

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

June 6, 2013

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 6, 2013, 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 Sams, thus constituting a quorum. Also present at the meeting were Mary Bott of Bott & Douthitt, PLLC; Andrew Hunt of Crossroads Utility Services LLC; Ken Schroeder of Schroeder Engineering Company; Danny Burnett, representing Cottonwood Holdings, Ltd. and 2010 ShadowGlen, LLC; Russ Allison of Argent Management, LLC, representing SG Land Holdings LLC; and John Bartram of Armbrust & Brown, PLLC.

Director Kochwelp called the meeting to order at 12:03 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 4, 2013 Board meeting. Upon motion by Director Dalton and second by Director Ragland, the Board voted unanimously to approve minutes.

Director Kochwelp next announced that the Board would consider taking action regarding budget and tax items. Mr. Bartram first reviewed the District's preliminary 2013 appraised values attached as Exhibit "B". He then reviewed the memorandum attached as Exhibit "C", summarizing the schedule and process for adopting a budget and setting a tax rate. After discussion, the Board agreed to meet on the regular meeting dates in August (August 1<sup>st</sup>) and September (September 5<sup>th</sup>) to complete this process.

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 "D". He reviewed the water report and noted that usage was down slightly. He confirmed that the bacteriological and chlorine samples were satisfactory. He next addressed water accountability, noting that water loss was about 6.6%. He stated that he had recalculated the last few months of water loss based on the timing of meter reads and the swings had stabilized somewhat. He further stated that he hoped a recent repair to a fire hydrant leak would reduce water loss numbers even more. Mr. Hunt then reviewed the wholesale water purchase schedule attached as Exhibit "E" reflecting the historical amount of wholesale water purchased from Metro H2O, Ltd. He stated that the amount of usage was still trending under the benchmark take-or-pay amount. He next reviewed the wastewater report and confirmed that the wastewater treatment plant was in compliance and that there had been no excursions. He then reviewed the connection, billing, adjustments, and delinquent accounts reports. He stated that there were no delinquent accounts or write-offs for the month and that there had been no taps yet this fiscal year. Mr. Hunt next reported that his crews had completed the District's annual fire hydrant, valve, and manhole survey, and he reviewed the list of recommended repairs as Exhibit "F", the total cost of which was not to exceed \$675. Upon motion by Director Ragland and second by Director Zuniga, the Board voted unanimously to approve all recommended repairs at a cost not to exceed \$675. Mr. Hunt then concluded the operator's report by noting that the District's annual consumer confidence report, a copy of which is attached as Exhibit "G", would be mailed with the June utility bills.

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 "H", including the bills, invoices, and transfers set forth on the updated cash activity report, and recommended approval. Ms. Bott next reviewed the cash/investment activity report, the latest quarterly investment report, the tax collection report, the District's financial statements as of April 30, 2013, and the supplementary information, including the budget comparison. She stated that the District was currently running about a \$10,000 negative budget variance, primarily because actual tap connections were behind budget. After discussion, upon motion by Director Ragland 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 and recognized Mr. Burnett. Mr. Burnett first reviewed a PowerPoint slide presentation of the new elementary school in the District. He reported that the school district planned to start construction of the new elementary school in January 2014 and open it in the Fall of 2015. Mr. Burnett next reviewed graphics of the Lexington Boulevard rehabilitation and low-water crossing projects. Mr. Allison stated that bid packages for the rehabilitation portion of the project would be sent out the following week and that the engineering for the low-water crossing was expected to be complete within the next 30 days. Mr. Burnett next reviewed conceptual schematics for the proposed medical office complex at the entrance to the development. He stated that construction on the project was expected to start on July 1<sup>st</sup>. Mr. Burnett next reported that the engineering work on Sections 19A, 19B, and 20 was in process.

He then reviewed the site plan for his company's "Shadow View" commercial development. He reported that Wal-Mart was under construction, and he updated the Board on the status of the Highway 290 signalization improvements. Mr. Allison then reported on residential development. He stated that SG Land Holdings had closed its development loan and was looking forward to proceeding with additional residential development. He stated that he would keep the Board updated on the builder mix, and he reported that his company expected to sell the 81 existing inventory lots by third quarter 2013. Mr. Allison stated that the Lexington Boulevard project was the priority right now because the City wanted that project to be underway before any new residential sections were approved. Director Zuniga asked what the 81 existing inventory lots were priced at, and Mr. Allison stated that he did not know for sure but could get that information.

At this time, Mr. Bartram reviewed the notice attached as Exhibit "I" advising the District of SG Land Holdings' intent to collaterally assign its reimbursement rights to its lender in connection with the new development loan. Mr. Bartram then presented and reviewed the Consent to Collateral Assignment of Municipal Utility District Reimbursements and Utility Development Agreements attached as Exhibit "J", which he explained had been requested by the lender in connection with the new development loan to memorialize the District's consent to the collateral assignment and other related matters. He noted that any reimbursements due to the developer would be made to the SG Land Holdings until such time as the lender foreclosed. After discussion, upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to approve the Consent to Collateral Assignment of Municipal Utility District Reimbursements and Utility Development Agreements, as presented.

Director Kochwelp stated that the Board would next receive a report from the District's financial advisor. Mr. Bartram noted that Ms. Allen had been unable to attend the meeting and directed the Board's attention to the latest foreclosure report attached as Exhibit "K".

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 "L". 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  $\pm 150,000$  gpd, with a maximum day of  $\pm 230,000$  gpd, which he stated were within the expected range of flows based on the current number of connections. He noted, however, that there had been a spike in inflow and infiltration following a significant rain event in early May. He stated that the timing of the spike suggested that the source of the problem was in or near a creek and that Mr. Hunt's crews were investigating. Mr. Schroeder next reported that Master District repairs and maintenance were over budget due to the failure of the pumps at the lift station, which had resulted in extra sludge hauling. He further reported that the bleach pump at the wastewater treatment plant had been replaced and that the Master District had authorized a comprehensive reconfiguration of the alarm system at the plant as well as the purchase of a replacement mixer VFD. He stated that the new Kaeser blowers were expected to be delivered on June 13<sup>th</sup>, and he confirmed that the new freeze protection covers for the bar

screens had been installed. He then concluded by reporting that Ovivo USA, LLC ("*Ovivo*") had completed the upgrades to MBR #1 and, in the process, had replaced about 600 membranes and repaired about 700 more. He reminded the Board that, under the Master District's contract with Ovivo, the Master District had paid Ovivo \$25,000 for all necessary membrane repair and replacement and noted that the \$25,000 had proved to be a worthwhile "insurance policy".

Director Kochwelp then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram first reviewed the previous consultant directives, noting that there was none outstanding. He then briefed the Board on the status of the class action settlement relating to credit card overcharges by Visa and MasterCard, and he recommended that the District's general manager preregister on the case website to receive important information and future notices. He then alerted the Board to the TCEQ's annual public drinking water conference in August and reviewed the memorandum from the District's bond counsel attached as **Exhibit "M"** regarding a recent Securities and Exchange Commission enforcement order against an issue of public debt, noting that it was important to make accurate and timely continuing disclosure filings.

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 its future meeting schedule. Mr. Bartram reminded everyone to calendar the August 1<sup>st</sup> and September 5<sup>th</sup> meeting dates.

Director Kochwelp then asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 12:50 p.m.

*(Signature page follows.)*

(SEAL)



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Scott Sams, Secretary  
Board of Directors

Date: August 1, 2013