

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

February 6, 2020

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 6, 2020, 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
Diana Zuniga	-	Assistant Secretary
Brandon Somers	-	Assistant Secretary

and all of the Directors were present, thus constituting a quorum. Also present at the meeting were Mary Bott of Bott & Douthitt, PLLC, the District’s accountant; Dennis Hendrix of Crossroads Utility Services LLC, the District’s utility operator; Ken Schroeder of Schroeder Engineering Company, the District’s engineer; Cheryl Allen of Public Finance Group LLC, the District’s financial advisor; Russ Allison of Argent Management, LLC, representing SG Land Holdings LLC, a developer in the District; 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 stated that the Board would next consider approving the minutes of the January 9, 2020 Board meeting. Upon motion by Director Zuniga and second by Director Dalton, the Board voted unanimously to approve the minutes.

Director Kochwelp next recognized Ms. Martin 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, 2019. Ms. Martin presented the Wilbarger Creek Municipal Utility District No. 1 Year Ended September 30, 2019 Financial Statements, Supplementary Information and Independent Auditor’s Report (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 accountant 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, budget-to-actual comparison, and various notes to the financial statements. She pointed out that the District had

ended the year ±\$376,000 ahead of plan with a tax collection rate of almost 100%; and she noted that the District's overall negative net position would turn positive as property values increased and debt was paid down and was not a concern at this time. Ms. Martin next reviewed the audit summary letter attached as **Exhibit "C"**, which she noted was a required communication under applicable auditing standards. She confirmed that no significant difficulties were encountered in connection with this year's audit, that no misstatements were detected, and that there had been no disagreements with management. Ms. Martin then reviewed the Board representation letter attached as **Exhibit "D"**, noting that similar letters would also be signed by the District's accountant and operator. She pointed out that the Board representation letter incorporated certain "knowledge" and "reliance" qualifiers that took into account the fact that the Board was relying on the advice of the District's accountant 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 Audit Report with the Texas Commission on Environmental Quality (the "**TCEQ**") and the Texas Comptroller.

Director Kochwelp next announced that the Board would consider the bond-related items on the agenda. Mr. Bartram first reported that the District's bond counsel had confirmed that the sale of the District's \$2,250,000 Unlimited Tax Bonds, Series 2020 had closed earlier that day. He stated that there were several things that needed to be completed before the funds could be disbursed, one of which was a pre-purchase inspection by the Texas Commission on Environmental Quality (the "**TCEQ**"), which was a condition precedent to developer reimbursement under the TCEQ's rules. Mr. Schroeder reported that the required pre-purchase inspection had been completed with no construction deficiencies noted, as evidenced by the letter attached as **Exhibit "E"**. He noted that the letter had identified the need for certain culvert repairs, and he confirmed that those were scheduled to be completed later in the week. Mr. Schroeder stated that completion of the repairs should not hold up the bond closing and that the TCEQ inspector had just requested to be advised when the repairs were complete. Mr. Bartram then explained that another condition precedent to reimbursing a developer was receiving a report on reimbursable costs from an independent auditor, and he directed the Board's attention to the Wilbarger Creek Municipal Utility District No. 1 Report on Applying Agreed-Upon Procedures to Construction, Engineering and Related Costs Reimbursable to SG Land Holdings LLC (Developer) and ColFin Shadow Funding, LLC (Assignee) from Proceeds of the Series 2020 Bond Sale attached as **Exhibit "F"** (the "**Reimbursement Report**"). Ms. Martin reviewed the procedures that her firm had used to prepare the Reimbursement Report as well as the amounts reimbursable to the developer and its assignee out of the bond proceeds. She then directed the Board's attention to Schedule B of the report, which she stated was a comparison of actual costs with the cost summary approved by the TCEQ. She noted that there would be approximately \$172,000 in surplus funds associated with this bond issue, primarily due to the fact that costs of issuance and the interest rate on the bonds were lower than projected. Ms. Martin next reviewed the cash reconciliation attached as Schedule C to the Reimbursement Report. Ms. Allen then reviewed the final Closing Memorandum for the bond issue, attached as **Exhibit "G"**, and explained how all of the bond proceeds would be disbursed, subject to Board approval. She noted that all of the numbers in the Closing Memorandum matched the numbers in the Reimbursement Report and recommended disbursement in accordance with the Reimbursement Report and Closing Memorandum. Mr. Bartram then addressed developer conveyance, authority, lien release, and disbursement documentation and confirmed that all applicable paperwork had been executed and received. Mr. Bartram then concluded the bond items by directing the Board's attention to the arbitrage and private use materials from the District's bond counsel attached as **Exhibit "H"**, which he stated had been included for the Board's information in connection with the sale of the District's 2020 bonds. After discussion, upon motion by Director Sams and second by Director Zuniga, the Board voted unanimously to

approve the Reimbursement Report and the Closing Memorandum, as presented, and to authorize disbursement of the bond proceeds in accordance therewith.

Director Kochwelp then stated that the Board would next consider the annual review items on the agenda and asked Mr. Bartram to review those with the Board. Mr. Bartram first reviewed the District's current water conservation and drought contingency plan and stated that no substantive revisions were being recommended this year. 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. He next reviewed the District's identity theft prevention program and summarized the applicable requirements under the federal government's "red flag rules". Mr. Hendrix then presented the 2020 identity theft report, attached as **Exhibit "i"**, and stated that the District's identity theft plan had proved effective and that he was not recommending any changes to the program this year. Mr. Bartram next explained that it was time for the Board to conduct its annual review of the District's code of ethics and financial management policies. He reviewed the District's current code of ethics and financial management policies and stated that he did not have any revisions to recommend at this time. 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 the District's bond counsel was not recommending any changes at this time. After discussion, upon motion by Director Zuniga 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 "J"**; (ii) the Resolution Confirming Annual Review of Identity Theft Prevention Program attached as **Exhibit "K"**; (iii) the Resolution Confirming Annual Review of Certain Financial Management Policies; Ratifying Adoption of Code of Ethics and Financial Investment, Financial Management, Travel, and Professional Services Policy; Ratifying Adoption of Investment Strategies; Designating Investment Officers; and Confirming Review and Adoption of List of Qualified Brokers attached as **Exhibit "L"**; and (iv) the Resolution Confirming Annual Review of Written Procedures for Post Bond Issuance Federal Tax Compliance attached as **Exhibit "M"**.

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 "N"** and reviewed the latest "O&M", water usage, take-or-pay water tracking, water quality, connection, billing, adjustments, and delinquent accounts reports. He reported that the water samples and residuals were "fantastic"; that water loss was -5.93% for the month; and that the "creek leak" had been repaired without disruption of water service. He further reported that wastewater treatment plant operations had been a challenge in January, with two overflows due to membrane problems. However, he stated that, despite these problems, the annual TCEQ inspection of the wastewater treatment plant had gone well and that the only violation expected was an ammonia excursion. Director Kochwelp asked what had caused the overflows, and Mr. Hendrix stated that the membranes were not able to keep up with the flows to the plant, especially on weekends. A brief discussion of the history of the problems with the membrane technology at the wastewater treatment plant ensued. Mr. Hendrix next reported that the expansion of the wastewater treatment plant was scheduled to commence later this year and be complete by December 2021. He stated that the site on which the second elevated storage tank would be constructed had been conveyed to the Master District and that this project was scheduled to be bid about the same time as the wastewater treatment plant expansion and take about a year to complete. Director Zuniga asked if any operational problems were expected in connection with the expansion of the wastewater treatment plant. Mr. Hendrix stated that,

other than the on-going issues with membrane performance, he did not foresee any complications. He then closed his report by recommending approval of one write-off in the amount of \$177,91, which would be sent to collections. Upon motion by Director Dalton and second by Director Sams, the Board voted unanimously to approve the write-off.

Director Dalton then stated that the Board would receive a report from the District's accountant. Ms. Bott first reviewed the accounting report attached as **Exhibit "O"** and recommended approval of three transfers, the District's March bond payment, and the Director and vendor payments. Ms. Bott then reviewed the District's latest financial statements, tax collection report, and budget-to-actual comparison, noting that approximately 94% of the District's 2019 tax levy had been collected and that the District currently had a positive budget variance of ±\$36,000. After discussion, upon motion by Director Sams and second by Director Zuniga, the Board voted unanimously to approve the transfers, the bond payment, and the Director and vendor payments, as presented.

Director Kochwelp then stated that the Board would receive a report from the developer and recognized Mr. Allison. Mr. Allison updated the Board on the status of construction and homebuilding activity in ShadowGlen. He reported that permits for the balance of Phase 2 were expected soon and that ±500 additional lots should be under construction this year. Mr. Allison then closed by reporting that the homeowners association was under new management as of Monday. Director Kochwelp asked if the bids on construction projects were higher or lower than expected. Mr. Allison stated that bids were higher than anticipated, especially on the public improvements due to more stringent environmental regulations.

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 "P"**. He reported that there was currently no active construction activity in the District but that he was reviewing the plans for several pending projects. Mr. Schroeder then concluded the engineer's report by addressing items related to the Master District, noting that the flows through the wastewater treatment plant had generally been consistent and within expected ranges for December but that, as mentioned by Mr. Hendrix, there had been issues in January and that sludge hauling had increased significantly.

Director Kochwelp then stated that the Board would receive a report from the District's financial advisor. Ms. Allen directed the Board's attention to the MSRB Rule G-10 disclosure statement attached as **Exhibit "Q"**. She advised that this was a required disclosure under applicable securities laws and that no action was necessary by the Board.

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 and noted that there were no directives outstanding. He next addressed the District's website, noting that he had no issues on which to report. He then closed by reporting that, under recent legislation, the Directors were required to complete annual cybersecurity training by June 14th each year and that he should have additional information on training courses by the Board's next meeting.

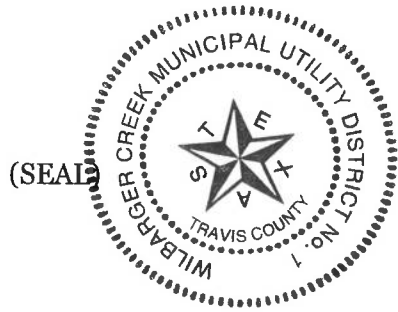
Director Kochwelp next announced that the Board would consider the Master District and Advisory Committee items on the agenda. Mr. Bartram first reported that the Master District continued to explore potential alternative water suppliers that might be interested in providing water service to the Participant Districts after the initial 20-year term of the current wholesale contract. He next indicated that the Master District had responded to Metro Water Systems, Inc. ("Metro") regarding the reconciliation of LUEs connected to the water system and Metro's recent proposed recalculation of the water LUE fee per the letter attached as

Exhibit “R”. He then closed by directing 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.

There being no further business to come before the Board, the meeting was adjourned at 12:45 p.m.

(Signature page follows.)



Scott Sams
Secretary, Board of Directors

Date: March 5, 2020