance of the Katy Mills berm.

10. Mr. Leyendecker then stated that there was no update regarding the gas storage facility operation.

11. Ms. Adams reported that the renewal of the Emergency Water Supply Agreement with the City of Katy (the "City") was approved at the City's council meeting on August 13th.

12. Director Ammer also noted the gate installation for the City interconnect site will be completed in approximately one (1) month.

13. The Board then discussed the District's insurance renewal. Ms. Adams presented a proposal from Highpoint Insurance Group LLC ("Highpoint"). Upon motion by Director Carp, seconded by Director Berckenhoff, 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 "H".

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

SIGNED, PASSED and APPROVED this the 19th day of September, 2012.



Stephen Berckenhoff
Secretary, Board of Directors 9.18.2012

EXHIBITS:

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