

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

March 3, 2011

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 March 3, 2011, at the offices of Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 950, 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, thus constituting a quorum. Also present at the meeting were Danny Burnett of 2010 ShadowGlen, LLC; Mary Bott of Bott & Douthitt, PLLC; Margret Wingrove of Crossroads Utility Services LLC; Ken Schroeder of Schroeder Engineering Company; and John Bartram of Armbrust & Brown, PLLC.

Director Kochwelp called the meeting to order at 12:01 p.m., and stated that the Board would first receive citizens' communications. There being none, Director Kochwelp then stated that the Board would consider items on the Board's consent agenda. Upon motion by Director Zuniga and second by Director Dalton, the Board voted unanimously to approve the minutes of the February 3, 2011 Board meeting. Director Kochwelp then asked Mr. Bartram to review the remaining items on the consent agenda. Mr. Bartram first reviewed the Resolution Establishing Offices and Meeting Places of the Board of Directors of Wilbarger Creek Municipal Utility District No. 1 and Establishing Locations for the Posting of Notice of Meetings of the Board attached as Exhibit "B", which he noted added an additional conference room in his firm's building as an approved meeting place of the Board. Mr. Bartram next announced that it was time for the Board to conduct its annual review of the District's code of ethics, financial investment, travel and professional services policy, and investment strategy. He reviewed the current policy and stated that he had no updates to recommend at this time. Mr. Bartram next recommended that the Board review the District's drought contingency plan in anticipation of warmer and drier weather during the Summer months. He reviewed the District's current water conservation and drought contingency plan and asked if there were any questions. Ms.

Wingrove asked about the flexibility of the triggering criteria for Stage 3 restrictions, and Mr. Bartram confirmed that the Board had the authority to implement Stage 3 independent of the latest quarterly supply report from the wholesale provider. Mr. Burnett asked if the homeowners' association received notice of watering restrictions, and Ms. Wingrove stated that it would if it was a water customer. After discussion, upon motion by Director Zuniga and second by Director Sams, the Board voted unanimously to approve (i) the Resolution Establishing Offices and Meeting Places of the Board of Directors of Wilbarger Creek Municipal Utility District No. 1 and Establishing Locations for the Posting of Notice of Meetings of the Board, as presented; (ii) the Resolution Confirming Annual Review of Code of Ethics and Financial Investment, Travel and Professional Services Policy and Investment Strategy attached as Exhibit "C"; and (iii) the Resolution Confirming Annual Review of Water Conservation and Drought Contingency Plan attached as Exhibit "D".

Director Kochwelp 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 January. She confirmed that the bacteriological and chlorine residual tests were satisfactory. She then reviewed the connection report for the District and the other Participant Districts, the District's water usage and billing reports, and water accountability. She stated water loss was approximately 7% for the month. She then reviewed the aged receivables and builder deposits, and reported that there were no write-offs for the month. Ms. Wingrove then concluded by reporting that she had located the requisite number of volunteers needed for the lead and copper sampling.

Director Kochwelp then stated that the Board would receive a report from the District's bookkeeper. Ms. Bott first reviewed the bills and invoices set forth on the revised cash activity report attached as Exhibit "E", and recommended approval. She stated that there were no transfers this month. She then reviewed the District's investment report, tax collection report, and the financial statements as of January 31, 2011, including the balance sheet, statement of revenues, and supplementary information for the District's general fund and special revenue fund. She reported that tax collections were going well, with only about \$5,000 remaining uncollected as of the end of February. She stated that all funding requests were current and concluded by noting that the budget comparison showed an operational deficit primarily due to increased Master District expenses. After discussion, upon motion by Director Dalton and second by Director Sams, the Board voted unanimously to approve the bills and invoices as presented.

Director Kochwelp then stated that the Board would receive a report from the developer. Mr. Burnett first reviewed the completed home chart attached as Exhibit "F", which he noted had been updated to reflect starts as well as completed homes. He stated that there were currently 193 lots in inventory and that he and Mr. Dwyer were in the process of interviewing builders; but that, otherwise, there was no construction activity in the District at this time. Director Dalton asked what the average lot price was. Mr. Burnett stated that single lots were priced at \$25,000 but that the price had been discounted to \$16,000 per lot for volume takedown contracts. Director Sams stated that he kept hearing that lot inventories in Austin

were low and asked why there were so many lots available in ShadowGlen. Director Kochwelp stated that, in his experience, the information regarding existing lot inventories was inaccurate, especially with respect to entry level communities east of IH-35. Mr. Burnett then concluded by reporting that he had made a "cold call" on the KB Homes sales office recently and was disappointed with the lack of information that the sales staff had on the community and the Districts. He stated that, in response, he would be working on a "ShadowGlen 101" course for the builders' sales staff.

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 make the meeting, but had submitted the foreclosure report attached as Exhibit "G". He noted that there had been one foreclosure in the District since January 1st.

Director Kochwelp then stated that the Board would receive a report from the District's engineer. Mr. Schroeder first reviewed the report attached as Exhibit "H". With respect to District matters, he stated that he had reviewed Crossroads Utility Services' invoice and that all was in order. Mr. Schroeder then addressed items related to the Master District, noting that he had visited the wastewater treatment plant four times since the last Board meeting, primarily due to the membrane cleaning project. He reported that the daily wastewater flows at the wastewater treatment plant for the month of January had averaged $\pm 144,000$ gpd, with a maximum day of $\pm 228,000$ gpd, which was within the expected range of flows based on the current number of connections. With respect to operations expenses for the wastewater treatment plant, he stated that all invoices were generally within the approved budgets but higher than normal due to the additional repair work authorized by the Master District. Mr. Schroeder next reviewed the status of the approved wastewater treatment plant repairs, as reflected on the report attached as Exhibit "I". He stated that the membrane cleaning project was nearing completion and that approximately 516 membranes had needed to be replaced. He stated that this was more than originally predicted but less than last month's estimate based on the condition of the membranes being discovered at that time. Mr. Schroeder stated that 86 membranes were still on order and that damaged membranes had been temporarily reinstalled until the outstanding replacements were received. He cautioned that, although the final membrane count was lower, there were additional labor costs, which may offset some of the savings. He stated that, now that the membranes were clean, Crossroads Utility Services would be working with Ovivo to confirm that the air flow controls were working properly and to ensure that the appropriate maintenance protocols were followed. Mr. Schroeder stated that, upon completion of the membrane cleaning project, the electrical modifications project would begin, which was expected to be a 60-day job. He stated that, after the electrical modifications were completed, the Master District would evaluate if further harmonics analysis was necessary. Ms. Wingrove stated that her crews had just recently discovered a problem with the automatic transfer switch at the back-up generator the repair for which she estimated at \$2,200. Mr. Bartram asked if this was covered by the Holt service contract, and Mr. Schroeder stated that he would check. Director Zuniga noted that the total estimate for the wastewater treatment plant repairs was significant, and she asked how the District would pay for its share. Mr. Bartram stated that Ms. Allen and Ms. Bott were working on a budget but that the final number

was somewhat of a moving target. He stated that, ultimately, the District would be reliant on developer funding to afford its share, as water and tax revenues were insufficient to cover the current operating budget. Mr. Burnett acknowledged that he was expecting to advance funds for the increased expenses.

Director Kochwelp 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 February 7, 2011 Board meeting of Wilbarger Creek Municipal Utility District No. 2 and the draft report from the February 16, 2011 Advisory Committee meeting, which were recurring agenda items so that the Board could stay informed of the activities of the Master District and Advisory Committee. He then presented the Master District's audit for the fiscal year ended September 30, 2010, as required by the Master District Contract. Mr. Bartram then reported on the status of negotiations with Metro H2O, Ltd. ("Metro") regarding the wholesale water rate. He stated that the Districts had invoked the mediation provisions of the wholesale water supply contract and that the parties were working to schedule mediation for the end of March. He noted, however, that an additional meeting with Metro was scheduled for March 9th to discuss a possible rate structure based on the availability of Blue Water water with an intermediate bridge period until then. Mr. Bartram stated that the claim for indemnification and setoff against the remaining "holdback" funds for the purchase of the wastewater treatment plant as well as the claim against SWWC Services for operations-related matters would be discussed during the water rate mediation and related negotiations, and he suggested that further discussions regarding these issues be conducted in executive session. The Board generally agreed that no executive session was necessary 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 consultant directives. He next reviewed the status of the Cross County Water Supply Corporation / Blue Water Systems, LP water transmission line project. He stated that Mr. Reilly of Cross County Water Supply Corporation had confirmed earlier in the week that the project was still on schedule and that 99% of the pipe had been delivered. He stated that the quality of the Blue Water water was expected to be better than the current well water, which would help address recent resident complaints about water quality. Mr. Bartram then reported on the status of development of the District's website and stated that work was underway and that he hoped to conduct a brief demonstration of the prototype site during next month's meeting.

Director Kochwelp then questioned whether there were any future agenda items or further business to come before the Board. There being none, the meeting was adjourned.

(Signature page follows.)

(SEAL)



Scott Sams, Secretary
Board of Directors

Date: April 7, 2011