

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

May 5, 2011

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 May 5, 2011, 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 Dalton, thus constituting a quorum. Also present at the meeting were Mary Bott of Bott & Douthitt, PLLC; Margret Wingrove of Crossroads Utility Services LLC; and Kim Beckham of Armbrust & Brown, PLLC. Cheryl Allen of Southwest Securities and John Bartram of Armbrust & Brown, PLLC arrived later.

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 minutes of the April 7, 2011 Board meeting. Upon motion by Director Zuniga and second by Director Sams, the Board voted unanimously to approve the minutes 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 March. She confirmed that the bacteriological and chlorine residual tests were satisfactory, but noted that the chlorine residual test was a little lower than desired and they had requested an increase. 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 3% for the month, and she reviewed the wastewater report, which was designed to trace wastewater flows and assemble flow data for future analysis. She then reviewed the aged receivables and builder deposits, and stated that she recommended the Board approve one write-off in the amount of \$19.48 for the month. Upon motion by Director

Zuniga and second by Director Ragland, the Board voted unanimously to approve the utility report and write-off.

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 revised cash activity report attached as Exhibit "B", noting that check number 20145 to Director Dalton would need to be voided due to his absence, and recommended approval. Ms. Bott then presented three transfer letters, copies of which are attached as Exhibits "C" through "E". She then reviewed the District's quarterly investment report attached as Exhibit "F", tax collection report, and the financial statements as of March 31, 2011, including the balance sheet, statement of revenues, and supplementary information for the District's general fund and special revenue fund. After discussion, upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve the bills and invoices (except for check number 20145) and transfers as presented. At this time, Mr. Bartram and Ms. Allen arrived at the meeting and Ms. Beckham left.

Director Kochwelp then stated that the Board would receive a report from the developer. Mr. Bartram stated that Mr. Burnett had not been able to attend the meeting because he was on vacation. Mr. Bartram directed the Board's attention to the completed home chart attached as Exhibit "G". He next reported that the developer was working with the City of Manor on an amended and restated development agreement for the ShadowGlen subdivision, which he was currently reviewing due to the fact that it included the ShadowGlen districts as parties. Mr. Bartram stated that the developer would like to finalize the new development agreement as soon as possible, but that he was not prepared to recommend approval of the proposed agreement at this time because he had just received the revised agreement the prior week. However, Mr. Bartram did recommend that the Board authorize a subcommittee to work with him to move the agreement forward between meetings if appropriate. He also recommended that the Board receive legal advice regarding this matter in executive session. After discussion, upon motion by Director Ragland and second by Director Zuniga, the Board voted unanimously to authorize Director Sams to work with Mr. Bartram to review and, if appropriate and advisable, negotiate and execute the proposed new Development Agreement with the City of Manor.

Director Kochwelp then stated that the Board would receive a report from the District's financial advisor. Ms. Allen first reviewed the foreclosure report attached as Exhibit "H", noting that there had been one foreclosure in the District since January 1st. She then reported that preliminary assessed valuations were coming out from Travis County and that she would report in greater detail at the June meeting.

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 the meeting and directed the Board's attention to the engineering report attached as Exhibit "I". He reviewed the status of the approved wastewater treatment plant repairs, as reflected on the updated Pending Maintenance Items report attached as Exhibit "J". He reported that the electrical modifications to the wastewater treatment plant were expected to be finished by mid-May,

pending completion of a few minor clean-up matters, such as patching the concrete driveway and repairing a damaged a display in the control center. Mr. Bartram next reported that the membrane cleaning project was complete but that Ovivo was still waiting to install 86 new membranes that were out of stock at the time of the initial work. He stated that Crossroads Utility Services ("Crossroads") had experienced solids leaking through certain membranes and had valved-off four problematic membrane cassettes as contributing to this problem. Mr. Bartram stated that it was suspected that the initial determination about the viability of some of the old membranes may not have been correct, which, he had been told, was understandable due to the amount of fouling and the overall condition of the membranes at the time of cleaning. He stated that, in order to confirm, each side of the plant would need to be taken down again, the membranes lifted out, and additional on-the-ground testing conducted. Mr. Bartram stated that, although the capacity of the plant was much better after the membrane cleaning project, Crossroads was having problem with decreased through-put following acid cleanings. He indicated that the root of the problem was not yet known and that Ovivo needed to come back out to the plant to assist in the diagnosis of these issues. He stated that Mr. Hogan was working with Ovivo on ways to save the Master District money by combining the projects and sharing the cost of labor with Ovivo in conjunction with Ovivo's equipment testing program approved by the Master District Board at the April meeting. Mr. Bartram stated that Mr. Hogan was also discussing the cost of new membranes with Ovivo and had requested a discount. Mr. Bartram then noted that the latest quarterly water supply report from Metro H2O, Ltd. ("Metro") had not been received and that Mr. Schroeder had been advised by Gary Rose of Metro that the report was not available. Mr. Bartram stated that Mr. Schroeder had followed up to confirm whether that meant the report was not available yet or would simply not be provided and had been advised that the failure to provide the report should be discussed with Mr. Profilet during mediation of the water rate dispute at the end of May. Mr. Bartram stated that, in response and at the Master District's direction, he had notified Metro that its refusal to provide the customary report constituted a default under the wholesale contract.

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 information from the Lower Colorado River Authority and the City of Austin, a copy of which is attached as Exhibit "K", regarding the status of the current drought conditions and water conservation, and he advised the Board that the Participant Districts had all implemented Stage 1 water restrictions on May 1st in compliance with their drought contingency plans. He confirmed that notice had been sent to residents in an effort to improve communications and avoid surprises. Mr. Bartram then reported on resident petitions circulating in the ShadowGlen community against the developer and the homeowners association, and for the golf course. Copies of the petition exhibits are attached as Exhibit "L". He stated that it was his understanding that the developer was making a concerted effort to meet with residents, provide accurate information, and improve communication on these matters. He stated that the Master District had sponsored a community meeting the previous week on the wholesale water rate issue, which had helped communicate an accurate message to residents. He stated that the community meeting had gone well and that approximately 300 residents had attended. Director Zuniga asked a question about the historical development of the golf course, and a

discussion about the golf course's relationship to the ShadowGlen development and its water supply issues ensued. Mr. Bartram stated that the golf course owner had attended the Travis County MUD No. 2 board meeting and a Manor City Council meeting in April, which had resulted in a letter from Barney Knight, the City of Manor's attorney, a copy of which is attached as **Exhibit "M"**, regarding water supply to the golf course. Nevertheless, Mr. Bartram indicated that the good news was that it appeared the golf course's attorney was making progress on an interim water supply agreement with the City; that the City had offered to provide the golf course with effluent from the City's wastewater treatment plant at a cost of \$0.25 per 1,000 gallons with a rebate for actual construction costs; and that it was his understanding that the golf course had engaged Murfee Engineering Company to assist in the design of its proposed effluent reuse facilities. Mr. Bartram confirmed that the Master District was also working with the golf course on easements and an effluent reuse agreement that would enable the golf course to use effluent from the Master District's wastewater treatment plant to irrigate the golf course. Mr. Bartram then reported that the development of the District's website was complete, and he reviewed print-outs of each page of the website with the Board. Ms. Allen recommended that a water rate comparison chart that she had prepared for Travis County MUD No. 2 be modified to reflect the District's rates and then posted on the District's website, and the Board agreed. Director Kochwelp asked if the Board's meeting schedule was posted on the website, and Director Sams pointed out that it was.

Director Kochwelp then stated that the Board would receive a report regarding Master District and Advisory Committee items. Mr. Bartram first reviewed the agenda and draft minutes from the April 4, 2011 Board meeting of Wilbarger Creek Municipal Utility District No. 2 and the draft report from the April 20, 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. 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 next directed the Board's attention to the Notice of Intent to Transfer Facilities and Transfer Certificate of Convenience and Necessity attached as **Exhibit "N"**. He explained that the notice indicated that SWWC Utilities, Inc., which did business as Hornsby Bend Utility Company, Inc., Mid-Tex Utilities, Inc., and Windermere Utility Co., Inc. was proposing to transfer all facilities and its CCNs to Monarch Utilities I, LP, which he understood was another Southwest Water Company subsidiary, and that John Carlton was working to determine if and how these transfers would affect Metro and the Districts. Mr. Bartram then summarized the status of negotiations with Metro on the wholesale water rate. He stated that the next step was formal mediation, which had been scheduled for May 26th, and recommended that the details of the water rate negotiations and strategy for mediation be discussed in executive session. The Board concurred.


Director Kochwelp then asked if there was any further business to be discussed before convening in executive session. There being none, at 12:45 p.m., Director Kochwelp announced that the Board would convene in executive session in order to receive legal advice regarding the proposed amended and restated Development Agreement with the City of Manor requested by

the developer and the water rate dispute with Metro, as permitted by Section 551.071 of the Texas Government Code. The Board reconvened in open session at 1:08 p.m., and Director Kochwelp stated that no action had been taken during executive session.

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)



Scott Sams, Secretary
Board of Directors

Date: June 2, 2011