

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

April 7, 2011

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 7, 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; Cheryl Allen of Southwest Securities; 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 the items on the consent agenda. Upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve the minutes of the March 3, 2011 Board meeting. Mr. Bartram then recommended approval of a revised District registration form to update Director Zuniga's contact information. Upon motion by Director Zuniga and second by Director Dalton, the Board voted unanimously to approve the revised District Registration Form attached as Exhibit "B" and its filing with the Texas Commission on Environmental Quality. Mr. Bartram then reviewed the Resolution Confirming Annual Review of Identity Theft Prevention Program attached as Exhibit "C". Ms. Wingrove stated that the plan had proved effective, that there had been no significant incidents of identity theft in the District, and that she had no recommended updates to the program at this time. Upon motion by Director Dalton and second by Director Zuniga, the Board voted unanimously to approve the Resolution Confirming Annual Review of Identity Theft Prevention Program, as presented.

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 February. 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 that water loss was approximately 7% for the month, and she reviewed the annual and five-year water loss audit reports, which she confirmed had been filed timely with the Texas Water Development Board. She then reviewed the aged receivables and builder deposits, and reported that there were no write-offs for the month. Upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to approve the utility report.

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 cash activity report attached as Exhibit "D", 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 February 28, 2011, including the balance sheet, statement of revenues, and supplementary information for the District's general fund and special revenue fund. She reported that approximately 95% of the District's tax revenues had been collected. She stated that the latest quarterly developer funding request was outstanding but that she understood it was being processed. Mr. Burnett confirmed that payment should be received within a week. After discussion, upon motion by Director Zuniga 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 "E". He next reported on various marketing events planned for the ShadowGlen community. He stated that his company had hosted a realtor event the previous week, which about 70 realtors had attended. He stated that a tour of the development had been conducted and that the focus had been on the positives of the community and the Manor area, including the schools. He indicated that a school tour event was in the works for the future. Mr. Burnett reported that the elementary school site had been conveyed to the school district on March 31<sup>st</sup>, and he stated that he hoped to see construction within the year. He stated that there had been one new start in March and that he and Mr. Dwyer were working hard to recruit new builders. Mr. Burnett stated that his company was also still working with the City of Manor on a revised development agreement. He then discussed the golf course and its water supply. He stated that the City of Manor had shut off water to the golf course two weeks ago because its contract with the golf course had expired and the golf course had not signed a new agreement. Mr. Burnett stated that the success of the golf course was important to the development and that his company, as well as the Master District, were working diligently on easements and related agreements to allow the golf course to use the effluent from the wastewater treatment plant for irrigation. Mr. Burnett then concluded by noting that it was his understanding that Wal-Mart had postponed plans to expand into the Manor market.

Director Kochwelp next announced that the Board would receive a report from the District's financial advisor. Ms. Allen reviewed the foreclosure report attached as Exhibit "F". She noted that there had been one foreclosure in the District since January 1<sup>st</sup> and four total over the last three years.

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 "G". With respect to District matters, he stated that he had reviewed Crossroads Utility Services' invoice and that everything was in order. Mr. Schroeder then addressed items related to the Master District, noting that he had visited the wastewater treatment plant several times since the last Board meeting. He reported that the daily wastewater flows at the wastewater treatment plant for the month of February had averaged  $\pm 131,000$  gpd, with a maximum day of  $\pm 175,000$  gpd, which was within the expected range of flows based on the current number of connections. Mr. Schroeder noted that there had been three ammonia excursions during the membrane cleaning project. He stated that these excursions were required to be reported to the Texas Commission on Environmental Quality and would most likely be noted in the next annual inspection report but probably not result in any fines. With respect to operations expenses for the wastewater treatment plant, he stated that all invoices were high due to additional repair work authorized by the Master District but were generally within the approved budget for this work. Mr. Schroeder next reviewed the status of the approved wastewater treatment plant repairs, as reflected on the report attached as Exhibit "H". He stated that the membrane cleaning project was complete and that the good news was the capacity of the plant had significantly improved. However, he noted that there had been some complications with suspended solids leaking into the chlorine contact chamber. He stated that Crossroads Utility Services personnel had isolated the sources and were working with Ovivo to diagnose and remedy the problem. Director Dalton asked what the expected life of the membranes was. Mr. Schroeder stated that, based on his research, the membranes were expected to last ten years. Mr. Schroeder next reported that the electrical modifications project was underway and nearing completion. He stated that a second change order had been required to address unanticipated problems pulling the new copper wiring through the existing underground conduits. Mr. Schroeder then noted that, at Crossroads' recommendation, a few items of minor cost had been elevated to Priority #1 for immediate attention.

Director Kochwelp then stated that the Board would receive a report regarding Master District and Advisory Committee items. Mr. Bartram first summarized the status of negotiations with Metro on the wholesale water rate. He stated that the negotiating subcommittee had met with Metro on March 9<sup>th</sup> and again on March 24<sup>th</sup> to discuss an alternative structure based on serving the Districts with water from the Blue Water Systems, LP project, but that a negotiated resolution to the dispute had not been reached. He stated that the next step was formal mediation, which had been scheduled for May 26<sup>th</sup>. Mr. Bartram next directed the Board's attention to the latest wholesale water bill received from Metro, a copy of which is attached as Exhibit "I". He pointed out that this bill covered the month of February and that the increased rate of \$11.10 per 1,000 gallons had been implemented on February 11<sup>th</sup> as threatened by Metro. He noted that the invoice total based on the increased rate was

\$46,493.50. He stated that, if calculated entirely at the old rate, the bill would have totaled \$15,775. Mr. Bartram recommended that the details of the water rate negotiations and strategy for mediation, including the claim for indemnification and setoff against the remaining "holdback" funds for the purchase of the wastewater treatment plant, the claim against SWWC Services for operations-related matters, and Metro's demand for the \$826,000 received from the City of Manor, be discussed in executive session. The Board concurred. Mr. Bartram stated that he would also address certain overcharges by SWWC Services, Inc. in executive session. He then concluded by reviewing the agenda and draft minutes from the March 7, 2011 Board meeting of Wilbarger Creek Municipal Utility District No. 2 and the draft report from the March 22, 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.

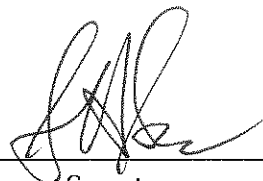
Director Kochwelp then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram first reviewed the consultant directives. He next reviewed the status of the Cross County Water Supply Corporation / Blue Water Systems, LP water transmission line project. He stated that Mr. Reilly of Cross County Water Supply Corporation had confirmed earlier in the week that the project was still on schedule. Mr. Bartram then reported on the status of development of the District's website and stated that he had hoped to conduct a brief demonstration of the District's website today but that internet service was down. After discussion, the Board directed Ms. Sheridan to work with the website developer to finalize and go live with the website.

Director Kochwelp then asked if there was any further business to be discussed before convening in executive session. There being none, at 12:48 p.m., Director Kochwelp announced that the Board would convene in executive session in order to receive legal advice regarding the pending claims and issues with Metro and SWWC Services (including the wholesale water rate negotiations, the indemnification and holdback claim, the operations claims, and Metro's claim for the \$826,000 received from the City of Manor), as permitted by Section 551.071 of the Texas Government Code. The Board reconvened in open session at 1:15 p.m., and Director Kochwelp stated that no action had been taken during executive session. The Board then (i) unanimously endorsed the process of taking the initiative to establish and manage a message about the wholesale rate increase with residents, including a letter to the residents explaining the increase and the Districts' efforts to contest Metro's actions; and (ii) determined not to pursue a claim against SWWC Services, Inc. at this time.

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)



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Scott Sams, Secretary  
Board of Directors

Date: May 5, 2011