

MINUTES OF MEETING OF BOARD OF DIRECTORS
August 23, 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 August 23, 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; Mark Eyring of Mark L. Roth, C.P.A., auditors 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; Ms. Anthea Moran of First Southwest Company ("FSC"), financial advisor for the District; Mr. Trent Thomas, Alderman of the City of Weston Lakes, and Ms. Courtney McDonald 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 special meeting of August 9, 2011, previously distributed to the Board. Upon motion made by Director LeBlanc, seconded by Director Pfaffenberger, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the special meeting of August 9, 2011. Consideration was given to the minutes of the regular meeting of July 26, 2011, previously distributed to the Board. Upon motion made by Director LeBlanc, seconded by Director Machen, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of July 26, 2011.

2. **Financial Advisor Suggestion for Tax Rate** Ms. Moran addressed the Board regarding the suggestion for the tax rate for 2012, and distributed to the Board a "No Growth Cash Flow Analysis spreadsheet," attached hereto as *Exhibit B*. The spreadsheet is prepared for and will be submitted to the Texas Commission on Environmental Quality ("TCEQ")

as a part of Bond Application 5 to evidence financial feasibility. Ms. Moran noted that the Board should not change tax rate allocation until after the Board has sold the proposed bonds, and she proposed the total tax rate should stay the same. Extensive discussion ensued. The Board reviewed the Certificate of Order Designating Officer to Calculate and Publish Tax Rate for 2011 attached to *Exhibit B*. 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 financial advisor's report and approve the Order Designating Officer to set a \$.30 cent debt service rate, and a \$.07 cent maintenance rate and publish the rates in the Fort Bend Herald.

Mr. Martinec discussed with the Board the Bond Application status, and distributed a draft Report for the Board's review. Mr. Martinec noted that the report is for \$4,340,000 Bond Issue No. 5, Series 2011, and must be complete for TCEQ approval. He reviewed the report with the Board, and extensive discussion ensued. Mr. Martinec noted that there is a schedule of events attached to the draft Bond Application Report which provides detail of the timeline for the project to replace the generator and water well at water plant no 1. Mr. Martinec suggested that the report be reviewed by all consultants in order to get the Bond Application Report finalized by September 20, 2011. He also noted that he would get together with Mr. Neil Thomas, and Ms. Moran to prepare a resolution approving the bond sale. This item required no action from the Board.

3. **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 July 2011, a copy of which is attached hereto as *Exhibit C*. Mr. Byrd reported that the District has collected 98.9% of its 2010 taxes and 83.5% of its 2011 standby fees. Mr. Byrd reported that the Fort Bend County Appraisal District's projected assessed valuation for the District is \$277,143,534. Mr. Byrd presented to the Board a "Delinquent Tax Report for the District, attached to *Exhibit D*. The report, generated by Perdue, Brandon, Fielder, Collins, & Mott, LLP describes district residents in bankruptcy claims, current suits filed, and 2010 accounts that are currently being reviewed.

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 approve the Tax Assessor and Collector's Report and to authorize payment of check nos. 2855 through 2863 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

The Board discussed repayment to Vital Link Incorporated ("VLI") for Fairway Villas 2. Extensive discussion ensued. Mr. Byrd noted that the certified value of Fairway Values 2 is \$6,268,500. The Board discussed that \$7,350,000 is the threshold value that the Board needs to repay VLI. Mr. Byrd suggested that in January, The Board could ask the appraisal district for the estimated assessed value of the properties, so that some of the "uncertified" accounts can get "certified." The Board discussed requesting Mr. Thomas to get the lien release and determine when the Board can pay VLI. Upon motion by Director Zdunkewicz seconded by Director Machen, after full discussion and the question being put to the Board, the Board voted unanimously to request that F&J research a lien release for Fairway Villas 2 and to determine when the Board should pay VLI.

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

Mr. Martinec reported on Water Well No. 2 Rework and stated that J&C prepared a letter to Alsay regarding the motor and pump failure of Water Well No. 2, as directed by the Board. J&C requested that the work to replace the motor and install a new submersible pump assembly be covered under the contract's warranty. Mr. Martinec reported that J&C is waiting to hear back from Alsay regarding the warranty. He noted that J&C worked with the insurance adjuster for the District claim for the pump and motor failure, and the insurance company covered \$19,950.00 for the claim, which does not include all items originally submitted in the claim. He noted that the deductible is \$5,000 and the insurance company is issuing the District a check for \$14,950. J&C recommended that the Board wait to deposit the check until there is an official response from Alsay. After extensive discussion, the Board determined not to pay Alsay while waiting for their response.

Mr. Martinec reported on the Replacement Well at Water Plant No. 1. Mr. Martinec reported that J&C is beginning to design the replacement water well. He discussed with the Board the construction schedule for the water well, which is about 270 days. Based on the original schedule, construction of the well could be complete by October 2012, or August 2012 if on an accelerated schedule. Neither completion date includes factors such as weather delays, punchlist items, final project inspection, or TCEQ well approval. Mr. Martinec discussed with the Board the risks and costs associated with both the regular and accelerated schedule (attached to *Exhibit C*). Extensive 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 J&C to adopt the accelerated schedule.

Mr. Martinec reported that the well run times had exceeded the limits for Stage 1 (mild drought) of the District's drought contingency plan earlier this month. The operator initiated mild drought measures including public notification of the measures, requesting voluntary use in reduction of water, and limiting water use to designated days of the week. J&C recommends continuing on this plan until water usage and well run times decrease for at least 7 days depending on projected weather conditions.

Mr. Martinec reported that the District had finally received a rebate check from the Ft. Bend Subsidence District in the amount of \$1,206 for the District's well permit. The check was sent to the bookkeeper.

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 Engineer's Report.

5. **Discuss and Approve Budget for 2012.** The Board met and prepared a budget at a special meeting held on August 9, 2011, attached hereto as *Exhibit E*. President DuBois mentioned to the Board that the preliminary assessed values for 2011 are \$288,679,996. 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 budget for 2012.

6. **Appoint Auditor for the Fiscal Years Ending September 30,2011 and September 30, 2012.** Mark Eyring, an associate from Mark Roth's office presented to the Board their proposal to serve as auditor for fiscal year 2011, a copy of which is attached hereto as *Exhibit F.* The cost of the services was estimated to be \$9,500.00. 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 appoint Mark L. Roth as auditor at the cost of \$9,500 per year for the next two fiscal years.

7. **Attorney's Report.** This item was deferred.

8. **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 G.* 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 Investment Report, the Bookkeeper's Report, and the payment of the District's bills noted therein.

The Board reviewed the Investment Policy and Accepted Related Party Disclosures from Bookkeeper and Investment that was prepared by F&J and signed by the bookkeeper/ investment officer, attached hereto as *Exhibit H.* Mr. Holland noted that there were no changes to the Investment Policy. 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. and sign the Resolution Reviewing the Investment Policy and Making and Desirable Changes Thereto.

9. **Operations Report.** Mr. Wunsch reviewed with the Board the Operations Report, a copy of which is attached hereto as *Exhibit I.* Mr. Wunsch reported that five months of water usage remains on the District's aggregate Fort Bend Subsidence ("FBSD") water permit. Mr. Wunsch stated that the District pumped 44,711,000 gallons of water in the month of July and that the water accountability for the month was 93.04%. Mr. Wunsch reported that many residents are confused as to whether or not water reductions are mandatory and that some residents refuse to limit their water usage. The Board consensus was for Director LeBlanc to prepare another letter commending the efforts of those residents who are restricting their water usage and to remind others to obey the water restrictions currently in place. 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 preparation of a letter to residents reminding them to limit their water usage during the drought conditions.

Mr. Yentzen reported that a blower at the sanitary sewer plant was leaking oil and needs to be replaced. He noted that the manufacturer is sending out replacement parts and ST will fix the blower in the field. Mr. Yentzen requested permission from the Board to clean the water basin due to lime build-up and algae growth. It was the Board consensus to allow ST to clean the basin.

Mr. Wunsch reported that they have received numerous "false alarms," wherein residents believe they have leaks when in fact they do not. He noted that mainline breaks continue to happen due to the heat.

Mr. Wunsch reported that 23 accounts are on the delinquent list and requested Board approval to disconnect the accounts on the delinquent list on August 31, 2011, if payment is not received by 5:00 p.m. on August 30, 2011. 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 Operator's report disconnect the accounts on the delinquent list on August 31, 2011, if payment is not received by 5:00 p.m. on August 30, 2011.

10. **Public Comments.** There were no public comments.

11. **Other business matters.** Trent Thomas, Alderman for the City of Weston Lakes. addressed the Board and commended them for doing a good job. He noted that they are a city with "set limits" and it does not look like any future annexations will take place.

Mr. Martinec noted that J&C would like Board authorization to prepare a "TCEQ required Emergency Preparedness plan," and review it with the Board at the next meeting. Upon motion made by Director Pfaffenberger, seconded by Director LeBlanc, after full discussion and the question being put to the Board, the Board voted unanimously to approve authorizing J&C to prepare the TCEQ required Emergency Preparedness Plan.

Upon motion made by Director Zdunkewicz, seconded Director LeBlanc, 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 September 27, 2011.

President, Board of Directors

ATTEST:

Secretary, Board of Directors