

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

April 4, 2013

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 April 4, 2013, 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; Margret Wingrove and Andrew Hunt of Crossroads Utility Services LLC; Ken Schroeder of Schroeder Engineering Company; Danny Burnett, representing Cottonwood Holdings, Ltd. and 2010 ShadowGlen, LLC; Russ Allison of Argent Management representing SG Land Holdings, LLC; and John Bartram of Armbrust & Brown, PLLC.

Director Kochwelp called the meeting to order at 12:03 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 minutes of the February 7, 2013 Board meeting. Upon motion by Director Zuniga and second by Director Dalton, the Board voted unanimously to approve minutes.

Director Kochwelp then stated that the Board would consider approving a revised District Registration Form. Mr. Bartram reviewed the revised District Registration Form attached as Exhibit "B", noting that it had been updated to replace Ms. Wingrove with Mr. Hunt as the District's operator. Ms. Wingrove explained that she was transitioning into retirement and was pleased to announce that Mr. Hunt would be taking over for her. The Board congratulated Ms. Wingrove on her retirement and welcomed Mr. Hunt. Upon motion by Director Zuniga and second by Director Sams, the Board voted unanimously to approve the revised District Registration Form and its filing.

Director Kochwelp then stated that the Board would consider the renewal of the District's Bookkeeping Services Agreement with Bott & Douthitt, PLLC. Mr. Bartram stated that the current agreement was scheduled to expire in June and that he had included renewal of the agreement on the agenda in case the Board did not meet again prior to expiration. Ms. Bott proposed that the agreement be renewed for two years at the current compensation. After discussion, upon motion by Director Dalton and second by Director Zuniga, the Board voted unanimously to approve the renewed Bookkeeping Services Agreement with Bott & Douthitt, PLLC attached as Exhibit "C", effective upon expiration of the current agreement.

Director Kochwelp next announced that the Board would consider matters relating to wholesale water rates and water capacity charges. Mr. Bartram first presented the notice from Metro H2O, Ltd. ("Metro") attached as Exhibit "D", advising the Manor districts of the annual CPI increase in the volumetric wholesale water rate. He noted that the increase was \$0.04 per 1,000 gallons – from \$5.10/1,000 to \$5.14/1,000. He next reviewed the notice from Metro attached as Exhibit "E", 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. Ms. Bott reviewed the chart attached as Exhibit "F" reflecting the historical amount of wholesale water purchased from Metro. She noted that, from March 1, 2012 through February 28, 2013, the Districts had used 119,502,000 gallons of the 146,951,500 gallon required take-or-pay amount, and she stated that the delta represented about \$140,000. Director Kochwelp asked if there were any opportunities to sell the "excess" water. Mr. Bartram stated that, although the Districts could sell water on a short term basis, there were legal and practical challenges associated that. However, he stated that the Districts' consultants would continue to evaluate the opportunities. Mr. Burnett stated that the real solution to the problem was selling more homes.

Director Kochwelp then stated that the Board would receive a report from the District's utility operator. Ms. Wingrove directed the Board's attention to the utility report attached as Exhibit "G". She reviewed the water report and noted that usage was down slightly from January 2013 but up from February 2012. She confirmed that the bacteriological and chlorine samples were satisfactory. She next addressed water accountability, noting that water loss was about 7.98%, which she would monitor for any trend. She next reviewed the wastewater report and confirmed that the wastewater treatment plant was in compliance and that there had been no excursions during the Month of February. She explained that the power supply at the plant had failed in March and that the plant had been operated manually for several hours. She confirmed that there had been one bad sample during this period but that she thought that the plant would remain in compliance for the month of March. The Board discussed the power supply failure and the fact that the alarm system was also affected. Ms. Wingrove stated that her company was working on a proposal to separate the alarm system so that it would be able to send alarms should this problem reoccur. She next reviewed the connection, billing, adjustments, and delinquent accounts reports. She stated that there were no delinquent accounts or write-offs for the month. Ms. Wingrove then requested approval of the annual CPI adjustment to her company's compensation under its contract with the District, as reflected in the memorandum attached as Exhibit "H". Upon motion by Director Zuniga and second by

Director Sams, the Board voted unanimously to approve a 1.7% increase in compensation per the CPI provisions of the District's contract with Crossroads Utility Services.

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 "I", including the bills, invoices, and transfers set forth on the cash activity report, and recommended approval. Ms. Bott next reviewed the cash/investment activity report, the latest quarterly investment report, the tax collection report, the District's financial statements as of February 28, 2013, and the supplementary information, including the budget comparison. She stated that the District was 99% collected on property taxes as of the end of February and was currently running about a \$5,000 negative budget variance. She concluded her report by confirming that the April 1st developer funding installment had been received. 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 next recognized Mr. Burnett for a report from the developer. Mr. Burnett first introduced Mr. Allison, who he stated would be officing with him and Mr. Dwyer and learning the ShadowGlen project for "SunCal", the new owner. Mr. Burnett then reported that the owners of the tract of land east of Travis County MUD No. 2 and the District had applied to the City of Manor for zoning changes to permit a beer distributorship. He stated that his company had originally opposed the application but was working with residents and the owner of the tract to gather more information. He stated that the proposed development seemed logical for the area but that he and the residents within ShadowGlen wanted to make sure that the development plan made sense. He added that he would be meeting with resident representatives and the owner's consultants again and that the residents hoped to explore certain land use restrictions to protect the ShadowGlen development. Mr. Burnett next reported that he and Mr. Dwyer had recently met with representatives of Manor Independent School District, and he reported that the school district planned to complete construction of the new elementary school within the District in 2014 and open it in the Fall of 2015. Mr. Burnett then reported on other development in the area. He stated that Wal-Mart had advertised for bids for the construction of its new store in Manor.

Director Kochwelp stated that the Board would next receive a report from the District's financial advisor. Mr. Bartram noted that Ms. Allen had been unable to attend the meeting and directed the Board's attention to the latest foreclosure report attached as Exhibit "J".

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 $\pm 154,000$ gpd, with a maximum day of $\pm 213,000$ gpd, which he stated were within the expected range of flows based on the current number of connections. Mr. Schroeder confirmed that all tests were satisfactory and that the Master District's operational expenses were within budget. He next reviewed the status of the approved wastewater treatment plant

repairs and the Ovivo upgrades and service contracts. He stated that the wastewater treatment plant upgrades were in progress. He noted that Ovivo had drained one of the aeration basins and was working to install new drain lines and fine bubble diffusers. He stated that Ovivo was also inspecting the condition of the membranes, and he reported that, of the 800 membranes inspected already, 157 were found to be damaged beyond repair and that another 186 membranes were in need of repair. Mr. Schroeder reminded the Board that, under the Master District's contract with Ovivo, the Master District had paid Ovivo \$25,000 for all necessary membrane repair and replacement, which appeared to have been a worthwhile "insurance policy". He stated that Ovivo was a few days behind schedule on the upgrades but hoped to make up the time. He then concluded by reporting that two malfunctioned blowers at the plant had been removed and sent to the manufacturer in Tennessee for evaluation. Mr. Burnett then reported that Travis County had recently amended its drainage criteria manual to incorporate water quality standards, and he noted that the changes could impact the Districts down the road in terms of operation and maintenance of detention ponds and other water quality facilities.

Director Kochwelp then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram first reviewed the previous consultant directives, noting that there was none outstanding. He then addressed website matters and encouraged anyone with suggestions on the website to forward those to him or Mr. Burnett. He then addressed notice of a class action settlement relating to credit card overcharges by Visa and MasterCard. He stated that the District could opt out of the settlement or pursue a claim. However, he noted that the instructions for calculating the amount of the claim were not yet available. After discussion, the Board postponed action on the matter until additional details on how to calculate a claim become available. The Board recognized that the cost to calculate a claim may outweigh any settlement benefits.

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. He then presented the Master District's audit for the fiscal year ended September 30, 2012, 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. After discussion, the Board agreed to stay on an every-other-month meeting schedule and that the next meeting would be on June 6th.

Director Kochwelp then asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 12:42 p.m.

(Signature page follows.)

(SEAL)



D. Page Ragland
Assistant Secretary, Board of Directors

Date: June 6, 2013