

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

June 2, 2016

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 June 2, 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, 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; Justin Taack of Public Finance Group LLC, the District’s financial advisor; and John Bartram of Armbrust & Brown, PLLC, the District’s general legal counsel.

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 announced that the Board would consider taking action regarding the District’s proposed 2016 bond issue. Mr. Bartram explained that, because this would be the District’s first bond issue, Texas Commission on Environmental Quality (“*TCEQ*”) rules required a current market study. He stated that the cost of the market study was usually a developer expense reimbursed out of the bond sale, but he stated that Ms. Allen had determined that the District had a sufficient operating fund balance, much of which was developer funding, to pay for the market study directly. He then directed the Board’s attention to the proposals from Capitol Market Research, 360 Real Estate Analytics, and Metrostudy, copies of which are attached collectively as **Exhibit “B”**. He noted that Capitol Market Research had proposed a fee of \$7,500 and that the other two firms had each proposed a fee of \$8,500. Discussion ensued. Director Zuniga stated that, in her opinion, it was hard to justify the additional \$1,000, when all of the proposers had comparable experience and qualifications. Director Kochwelp asked if the developer had any preferences. Mr. Allison stated that it did not really matter to him. After further discussion, upon motion by Director Zuniga and second by Director Dalton, the Board voted unanimously to engage Capitol Market Research to perform the District’s market study.

Director Kochwelp then stated that the Board would consider approving the following item on the consent agenda: the minutes of the April 7, 2016 Board meeting. Upon motion by

Director Sams and second by Director Ragland, the Board voted unanimously to approve the minutes as presented.

Director Kochwelp next announced that the Board would consider taking action regarding budget and tax items. Mr. Bartram first reviewed the estimate of taxable value in the District from Travis Central Appraisal District attached as **Exhibit "C"**. He noted that values were usually certified in late July and directed the Board's attention to the memorandum attached as **Exhibit "D"**, 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 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 reviewed the letter from Metro H2O, Ltd. ("*Metro*") attached as **Exhibit "R"**, advising the Manor districts of Metro's intent to replace its SCADA system later in the year. Mr. Bartram indicated that the notice likely indicated that Metro intended to charge the Manor districts a surcharge for the cost of the SCADA upgrade under the wholesale water contract, as summarized in the memorandum attached as **Exhibit "G"**. Discussion of how that surcharge would be calculated and applied ensued. Mr. Bartram stated that the details of the surcharge would need to be evaluated closely.

Director Kochwelp then stated that the Board would consider the District's retail water and wastewater rates. Mr. Bartram reminded the Board that it had previously authorized the District's rate analyst, Jay Joyce of Expergy, to conduct a high-level review of the District's retail rates to determine if any retail rate adjustments were in order based on the increased usage and wholesale water costs. He then directed the Board's attention to the email from Mr. Joyce attached as **Exhibit "H"**. Mr. Bartram noted that Mr. Joyce had confirmed that the Participant Districts were financially stable at this time but recommended further analysis in a couple of months as additional information regarding projected tax rates, developer contributions, and budget data for the next fiscal year becomes available. The Board generally concurred, and Mr. Bartram noted that action on a rate order amendment was, therefore, not necessary at this time.

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 had increased, and he confirmed that the bacteriological and chlorine samples were all satisfactory. He stated that water loss had spiked to 34% and that, as a consequence, he had arranged for leak detection work on the Master District's 24" water main. He stated that the leak detection subcontractor had identified two fire hydrant leaks that accounted for about 300,000 gallons of lost water per month. But he noted that this did not explain the entire problem because overall water loss was about 2,000,000 gallons per month. He stated that he would have the fire hydrant leaks repaired and then re-evaluate. 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 134 occupied connections in the District. He then reviewed the billing, adjustments, and delinquent accounts reports and stated that there were no write-offs for this reporting period. Director Kochwelp then asked if any action was necessary regarding the "smart" meter agenda item. Mr. Bartram stated that he was still reviewing the agreement with the meter company and working with the operator to sort out the details.

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 "J"**, including the bills, invoices, and transfers set forth on the updated cash activity report, and recommended approval. She stated that approximately 99.9% of the District's 2015 tax levy had been collected and that the District was currently ±\$41,000 ahead of plan. After discussion, upon motion by Director Ragland and second by Director Zuniga, 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 reported that Section 14B-1 was complete and that Perry Homes and Scott Felder Homes were taking down lots. He stated that Perry Homes already had six homes under construction and two sales. He added that the pricing for Perry Homes' product line started at \$280,000. Mr. Allison stated that Section 19A was scheduled to be paved as soon as the weather dried out a bit. He noted that the lots in Section 19A would be smaller with starting prices in the low to mid \$200,000s. Mr. Allison next reported that his company had recently closed a deal with Buffington Homes for the remaining lots in Sections 12 and 13. He stated that the plans for the first five homes were under review, and expected that homes would be under construction within the next 30 days. He next reported that Section 16 had been bid and that construction should be starting soon. He stated that the engineering for all remaining sections was underway and that construction plans for an additional section of the smaller, garden home product had been prepared. He next reported on commercial development in the area, noting that the new Taco Bell restaurant had recently opened. He then concluded by reporting that his company was looking a project elsewhere in Texas that involved a MUD with road powers, which he took as a good sign that Wilbarger Creek MUD No. 2 may be able to acquire road powers to help finance construction of the bridge across the creek connecting the District to Wilbarger Creek MUD No. 2. Director Kochwelp asked if there was any update on the status of the rule revisions proposed by the IRS related to the issuance of tax exempt bonds. Mr. Bartram stated that the comment period had closed on May 23rd and that there was a hearing coming up in early June. He stated that the District's bond counsel had submitted comments and that he would keep the Board posted on further developments.

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 "K"** and stated that he had no pay estimates to present this month for the ShadowGlen Trace commercial project. He then presented and recommended approval of pay estimate no. 5 for the ShadowGlen Phase 2, Section 19A project in the amount of \$44,144.32 and representing 94% completion. He stated that he had recently received pay estimate no. 6, which brought the project to 97% completion and which he would present at the Board's next meeting. After discussion, upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve pay estimate no. 5 for the ShadowGlen Phase 2, Section 19A project, a copy of which is attached as **Exhibit "L"**. With respect to District matters, Mr. Schroeder stated that the Crossroads Utility Services invoice was in order and within budget. He then addressed items related to the Master District and reviewed the latest daily wastewater flows at the wastewater treatment plant. Mr. Schroeder then concluded by reporting that Master District repairs and maintenance were generally within budget and that all invoices were in order.

Director Kochwelp next announced that the Board would receive a report from the District's financial advisor. Mr. Taack introduced himself. He stated that he had recently joined Public Finance Group LLC after several years at the TCEQ. With the market study having already been covered, Mr. Taack stated that he 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 outstanding consultant directives, noting that they were all complete or in process. He then reminded the Board that Ms. Bott had previously noted that there was a delinquent tax account for a parcel owned by 2009 XIF, LLC, a prior developer. Mr. Bartram directed the Board's attention to the materials attached as **Exhibit "M"**, noting that the parcel in question was a sliver of land adjacent to Section 15A that had been missed in the conveyance to the current developer. Mr. Bartram stated that he had alerted Mr. Allison and Mr. Burnett and that a legal description was in the process of being prepared to transfer the property to SG Land Holdings LLC. Mr. Bartram then concluded by reporting that the acknowledgment requested by the ShadowGlen developer's lender was still in process.

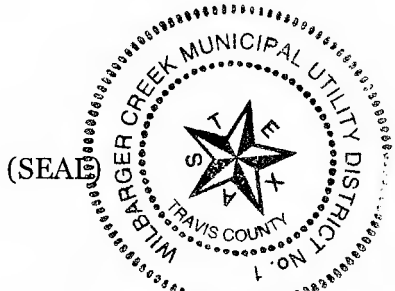
Director Kochwelp next announced that the Board would consider the Master District and Advisory Committee items on the agenda. Mr. Bartram directed the Board's attention to the agendas and minutes from the most recent joint meetings of the Board of Directors of Wilbarger Creek Municipal Utility District 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 the election items on the Supplemental Agenda. Mr. Bartram reminded the Board that director elections were now held in November of every even-numbered year, and he stated that it was time to call the 2016 Director election. He indicated that the election could be canceled if uncontested. He then directed the Board's attention to the Order Calling Director Election for November 8, 2016, a copy of which is attached as **Exhibit "N"**. He recommended that the Board approve the Order calling the election and authorize his office to give notice of the election and post the notice of the deadline to file an application for a place on the ballot, as required by law. Mr. Bartram next reviewed the Resolution Approving Joint Election Agreement, a copy of which is attached as **Exhibit "O"**. He stated that that the District already had an agreement in place with Travis County to staff and conduct early and regular voting for the District's elections at a cost that should be substantially lower than either purchasing or renting compliant voting equipment. He further stated that the District had the opportunity to conduct the November election jointly with other jurisdictions also having November elections, which would facilitate the conduct of the elections and enable District voters to vote a combined ballot for all applicable elections at a single polling location. At this time, Mr. Bartram reviewed the draft Joint Election Agreement attached to the Resolution Approving Joint Election Agreement. He noted that the Texas Election Code required the terms of a joint election agreement to be stated in a resolution, order, or other official action adopted by the Board and pointed out that the Resolution authorized the officers of the District to execute the agreement when finalized. After discussion, upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to (i) approve the Order Calling Director Election for November 8, 2016, as presented; (ii) approve the Resolution Approving Joint Election Agreement, including the form Joint Election Agreement attached thereto, as presented; and (iii) authorize the District's attorney to give notice of the election and post the notice of the deadline to file an application for a place on the ballot, as required by law.

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 asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 12:37 p.m.

(Signature page follows.)





Scott Sams, Secretary
Board of Directors

Date: August 4, 2016