

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 37

MINUTES OF MEETING OF BOARD OF DIRECTORS

August 21, 2013

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 21, 2013, 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. Also attending all or portions of the meeting were: Mr. Rico Rodriguez, P.E. of RR Engineering, LLC, engineers for Pulte Homes ("Pulte"); Sandy Colquitt of the Pin Oak Village Homeowner's Association (the "HOA"); Kim Shelnett of Myrtle Cruz, Inc. (the "Bookkeeper"), bookkeeper for the District; Ken 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 (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 President inquired whether there was any public comment concerning the business of the District. The Board first recognized Ms. Colquitt who stated that the drain box located behind the tennis courts in Pin Oak Village is about 18-inches (18") too high and needs to be repaired. Mr. Williams then stated that he discussed this matter with Ms. Colquitt before the meeting and the box is up to 24-inches (24") higher than grade and that it can be re-graded. Ms. Colquitt then informed the Board that someone has turned off the HOA's sprinklers. Ms. Colquitt requested a locking device be added to the sprinkler system. Upon motion by Director Davis, seconded by Director Ammer, after full discussion and with all Directors present voting aye, the Board authorized the Operator to obtain the cost for a locking system on the HOA's sprinkler system, and to repair the drain box.

The Board then recognized Mr. Rodriguez who stated that Pulte is interested in purchasing the 26-acre tract (the "Tract") for residential development and that Pulte is requesting that the District prepare a feasibility study. Mr. Rodriguez added that Pulte is currently under contract to purchase the Tract. Extensive discussion ensued regarding options for water, sewer

and drainage for the Tract and the Board inquired about the status of the North Fort Bend Water Authority's (the "Authority") interest in the purchase of the same tract. Ms. Adams stated that the Authority decided not to proceed.

Mr. Leyendecker noted that the District has authorized preparation of a rerating study for the wastewater treatment plant which would allow for adequate wastewater capacity. Mr. Rodriguez further explained that Pulte will be requesting 63 equivalent single family connections, and that Pulte expects the sales prices of the homes to be approximately \$275,000.00 to \$350,000.00. The Board noted that it previously authorized preparation of a feasibility study, subject to the receipt of a deposit from Pulte.

Mr. Rodriguez exited the meeting at this time.

2. The Board first considered approval of the July 17, 2013 regular meeting minutes. Upon motion by Director Berckenhoff, seconded by Director Davis, 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, 2013, and noted a fee range of \$7,900 to \$8,400 for preparation of such audit. 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, 2013.

c. Ms. Shelnett then reviewed the proposed budget for the fiscal year ending August 31, 2014 (the "Budget"), a copy of which is attached hereto as Exhibit "D". Mr. Williams noted that the District will need to include an expense for the cleaning of the drainage ditch in the Budget, as it will need to be performed during the next fiscal year.

Upon motion by Director Carp, seconded by Director Berckenhoff, after full discussion and with all Directors present voting aye, the Board approved: 1) the Bookkeeper's Report, as presented; 2) authorized payment of checks numbered 6994 through 7013 from the Operating Account; and 3) the Order Adopting the Budget.

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 2012 taxes have been collected as of July 31, 2013.

c. Mr. Byrd then distributed copies of the 2013 tax rate recommendation to the Board, a copy of which is attached hereto as Exhibit "F". Mr. Byrd recommended a 2013 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 hearing on the tax rate at the September 18th Board meeting.

Upon motion by Director Carp, seconded by Director Berckenhoff, after full discussion and with all Directors present voting aye, the Board approved: 1) the Tax Assessor-Collector's Report, as presented; 2) authorized payment of check number 1924 from the Tax Account; and 3) authorized the Tax Assessor-Collector to publish the net effective tax rate calculation of \$0.52 per \$100 assessed valuation in the *Katy Times* and notice of the public hearing on the 2013 tax rate to be held at the September 18th Board meeting.

6. Ms. Adams then stated that Mr. Patrick Mahoney of Mahoney Law, PLLC ("Mahoney"), the District's delinquent tax attorney, informed her that there were two (2) delinquent accounts that were eligible for termination of service for non-payment of 2012 delinquent taxes, but both accounts have since been paid. Ms. Adams also reported that two (2) additional accounts have 2012 delinquent taxes but that they are rental properties. Ms. Adams added that Mr. Mahoney will be contacting the Katy Independent School District to determine if such property owners have defaulted on school taxes on those accounts so that the District may intervene in those lawsuits. No action was necessary on this matter.

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 reviewed the written report and responded to questions from the Board.

b. Mr. Williams reported that 91.67% 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.

d. Mr. Williams reported that there was one (1) delinquent account for non-payment of water and sewer bills.

e. Mr. Williams reported that the District received a request to waive penalties and interest on a water account for the customer located at 25027 Emporia Chase Court, and a request to waive water fees due to a water leak at 24814 Greenough Drive. A discussion ensued regarding such requests and the Board denied the requests for both accounts for the addresses listed above.

f. Mr. Williams then reported that there was a water main leak in the District earlier in the day.

Ms. Colquitt exited the meeting at this time.

Upon motion by Director Davis, seconded by Director Carp, 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 one (1) delinquent account pursuant to the District's Rate Order.

8. 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"), a copy of which is attached hereto as Exhibit "H". Ms. Shelnutt noted that the authorized broker list, which is required pursuant to the Amended Investment Policy, will be updated to include additional banks. Upon motion by Director Comeaux, seconded by Director Berckenhoff, after full discussion and with all Directors present voting aye, the Board adopted the Amended Investment Policy.

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

a. Mr. Leyendecker informed the Board that the agreement with CenterPoint Energy for the installation of five (5) street lights has been submitted and the District is awaiting the installation of same.

b. The Board then discussed the Katy Boardwalk project proposed for Katy Mills Mall.

10. Director Ammer reported that there is no further update on the replacement for Mr. Mace Hirt, formerly with Simon Properties, owner of Katy Mills Mall.

11. The Board then discussed the District's insurance renewal. Ms. Adams presented the proposal from Highpoint Insurance Group LLC ("Highpoint"). Upon motion by Director Davis, seconded by Director Ammer, 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".

12. Ms. Adams then presented a Legislative Summary of the 83rd Legislative Session concerning the bills that impact utility districts. Ms. Adams then briefly explained several bills that directly impact the District.

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

SIGNED, PASSED and APPROVED this the 18th day of September, 2013.




Secretary, Board of Directors

EXHIBITS:

- A - Engagement letter from David L. Merritt, P.C.
- B - Risk Assessment Standards Letter
- C - Bookkeeper's Report, including Investment Report
- D - Draft budget for the fiscal year ending August 31, 2014
- E - Tax Assessor-Collector Report
- F - 2013 Tax Rate Information
- G - Operations Report
- H - Order Reviewing Investment Policy
- I - Insurance Renewal Proposal from Highpoint Insurance Group, LLC