

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

February 2, 2017

THE STATE OF TEXAS §
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COUNTY OF TRAVIS §

A meeting of the Board of Directors of Wilbarger Creek Municipal Utility District No. 1 was held on February 2, 2017, 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, thus constituting a quorum. Also present at the meeting were Mary Bott of Bott & Douthitt, PLLC, the District's bookkeeper; Dennis Hendrix of Crossroads Utility Services LLC, the District's utility operator; Russ Allison and Crys Sanders of Argent Management, LLC, representing SG Land Holdings LLC, the residential developer in the District; Ken Schroeder of Schroeder Engineering Company, the District's engineer; 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 12:04 p.m. and stated that the Board would first receive citizens' communications. There being none, Director Kochwelp then stated that the Board would consider the Director items on the agenda. Mr. Bartram explained that Directors Ragland and Zuniga had been deemed re-elected as of November 8th and would need to complete new oaths and statements of office. Upon motion by Director Dalton and second by Director Sams, the Board voted unanimously to accept Director Ragland's oath of office and statement of elected official. Mr. Bartram stated that Director Zuniga could complete her new oath and statement at a later time. Mr. Bartram then recommended that the District's current Registration Form be updated to reflect the new terms of office. Director Sams stated that the phone number listed for him was no longer current and requested that it be deleted. Upon motion by Director Dalton and second by Director Ragland, the Board voted unanimously to approve the revised District Registration Form attached as **Exhibit "B"** and its filing with the Texas Commission on Environmental Quality (the "**TCEQ**").

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, 2016. Ms. Martin presented the Audit Report, attached as **Exhibit "C"**, 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 reviewed the income statement, budget comparison, and comparative schedule of revenues and focused the Board's attention on the alternative full-accrual presentation, developer liabilities, and the District's bonding authority. Ms. Martin then reviewed the Board representation letter attached as **Exhibit "D"**, 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 Ragland, 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 next announced that the Board would consider approving the minutes of the November 3, 2016 Board meeting. Upon motion by Director Sams and second by Director Dalton, the Board voted unanimously to approve the minutes as presented.

Director Kochwelp then stated that the Board would consider the bond-related items on the Agenda. Mr. Bartram reported that the bond application had been filed with and deemed administratively complete by the TCEQ, as reflected in the letter attached as **Exhibit "E"**. Director Kochwelp asked how long it would take to obtain approval from the TCEQ. Mr. Schroeder stated that, because this was the District's first bond application, it had not been filed on an expedited basis; and he estimated that it would take four to six months to get through the process.

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". He also pointed out that the new requirement to file the audit with the Texas Comptroller had been added to the financial reporting provisions. 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 Sams and second by Director Dalton, 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 "F"**; (ii) the Resolution Confirming Annual Review of Identity Theft Prevention Program attached as **Exhibit "G"**; (iii) the Resolution Confirming Annual Review of Certain Financial Management Policies; Adopting Amended Code of Ethics

and Financial Investment, Travel, and Professional Services Policy; Confirming Investment Strategies; Designating Investment Officers; and Adopting List of Qualified Brokers attached as **Exhibit “H”**; and (iv) the Resolution Confirming Annual Review of Written Procedures for Post Bond Issuance Federal Tax Compliance attached as **Exhibit “I”**.

Director Kochwelp then stated that the Board would receive a report from the District’s utility operator. Mr. Hendrix directed the Board’s attention to the operations report attached as **Exhibit “J”**. He reported that water usage had decreased slightly but was right on target as far as the take-or-pay schedule. He confirmed that the bacteriological and chlorine samples were all satisfactory and stated that water loss was -7% in December. He referred the Board’s attention to the proposal for leak detection work from JBS Associates attached as **Exhibit “K”**, which would provide for phased leak detection of the fire hydrants in Travis County MUD No. 2, Cottonwood Creek MUD No. 1, and on the Master District’s transmission line. He stated that, if there were still concerns after that work, additional leak detection in the District might be considered. Mr. Hendrix next reviewed the take-or-pay wholesale water tracking chart and addressed wastewater treatment plant operations. He stated that a few capital improvement projects were being considered, including replacement of the pump in the equalizing basin at the wastewater treatment plant. Mr. Hendrix next reviewed the latest connection report, noting that there were currently 144 active connections in the District. He then reviewed the billing, adjustments, and delinquent accounts reports and stated that there were no write-offs for approval this month. Mr. Hendrix then concluded by presenting two proposals for landscape maintenance of the drainage channel between Sections 15A and 15B – one from Native Land Design, LLC, attached as **Exhibit “L”**, and one from TexaScapes, Inc., attached as **Exhibit “M”**. He stated that the proposal from Native Land Design was the least expensive of the two, most likely because Native was also the HOA’s landscape maintenance contractor, and he recommended approval of that proposal. Upon motion by Director Ragland and second by Director Sams, the Board voted unanimously to approve the proposal from Native Land Design, LLC.

Director Kochwelp then stated that the Board would receive a report from the District’s bookkeeper. Ms. Bott first reviewed the bookkeeper’s report and handout update attached collectively as **Exhibit “N”**, and recommended approval of five transfers and the Director and vendor payments, with the exception of Director Zuniga’s per diem, which would be voided due to absence. She then reviewed the latest financial statements and reported that the District was ±\$32,000 ahead of plan through the first quarter of the 2017 fiscal year. After discussion, upon motion by Director Dalton and second by Director Sams, the Board voted unanimously to approve the Director and vendor payments and transfers as presented.

Director Kochwelp next announced that the Board would receive reports from the developers. Mr. Allison reported that there were now three builders with model homes open in ShadowGlen. He stated that, in Travis County MUD No. 2, Buffington Homes had had five sales, two of which were over \$400,000; Scott Felder Homes had had five sales with an additional three “spec” homes ready for move-in; and that Perry Homes had had ten sales with an additional five homes under construction. Mr. Allison stated that, in the District, Scott Felder had sold two homes in Section 19A and planned to start construction of four additional homes next week. He then reported that the permit for the extension of Misti Glen and Shelby’s Way was expected within 30 days. He then concluded by noting that the property on the southeast corner of the intersection of Highway 290 and FM 973 was being rezoned as a master planned project with additional commercial uses that would be good for the Manor area. Director Kochwelp asked if the developer’s plan was to stick with the three existing builders. Mr. Allison stated that that had been the original intent. However, he noted that, with the success of the current builders, multiple additional builders were interested in the project. He

stated that his company did not want to lower the price points of the home products being offered and that, if a builder could demonstrate that it had a satisfactory product line, adding more or different builders might be considered.

Director Kochwelp then stated that the Board would receive a report from the District's engineer. Mr. Schroeder reported that he had administratively accepted the ShadowGlen Trace commercial and ShadowGlen Phase 2, Section 19A projects for operation and maintenance in accordance with the authority granted to him at the last Board meeting. He stated that there was no other construction currently underway in the District. Mr. Schroeder then addressed items related to the Master District. He reviewed the latest daily wastewater flows at the wastewater treatment plant, noting that they were higher due to rainfall events in December, and concluded by reporting that Master District repairs and maintenance were generally within budget and that all invoices were in order.

There being no representative from the District's financial advisor in attendance, Director Kochwelp then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram first handed out the notice of proposed rezoning of the project across Highway 290 previously mentioned by Mr. Allison, a copy of which is attached as **Exhibit "O"**. He next reviewed the consultant directives report, noting that there were no directives outstanding. Mr. Bartram next reported that the developer had recently increased the amount of its development loan with First Continental Investment Co., Ltd. ("*First Continental*") and that First Continental had requested another acknowledgment similar to the acknowledgment recently approved by the Board for the original loan. After discussion, upon motion by Director Ragland and second by Director Sams, the Board voted unanimously to approve the Acknowledgment of Notice and Indemnity attached as **Exhibit "P"**.

Director Kochwelp next announced that the Board would consider the Master District and Advisory Committee items on the agenda. Mr. Bartram first reported that the Master District was contemplating the issuance of additional new money bonds, as evidenced by the notice to the Participant Districts attached as **Exhibit "Q"**. He reminded the Board that, in an effort to make the process of issuing Master District bonds more efficient, the Board had previously authorized the District's officers to confirm receipt of notices and execute the certificates and other paperwork required by bond counsel in connection with the issuance of Master District bonds between meetings. Mr. Bartram then directed the Board's attention to the agendas and minutes from the most recent joint meetings 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.

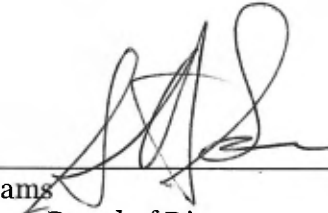
Director Kochwelp then asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 12:40 p.m.

(Signature page follows.)

(SEAL)



Date: April 6, 2017



Scott Sams
Secretary, Board of Directors