

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

April 3, 2014

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 April 3, 2014, 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, 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; Russ Allison of Argent Management, LLC, representing SG Land Holdings LLC, a developer in the District; Cheryl Allen of Public Finance Group, LLC; 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 approving the following item on the consent agenda: the minutes of the February 6, 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 taking action regarding wholesale water rates and related matters. Mr. Bartram first presented the notice from Metro H2O, Ltd. ("Metro") attached as **Exhibit "B"**, advising the Manor districts of the annual CPI increase in the volumetric rate and annual rate payment under the wholesale water contract with Metro. He next reviewed the notice from Metro attached as **Exhibit "C"**, advising the Manor districts that there would be no take-or-pay adjustment this year because usage had not exceeded the previous take-or-pay amount.

Director Kochwelp then stated that the Board would consider taking action regarding financial advisory services and recognized Ms. Allen. Ms. Allen reviewed the letter attached as Exhibit "D" and reported that she and Linda Loup had recently left Southwest Securities, the District's current financial advisor, and had started their own company known as Public Finance Group, LLC. She summarized her and Ms. Loup's history with Southwest Securities and their reasons for leaving and requested the Board to consider engaging Public Finance Group as the District's financial advisor going forward. She directed the Board's attention to the Financial Advisory Contract attached as Exhibit "E" and confirmed that, with the exception of a few minor updates, her company's proposed contract was on the same terms as the District's existing contract with Southwest Securities. Ms. Allen stated that the split from Southwest Securities was very amicable and that, because Southwest Securities did not have anyone else in Austin at this time, Southwest Securities was not interested in trying to keep any of the Austin business. She stated that Southwest Securities was about to go through certain consolidations that may limit bidders on the District's bonds and that, by switching to an unaffiliated company, the District would have the advantage of company stability and a bigger pool of potential bidders. Director Kochwelp asked Mr. Allison if the developer was ok changing to Ms. Allen's new company. Mr. Allison stated that the change made sense given Ms. Allen's institutional knowledge of the ShadowGlen project and the Master District's system. After discussion, upon motion by Director Dalton and second by Director Zuniga, the Board voted unanimously to (i) terminate the District's contract with Southwest Securities and give notice of such termination; and (ii) approve the Financial Advisory Contract with Public Finance Group, LLC, as presented.

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 "F" and reviewed his prior directives. He noted that water usage was down, and he confirmed that the bacteriological and chlorine samples were satisfactory. He next addressed water accountability, noting that water loss had increased to  $\pm 13\%$ . He added that water loss for the 2014 fiscal year was averaging 8.6%, which reflected a steady rise from 450,000 gallons of water lost per month to over 600,000 gallons of water lost per month over the last two years. He stated that his crews had found one leak in the Master District's water transmission line, which would account for a large portion of the water loss increase. He stated that he had also recently completed a "desktop audit" of all larger meters and had not identified any billing issues that would account for the lost water. He stated that he would accelerate the annual valve and hydrant survey in an effort to identify any additional leaks. Mr. Hunt explained that he had made this water loss issue one of his top priorities and would consider additional leak detection work after the completion of the annual valve and hydrant survey. Mr. Hunt next reviewed the wastewater report and confirmed that the wastewater treatment plant was in compliance. He then reviewed the connection, billing, adjustments, and delinquent accounts reports and stated that there were no delinquent accounts or write-offs this month. Mr. Hunt then addressed certain changes in solid waste and recycling collection services. He stated that he had worked with the HOA to get the information out to residents, but he noted that implementation of the changes by the City's solid waste contractor had been confusing. Mr. Hunt then reminded the

Board about the 2014 Summer CASE conference. He stated that anyone interested in attending could obtain registration materials from him.

Mr. Hunt next addressed water conservation and directed the Board's attention to the letter from the Texas Commission on Environmental Quality (the "TCEQ") attached as Exhibit "G" stressing the importance of water conservation efforts. He stated that the District had also received a letter from the TCEQ, a copy of which is attached as Exhibit "H", requesting the District to complete a cross-connection questionnaire, which he would handle. Mr. Hunt next reported that the District was required to conduct a five-year regulatory review of its drought contingency plan by May 2014. He reviewed the Order Adopting Revised Water Conservation and Drought Contingency Plan attached as Exhibit "I" and recommended changes conforming the District's triggering criteria and drought response stages to Metro's requirements as the wholesale provider. After discussion, Director Zuniga moved that the Board approve the Order Adopting Revised Water Conservation and Drought Contingency Plan, as presented. Director Sams seconded the motion, which then passed unanimously.

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. She next reviewed the cash/investment activity report, the tax collection report, the District's financial statements as of February 28, 2014, and the supplementary information, including the budget comparison. She noted that almost 100% of the District's 2013 tax levy had been collected. After discussion, upon motion by Director Zuniga 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 his company was still negotiating with a builder to purchase the existing 81 inventory lots. He stated that this process had been held up because the builder also wanted to purchase one half of the lots in future Section 14B, which required certain modifications to be processed through the City of Manor and Travis County. Director Kochwelp asked who would construct the utility infrastructure in Section 14B if it was sold. Mr. Allison stated that this particular builder wanted to self-develop the lots, and he noted that development of future sections would likely be a combination of developed lots and "paper lots". He next reported that his company was moving forward with the engineering for Sections 17, 18, 21, and 24. He stated that the preliminary plats for Sections 19A, 19B, and 20 had already been approved and that he expected to submit the construction plans for these Sections to the City of Manor by the end of the week. Director Kochwelp asked how close the developer was to having a deal with the new builder. Mr. Allison stated that he could not disclose all of the details because the builder was a publicly traded company but that he could confirm that they were very close to making a deal.

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 February had averaged  $\pm 166,000$  gpd, with a maximum day of  $\pm 252,000$  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 then updated the Board on recent activity at the wastewater treatment plant, noting that the plant upgrades being carried out by Ovivo USA, LLC ("Ovivo") were complete and that the energy consumption savings test period was underway. He stated that the plant was not achieving the 30% benchmark in electrical savings and that he expected Ovivo to request an extension of the test period. He reported that three new blower fans, new sensor equipment, and sun canopies screening certain equipment had either recently been installed or were in the process of being installed. Mr. Schroeder next addressed the status of the emergency water interconnect required by the City of Manor in connection with the developer's construction of the Lexington Street low water crossing. He stated that it was his understanding that the developer was proceeding with the design work and that most of the associated paperwork was now complete. Mr. Bartram confirmed that the letter agreement between the City of Manor and SG Land Holdings LLC regarding construction of the interconnect in an alternate location and the fiscal security required by the City had been finalized, and he directed the Board's attention to the copy of the executed letter agreement attached as Exhibit "L". He also confirmed that the interlocal agreement between the City and the Master District governing the use of the interconnect had been approved by the City and would be considered by the Master District the following week. He noted that the interconnect would be installed within an easement held by Cottonwood Creek MUD No.1 and that Cottonwood Creek MUD No.1 had consented to the use of its easement for such purpose pursuant to the Consent to Use of Easement attached as Exhibit "M". Mr. Schroeder then concluded his report by noting that he had received the construction plans for Section 19A from the developer and that he would begin his review.

Director Kochwelp then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram stated that there were no outstanding consultant directives and that he had nothing further to report at this time.

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 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. He then presented the Master District's audit for the fiscal year ended September 30, 2013, which he noted was a requirement under the Master District Contract. Mr. Bartram confirmed that the auditor had been able to issue a clean, unqualified opinion.

Director Kochwelp then stated that the Board would consider its future meeting schedule. Mr. Bartram reminded the Board that the next meeting was scheduled for June 5, 2014.

Director Kochwelp then asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 12:29 p.m.

*(Signature page follows.)*

(SEAL)



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Scott Sams, Secretary  
Board of Directors

Date: June 5, 2014