

MINUTES OF MEETING OF BOARD OF DIRECTORS  
April 26, 2011

THE STATE OF TEXAS  
COUNTY OF FORT BEND FORT BEND COUNTY MUNICIPAL UTILITY  
DISTRICT NO. 81

The Board of Directors (the "Board") of Fort Bend County Municipal Utility District No. 81 (the "District") met in regular session, open to the public, at the Fort Bend County Commissioner Precinct 3 Office Building, 8100 Highway 359 South, Fulshear, Texas 77441, on April 26, 2011, at 9:00 a.m.; whereupon roll was called of the directors, to-wit:

President	-	J.B. DuBois, Jr.
Vice President	-	Robert Machen
Secretary	-	Victor J. Zdunkewicz
Assistant Secretary	-	Joseph Ray LeBlanc
Treasurer	-	Robert Pfaffenberger

All members of the Board were present. Also attending all or part of the meeting were Mr. Harlen Wunsch and Mr. Mark Yentzen of Severn Trent Environmental Services, Inc. ("ST"), operators for the District; Mr. Kenneth Byrd of Equi-Tax, Inc. ("Equi-Tax"), tax assessor and collector for the District; Mr. Terry Holland of Myrtle Cruz Inc. ("MCI"), bookkeeper for the District; Mr. Kenneth Martinec of Jones & Carter, Inc. ("J&C"), engineers for the District; Mr. Trent Thomas, Alderman for the City of Weston Lakes (the "City"); Mr. Russell Beustring, President of the Weston Lakes Property Owners Association ("POA"); Mr. Steve Reichardt; and Mr. Neil Thomas and Ms. Nancy Green of Fulbright & Jaworski L.L.P. ("F&J"), attorneys for the District.

The meeting was called to order and, in accordance with notice posted pursuant to law, copies of certificates of posting of which are attached hereto as *Exhibit A*, the following business was transacted:

1. **Minutes.** Consideration was given to the minutes of the regular meeting of March 22, 2011, previously distributed to the Board. Upon motion made by Director Pfaffenberger, seconded by Director Machen, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of March 22, 2011.

2. **Tax Assessor Collector's Report and Standby Fee Report.** Mr. Byrd presented to and reviewed with the Board the Tax Assessor and Collector's Report for March 2011, a copy of which is attached hereto as *Exhibit B*. Mr. Byrd reported that the District has collected 96.9% of its 2010 taxes and 76.9% of its 2011 standby fees. Mr. Byrd reported that he attended the Fort Bend County Appraisal District meeting and some of the commercial properties in the county have slightly increased in value. In response to a question from Director Zdunkewicz, Mr. Byrd explained the process for forgiving the payment of the standby fees on a

half-sized lot in the Bradford on the Bend subdivision, Section 24, Lot 2. Mr. Byrd reported that he would send the invoice to the landowner for resolution.

Upon motion by Director LeBlanc, seconded by Director Zdunkewicz, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor and Collector's Report and to authorize payment of check nos. 2841 through 2843 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Engineer's Report.** Mr. Martinec reviewed with the Board the Engineer's Report, a copy of which is attached hereto as *Exhibit C*.

Mr. Martinec reported that Alsay will be on site today to pull the pumping equipment on Water Well No. 2 because the breaker tripped last week. Mr. Martinec reported that the work will be considered warranty work because the existing motor was installed new when the capacity of the well was increased last spring. Mr. Martinec reported that the one-year warranty began May 14, 2010. Mr. Martinec stated that if the motor is found to be defective, the contractor will replace it. Mr. Martinec reported that if the cable is found to be defective, it is also covered by the warranty. Mr. Martinec stated that Alsay expects to have the well back in service and running by the weekend and that the District could use Well No. 1 as a backup. Mr. Wunsch reported that the repair will be submitted as an insurance claim.

Mr. Martinec reported that J&C and ST inspected the amount of accumulated sand in the large ground storage tanks ("GST") and determined that there was less than one inch of sand in the tank. Mr. Martinec reported that J&C plans to monitor the sand production of the well and will inspect the interior of the smaller GST in a few months.

Mr. Martinec reported that J&C researched the repair alternatives for Water Well No. 2 and determined that none of the local well drillers currently have a tool small enough to install a patch in a five-inch diameter blank liner. Mr. Martinec stated that Alsay suggested the possibility of pulling the existing screen and blank liner for an estimated cost of \$100,000 to \$150,000 which would be a risky operation and may result in losing the well.

Mr. Martinec reported that J&C conducted water quality testing of Water Well No. 1 to determine the current levels of constituents causing the odor issue and noted that high hydrogen sulfide gas levels in the water cause a rotten egg odor. Mr. Martinec stated that J&C is working with a contractor to determine the cost to construct an aeration tower to reduce hydrogen sulfide levels. J&C also researched other alternatives and are waiting on budgetary estimates from suppliers for future presentation. Mr. Martinec stated that the cost of an aeration tower is at least \$100,000 and that the tower will be a visual nuisance.

Mr. Martinec reported that the large GST at Water Plant No. 1 is currently offline and as noted in the inspection, the vent at the top of the GST is in need of repair. Mr. Martinec stated that J&C requested ST to repair the vent to prevent contamination to the tank and that the operator has ordered the vent and will make the repair and clean the GST before returning it into service.

Mr. Martinec stated that J&C recommends using Water Well No. 3 as the primary source of water and Water Well No. 2 as the secondary source of water. Mr. Martinec stated that J&C further recommends planning for a replacement well at Water Plant No. 1 and reiterated that the Board should still consider constructing another well near Water Plant No. 2 to satisfy the District's ultimate capacity requirements and to provide a backup during emergencies. Director LeBlanc suggested that the replacement well be designed to produce 1,500 gpm water capacity. Discussion ensued regarding the financing of the project. Mr. Martinec stated that the first step is to drill the largest well possible at Water Plant No. 1, in addition to a second well at Water Plant No. 2.

4. **WLLP Contract of Lot 13, Block 8, Section 5.** Mr. Martinec reported that he met with Directors Machen and DuBois to discuss the location of an additional well at Water Plant No. 1 by acquiring Lot 13, Block 8, Section 5, of Weston Lakes subdivision at the corner of Windrush and Waterbay. Mr. Reichardt reported that he has contracted to purchase Lot 13 for \$25,000 on April 29, 2011 and will convey the lot to the District for a net cost of approximately \$26,000. Mr. Reichardt offered to purchase any unused portion of the lot at a future date and if purchased, would replat the lot. Mr. Reichardt stated that two additional lots adjacent to the lot are also available for purchase if the Board is interested. In response to a question regarding the incentive for purchasing the additional lots, Mr. Neil Thomas reported that two considerations for purchasing the lot are the deed restrictions on the lot and whether the lot is purchased for public use. Mr. Thomas reported that if the lot is purchased for public use, then no deed restrictions apply. Mr. Thomas stated that the surrounding landowners have rights regarding public nuisances. Mr. Trent Thomas recommended that the District purchase the two additional lots and sell the lots to the POA for a park. Mr. Reichardt reported that he would draft the deed for the purchase of Lot 13. Discussion ensued. Upon motion by Director LeBlanc, seconded by Director Machen, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Director DuBois to execute the documents for purchasing Lot 13 at the earliest practicable date at a price not to exceed \$30,000, subject the attorney's review of the documents.

Mr. Martinec reported that J&C would draft scenarios for the location of the water well at Water Plant No. 1. In response to a question from Mr. Neil Thomas, Mr. Martinec reported that no entity needs to approve the plans for construction, other than the Texas Commission on Environmental Quality ("TCEQ").

5. **Attorney's Report.** Mr. Thomas reviewed the process for the bond issue for the water well projects. Mr. Thomas reported that the size of the bond issue is facility driven. Mr. Thomas reported that a portion of the soft costs are related to the attorney, financial advisor, and underwriter fees. Mr. Thomas stated that other soft costs are advertising and publishing costs, which are largely fixed per series. Mr. Thomas reported that there is some savings in a single bond issue because of the fixed costs. Mr. Thomas stated that the Board should decide early if it needs two facilities to construct so that the financial advisor will be able to calculate the tax rate and costs for the 30-year, 20-year and 15-year payment scenarios. Mr. Thomas stated that the financial advisor could prepare the scenarios for Board's review as soon as it had facility cost projections. Director Zdunkewicz reported that the voted authority is sufficient and is approximately \$38,000,000.

Upon motion by Director Machen, seconded by Director Pfaffenberger, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Attorney's Report.

**Engineer's Report Continued.** Mr. Martinec reported that he would begin work on the estimated costs for constructing two water wells and would contact a hydrologist regarding the replacement well location at Water Plant No. 1.

Mr. Thomas recommended that the District obtain the engineering costs estimates for the project and provide the estimates to the financial advisor to run numbers on the bonds at different maturities to determine the costs. Mr. Thomas stated that the engineering report could be submitted to the TCEQ within 60 to 90 days for TCEQ approval within 60 to 120 days after submission. Mr. Thomas estimated that the bonds could be issued early next year.

Mr. Martinec requested Board authorization to begin the engineering estimates. Upon motion by Director LeBlanc, seconded by Director Zdunkewicz, after full discussion and the question being put to the Board, the Board voted unanimously to authorize J&C to work with the hydrologist for the replacement well location at Water Plant No. 1, to prepare the scenarios and layouts for the replacement well at Water Plant No. 1, and to prepare the cost estimates for the backup well at Water Plant No. 2. Mr. Martinec reported that the hydrologist report and the layouts for the replacement well at Water Plant No. 1 may be ready for the Board to review at the May meeting, but anticipated that the Board would need to hold a special meeting to discuss the project.

Mr. Martinec reported that J&C received a request to review and have the Board consider a replat in Weston Lakes Section 8. The Roehr/Ibarra Project Replat will combine lots 7, 8, 9, and 10 in Block 13 into two lots. Mr. Martinec reported that J&C reviewed the replat and returned its comments. Mr. Martinec reported that the layout showing the location of the lots to be replatted is attached to the Engineer's Report. Mr. Martinec requested Board approval to replat the four lots into two lots and send a letter of no-objection. Upon motion by Director Zdunkewicz, seconded by Director LeBlanc, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Roehr/Ibarra Project Replat.

6. **Bookkeeper's and Investment Report.** Mr. Holland presented to and reviewed with the Board the Bookkeeper's Report and Investment Report, a copy of which is attached hereto as *Exhibit D*.

Upon motion by Director Pfaffenberger, seconded by Director Machen, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Investment Report, the Bookkeeper's Report, and the payment of the District's bills noted therein.

7. **POA President – New Entrance and Guardhouse/Meeting Room.** The President recognized Mr. Beustring who reported on the POA's project to rebuild the guardhouse at the entrance at Weston Lakes. Mr. Beustring reported that the new gatehouse will be reconstructed to increase the building size to approximately 2,000 3,000 square feet. Mr. Beustring reported that in addition to housing the guards, the building will house the POA offices

and meeting rooms. Mr. Beustring reported that the entrance will be re-vamped to extend the entry further west from the current entrance and to expand the road in an effort to reduce traffic and safety problems. Mr. Beustring reported that the District would benefit from the modernized entrance with its visual impact and related increase in home values. Mr. Beustring stated that the facility does not have potable water and requested that the District allow the facility to tie in to the water and sewer system in exchange for use of the meeting room in perpetuity. Mr. Martinec and Mr. Wunsch stated that the facility could tie in to Section 19 or a private line could be installed. Mr. Wunsch reported that the POA could maintain the private line or the District could maintain the line and bill the POA for maintenance. The Board requested that the engineer and the operator determine the refined cost estimates for the project for Board review in May and requested that this item be added to the May agenda for consideration.

Mr. Beustring noted that the POA is working on the lakes and requested use of the contingency well for back-up water from the District if it is available. Director DuBois reported that the Board is working to fund additional water wells and that the District could supply back-up water to the POA, but noted that the needs of the District would supersede the water needs for the lakes.

8. **Operations Report.** Mr. Wunsch reported that the leak situation in the District has not improved and reviewed with the Board the email from Glenn Sommerfield regarding three project quotes for leak detection, a copy of which is attached hereto as *Exhibit E*. Mr. Wunsch reported that ST repaired several leaks, but that the water accountability has not changed. Mr. Wunsch recommended that the Board approve Scope of Project I at a cost of \$1,600. Upon motion by Director LeBlanc, seconded by Director Zdunkewicz, after full discussion and the question being put to the Board, the Board voted unanimously to approve Project I at a cost of \$1,600. In response to a question, Mr. Wunsch reported that according to the meter reads, the leaking around the home previously discussed by the Board in January could be related to irrigation.

Mr. Wunsch reviewed with the Board the invoice items and work orders and discussed the back charges. Mr. Wunsch reported on the maintenance items in the District and noted that motor blower blocked up and is likely a warranty issue.

Mr. Wunsch reported that ST has performed 29 taps within the last six months.

Mr. Wunsch presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as *Exhibit F*. Mr. Wunsch reported that nine months of water usage remains on the District's aggregate Fort Bend Subsidence ("FBSD") water permit. Mr. Wunsch stated that the District pumped 25,456,000 gallons of water in the month of March and that the water accountability for the month was 87.74%.

Mr. Wunsch requested Board approval to send one account to NCO for collection. Mr. Wunsch reported that 38 accounts are on the delinquent list and requested Board approval to disconnect the accounts on the delinquent list on May 4, 2011, if payment is not received by 5:00 p.m. on May 3, 2011. Upon motion made by Director Zdunkewicz, seconded by Director LeBlanc, after full discussion and the question being put to the Board, the Board voted unanimously to send one account to NCO for collection, to approve the Operations Report, and

to disconnect the accounts on the delinquent list on May 4, 2011, if payment is not received by 5:00 p.m. on May 3, 2011.

Director DuBois requested that Mr. Wunsch place the voluntary water conservation sign at the entrance to Weston Lakes and to place a flier in the customer's water bills requesting voluntary water conservation.

9. **Public Comments.** Mr. Trent Thomas voiced appreciation for the District and its efforts toward obtaining new water wells for the District.

10. **Other business matters.** Director DuBois reported that Directors Pfaffenberger, Machen, LeBlanc and DuBois would be attending the summer AWBD conference in June.

Upon motion made by Director LeBlanc, seconded Director Machen, after full discussion and the question being put to the Board, the Board voted unanimously to adjourn the meeting.

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

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The above and forgoing minutes were passed and approved by the Board of Directors on May 24, 2011.

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President, Board of Directors

ATTEST:

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Secretary, Board of Directors