

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

February 5, 2015

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 5, 2015, 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; Andrew Hunt of Crossroads Utility Services LLC, the District’s utility operator; Ken Schroeder of Schroeder Engineering Company, the District’s engineer; Virginia Blake of McCall Gibson Swedlund Barfoot PLLC, the District’s auditor; Russ Allison of Argent Management, LLC, representing SG Land Holdings LLC, a developer in the District; 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 consider the sworn statements and oaths of office for Directors Dalton and Sams, who were deemed re-elected as of November 4<sup>th</sup>. Upon motion by Director Ragland and second by Director Kochwelp, the Board voted unanimously to approve the sworn statements and oaths of office for Directors Dalton and Sams.

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, 2014. Ms. Blake 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 reviewed the income statement, budget comparison, and comparative schedule of revenues and focused the Board’s attention on the alternative full-accrual presentation and developer liabilities. Ms. Blake 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. She

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. Ms. Blake 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. Upon motion by Director Ragland and second by Director Sams, the Board voted unanimously to do so.

Director Kochwelp next announced that the Board would consider approving the following item on the consent agenda: the minutes of the December 4, 2014 Board meeting. Upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve the minutes.

Director Kochwelp then stated that the Board would consider the annual review items on the agenda. Mr. Bartram first stated that it was time for the Board to conduct its annual review of the District’s water conservation and drought contingency plan. He reviewed the District’s current plan with the Board. He stated that the plan had been updated the previous year as part of the five-year regulatory review process, and he stated that he was not aware of any further changes or updates at this time. After discussion, upon motion by Director Sams and second by Director Dalton, the Board voted unanimously to approve the Resolution Confirming Annual Review of Water Conservation and Drought Contingency Plan attached as **Exhibit “D”**. Mr. Hunt then stated that it was time to conduct an annual review of the District’s identity theft prevention program under the federal government’s “red flag rules” and directed the Board’s attention to the Resolution Confirming Annual Review of Identity Theft Prevention Program attached as **Exhibit “E”**. He reported that the plan had proved effective and that he had no recommended updates to the program at this time. Upon motion by Director Dalton and second by Director Ragland, the Board voted unanimously to approve the Resolution Confirming Annual Review of Identity Theft Prevention Program, as presented. Mr. Bartram then stated that it was time for the Board to conduct its annual review of the District’s code of ethics and financial management policies. The Board reviewed the District’s current code of ethics and financial management policies, and Mr. Bartram stated that he had no updates or revisions to recommend at this time. Ms. Bott concurred. After discussion, upon motion by Director Ragland and second by Director Sams, the Board voted unanimously to approve the Resolution Confirming Annual Review of Certain Financial Management Policies; Adopting Code of Ethics and Financial Investment, Travel, and Professional Services Policy; Adopting Investment Strategies; Designating Investment Officers; and Adopting List of Qualified Brokers attached as **Exhibit “F”**. Mr. Bartram next stated that it was 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 the District’s bond counsel was not recommending any revisions at this time. After discussion, upon motion by Director Ragland and second by Director Dalton, the Board voted unanimously to approve the Resolution Confirming Annual Review of Written Procedures for Post Bond Issuance Federal Tax Compliance attached as **Exhibit “G”**.

Director Kochwelp then stated that the Board would consider taking action regarding wholesale water rates and related matters. Mr. Bartram stated that wholesale water purchases were still trending under the benchmark take-or-pay amount, noting that there was a chart of historical usage in the operator’s report. He then reminded the Board that the annual CPI increase in the volumetric wholesale rate as well as the annual rate payment was scheduled to take effect in February. He suggested that the Districts with active connections start thinking about whether retail rate adjustments would be necessary in order to help cover the wholesale

increases. Mr. Bartram stated that setting retail rates was a challenge and often involved a balancing act of several different factors, including the need for developer funding and keeping rates in the development competitive with other communities in the area. He, therefore, suggested that the Board consider having Jay Joyce, the Districts' rate analyst, update his rate analyses and run some alternative retail rate scenarios to assist the Board in making a determination. Mr. Hunt concurred that having Mr. Joyce take another look at rates and current building projections would be worthwhile. Mr. Bartram stated that the board of directors of Travis County MUD No. 2 had determined earlier in the week to reconsider the matter in April. After discussion, the Board generally agreed to postpone action until April as well.

Director Kochwelp next announced that the Board would consider taking action regarding plumbing inspection services. Mr. Bartram reported that the Interlocal Agreement for Plumbing Inspections within the ShadowGlen Subdivision had been approved by the City of Manor and was ready for final approval and execution by the Districts. He recommended that the Board go ahead and authorize termination of the District's existing Plumbing Inspection Services Agreement with Dan McDowell d/b/a Able Restoration Services, noting that Mr. Hunt would coordinate termination of the existing contract and the transition to the City over the next couple of months and that he would prepare a rate order amendment reflecting the plumbing inspection changes for approval at the Board's next meeting. After discussion, upon motion by Director Dalton and second by Director Sams, the Board voted unanimously to (i) approve the Interlocal Agreement for Plumbing Inspections within the ShadowGlen Subdivision attached as **Exhibit "H"**; and (ii) authorize termination of the District's existing Plumbing Inspection Services Agreement with Dan McDowell d/b/a Able Restoration Services.

Director Kochwelp then stated that the Board would receive a report from the District's utility operator. Mr. Hunt directed the Board's attention to the utility report attached as **Exhibit "I"**. He reported that water usage was down for the month but up for the year. He stated that water loss had stabilized at  $\pm 5\%$  and that the bacteriological and chlorine samples were satisfactory. Mr. Hunt next reported on wastewater treatment plant operations, noting that the plant was in compliance and that there had been no excursions. He then reviewed the connection, billing, adjustments, and delinquent accounts reports and stated that there were no write-offs this month. He stated that there had been no new taps in the District yet this year and that the new elementary school was still under construction.

Director Kochwelp then stated that the Board would receive a report from the District's bookkeeper. Ms. Bott first reviewed the bookkeeper's report attached as **Exhibit "J"**, including the bills, invoices, and transfers set forth on the updated cash activity report, and recommended approval with the exception of the check for Director Zuniga's fee of office, which would need to be voided due to her absence. She next reviewed the cash/investment activity report including the quarterly investment report, the tax collection report, and the District's financial statements as of December 31, 2014. She stated that approximately 93% of the District's 2014 tax levy had been collected and that the District was currently  $\pm 25,000$  ahead of plan. 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 Kochwelp stated that the Board would next receive a report from the developers. Mr. Allison reported that Ryland Homes had sold its model home the previous week, had five homes under contract covering all of their floor plans, and was about to start construction of two "move-in-ready" homes. He stated that Ryland's price points ranged from the high \$200,000s to the high \$300,000s, and that the model home had sold for close to \$400,000. Mr. Allison stated that Ryland had an option to purchase the lots in Section 14B,

which he hoped would be exercised soon. He next reported that his company expected to begin moving dirt from a new pond project into Sections 9 and 11 as additional fill to remove these sections from the floodplain. He stated that the engineering for ±197 lots in ShadowGlen was ready to go. He added that his company had submitted a preliminary plan for Misty Glen and Shelby's Way, two of the remaining arterials that would open an additional marketing window for the project. Mr. Allison also reported that he was talking to the City of Manor about the bridge across Wilbarger Creek that would connect the District to Wilbarger Creek MUD No. 2. He noted that the bridge was in the City's traffic impact analysis but that it was expected to be expensive and that he was hoping that the City would not require the creek crossing. Mr. Allison next reported on the status of the Lexington Street low-water crossing project. He stated that he was still waiting for the golf barrier netting to be installed, which was just a matter of timing. He stated that the bigger problem was that the City had recently added three more items to its punch-list. He stated that he had requested a meeting with City staff, including legal and engineering, in order to finalize the punch-list. Mr. Allison then concluded by updating the Board on the status of commercial development in the area. Director Kochwelp asked if the 197 engineered lots were being offered on a paper or finished lot basis. Mr. Allison that they could be sold either way, depending on the builders' preference.

Director Kochwelp then stated that the Board would receive a report from the District's engineer. Mr. Schroeder first reviewed the engineering report attached as **Exhibit "K"**. With respect to District matters, he stated that the Crossroads Utility Services invoice was in order and within budget. 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 December had averaged ±162,000 gpd, with a maximum day of ±246,000 gpd, which he stated were generally within the expected range of flows based on the current number of connections. Mr. Schroeder next reported that Master District repairs and maintenance were within budget and all invoices were in order. He stated that Ovivo USA, LLC was still coordinating with Crossroads Utility Services on plant operations and settings adjustments before commencing the energy consumption retest. He next confirmed that the new Rexa actuators had been installed and that the Master District was working on an updated capital improvement projects list. Mr. Schroeder then reported that the emergency water interconnect project had been completed and that only a few minor punch-list items were outstanding prior to City acceptance. He then concluded by reviewing the correspondence from the TCEQ approving the water distribution system for Section 19A, a copy of which is attached as **Exhibit "L"**.

Director Kochwelp next announced that the Board would receive a report from the District's financial advisor. Mr. Bartram stated that Ms. Allen had been unable to attend the meeting and that he was not aware of anything of note to report on at this time.

Director Kochwelp then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram first reviewed the outstanding consultant directives. He indicated that the only outstanding directive related to the pricing of the golf course inventory lots. Mr. Allison stated that his company had received lots of offers for these lots but had elected to hold on to them for the time being. He stated that there was only a limited number of golf course lots available, and he predicted that the market for these lots was approaching \$1,000 per front foot. Mr. Allison stated that his company was considering working with one or more custom homebuilders on the golf course lots. Mr. Bartram then concluded the legal report by announcing the dates for the 2015 Summer CASE Conference.

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 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 agreed that the next meeting would be held in April.

Director Kochwelp then asked if there was any further business to come before the Board. He noted that information on the Southeast Detention Pond restoration project, a copy of which is attached as **Exhibit "M"**, had been handed out. Mr. Bartram stated that this material was for information purposes. He stated that the developer was in the process of mobilizing for some restoration work to the existing Southeast Detention Pond, which was a joint facility shared by Travis County MUD No. 2 and the District. He reported that three bids had been received and that Ranger Excavating, LP was the low bidder in the amount of \$332,474.50. Mr. Bartram stated that Travis County MUD No. 2, as the manager of the joint facility, had approved the award of the contract to the low bidder earlier in the week. Mr. Allison stated that the bids had come in higher than expected and that, because the reimbursable costs were minimal, his company was considering scrapping the bids and negotiating for a better price on the project.

There being no further business to come before the Board, the meeting was adjourned at 12:41 p.m.

*(Signature page follows.)*

(SEAL)



Date: June 4, 2015

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Scott Sams, Secretary  
Board of Directors