

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

April 6, 2017

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 6, 2017, 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, who arrived later, thus constituting a quorum. Also present at the meeting were Mary Bott of Bott & Douthitt, PLLC, the District's bookkeeper; Dennis Hendrix of Crossroads Utility Services LLC, the District's utility operator; Crys Sanders 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 12:03 p.m. and stated that the Board would first receive citizens' communications. There being none, Director Kochwelp then stated that the Board would consider the Director items on the agenda. Mr. Bartram explained that Zuniga had been deemed re-elected as of November 8th and would need to complete a new statement and oath of office; but he noted that Director Zuniga had not yet arrived and, therefore suggested that the Board skip this item until her arrival. The Board concurred, and Director Kochwelp announced that the Board would next consider approving the minutes of the February 2, 2017 Board meeting. Upon motion by Director Dalton and second by Director Sams, the Board voted unanimously to approve the minutes as presented.

Director Kochwelp then stated that the Board would consider the bond-related items on the agenda. He stated that he had received an email from Ken Schroeder, the District's engineer, earlier in the week indicating that, due to staffing issues, the Texas Commission on Environmental Quality (the "TCEQ") would most likely take the full 180-day period to review the District's pending bond application.

Director Kochwelp then stated that the Board would consider the agenda item on wholesale water rates and water capacity charges. Mr. Bartram reviewed the historical wholesale water purchase chart attached as Exhibit "B", the notice from Metro H2O, Ltd. ("Metro") attached as Exhibit "C" advising the Manor districts of the annual 3% increase in the volumetric rate and annual rate payment under the wholesale water contract with Metro, and the Excess Quantity Notice from Metro for the 2016-2017 wholesale water contract year, a

copy of which is attached as **Exhibit "D"**. He noted that usage had exceeded the minimum take-or-pay amount by 105,000 gallons and that, consequently, the Master District was required to make a true-up payment for the cost of the excess water, which was ±\$609, and that the minimum take-or-pay amount for the 2017-2018 water contract year would be increased by 90% of the excess.

At this time, Director Zuniga arrived at the meeting, and Director Kochwelp stated that the Board would consider her oath and statement for her new term of office. Upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to accept Director Zuniga's oath of office and statement of elected official.

Director Kochwelp then stated that the Board would receive a report from the District's utility operator. Mr. Hendrix first reviewed the operations report attached as **Exhibit "E"**. He stated that usage was down during the winter and confirmed that the bacteriological and chlorine samples were all satisfactory. He further reported that water loss was down to -3.2% from almost -19% during the prior reporting period and indicated that he would address water loss in more detail later during his report. He next addressed wastewater treatment plant operations, noting that the plant had been running well. He then reviewed the latest connection, billing, adjustments, and delinquent accounts reports. He reported that there had been five new connections in the District through February, and he stated that there were no write-offs this month. Mr. Hendrix then addressed water loss. He stated that the Master District's 24" water line, Travis County MUD No. 2, and Cottonwood Creek MUD No. 1 had all been tested for water leaks and that only three relatively small fire hydrant leaks had been identified. He stated that these leaks did not account for the amount of lost water in the system and noted that the leak detection contractor strongly suspected that the majority of the loss was unmetered construction water. However, in order to be thorough, he recommended that the District's water system be "sounded" as well at a cost of \$1,750. Director Kochwelp stated that he felt that the District should test its system; but he wondered how the use of unmetered water should be addressed. Mr. Hendrix stated that this was very difficult to catch but that he had requested the contractors' flushing logs and was working with the District's other consultants on ideas to deter the use of unmetered water. Director Kochwelp asked if the contractors could be fined, noting that once one had been caught, the others might be scared into compliance. Discussion ensued. Mr. Bartram suggested that Mr. Hendrix attempt to make it clear to the contractors that the issue of water loss had escalated to the Board level and that, if the contractors did not get it under control themselves, the Board was likely to take onerous action to deter further unmetered use. After further discussion, upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to authorize leak detection of the District's water system at a cost not to exceed \$1,750. Mr. Hendrix then concluded the operations report by directing the Board's attention to the proposal from his company attached as **Exhibit "F"** to coat the manholes on the ShadowGlen wastewater interceptor. He stated that the wastewater treatment plant continued to experience inflow and infiltration after big rain events and that he had recently spot-checked the manholes on the two interceptors to the plant, one of which came from the Presidential Meadows subdivision and was owned by Cottonwood Creek MUD No. 1, and the other of which came from the ShadowGlen subdivision and was managed by Travis County MUD No. 2 as a joint facility serving the District, Travis County MUD No. 2, and Wilbarger Creek MUD No. 2. Mr. Hendrix stated that the manholes had either never been coated or the coating was bubbling and cracking, and that, therefore, he had put together a proposal to coat the interceptor manholes as a best management practice in an effort to mitigate inflow and infiltration. He noted that the proposal covered eight manholes at total cost of \$21,312. Mr. Bartram stated that, as the manager of the ShadowGlen interceptor, Travis County MUD No. 2 had budgeted only \$2,500 for the project this fiscal year. He stated that, because the proposal exceeded budget, the plan was to confirm that the District and Wilbarger Creek

MUD No. 2 were ok with the additional expense. Ms. Bott stated that all of the districts were currently running a budget surplus and could afford the work. After discussion, the Board generally agreed that Travis County MUD No. 2 should proceed with the manhole coating work.

Director Kochwelp then stated that the Board would receive a report from the District's bookkeeper. Ms. Bott first reviewed the bookkeeper's report and handout update attached collectively as **Exhibit "G"**, and recommended approval of three transfers and the Director and vendor payments. She then reviewed the latest financial statements and reported that the District was ±\$56,000 ahead of plan year to date. After discussion, upon motion by Director Zuniga and second by Director Dalton, the Board voted unanimously to approve the Director and vendor payments and transfers as presented.

Director Kochwelp next announced that the Board would receive reports from the developers. Ms. Sanders reported that Scott Felder Homes had four homes under construction in Section 19A with one sale so far. She stated that her company had received a couple of offers on the lots in Section 20 and that construction of those lots would probably commence in the third or fourth quarter of 2017. She further reported that approval of the extension of Shelby's Way was pending at the County. Ms. Sanders then concluded by reporting that Pete Dwyer had recently commenced development of a second shopping center off of the Lexington Street entrance to ShadowGlen. Director Zuniga asked why sales velocity differed among the Participant Districts. Ms. Sanders stated that, in her opinion, this was primarily due to differing lot sizes and product lines. She stated that the smaller lot products were selling slower and that her company had scheduled a meeting with the builder to discuss the issue.

Director Kochwelp then stated that the Board would receive a report from the District's engineer. Mr. Bartram stated that Mr. Schroeder had been unable to attend today's meeting. He reported that Mr. Schroeder had recently issued a service availability letter for a new apartment project in the District to be known as the Flats at ShadowGlen. Mr. Bartram stated that Mr. Schroeder had reported the previous day at the Travis County MUD No. 2 board meeting that the wastewater treatment plant operations had been running smoothly. He stated that the MBR equipment at the wastewater treatment plant was nearing the end of its useful life and that the Master District and Advisory Committee had previously wondered, on a couple of occasions, whether it would be better to convert from membrane technology to conventional treatment technology. Mr. Bartram stated that Tobin Synatschk of Jones & Carter, Inc., the Master District's special consulting engineer, had presented an analysis that concluded that, although MBR plants were more expensive to operate, it was significantly cheaper to stay with MBR technology rather than converting to conventional technology because of the "sunk" costs associated with already having an MBR plant.

There being no representative from the District's financial advisor in attendance, 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, noting that there were no directives outstanding. He next reviewed the latest correspondence regarding the open records requests from Mox Properties and Texas Capitol LLC. He then concluded by reviewing the letters that his firm had sent to the Legislature regarding pending legislation that could potentially affect the District, copies of which are attached collectively as **Exhibit "H"**.

Director Kochwelp next announced that the Board would consider the Master District and Advisory Committee items on the agenda. Mr. Bartram first presented the Master District's audit for the fiscal year ended September 30, 2016, which he noted was a requirement under the Master District Contract. He confirmed that the auditor had been able to issue a clean, unmodified opinion. He then concluded 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.

Director Kochwelp then asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 12:46 p.m.

(Signature page follows.)

(SEAL)





Scott Sams
Secretary, Board of Directors

Date: August 3, 2017