

**MINUTES OF MEETING OF
THE BOARD OF DIRECTORS OF
WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 1**

January 5, 2012

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

A meeting of the Board of Directors of Wilbarger Creek Municipal Utility District No. 1 was held on January 5, 2012, at the offices of Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas. The meeting was open to the public and notice was given as required by the Texas Open Meetings Act. A copy of the Certificate of Posting of the notice is attached as **Exhibit "A"**.

The roll was called of the members of the Board:

Bill Kochwelp	-	President
Tim Dalton	-	Vice President
Scott Sams	-	Secretary
D. Page Ragland	-	Assistant Secretary
Diana Zuniga	-	Assistant Secretary

and all of the Directors were present, except Director Zuniga, who arrived later, and Director Kochwelp, thus constituting a quorum. Also present at the meeting were Mary Bott of Bott & Douthitt, PLLC; Margret Wingrove of Crossroads Utility Services LLC; Ken Schroeder of Schroeder Engineering Company; Danny Burnett of 2010 ShadowGlen, LLC and Cottonwood Holdings, Ltd.; Mike McCall of McCall Gibson Swedlund Barfoot PLLC; and John Bartram of Armbrust & Brown, PLLC.

Director Dalton called the meeting to order at 12:07 p.m., and stated that the Board would first receive citizens' communications. There being none, Director Dalton then recognized Mr. McCall for purposes of receiving a report from the District's auditor in connection with the audit of the District's financial statements for the fiscal year ended September 30, 2011. Mr. McCall presented the Audit Report, attached as **Exhibit "B"**, including a summary of (i) the independent auditor's report, which he explained contained an unqualified, "clean" opinion; (ii) the Management's Discussion and Analysis, which he explained was a summary of District operations prepared by the District's bookkeeper on behalf of District management in compliance with Governmental Accounting Standards Board Statement No. 34; (iii) the basic financial statements and the notes thereto; (iv) the required supplemental information; and (v) the Texas supplemental information. He reviewed the income statement, budget comparison, and comparative schedule of revenues. He noted that neither the Management's Discussion and Analysis nor the supplemental information was covered by the auditor's opinion but that all of the information had been reviewed by his firm

for internal consistency. At this time, Director Zuniga arrived. Mr. McCall then reviewed the Board representation letter attached as Exhibit "C", noting that similar letters would also be signed by the District's bookkeeper and operator. He confirmed that the letter incorporated certain "knowledge" qualifiers which took into account the fact that the Board was relying on the advice of the District's bookkeeper and operator in making the representations set forth in the letter. Mr. McCall confirmed that no material weaknesses in internal control were noted, primarily because the District's bookkeeper prepared the District's financial statements and related GASB No. 34 schedules, and that there was no management letter. Mr. McCall then concluded by requesting the Board to approve the Board representation letter and the Audit Report and to authorize filing of the District's audit with the Texas Commission on Environmental Quality (the "TCEQ"). Upon motion by Director Sams and second by Director Zuniga, the Board voted unanimously to do so.

Director Dalton then stated that the Board would consider the election items on the Supplemental Agenda. Mr. Bartram reminded the Board that it had previously directed him to prepare the paperwork necessary to change the District's Director election cycle from May to November of even-numbered years. He reviewed the Resolution Changing Date of Director Elections to November Uniform Election Date in Even-Numbered Years and Adjusting Terms of Office to Conform to New Election Date attached as Exhibit "D", and recommended that, if the Board approved the change in election dates, the Board also authorize his office to complete and file a Voting Rights Act submission with the United States Department of Justice. Mr. Bartram next reviewed the Order Adopting and Implementing the Use of Accessible Voting Systems in Addition to Paper Ballots in District Elections, a copy of which is attached as Exhibit "E", which he noted approved for use by the District the voting systems certified, from time to time by the Texas Secretary of State as compliant with State and Federal law. He recommended approval the Order and a corresponding Voting Rights Act submission to the Department of Justice. After discussion, upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to (i) approve the Resolution Changing Date of Director Elections to November Uniform Election Date in Even-Numbered Years and Adjusting Terms of Office to Conform to New Election Date, as presented; (ii) approve the Order Adopting and Implementing the Use of Accessible Voting Systems in Addition to Paper Ballots in District Elections, as presented; and (iii) authorize Mr. Bartram to prepare and file a Voting Rights Act submission with the United States Department of Justice with respect to the change in election dates and use of accessible voting systems.

Director Dalton then stated that the Board would consider approving the minutes of the November 3, 2011 Board meeting. Upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve the minutes.

Director Dalton next announced that the Board would consider approving a revised District Registration Form and authorizing the filing of the form with the TCEQ. Mr. Bartram noted that the revisions reflected the extended terms of office resulting in connection with the change from May to November elections. Upon motion by Director Ragland and second by

Director Sams, the Board unanimously approved the revised District Registration Form attached as Exhibit "F" and its filing.

Director Dalton next announced that the Board would consider an amendment to the District's Rate Order. Mr. Bartram noted that the proposed revisions would, among other things, (i) permit the District to back charge customers for service calls that are determined to be the customer's responsibility; and (ii) incorporate the terms and provisions of the District's drought contingency plan to facilitate enforcement. Director Dalton noted that the date of the document should be changed to 2012. After discussion, upon motion by Director Zuniga and second by Director Dalton, the Board voted unanimously to approve the Amended Order Establishing Rates and Charges, and Adopting Rules With Respect To District Water, Wastewater and Drainage, Including Water Quality, Systems attached as Exhibit "G", with the updated effective date. Mr. Bartram alerted the Board that further revisions to the District's Rate Order may be required in March after the annual CPI increase to the wholesale water rate.

Director Dalton then stated that the Board would consider revisions to the District's code of ethics and financial management policies. Mr. Bartram reviewed the current policy with the Board and recommended updates to the District's investment policy to reflect changes in the Public Funds Investment Act following the 2011 Legislative Session. Director Zuniga asked who the District's investment officers were. Mr. Bartram stated that Mary Bott and Allen Douthitt of Bott & Douthitt, PLLC, the District's bookkeeping firm, served as the District's investment officers. After discussion, upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve the Resolution Adopting Amended Code of Ethics and Financial Investment, Travel and Professional Services Policy attached as Exhibit "H".

Director Dalton then stated that the Board would receive a report from the District's utility operator. Ms. Wingrove reviewed the utility report for the month of November. She stated that water usage was down, that the bacteriological and chlorine residual tests and quarterly laboratory samples were satisfactory, and that water loss was 4.4% for the month. She next addressed wastewater treatment plant operations and noted that the plant was in compliance and running well and that the time between bleach cleanings was improving. She stated that flows for November were normal but were elevated in December due to rainfall. She then reviewed the connection report for the District and the other Participant Districts. She stated that there had been three new taps in the District and that the budget of six taps for the current fiscal year had already been exceeded. Mr. Burnett stated that the builders were taking down 45-foot lots on schedule. Director Dalton asked about the price of homes on the 45-lots. Mr. Burnett stated that these homes, which were a garden home type product, started in the \$120,000s. Ms. Wingrove then concluded by reviewing the District's water usage and billing reports, the wastewater report, and delinquent accounts. She stated that there were no write-offs to present this month.

Director Dalton then stated that the Board would receive a report from the District's bookkeeper. Ms. Bott first reviewed the bills, invoices, and transfers set forth on the updated action items and cash activity report attached as Exhibit "I" and recommended approval. She

then reviewed the budget comparison and the financial statements as of November 30, 2011, including the balance sheet, statement of revenues, and supplementary information for the District's general fund and special revenue fund. She stated that the District currently had a positive budget variance of about \$24,000, but noted that this quarter's developer funding had not yet been received. Mr. Burnett apologized for a mix-up on his end and assured the Board that payment was in process. Ms. Bott then reviewed the chart reflecting water purchased from Metro H2O, Ltd. attached as Exhibit "J" and noted that total usage this year was trending toward approximately 149,000,000 gallons, which, she stated, would translate into year-end true-up payment for the District of about \$8,000. After discussion, upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve the bills, invoices, and transfers as presented.

Director Dalton then stated that the Board would receive a report from the developer. Mr. Burnett first reviewed the most recent completed home chart attached as Exhibit "K". He stated that, while there had been activity within the District, sales and development within the overall community continued to be slow. He stated that his company had offered drastic incentives to stimulate activity and was entertaining alternative opportunities to market the property. Mr. Burnett next reported that MHI, the owner of Plantation Homes, had acquired Wilshire Homes in 2011 and was considering which product, if not both, to offer within the community. He then announced that his company had recently contracted with a buyer who planned to develop a medical office building at the entrance to ShadowGlen, which might possibly include an urgent care and helipad; but he noted that construction was not anticipated for about a year. He also announced that his company was working on a contract with McDonald's. He reported that Wal-Mart planned locations in Elgin and Manor and that construction on the Manor site was anticipated to commence in 2013. Mr. Burnett then reported on the 2011 annual HOA meeting. He stated that the meeting was generally uneventful and that the bulk of the time had been spent discussing the golf course. Mr. Burnett stated that he was not aware of any new developments with the golf course other than the recent newspaper article attached as Exhibit "L" and the fact that the golf course owner had changed attorneys. Director Dalton asked how the golf course closure was affecting the builders. Mr. Burnett stated that, ironically, he was hearing that it was having little, if any, effect on the builders. Director Zuniga asked about the lot discounts. Mr. Burnett stated that all lot prices had essentially been cut in half and the reduced prices were expected to continue for 2012.

Director Dalton then stated that the Board would receive a report from the District's financial advisor. Mr. Bartram noted that Ms. Allen had been unable to attend the meeting but that he understood from the Travis County MUD No. 2 meeting earlier in the week that the number of foreclosures within ShadowGlen was decreasing.

Director Dalton then stated that the Board would receive a report from the District's engineer. Mr. Schroeder reviewed the report attached as Exhibit "M". With respect to District matters, he stated that he had reviewed Crossroads Utility Services' invoice and that everything was in order. Mr. Schroeder then addressed items related to the Master District, noting that the daily wastewater flows at the wastewater treatment plant for the month of November had

averaged ±133,000 gpd, with a maximum day of ±194,000 gpd, which was within the expected range of flows based on the current number of connections. He stated that flows had apparently increased in December but were still under permitted capacity and were not a concern at this time. He confirmed that all reports were satisfactory. With respect to operations expenses for the wastewater treatment plant, he stated that all invoices were generally within budget. Mr. Schroeder then concluded by reviewing the status of the approved wastewater treatment plant repairs, as reflected on the report attached as Exhibit "N".

Director Dalton then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram first reviewed the consultant directives. He next addressed website matters and encouraged anyone with suggestions on the website to forward those to him or Mr. Burnett. He stated that he had no further information regarding the golf course closure. Mr. Bartram next reviewed the memorandum attached as Exhibit "O", summarizing the applicable requirements, and stated that, as the District's records management officer, his firm planned to destroy District records in accordance with the approved retention schedules unless directed otherwise by the Board, in which event extra document storage charges may apply. After discussion, the Board agreed that the District's records would be destroyed as their applicable retention periods were reached in accordance with the Local Government Records Act and the District's records retention program.

Director Dalton then stated that the Board would receive a report regarding Master District and Advisory Committee items. Mr. Bartram first reviewed the agenda and draft minutes from the November 7, 2011 and December 5, 2011 joint meetings of the Board of Directors of Wilbarger Creek Municipal Utility District No. 2 and Advisory Committee, which was a recurring agenda item so that the Board could stay informed of the activities of the Master District and Advisory Committee.

Director Dalton then questioned whether there were any future agenda items or further business to come before the Board. Ms. Wingrove noted that Stage 2 water restrictions were still in effect, and she recommended that the restrictions remain in effect indefinitely while drought conditions persisted. Director Dalton stated that the Lower Colorado River Authority and the Protect Lake Travis Association were sponsoring a presentation on the current drought by a State climatologist on January 12th, and he stated that he would forward the information to Ms. Wingrove.

There being no further business to come before the Board, the meeting was adjourned.

(Signature page follows.)

(SEAL)

D. Page England
D. Page England, Asst. Secretary
Board of Directors

Date: March 1, 2012