

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

February 1, 2018

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 February 1, 2018, 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 Ragland, who arrived later, thus constituting a quorum. Also present at the meeting were Mary Bott of Bott & Douthitt, PLLC, the District’s bookkeeper; Ken Schroeder of Schroeder Engineering Company, the District’s engineer; Crys Sanders of Argent Management, LLC, representing SG Land Holdings LLC, a developer in the District; Dennis Hendrix of Crossroads Utility Services LLC, the District’s utility operator; Justin Taack of Public Finance Group LLC, the District’s financial advisor; Ashlee Martin of McCall Gibson Swedlund Barfoot PLLC, the District’s auditor; and John Bartram of Armbrust & Brown, PLLC, the District’s general legal counsel.

Director Kochwelp called the meeting to order at 12:00 p.m. and stated that the Board would first receive citizens’ communications. There being none, Director Kochwelp then stated that the Board would receive 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, 2017. Ms. Martin presented the Audit Report, attached as **Exhibit “B”**, including a summary of (i) the independent auditor’s report, which she explained contained a “clean”, or what was now referred to as an “unmodified”, opinion; (ii) the Management’s Discussion and Analysis, which she explained was a summary of District operations prepared by the District’s bookkeeper on behalf of District management in compliance with applicable governmental accounting standards; (iii) the basic financial statements and the notes thereto; (iv) the required supplementary information; and (v) the Texas supplementary information. She focused the Board’s attention on the balance sheet, income statement, and budget-to-actual comparison. Ms. Martin 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; and she confirmed that the letter incorporated certain “knowledge” and “reliance” 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. After discussion, upon motion by Director Sams and second by Director Zuniga, the Board voted unanimously to approve the

Board representation letter and the Audit Report and to authorize filing of the District's audit with the TCEQ and the Texas Comptroller.

Director Kochwelp then stated that the Board would consider approving the minutes of the October 5, 2017 Board meeting. Upon motion by Director Dalton and second by Director Zuniga, the Board voted unanimously to approve the minutes as presented.

Director Kochwelp then stated that the Board would consider the Amended Resolution Authorizing Administrative Acceptance of Utility Facilities for Operation and Maintenance attached as **Exhibit "D"**. Mr. Bartram recommended that the District's existing checklist for administrative acceptance of facilities by the District's engineer be updated to include an item confirming that the facilities in question were located in appropriate easements. He added that he had coordinated the change with Mr. Schroeder. Upon motion by Director Sams and second by Director Dalton, the Board voted unanimously to approve the Amended and Restated Resolution Authorizing Administrative Acceptance of Utility Facilities for Operation and Maintenance, as presented. At this time, Director Ragland arrived at the meeting.

Director Kochwelp then stated that the Board would consider the annual review items on the agenda, beginning with an annual review of the District's water conservation and drought contingency plan. Mr. Bartram reviewed the District's current plan with the Board and stated that no substantive revisions were being recommended at this time. However, he noted that the District's population and connection count had changed, and he recommended that the District's utility system profile be updated accordingly. Mr. Bartram next reviewed the District's identity theft prevention program. He summarized the applicable requirements under the federal government's "red flag rules", and Mr. Hendrix reported that the District's existing identity theft prevention plan had proved effective and that he had no recommended updates to the program at this time. Mr. Bartram next directed the Board's attention to the District's Code of Ethics and Financial Investment, Travel and Professional Services Policy; Investment Strategies; Investment Officers; and Qualified Brokers and recommended a few updates, which he characterized as administrative "housekeeping" based on legislation passed during the 2017 session. Mr. Bartram next stated that it was also time for the Board to conduct an annual review of the District's written procedures for post bond issuance federal tax compliance. He reviewed the District's current procedures and highlighted the arbitrage, private use, and records retention requirements. He stated that these procedures would likely evolve over time to keep up with underlying regulatory changes but that no substantive changes were proposed at this time. After discussion, upon motion by Director Zuniga and second by Director Sams, the Board voted unanimously to approve (i) the Resolution Confirming Annual Review of Water Conservation and Drought Contingency Plan and Updating Water and Wastewater Utility System Profile attached as **Exhibit "E"**; (ii) the Resolution Confirming Annual Review of Identity Theft Prevention Program attached as **Exhibit "F"**; (iii) the Resolution Confirming Annual Review of Certain Financial Management Policies; Adopting Amended Code of Ethics and Financial Investment, Financial Management, Travel, and Professional Services Policy; Confirming Investment Strategies; Designating Investment Officers; and Adopting List of Qualified Brokers attached as **Exhibit "G"**; and (iv) the Resolution Confirming Annual Review of Written Procedures for Post Bond Issuance Federal Tax Compliance attached as **Exhibit "H"**.

Director Kochwelp next announced that the Board would receive a report from the District's utility operator. Mr. Hendrix first reviewed the operations report attached as **Exhibit "I"**. He reviewed the latest water usage, take-or-pay water tracking, connection, billing, adjustments, and delinquent accounts reports and the corrected connection report for the Master District service area. He stated that there were no write-offs this month. He then

reported that the clogged drainage channel near the intersection of FM 973 and ShadowGlen Trace had been cleaned out, that the erosion damage to the drainage channel south of Pecangate Way in Section 15A had been repaired, and that the erosion damage to the rock gabions in the same channel north of Pecangate Way in Section 19A had been repaired by developer's contractor as a warranty item. With respect to this latter item, Mr. Hendrix stated that the contractor had indicated that the problem would likely recur and that he and Mr. Schroeder would monitor future erosion and develop an appropriate maintenance plan.

Director Kochwelp then stated that the Board would receive a report from the District's bookkeeper. Ms. Bott first reviewed the accounting report and handout update, attached collectively as **Exhibit "J"**, and recommended approval of the Director and vendor payments and five transfers. She then reviewed the latest financial statements, noting that the District was  $\pm$ \$48,000 ahead of plan through first quarter of the fiscal year. After discussion, upon motion by Director Zuniga and second by Director Dalton, the Board voted unanimously to approve the Director and vendor payments and the transfers, as presented.

Director Kochwelp next announced that the Board would receive reports from the developers. Ms. Sanders reported that Meritage Homes had started 30 homes in the last 45 to 60 days in Section 19A and that Scott Felder Homes had sold its five remaining homes. She stated that Meritage Homes would be self-developing Section 19B and had recently gone out to bid for the subdivision improvements. She anticipated that work would commence within the next 30 days. Ms. Sanders next reported that the extensions of Misty Grove Boulevard and Silent Falls Way were approximately 60% complete. Director Kochwelp asked if Meritage Homes was now the only builder in the District. Ms. Sanders stated that Pulte Homes would be self-developing lots in Section 20. Mr. Bartram asked Ms. Sanders to follow up internally on the status of the paperwork related to the reservation of reimbursement rights for the sections that the builders were self-developing. Ms. Sanders stated that she would do so. She then concluded by reporting that the Southeast Detention Pond rehabilitation project was  $\pm$ 80% complete.

Director Kochwelp then stated that the Board would receive a report from the District's engineer. Mr. Schroeder directed the Board's attention to the memorandum attached as **Exhibit "K"** and first reported that that two bids had been received for the Misty Grove Boulevard and Silent Falls Way project, as reflected in the materials attached collectively as **Exhibit "L"**. He stated that JL Gray Construction, Inc. was the low bidder in the amount of \$753,597 and confirmed that he had reviewed the approved plans, publication documentation, bid tabulation, and design engineer's recommendation, and that he concurred with the recommendation of award of the contract to the low bidder. After discussion, upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to ratify the developer's award the contract for the Misty Grove Boulevard and Silent Falls Way project to JL Gray Construction, Inc. as the low bidder. Mr. Schroeder next presented and recommended approval of pay estimate no. 1 for the Misty Grove Boulevard and Silent Falls Way project, a copy of which is attached as **Exhibit "M"**. He stated that the pay estimate was in the amount of \$9,765 and represented work through December. Upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve the pay estimate.

Director Kochwelp next recognized Mr. Taack for a report from the District's financial advisor. Mr. Taack reported that the construction of new homes in the District was helping the feasibility of the District's first bond issue. He stated that he hoped to be in a position to recommend moving forward at the Board's next meeting.

Director Kochwelp then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram first reviewed the consultant directives report, noting that

the only directive outstanding had been addressed. He then concluded by reviewing the memorandum attached as **Exhibit “N”** summarizing certain bills affecting water districts that passed during the 85<sup>th</sup> legislative sessions and highlighted certain legislation, including Senate Bill 6 (amending municipal annexation procedures), Senate Bill 255 (relaxing certain Form 1295 requirements), House Bill 89 (prohibiting certain contracts unless the contract contains verification that the other party does not boycott the country of Israel), Senate Bill 625 (requiring the Texas Comptroller to create a database of financial and tax data for state governmental entities), and Senate Bill 2014 (implementing, among other things, revisions to change order rules).

Director Kochwelp next announced that the Board would consider the Master District and Advisory Committee items on the agenda. Mr. Bartram directed the Board’s attention to the agenda and minutes from the most recent joint meeting of the Board of Directors of Wilbarger Creek Municipal Utility District No. 2 and the 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 Kochwelp then stated that the Board would consider its future meeting schedule and agenda items. After discussion, the Board confirmed that the next meeting would be scheduled on an as-needed basis.

Director Kochwelp then asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 12:30 p.m.

*(Signature page follows.)*



D. Page Ragland  
Assistant Secretary, Board of Directors

Date: May 3, 2018