

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

June 4, 2015

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 4, 2015, 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 Zuniga, thus constituting a quorum. Also present at the meeting were Mary Bott of Bott & Douthitt, PLLC, the District's bookkeeper; Andrew Hunt of Crossroads Utility Services LLC, the District's utility operator; Ken Schroeder of Schroeder Engineering Company, the District's engineer; Russ Allison and Crys Sanders of Argent Management, LLC, representing SG Land Holdings LLC, the developer of the residential property in the District; Danny Burnett of Cottonwood Holdings, Ltd.; the developer of the commercial property in the District; and John Bartram of Armbrust & Brown, PLLC, the District's general legal counsel.

Director Kochwelp called the meeting to order at 12:03 p.m. and stated that the Board would first receive citizens' communications. Mr. Allison introduced Ms. Sanders as the new project coordinator for ShadowGlen. He explained that, as his company got busier, Ms. Sanders would be attending future meetings.

Director Kochwelp then stated that the Board would consider approving the minutes of the February 5, 2015 Board meeting. Upon motion by Director Dalton and second by Director Ragland, the Board voted unanimously to approve the minutes.

Director Kochwelp then stated that the Board would consider amending the District's rate order. Mr. Bartram recommended that the rate order be updated to reflect the plumbing inspection services transition approved at the Board's last meeting. Upon motion by Director Sams and second by Director Dalton, 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 next announced that the Board would consider the renewal of the District's Bookkeeping Services Agreement with Bott & Douthitt, PLLC. Mr. Bartram stated that the current agreement was scheduled to expire at the end of June. Ms. Bott proposed that the

agreement be renewed for two years at the current compensation. Upon motion by Director Ragland and second by Director Sams, the Board voted unanimously to approve the renewed Bookkeeping Services Agreement with Bott & Douthitt, PLLC attached as **Exhibit "C"**, effective upon expiration of the current agreement.

Director Kochwelp then stated 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 "D"**. He noted that values were usually certified in late July; however, he directed the Board's attention to the notice from the City of Austin that the City was considering a challenge to commercial valuations, which could result in a delay in the certification process. He stated that something similar had happened in 2014 and that the District had been able to stick to its normal schedule for adopting a budget and setting a tax rate by using average home values, which the District's financial advisor had confirmed could be done again this year if necessary. Mr. Bartram then reviewed the memorandum attached as **Exhibit "E"**, summarizing the schedule and process for adopting a budget and setting a tax rate and 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 related matters. Mr. Bartram first presented the notice from Metro H2O, 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. He next reviewed the notice from Metro attached as **Exhibit "G"**, advising the Manor districts that there would be no take-or-pay adjustment this year because usage had not exceeded the previous take-or-pay amount. Mr. Bartram next referenced the 2014 report from the District's rate analyst attached as **Exhibit "H"**. He stated that the board of directors of Travis County MUD No. 2 had determined earlier in the week to monitor usage over the Summer months and re-evaluate whether any rate adjustments were necessary in order to help cover the wholesale increases during the budget process for the next fiscal year. The Board generally agreed to do the same.

Director Kochwelp next announced that the Board would consider a utility construction agreement with Cottonwood Holdings, Ltd. ("*CHL*"). Mr. Bartram explained that CHL owned the commercial property at the entrance to the District on FM 973. He stated that CHL's original agreement was terminated at the time that SG Land Holdings LLC acquired the residential property in ShadowGlen and that CHL was now requesting a new agreement covering its commercial holdings. Mr. Burnett reviewed his company's current commercial activity and what the proposed utility construction agreement would cover. He stated that CHL would cover all of the District's legal time in preparing the agreement. Mr. Bartram then directed the Board's attention to the Utility Construction Agreement attached as **Exhibit "I"**, which he stated was based on the same form of agreement approved for SG Land Holdings LLC. Mr. Bartram stated that, just that morning, he had received comments to the proposed draft from CHL's attorney, which he had not yet had time to review. In the interest of time, Mr. Bartram recommended that the Board (i) approve the Utility Construction Agreement with CHL as drafted in the event that CHL determined it was acceptable; and (ii) authorize Director Kochwelp to negotiate minor revisions as and if necessary based on the comments from CHL's legal counsel. Upon motion by Director Sams and second by Director Ragland, Mr. Bartram's recommendation was adopted unanimously.

Director Kochwelp then stated that the Board would receive a report from the District's utility operator. Mr. Hunt directed the Board's attention to the utility report attached as **Exhibit "J"**. He reported that water usage had increased slightly for the month but was down

compared to the same period last year and still under the take-or-pay contract amount. He stated that water loss was within the range of acceptability at $\pm 8.63\%$ and that the bacteriological and chlorine samples were generally satisfactory. He did note, however, that coliform had been found in one sample in February, as evidenced by the letter from the Texas Commission on Environmental Quality attached as **Exhibit "K"**. He explained that repeat samples had all been clear and that no further action was required. Mr. Hunt next reported on wastewater treatment plant operations, noting that the plant was in compliance and that there had been no excursions. However, he noted that there had been significant inflow and infiltration issues in connection with the recent historic rain events in May. He then reviewed the connection, billing, adjustments, and delinquent accounts reports and recommended approval of one write-off. He stated that there had been no new taps in the District yet this year. Director Kochwelp asked that the recent spike in water loss be investigated. Mr. Hunt confirmed that that was on the priority list. Director Dalton then moved that the Board approve the recommended write-off. Upon second by Director Ragland, the motion passed unanimously. Mr. Hunt then concluded his report by reporting that the District's annual hydrant, valve, and manhole survey had been delayed due to the May rains and that the annual consumer confidence report had been mailed to residents. He stated that he would include a copy of the consumer confidence report in his next report.

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 "L"**, including the bills, invoices, and transfers set forth on the updated cash activity report, and recommended approval with the exception of the check for Director Zuniga's fee of office, which would need to be voided due to her absence. She next reviewed the cash/investment activity report including the quarterly investment report, the tax collection report, and the District's financial statements as of April 30, 2015. She stated that the District was currently $\pm \$34,000$ ahead of plan. After discussion, upon motion by Director Sams and second by Director Dalton, the Board voted unanimously to approve the bills, invoices, and transfers as presented.

Director Kochwelp stated that the Board would next receive a report from the developers. Mr. Allison stated that there had been a lot going on since the Board's last meeting. He reported that Scott Felder Homes was under contract for Section 19A and had an option on Section 19B. He stated that his company was going to bid on Section 19A within the next two weeks and that there should be home starts by the end of the year. He next reported that Section 14B-1 had been bid and was ready to go to contract. He stated that this section would likely be sold to Scott Felder Homes. He added that Section 14B-2 and Section 16 would be bid soon and that his company was negotiating with Ryland Homes for these lots. He stated that Ryland was close to being sold out of its existing inventory, noting that he believed Ryland had only three lots left. He stated that Ryland had raised prices in the community three times and most of its homes were selling for over \$300,000. Mr. Allison then reported that his company was negotiating with Dream Finders Homes for the developed lots in Sections 12 and 13 and was partnering with Randy Lawrence Homes, a local custom homebuilder, to build custom homes on the non-floodplain lots in Sections 9 and 11. Mr. Allison next reported that the engineering work for Sections 17, 18, 21A, 21B, 24A, and 24B had been initiated, and he predicted that there would be four active builders in ShadowGlen by this time next year. Mr. Allison then concluded by noting that values within ShadowGlen had gone up significantly, and he asked the Board to take this into account during the budgeting process in an effort to try to reduce the developer's deficit funding obligations.

Director Kochwelp then stated that the Board would receive a report from the District's engineer. Mr. Schroeder first reviewed the engineering report attached as **Exhibit "M"**. With respect to District matters, he stated that the Crossroads Utility Services invoice was in order

and within budget. Mr. Schroeder then addressed items related to the Master District, noting that the daily wastewater flows at the wastewater treatment plant for the month of April had averaged $\pm 165,000$ gpd, with a maximum day of $\pm 231,000$ gpd, which he stated were generally within the expected range of flows based on the current number of connections. He stated that the flows for May were expected to be higher due to the rains and inflow and infiltration issues. Mr. Schroeder next reported that Master District repairs and maintenance were within budget and all invoices were in order. He stated that Ovivo USA, LLC had achieved several months of energy savings over the 30% benchmark and, with the Master District's permission, had initiated the six-month energy retest retroactive as of March 1st with a caveat that such approval be re-evaluated if performance started to trend downward but still averaged above the 30% benchmark. Mr. Schroeder then addressed the Southwest Detention Pond project, which would be a joint facility shared by the District and Travis County MUD No. 2. He stated that Mr. Bartram had prepared a cost-sharing agreement with Travis County MUD No. 2 to specify the pro rata percentages for which each district would be responsible. At this time, Mr. Bartram directed the Board's attention to the ShadowGlen Phase 2 Southwest Detention Pond Joint Facility Agreement attached as **Exhibit "N"**, noting that the agreement designated Travis County MUD No. 2 as the "managing district" just like the other existing joint facility contracts. Mr. Schroeder noted that the 30.8% of the project would be allocated to Travis County MUD No. 2 and that the remaining 69.2% would be allocated to the District. Upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve the ShadowGlen Phase 2 Southwest Detention Pond Joint Facility Agreement as presented.

Director Kochwelp next announced that the Board would receive a report from the District's financial advisor. Mr. Bartram stated that Ms. Allen had been unable to attend the meeting and that he was not aware of anything of note to report on 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, which he confirmed were all complete. He then reminded the Board that the annual CASE conference was coming up the following week. He then concluded by alerting the Board to the TCEQ's annual public drinking water conference in August.

Director Kochwelp next announced that the Board would consider the Master District and Advisory Committee items on the agenda. Mr. Bartram first reviewed the Master District's latest draft list of capital improvement projects attached as **Exhibit "O"**. He 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. Mr. Bartram then concluded by presenting the Master District's audit for the fiscal year ended September 30, 2014, 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.

Director Kochwelp then stated that the Board would consider its future meeting schedule and agenda items. After discussion, the Board agreed that the next meeting would be held in August.

Director Kochwelp then asked if there was any further business to come before the Board. Mr. Allison noted that there were several projects working through the bidding process, and he asked if the developer would need to wait to award contracts until after the Board reviewed the bid tabulations. Mr. Schroeder stated that that, generally speaking, it was ok for the developer to award contracts prior to Board review and approval.

There being no further business to come before the Board, the meeting was adjourned at 12:47 p.m.

(Signature page follows.)



D. Page Ragland, Assistant Secretary
Board of Directors

Date: August 6, 2015