

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

April 7, 2016

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, 2016, 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 Directors Dalton and Zuniga, 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; Russ Allison and Crys Sanders of Argent Management, LLC, representing SG Land Holdings LLC, the residential developer in the District; Ken Schroeder of Schroeder Engineering Company, the District’s engineer; and John Bartram of Armbrust & Brown, PLLC, the District’s general legal counsel.

Director Kochwelp called the meeting to order at 12:02 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 4, 2016 Board meeting. Upon motion by Director Ragland 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 annual review items on the agenda. Mr. Bartram first stated that it was time for the Board to conduct its annual review of the District’s water conservation and drought contingency plan. He reviewed the District’s current plan with the Board and stated that no substantive revisions were being recommended at this time. However, he noted that the District’s population and connection count had changed, and he recommended that the District’s utility system profile be updated accordingly. After discussion, upon motion by Director Ragland and second by Director Sams, the Board voted unanimously to approve the Resolution Confirming Annual Review of Water Conservation and Drought Contingency Plan and Updating Water and Wastewater Utility System Profile attached as **Exhibit “B”**. Mr. Hendrix then stated that it was time to conduct an annual review of the District’s identity theft prevention program under the federal government’s “red flag rules” and directed the Board’s attention to the Resolution Confirming Annual Review of Identity Theft Prevention Program attached as **Exhibit “C”**. He reported that the plan had proved effective and that he had no recommended updates to the program at this time. Upon

motion by Director Ragland and second by Director Sams, the Board voted unanimously to approve the Resolution Confirming Annual Review of Identity Theft Prevention Program, as presented. Mr. Bartram then stated that it was time for the Board to conduct its annual review of the District's code of ethics and financial management policies. He reviewed the District's current code of ethics and financial management policies and recommended several updates, which he characterized as a "housekeeping overhaul". After discussion, upon motion by Director Ragland and second by Director Sams, the Board voted unanimously to approve the Resolution Confirming Annual Review of Certain Financial Management Policies; Adopting Amended Code of Ethics and Financial Investment, Travel, and Professional Services Policy; Adopting Investment Strategies; Designating Investment Officers; and Adopting List of Qualified Brokers attached as **Exhibit "D"**.

Director Kochwelp then stated that the Board would consider taking action regarding wholesale water rates and water capacity charges and related matters. Mr. Bartram first reviewed the historical wholesale water purchase chart attached as **Exhibit "E"**, noting that usage had increased during the current fiscal year due to new development. He then presented the notice from Metro H<sub>2</sub>O, Ltd. ("Metro") attached as **Exhibit "F"**, advising the Manor districts of the annual CPI increase in the volumetric rate and annual rate payment under the wholesale water contract with Metro. Mr. Bartram next presented the Excess Quantity Notice from Metro for the 2015-2016 wholesale water contract year, a copy of which is attached as **Exhibit "G"**. He noted that usage had exceeded the minimum take-or-pay amount by 29,500 gallons and that, consequently, the Master District was required to make a true-up payment for the cost of the excess water, which was ±\$154, and that the minimum take-or-pay amount for the 2016-2107 water contract year would be increased by 90% of the excess. Mr. Hendrix stated that, in reviewing the wholesale usage reports for the last five years, he had discovered a recording error, which he had corrected and which should help the Master District track the take-or-pay numbers more accurately. Mr. Bartram then directed the Board's attention to the proposal from Jay Joyce of Expergy attached as **Exhibit "H"** to conduct a high-level review of the retail rates of the Participant Districts with active connections to determine if any retail rate adjustments were in order based on the increased usage and wholesale water costs. He stated that it had been a couple of years since rates were last reviewed, and he noted that the estimated fee of \$6,000 would be split among the three districts with active connections. After discussion, upon motion by Director Ragland and second by Director Sams, the Board voted unanimously to approve the Expergy proposal.

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 "I"**. He reported that water usage was up slightly for the month and confirmed that the bacteriological and chlorine samples were all satisfactory. He stated that water loss had come down from ±19% to ±14%, indicating that the meter reading error was working itself out. He confirmed, however, that he would continue to monitor the trend. Mr. Hendrix next reported on wastewater treatment plant operations. He stated that the wastewater treatment plant was running well and that there had been no major problems or excursions. Mr. Hendrix next reviewed the latest connection report, noting that there were currently 141 active connections in the District. He then reviewed the billing, adjustments, and delinquent accounts reports and stated that there were no write-offs for approval this month. Mr. Hendrix next reviewed the results of the annual fire hydrant survey, attached as **Exhibit "J"**, and he presented the proposal attached as **Exhibit "K"** to address the issues identified by the survey, the cost of which he noted would not exceed \$1,175. Director Sams asked if leaking fire hydrants were the cause of the system's water loss. Mr. Hendrix stated that he believed the water loss was primarily the result of a meter reading error and unmetered water for filling and flushing lines in connection with new construction. However, he confirmed that he would keep an eye on things. After further

discussion, Director Ragland moved that the Board approve the fire hydrant repair proposal. Upon second by Director Sams, the motion passed unanimously. Mr. Hendrix next reported that the five-year water loss audit required by the Texas Water Development Board had been completed and filed in February, well before the May 1 deadline. He then concluded by directing the Board's attention to the letter attached as **Exhibit "L"** reminding utilities of new federal coliform rule requirements that had taken effect on April 1<sup>st</sup>. He stated that the new rules included additional sampling requirements that would result in increased operations costs to the District.

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 "M"**, including the bills, invoices, and transfers set forth on the updated cash activity report, and recommended approval with the exception of the checks for the fees of office for Directors Dalton and Zuniga, which would be voided due to absence. She noted that there were four transfers for approval. She next reviewed the tax collection report and the District's latest financial statements. She stated that approximately 99.8% of the District's 2015 tax levy had been collected and that the District was currently  $\pm$ \$40,000 ahead of plan. After discussion, upon motion by Director Ragland and second by Director Sams, the Board voted unanimously to approve the bills, invoices, and transfers as presented.

Director Kochwelp next announced that the Board would receive reports from the developers. Mr. Allison stated that there was a lot going on in ShadowGlen. He reported that Section 14B-1 was complete and that Section 14B-2 was nearing completion. He stated that Section 19A was under construction, and that the construction contract for Section 16 had recently been awarded. He noted that all of the lots in these sections were under contract by Perry Homes and Scott Felder Homes, and that the builders had takedown requirements of six to ten lots per quarter. He also reported that Buffington Homes had recently contracted to purchase the remaining lots in Sections 12 and 13. Mr. Allison concluded by reporting that his company had initiated the engineering for Sections 17, 18, 21A, 21B, 24A, and 24B and that the construction plans for Shelby's Way, which would open up access for development of these new sections, was under review at the county.

Director Kochwelp then stated that the Board would receive a report from the District's engineer. Mr. Schroeder directed the Board's attention to the engineering report attached as **Exhibit "N"** and presented and recommended approval of the following pay estimates, copies of which are attached collectively as **Exhibit "O"**: (i) pay estimate no. 3 (in the amount of \$130,167) for the ShadowGlen Trace Commercial project, representing 75% completion and work through February; and (ii) pay estimate no. 4 (in the amount of \$185,483.29) for the ShadowGlen Phase 2, Section 19A project, representing 91% completion and work through February. With respect to District matters, he stated that the Crossroads Utility Services invoice was in order and within budget. He 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  $\pm$ 186,000 gpd, with a maximum day of  $\pm$ 270,000 gpd, which were generally within the expected range of flows based on the current number of connections. Mr. Schroeder then concluded by reporting that Master District repairs and maintenance were generally within budget and that all invoices were in order. After discussion, upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve the pay estimates.

There being no report from the District's financial advisor, Director Kochwelp then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram first reviewed the letter from the Lower Colorado River Authority, attached as **Exhibit "P"**, regarding the opportunity to provide public input on the next regional water

planning cycle. He then reviewed the outstanding consultant directives, noting that most were complete or in process. He stated that the transfer of the original developer's residual interest in the director lot to SG Land Holdings had been completed but that he would need to follow up on the status of delinquent taxes. Mr. Hendrix stated that he had an update regarding conversion to "smart" meters, but that he would hold off until the end of the agenda to address the matter. Mr. Bartram then reported that, in connection with a development loan that the ShadowGlen developer had closed with First Continental Investment Co., Ltd. ("*First Continental*") last Fall, First Continental had requested the ShadowGlen districts to acknowledge that the loan included an assignment of certain reimbursement rights. Mr. Bartram stated that the documents prepared by the lender did not comply with the existing reimbursement agreements and that he was working with the lender's attorney to correct these issues. He stated that, therefore, no action was necessary regarding the matter at today's meeting. Mr. Bartram then concluded by reviewing the Client Bulletin attached as **Exhibit "Q"** regarding proposed changes to the Internal Revenue Service's rules relating to the issuance of tax exempt bonds. A brief discussion ensued regarding the effect that the proposed rule changes would have on the District.

Director Kochwelp next announced that the Board would consider the Master District and Advisory Committee items on the agenda. Mr. Bartram first presented the letter from the Master District attached as **Exhibit "R"** notifying the Participant Districts of its intent to issue refunding bonds, which was a requirement of the Master District Contract. He then presented the letter from the District attached as **Exhibit "S"** confirming receipt of the Master District's notice, which he stated would aid the Master District's bond counsel in obtaining the Attorney General's approval of the Master District refunding bonds. Upon motion by Director Ragland and second by Director Sams, the Board voted unanimously to approve confirmation of receipt of the Master District's notice of intent to issue 2016 refunding bonds. Mr. Bartram next presented the Master District's audit for the fiscal year ended September 30, 2015, which he noted was a requirement under the Master District Contract. He confirmed that the auditor had issued a clean, unmodified opinion. He then concluded by directing 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.

Director Kochwelp then stated that the Board would consider its future meeting schedule and agenda items. After discussion, the Board agreed to adhere generally to an every-other-month meeting schedule, with the understanding that meetings would be cancelled as appropriate.

Director Kochwelp then recognized Mr. Hendrix for an update regarding conversion to "smart" meters. Mr. Hendrix handed out and reviewed the analysis attached as **Exhibit "T"**. He stated that it would cost the District approximately \$56,000 to convert all existing residential meters to "smart" meters and that there would also be a license or subscription fee from the meter vendor of \$0.89 per meter. He stated that converting to "smart" meters should reduce operating costs because there would be less personnel time in the field. Director Kochwelp asked Mr. Allison for his thoughts. Mr. Allison stated that he liked the idea but that he would like to know how much operations costs would be expected to go down. Mr. Hendrix stated that he did not yet have that information but that it was anticipated that the monthly per connection charge could go down \$0.10 to \$0.20. Director Sams stated that, if that was the only savings, it would take a long time to break even on the \$56,000 investment. Mr. Bartram stated that several districts were excited about the possibility of converting to "smart" meters; but he noted that this issue was not on today's agenda, that the information was brand new, and that there were lots of details to evaluate and questions to answer. He stated that

Travis County MUD No. 2, one of the Participant Districts, had appointed a subcommittee to work on this matter before its next board meeting in June. Mr. Bartram indicated that he would be working with that subcommittee, which would give him an opportunity to better understand the issues, and that he should have more insights and feedback by the Board's next meeting. The Board generally agreed that converting to "smart" meters was an interesting idea but that a full cost-benefit analysis should be conducted before any decision was made.

Director Kochwelp then asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 12:58 p.m.

*(Signature page follows.)*

(SEAL)



Date: June 2, 2016

  
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Scott Sams, Secretary  
Board of Directors