

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

June 2, 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 June 2, 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, thus constituting a quorum. Also present at the meeting were Mary Bott of Bott & Douthitt, PLLC; Margret Wingrove of Crossroads Utility Services LLC; Cheryl Allen of Southwest Securities; Ken Schroeder of Schroeder Engineering Company; Danny Burnett of 2010 ShadowGlen, LLC; Pat Reilly representing Cross County Water Supply Corporation and SouthWest Water Company; and John Bartram of Armbrust & Brown, PLLC.

Director Kochwelp called the meeting to order at 12:04 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 May 5, 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 next announced that the Board would consider amendments to District's water leak adjustment policy, security deposits, delinquencies, payment plans, and industrial wastewater regulations. Mr. Bartram reviewed the changes and explained that the purpose of the amendments was to bring the District's rate order current with changes recently adopted by Travis County MUD No. 2 at the recommendation of the utility operator. After discussion, upon motion by Director Dalton and second by Director Zuniga, the Board voted unanimously to approve the Amended Order Establishing Rates and Charges, and Adopting Rules with Respect to District Water, Wastewater and Drainage, Including Water Quality, Systems attached as Exhibit "B".

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 April. She confirmed that the bacteriological and chlorine residual tests were satisfactory, but noted that the chlorine levels were a little lower than desired and that she would request an increase from Metro H2O, Ltd. ("Metro"). She next addressed water accountability, pointing out that water loss was less than 2% for the month. She then reviewed the connection report for the District and the other Participant Districts. She stated that there had been no terminations in April and only two new taps for the year. She next reviewed the District's water usage and billing reports, the wastewater report, and delinquent accounts. She stated that there were no write-offs to present this month. Ms. Wingrove then concluded her report by reviewing the 2010 Consumer Confidence Report attached as Exhibit "C".

Director Kochwelp then stated that the Board would receive a report from the District's bookkeeper. Ms. Bott first reviewed the bills, invoices, and transfers set forth on the updated action items and cash activity report attached as Exhibit "d" and recommended approval. She then reviewed the financial statements as of April 30, 2011, including the balance sheet, statement of revenues, and supplementary information for the District's general fund and special revenue fund. She noted that the District was running a deficit of approximately \$18,000, which was primarily attributable to increased Master District expenses associated with the wastewater treatment plant. She stated that she was working on a budget amendment to more accurately reflect actual expenses. Ms. Allen asked if Ms. Bott had a recent delinquent tax report. Ms. Bott stated that she did not but would obtain one prior to the next meeting. After discussion, upon motion by Director Zuniga and second by Director Sams, the Board voted unanimously to approve the bills, invoices, and transfers as presented.

Director Kochwelp then stated that the Board would receive a report from the developer. Mr. Burnett first congratulated Director Zuniga on her recent wedding. He then reviewed the most recent completed home chart attached as Exhibit "E". He stated that while there had been no new starts or completions, the builders had recently taken down additional lots. Director Kochwelp asked about inventory. Mr. Burnett stated that there were 190 developed lots in inventory but that he was not tracking the number of completed but vacant homes. Ms. Allen stated that the number of vacant homes was minimal. Mr. Burnett then stated that developer funding for the District's website expenses had been processed and was in the mail. He thanked the Board for developing a website and stated that he believed it would be a useful tool in communicating with residents. He stated that he was still working with some of the more vocal residents through a "critical issues committee". He indicated that he was seeing positive results out of this process but noted that there were many in the community who still did not understand how MUDs worked. He suggested that the Board post basic information about the District and its purposes on the website. Discussion ensued, and Ms. Allen volunteered to prepare informational materials similar to what she had prepared for the Travis County MUD No. 2 website. The Board agreed that posting such information on the website would be a good idea and directed Ms. Allen to proceed.

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 "F", noting that there had been one foreclosure in the District since January 1, 2011 and four since January 2008. She then reviewed the District's 2011 preliminary assessed valuation, which she noted had increased slightly from 2010. She stated that she was working with the District's bookkeeper on amended budgets for the current year and new budgets for the coming year. She stated that it did not appear, at this time, that the District would need to increase its tax rate. Director Zuniga suggested that, if that actually proves to be the case, the Board post information to that effect on the website. The other Board members agreed. Ms. Allen then concluded her report by noting that several residents had asked if the Districts could be consolidated. She stated that, while consolidation may result in nominal cost savings due to reduced consultant time and other similar matters, consolidation would also result in tax rates remaining higher for a longer period of time. She stated that she was working on numbers to illustrate this point and would report in greater detail at a later time.

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 once since the last Board meeting. He reported that the daily wastewater flows at the wastewater treatment plant for the month of April had averaged  $\pm 156,000$  gpd, with a maximum day of  $\pm 205,000$  gpd, which was within the expected range of flows based on the current number of connections. He confirmed that all reports were satisfactory. With respect to operations expenses for the wastewater treatment plant, he stated that 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 updated Pending Maintenance Items report attached as Exhibit "H". He reported that the initial phase of 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 and conduct additional testing on some of the older membranes that appeared to be bleeding solids into the effluent. Mr. Schroeder stated that it was suspected that the initial determination about the viability of some of the old membranes may not have been correct, which 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. Schroeder stated that additional testing was also required to determine why the membranes appeared to be fouling rapidly after acid cleaning. He next reported that Ovivo had agreed to discount the price of membranes from \$125 to \$110 per membrane. He stated that his initial research had indicated that Ovivo's cost for the membranes was \$50 per membrane, but that Ovivo had since confirmed that was not the case. Ms. Allen asked if the Master District could purchase the membranes directly from Kubota. Mr. Schroeder stated that he did not know but that he would check. Mr. Schroeder next reported that the electrical modifications to the

wastewater treatment plant were complete except for a few minor punch-list items identified during the walk-through earlier in the week.

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, a copy of which is attached as Exhibit "I", regarding the status of the current drought conditions. He also reviewed the letter from Metro attached as Exhibit "J", responding to the Districts' demand for the customary quarterly water supply report. Mr. Bartram noted that information included in Metro's letter indicated that, although central Texas was in an exceptional drought, conditions were improving. Mr. Bartram next addressed the District's website and stated that he would work with Ms. Allen on the information she would be preparing about the District. He next reported that he was working on the restated Development Agreement for the ShadowGlen Subdivision as well as a new reimbursement agreement for 2010 ShadowGlen, LLC to reflect the status of the project after the 2009 foreclosure and 2010 partnership restructuring.

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 May 2, 2011 Board meeting of Wilbarger Creek Municipal Utility District No. 2 and the draft report from the May 18, 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. At Mr. Bartram's request, Mr. Reilly then reviewed the status of the Cross County Water Supply Corporation / Blue Water Systems, LP water transmission line project. He stated that the project was still on schedule. He confirmed that the pipeline had been installed, that the contractor was in the process of pressure testing the last segment of pipe, and that disinfection was anticipated to begin the following week. He stated that the 10 million gallons of water used to disinfect the pipeline would be offered to the golf course at no charge. He stated that water could not actually be delivered for consumption until final TCEQ approval of the well, which was scheduled for June 28<sup>th</sup>. Mr. Reilly indicated that any additional water used to disinfect the pipeline pending the well approval would also be offered to the golf course at no charge. Director Kochwelp asked what the total capacity of the pipeline was, and Mr. Reilly indicated 18 million gallons per day. Director Kochwelp asked how much of that was committed, and Mr. Reilly responded that about half of the total capacity was already committed. Mr. Reilly also confirmed that there were various interconnects with other water suppliers so that water would be available on July 1<sup>st</sup> if the well was not approved by then. Director Kochwelp asked how long construction had taken. Mr. Reilly stated that construction had taken about 18 months, and he complimented the contractor for its efforts in this regard. Mr. Bartram then summarized the status of negotiations with Metro on the wholesale water rate increase. He stated that the dispute had been mediated on May 26<sup>th</sup>, and he recommended that the Board receive legal advice regarding the terms in executive session before taking any action. The Board concurred.

Director Kochwelp then asked if there was any further business to be discussed before convening in executive session. Director Zuniga announced that she needed to depart for

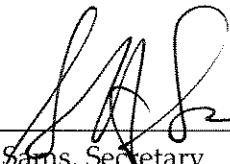
another appointment and left the meeting. At 12:50 p.m., Director Kochwelp then stated that the Board would convene in executive session in order to receive legal advice regarding the proposed settlement terms relating to the wholesale water rate dispute with Metro, as permitted by Section 551.071 of the Texas Government Code. The Board reconvened in open session at 2:03 p.m., and Director Kochwelp stated that no action had been taken during executive session. Director Sams then moved that the Board approve the terms of the Memorandum of Settlement Agreement attached as **Exhibit "K"**, subject to preparation of the appropriate paperwork, including an amendment to the wholesale water contract, and confirmation of the rate escalation provisions in Metro's contract with Blue Water. Upon second by Director Ragland, the motion passed unanimously. The Directors agreed that they would be available for a special meeting to approve and execute the final documentation.

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)

Date: July 7, 2011

  
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Scott Sams, Secretary  
Board of Directors