

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

May 3, 2018

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 May 3, 2018, 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 Sams and Zuniga, thus constituting a quorum. Also present at the meeting were Mary Bott of Bott & Douthitt, PLLC, the District’s bookkeeper; Ken Schroeder of Schroeder Engineering Company, the District’s engineer; Crys Sanders of Argent Management, LLC, representing SG Land Holdings LLC, a developer in the District; Dennis Hendrix of Crossroads Utility Services LLC, the District’s utility operator; Cheryl Allen of Public Finance Group LLC, the District’s financial advisor; Ashlee Martin of McCall Gibson Swedlund Barfoot PLLC, the District’s auditor; Clayton Chandler of McCall, Parkhurst & Horton L.L.P., the District’s bond counsel; 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 the bond-related items on the agenda. Ms. Allen reminded the Board that the Texas Commission on Environmental Quality (the “*TCEQ*”) had approved the District’s first bond issue last July but that the District had postponed selling the bonds pending additional value. She stated that preliminary values were now over \$37 million, which made it feasible to move forward with the sale of bonds. At this time, Ms. Allen reviewed the proposed schedule, noting that the District only had 12 months after TCEQ approval to complete the sale of the bonds, which would mean that the Board would need to act quickly and sell on June 7<sup>th</sup> and close in late June or early July. She stated that closing typically occurred 30 days after the bonds were sold, but she noted that the Board’s July meeting was the day after the Fourth of July holiday, and she suggested that the Board consider moving that meeting up or back a week to avoid any quorum issues. After discussion, the Board generally agreed that the regular July meeting would be moved up a week to June 28<sup>th</sup>. Ms. Allen next reviewed the draft Preliminary Official Statement (“*POS*”) attached as **Exhibit “B”**, which she noted was under concurrent review by all of the District’s consultants. She highlighted the purposes for which the bond proceeds would be used and indicated that the POS would be converted to a final Official Statement at the time of award of the sale of the bonds. Ms. Allen then directed the Board’s

attention to the engagement letter from McCall Gibson Swedlund Barfoot PLLC attached as **Exhibit “C”**. She noted that TCEQ rules required developer reimbursements to be reviewed by an independent auditor as a condition to disbursement, and she recommended that the Board engage the District’s auditor to prepare what was commonly referred to as a reimbursement report. Mr. Chandler then directed the Board’s attention to the Resolution Approving Preliminary Official Statement; Authorizing Distribution of Preliminary Official Statement and Publication of a Notice of Sale of Bonds; and Approving Other Related Matters attached **Exhibit “D”** (the “*Bond Resolution*”), which he explained would approve and authorize distribution of the POS, authorize publication of the sale of the bonds, and authorize payment of the Attorney General bond review fee. Ms. Allen and Mr. Schroeder then addressed various other matters related to the proposed bond sale. Mr. Schroeder stated that, because the bond issue included the purchase of facilities, a pre-purchase inspection of those facilities by the TCEQ would be required, which he confirmed had been requested. After discussion, upon motion by director Ragland and second by Director Dalton, the Board voted 3-0 to approve (i) the engagement letter from McCall Gibson Swedlund Barfoot PLLC for preparation of the reimbursement report for the District’s 2018 bonds, as presented; and (ii) the Bond Resolution, including payment of the Attorney General bond review fee.

Director Kochwelp next announced that the Board would consider taking action regarding budget and tax items. Mr. Bartram first reviewed the preliminary estimate of taxable value in the District from Travis Central Appraisal District attached as **Exhibit “E”**. He noted that values were usually certified in late July and directed the Board’s attention to the memorandum attached as **Exhibit “F”**, summarizing the schedule and process for adopting a budget and setting a tax rate. He asked the Board to calendar the August and September meetings for quorum purposes.

Director Kochwelp then stated that the Board would consider the following items on the consent agenda: (i) the minutes of the February 1, 2018 Board meeting; and (ii) an amended Resolution Establishing Offices and Meeting Places of the Board of Directors of Wilbarger Creek Municipal Utility District No. 1 and Establishing Locations for the Posting of Notice of Meetings of the Board. Mr. Bartram explained that the current resolution establishing meeting places and posting locations was being updated to include temporary office space that his firm would be using during an upcoming remodel later in the year. Upon motion by Director Dalton and second by Director Ragland, the Board voted 3-0 to approve the minutes, as presented, and the amended Resolution Establishing Offices and Meeting Places of the Board of Directors of Wilbarger Creek Municipal Utility District No. 1 and Establishing Locations for the Posting of Notice of Meetings of the Board attached as **Exhibit “G”**.

Director Kochwelp then stated that the Board would consider taking action regarding wholesale water rates and water capacity charges and related matters. Mr. Bartram reviewed the historical wholesale water purchase chart attached as **Exhibit “H”**, the notice from Metro H<sub>2</sub>O, Ltd. (“*Metro*”) attached as **Exhibit “I”** 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 2017-2018 wholesale water contract year, a copy of which is attached as **Exhibit “J”**. He noted that usage had exceeded the minimum take-or-pay amount by ±17 million gallons and that, consequently, the Master District was required to make a true-up payment for the cost of the excess water, which was ±\$104,725.64, and that the minimum take-or-pay amount for the 2018-2019 water contract year would be increased by 90% of the excess. Mr. Hendrix stated that the amount of the exceedance was initially surprising; but he noted that ±500 new connections had been added to the system, which explained the increase.

Director Kochwelp next announced that the Board would receive a report from the District's utility operator. Mr. Hendrix first reviewed the operations report attached as **Exhibit "K"**. He reviewed the latest water usage, take-or-pay water tracking, connection, billing, adjustments, and delinquent accounts reports. He pointed out that water loss was down to -4.2%, that there had been 34 new connections in the District so far this fiscal year, and that there were no write-offs this month. He closed by reporting that the wastewater treatment plant was generally running well, that the membrane replacement work was in process, that the annual regulatory inspection had been scheduled for the following week, and that there had been a couple of complaints about "dirty" water, which he was investigating.

Director Kochwelp then stated that the Board would receive a report from the District's bookkeeper. Ms. Bott first reviewed the accounting report attached as **Exhibit "L"**, and recommended approval of the Director and vendor payments and four transfers; however she pointed out that the per diems for Directors Sams and Zuniga would need to be voided due to absence. She then reviewed the latest financial statements, noting that the District was  $\pm$ \$57,000 ahead of plan year-to-date and that approximately 99.5% of the District's 2017 tax levy had been collected. After discussion, upon motion by Director Ragland and second by Director Dalton, the Board voted 3-0 to approve the Director and vendor payments and the transfers, as presented.

Director Kochwelp next announced that the Board would receive reports from the developers. Ms. Sanders first reported that Meritage Homes had sold 45 homes in Section 19A and currently had ten to 12 homes under construction. Director Dalton asked what the pricing of those homes was. Ms. Sanders stated that it was her understanding that the prices had originally started at \$198,000 but that Meritage was increasing prices by 1% per month and that home prices were now in the \$211,000 to \$216,000 range. She next reported that Meritage was in the process of self-developing Section 19B and that Pulte was self-developing Section 20. She closed by reporting that the extensions of Misty Grove Boulevard and Silent Falls Way were about 75% complete and that her company was in the process of platting out the remainder of Phase 2. Mr. Bartram noted that Mr. Schroeder had recently issued a service availability letter for the remaining sections in Phase 2.

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 memorandum attached as **Exhibit "M"** and first presented and recommended approval of pay estimate nos. 2 and 3 for the Misty Grove Boulevard and Silent Falls Way project, copies of which are attached collectively as **Exhibit "N"**. He stated that these pay estimates represented work through March and approximately 97% completion. Upon motion by Director Dalton and second by Director Ragland, the Board voted 3-0 to approve the pay estimates. Mr. Schroeder next reported that that six bids had been received for the ShadowGlen Phase 2, Section 19B water, wastewater, and drainage improvements, as reflected in the materials attached collectively as **Exhibit "O"**. He stated that JL Gray Construction, Inc. was the low bidder in the amount of \$486,459.75, confirmed that he had reviewed the approved plans, publication documentation, bid tabulation, and design engineer's recommendation, and stated that he concurred with the recommendation of award of the contract to the low bidder. After discussion, upon motion by Director Ragland and second by Director Dalton, the Board voted 3-0 to ratify the developer's award of the contract for the ShadowGlen Phase 2, Section 19B water, wastewater, and drainage improvements to JL Gray Construction, Inc. as the low bidder. Mr. Schroeder next directed the Board's attention to the materials attached collectively as **Exhibit "P"**. He reported that five bids had been received for the ShadowGlen Phase 2, Section 20 water, wastewater, and drainage improvements and that DNT Construction was the low bidder in the amount of \$432,399.10. Mr. Schroeder confirmed that he had reviewed the approved plans, publication documentation,

bid tabulation, and design engineer's recommendation, and stated that he concurred with the recommendation of award of the contract to the low bidder. After discussion, upon motion by Director Ragland and second by Director Dalton, the Board voted 3-0 to ratify the developer's award the contract for the ShadowGlen Phase 2, Section 20 water, wastewater, and drainage improvements to DNT Construction as the low bidder. Mr. Schroeder then closed by addressing items related to the Master District. He noted that the latest average daily flows at the wastewater treatment plant were higher than normal due to five-inch rain in March.

Director Kochwelp next recognized Mr. Allen for a report from the District's financial advisor. Ms. Allen stated that she had nothing further to report at this time.

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 the only directive outstanding was in process. He then concluded by directing the Board's attention to the letter attached as **Exhibit "Q"** from the TCEQ regarding additional sampling requirements related to a new EPCOR water well. Mr. Hendrix explained that EPCOR (formerly known as Blue Water) had recently completed a new water well and that the TCEQ was treating the well as a "new source" that triggers additional lead and copper sampling requirements for wholesale customers. He stated that EPCOR was protesting TCEQ's determination and that he would keep the Board posted.

Director Kochwelp next announced that the Board would consider the Master District and Advisory Committee items on the agenda. Mr. Bartram first reported that the Master District was contemplating the issuance of additional new money bonds to finance the expansion of the wastewater treatment plant, as evidenced by the notice to the Participant Districts attached as **Exhibit "R"**, and he recommended that the Board confirm receipt of such notice under the Master District Contract. After discussion, upon motion by Director Dalton and second by Director Ragland, the Board voted 3-0 to confirm receipt of the Master District's notice of intent to issue bonds pursuant to the letter attached as **Exhibit "S"**. Mr. Bartram next presented the Master District's audit for the fiscal year ended September 30, 2017, 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. Mr. Bartram then 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.

Director Kochwelp then stated that the Board would consider its future meeting schedule and agenda items. After discussion, the Board confirmed that the next two meetings would be held on June 7<sup>th</sup> and June 28<sup>th</sup>.

Director Kochwelp then asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 12:21 p.m.

*(Signature page follows.)*

(SEAL)



Date: June 7, 2018

  
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Scott Sams  
Secretary, Board of Directors