

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

July 7, 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 July 7, 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 and Lisa Wald of Bott & Douthitt, PLLC; Margret Wingrove of Crossroads Utility Services LLC; Ken Schroeder of Schroeder Engineering Company; Danny Burnett of 2010 ShadowGlen, LLC; and John Bartram of Armbrust & Brown, PLLC.

Director Kochwelp called the meeting to order at 12:06 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 June 2, 2011 Board meeting. Upon motion by Director Sams and second by Director Dalton, 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 reviewed the memorandum attached as Exhibit "B", summarizing the schedule and process for adopting a budget and setting a tax rate. Ms. Bott confirmed that she had prepared drafts of budgets for the Master District and Participant Districts for the 2012 fiscal year, which were under review by the operator and financial advisor.

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 May. She stated that water usage was about the same as the prior month, that the bacteriological and chlorine

residual tests were satisfactory, and that water loss was less 2% for the month. She then reviewed the connection report for the District and the other Participant Districts and noted that there had been no new taps. She next reviewed the District's water usage and billing reports, the wastewater report, and delinquent accounts. She stated that there was one write-off to present this month. She next reviewed an adjustment to a customer's water bill due to a water leak caused by a builder. Ms. Wingrove then reported that the connection to the Cross County Water Supply Corporation / Blue Water Systems project had been made on July 5th and that residents should start seeing a change in water quality within the next couple of weeks. Ms. Wingrove then reviewed the results of the District's manhole and fire hydrant survey attached as **Exhibit "C"**. She stated that all fire hydrants were in need of painting but that this was cosmetic and could be delayed. Mr. Burnett stated that he was working on developer funding for the required painting as part of the developer's marketing efforts to give the community a fresh look. Ms. Wingrove stated that in addition to the painting, 21 of the hydrants were in need of top-end maintenance, which would run approximately \$200 per hydrant. She recommended that the District proceed with the repairs due to the fire danger during the current drought conditions. Discussion ensued, and Ms. Wingrove stated that all of the hydrants were in residential areas and, therefore, the phasing of the repairs was not feasible. Director Zuniga suggested that, if all of the hydrants were of the same make, the District should contact the manufacturer, as it was not reasonable for so many hydrants to fail in such a short amount of time. Director Kochwelp asked if the \$200 per hydrant repair price was reasonable. Ms. Wingrove stated that it was a very good deal. After further discussion, Director Zuniga moved that the Board approve the write-off and authorize Ms. Wingrove to proceed with the hydrant repairs subject to contacting the manufacturer regarding its potential responsibility. Upon second by Director Dalton, the motion passed unanimously. Mr. Burnett offered to assist Ms. Wingrove in contacting the manufacturer of the hydrants.

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 budget comparison and the financial statements as of May 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 Dalton 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 reviewed the most recent completed home chart attached as **Exhibit "E"**. He stated that he had been having a hard time getting the builders to adhere to their takedown schedules and start new homes. He reported that the developer was hosting another marketing event for builders and realtors on July 27th. He stated that there were no new leads on luring Wal-Mart or HEB to the Manor area but that he had been working with the City of Manor and the Texas Department of Transportation on a bond package to fix certain traffic issues on Highway 290. Director Zuniga asked if there was any update regarding the golf course. Mr. Burnett stated that Blue Water had provided approximately 17.5 million gallons of

water used for flushing its transmission line to the golf course for free, which was a big help during the drought conditions. He stated that both he and Mr. Bartram continued to work with the golf course regarding its plans to secure effluent from the wastewater treatment plant for irrigation purposes.

Director Kochwelp then stated that the Board would receive a report from the District's financial advisor. Mr. Bartram advised that Ms. Allen had been unable to attend the meeting but had submitted the foreclosure report attached as Exhibit "F".

Director Kochwelp then stated that the Board would receive a report from the District's engineer. Mr. Schroeder first reported that he had confirmed with Kubota that membranes for the wastewater treatment plant were not available from Kubota directly. He next 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 the daily wastewater flows at the wastewater treatment plant for the month of May had averaged $\pm 156,000$ gpd, with a maximum day of $\pm 224,000$ 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 generally within the approved budget. 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 electrical modifications project was complete, that the Master District had approved a proposal from Ovivo to conduct additional testing to identify damaged membranes in the five valved-off cassettes, that the Master District had approved a proposal from Gupta & Associates, Inc. to conduct follow-up harmonics analysis now that the electrical modifications project was complete, and that the Master District had also authorized the repair of inoperable air flow meters as well as the purchase of two new airflow meters so that spares would be on hand. Mr. Schroeder concluded by reviewing his site visits to the wastewater treatment plant.

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 the information on current drought conditions attached as Exhibit "I", which he noted had been included on the agenda in case any action was necessary. Ms. Wingrove confirmed that, with the connection of the Blue Water project, no further drought management action was required at this time. Mr. Bartram next addressed the District's website and stated that he had no significant issues to bring to the Board's attention. Mr. Bartram next reported that he had drafted and sent to the developer's attorney for review a new reimbursement agreement reflecting the entity restructuring following foreclosure. Mr. Bartram next reported on the status of the restated Development Agreement for the ShadowGlen Subdivision. Mr. Bartram reminded the Board that the original development agreement, which was also the consent agreement for the ShadowGlen districts, had expired as to the developer in January 2011. He stated that the City of Manor was amenable to reinstating the agreement as to the developers but had insisted on doing so in the context of an amended and restated agreement among all of

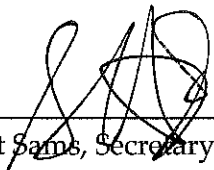
the parties. Mr. Bartram stated that, while this would be cleaner, there were new provisions in the proposed amended and restated agreement that would affect the Districts. He stated that he had been advised that the City's attorney would not recommend that the City renew its agreements with the developer unless the Districts also agreed to these new changes, and that the board of directors of Travis County MUD No. 2 intended to meet with the developer and possibly the City before taking any action. Mr. Bartram reminded the Board that it had previously authorized Director Sams to negotiate and execute the new Development Agreement, and he recommended that the Board reconfirm that authority subject to approval of the agreement by the District's financial advisor and bond counsel and the results of the meetings requested by Travis County MUD No. 2. Director Sams stated that he would be available as necessary. Mr. Burnett stated that the reinstatement of the development agreement was important to the developer because it resecured the original development standard variances that would enable the developer to continue to develop ShadowGlen under the existing development plan, but he stated that the questions and concerns raised by the Travis County MUD No. 2 board were legitimate. After discussion, the Board generally agreed that Director Sams remained authorized to negotiate and execute the amended Development Agreement for the Cottonwood Subdivision subject to approval of the agreement by the District's financial advisor and bond counsel and the results of the meetings requested by Travis County MUD No. 2.

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 June 6, 2011 joint meeting of the Board of Directors of Wilbarger Creek Municipal Utility District No. 2 and Advisory Committee, which were recurring agenda items so that the Board could stay informed of the activities of the Master District and Advisory Committee. Mr. Bartram next reported on the status of the wholesale water rate settlement with Metro H2O, Ltd. ("Metro"). He stated he had prepared and submitted to Metro a draft amendment to the existing wholesale water contract, but had not received any comments back until late Friday evening prior to the July 4th holiday weekend. He stated that these comments, as well as the other settlement documentation prepared by Metro, were under review, and he recommended that the Board authorize a committee to execute the final settlement paperwork once finalized. After discussion, upon motion by Director Zuniga and second by Director Sams, the Board voted unanimously to authorize a committee consisting of Directors Kochwelp and Dalton to execute the water rate settlement documents when final.

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: August 4, 2011