

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

August 1, 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 August 1, 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, thus constituting a quorum. Also present at the meeting were Mary Bott of Bott & Douthitt, PLLC; Margret Wingrove of Crossroads Utility Services LLC; Ken Schroeder of Schroeder Engineering Company; Russ Allison of Argent Management, LLC, representing SG Land Holdings LLC; Linda Loup of Southwest Securities; Brian Toldan of McCall Gibson Swedlund Barfoot PLLC; and John Bartram of Armbrust & Brown, PLLC.

Director Kochwelp called the meeting to order at 12:00 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 6, 2013 Board meeting. Upon motion by Director Zuniga and second by Director Dalton, the Board voted unanimously to approve the minutes.

Director Kochwelp next announced that the Board would consider taking action regarding audit services. Mr. Bartram first recommended that the agenda item regarding a change in the District's fiscal year be tabled because the District's consultants were not prepared to recommend any changes at this time. Mr. Bartram then introduced Mr. Toldan, who reviewed his firm's proposal for the audit of the District's financial statements for the current fiscal year, a copy of which is attached as Exhibit "B". He noted that the proposed fee for the audit was between \$9,000 and \$10,500, which was the same fee range as last year. Mr. Toldan also directed the Board's attention to the fraud questionnaire attached as Exhibit "C", which he stated was provided under Statement on Auditing Standard No. 99 as part of the auditor's audit

planning process to document material misstatements caused by fraud. He asked anyone with questions or concerns to contact his office. After discussion, upon motion by Director Dalton and second by Director Zuniga, the Board voted unanimously to engage McCall Gibson Swedlund Barfoot PLLC for the audit of the District's financial statements for the fiscal year ending September 30, 2013.

Director Kochwelp then stated that the Board would consider taking action regarding budget and tax items. Mr. Bartram first presented and reviewed with the Board the memorandum attached as Exhibit "D", summarizing the schedule and process for adopting a budget and setting a tax rate. He then reviewed the 2013 certified appraised value for the District attached as Exhibit "E". Ms. Bott then reviewed the draft budget for the 2013-2014 fiscal year attached as Exhibit "F", which she noted was supported by approximately \$137,500 in developer funding and based on an overall tax rate of \$0.9486 on \$20 million in value. Ms. Bott also reviewed the draft Master District budget for the 2013-2014 fiscal year attached as Exhibit "G" and the draft joint facilities budget for the facilities shared by the ShadowGlen districts attached as Exhibit "H". She stressed that the proposed budgets for the District and Master District were drafts and subject to change and that the final versions would be considered in September. Ms. Loup next reviewed the tax rate analysis attached as Exhibit "I", noting that average home values in the District had increased from \$126,000 to \$137,000. She recommended that the District establish a total proposed tax rate for 2013 of \$0.9486, comprised of a \$0.35 contract tax and a \$0.5986 operations and maintenance tax, which she noted was slightly lower than the total 2012 tax rate. Director Kochwelp asked why the tax rate was decreasing. Ms. Loup explained that values in the District had increased and that a slight reduction in the overall tax rate was necessary in order to stay below the rollback threshold. Director Kochwelp then questioned what, if anything, the Board was required to accomplish with respect to the budget and tax rate at this time. Mr. Bartram advised that the Board needed to do three things at this meeting: (i) establish a proposed 2013 tax rate by record vote; (ii) schedule a public hearing at which the adoption of the 2013 tax rate would be considered; and (iii) authorize notice of the public hearing on the 2013 tax rate to be published in the newspaper. After discussion, upon motion by Director Zuniga and second by Director Ragland, the Board voted to (i) establish a proposed 2013 tax rate of \$0.9486 per \$100 valuation; (ii) schedule a public hearing at noon on Thursday, September 5, 2013 to consider the adoption of the tax rate; and (iii) authorize a notice of the public hearing to be published in the newspaper, with Directors Kochwelp, Dalton, Zuniga, Sams, and Ragland all voting "aye".

Director Kochwelp then stated that the Board would receive a report from the District's utility operator. Ms. Wingrove directed the Board's attention to the utility report attached as Exhibit "J". She reviewed the water report and noted that usage was up. She confirmed that the bacteriological and chlorine samples were satisfactory. She next addressed water accountability, noting that water loss was about 5.6%. She stated that the recent fire hydrant repair had not affected water loss as much as expected; however, she noted that there had been increased flushings recently, which could be a contributing factor. She stated that her crews also planned to check the larger meters on the system to see if they needed to be recalibrated. Ms. Wingrove stated that her office had received four "dirty water" calls this Summer and that

the lines had been flushed. She suspected that the increased Summer water usage with a relatively new water supply was dissolving some of the minerals on the inside of the water pipes. She stressed that, despite the discoloration, the water was still safe to drink. Ms. Wingrove next reviewed the wastewater report and confirmed that the wastewater treatment plant was in compliance and that there had been no excursions. She then reviewed the connection, billing, adjustments, and delinquent accounts reports. She stated that there were no delinquent accounts or write-offs for the month and that there had been no new taps yet this fiscal year. Ms. Wingrove next reported that her crews had completed the District's annual fire hydrant, valve, and manhole survey, and he recommended that 21 fire hydrants be repainted at a cost not to exceed \$850. She noted that there was still approximately \$1,400 in this year's budget for repairs. Upon motion by Director Dalton and second by Director Ragland, the Board voted unanimously to approve the fire hydrant painting at a cost not to exceed \$850. Ms. Wingrove next directed the Board's attention to the wholesale water purchase schedule attached as **Exhibit "K"** reflecting the historical amount of wholesale water purchased from Metro H2O, Ltd. ("*Metro*"). Ms. Bott stated that the amount of usage was still trending under the benchmark take-or-pay amount. Mr. Bartram then presented (i) the invoice from Metro attached as **Exhibit "L"**, advising the Master District of the 2013 "annual rate payment", which he noted included a CPI increase per the amended wholesale water contract, and (ii) the invoice from Metro attached as **Exhibit "M"**, advising the Master District of a volumetric surcharge passing through to the Districts an increase in Metro's water costs from Blue Water. Ms. Wingrove then concluded the operator's report by reviewing the Service Agreement: ACH and Checks with T-Tech, Inc. attached as **Exhibit "N"**. She stated that this agreement allowed customers to pay their utility bills by ACH transfer or e-check, and she stated that the agreement had been streamlined with the vendor after legal review. After discussion, upon motion by Director Zuniga and second by Director Sams, the Board voted unanimously to approve the Service Agreement: ACH and Checks with T-Tech, Inc., as presented.

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 "O"**, including the bills, invoices, and transfers set forth on the 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 June 30, 2013, and the supplementary information, including the budget comparison. She stated that the District was currently running about a \$20,000 negative budget variance, primarily because actual tap connections were behind budget. 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 stated that the Board would next receive a report from the developers and recognized Mr. Allison. Mr. Allison reported that his company currently had 81 lots on the market and was actively pursuing builders. He stated that the engineering work for future sections was underway but that he did not expect any additional lots to be on the ground this year. Mr. Allison next reported on the progress of the Lexington Boulevard project. He stated that construction of the upgrades to the existing portion of Lexington Boulevard was

scheduled to commence within the next couple of weeks. He stated that the plans for the portion of the project connecting the existing roadway to Travis County MUD No. 2 should be approved by September 1<sup>st</sup> and that he hoped to be under construction by October 1<sup>st</sup>. He stated that the Lexington Boulevard project was the priority right now because the City of Manor wanted that project to be underway before any new residential sections were approved. Mr. Allison reported that he did not have any new information on builders but that he would update the Board with any sales activity. Director Kochwelp asked what the existing 81 inventory lots were priced at. Mr. Allison stated that these lots varied in size and that it was his recollection that the prices ranged from \$18,000 to \$22,000 per lot under a bulk sale scenario. He stated that he was surprised that the lots had not sold already and noted that the construction of the new elementary school in the development should help sales. Director Zuniga asked who was marketing the lots. Mr. Allison stated that marketing was being handled in-house. Mr. Allison then concluded his report by noting that Mr. Burnett had been unable to attend the meeting due to illness and had asked him to report that McDonald's was under construction and that the new medical office complex was breaking ground.

Director Kochwelp stated that the Board would next receive a report from the District's financial advisor. Ms. Loup directed the Board's attention to the latest foreclosure report attached as Exhibit "P" and confirmed that there had been no foreclosures in the District this year.

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 "Q". 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 June had averaged  $\pm 136,000$  gpd, with a maximum day of  $\pm 214,000$  gpd, which he stated were within the expected range of flows based on the current number of connections. Mr. Schroeder next reported that Master District repairs and maintenance were back within budget and all invoices were in order. He then updated the Board on recent activity at the wastewater treatment plant, noting that the compressor on the refrigerator used to store samples had been replaced at a cost of  $\pm \$1,500$ ; that a mixer in MBR No. 2 had been repaired at a cost of  $\pm \$3,000$ ; that one of the new blowers had been installed; that the second new blower was in the process of being installed; and that the lift station pumps were working fine. He stated that Ovivo was now a couple of months behind on the upgrades to MBR No. 2, apparently due to loss of key staff. He stated that Tobin Synatschk, the Master District's special consulting engineer, was following up with Ovivo on the status. Mr. Schroeder then concluded his report by noting that other districts, including Cottonwood Creek MUD No. 1, had experienced trouble with wastewater manholes that were not properly coated, and he recommended that the District require that the interior surface of all wastewater manholes in new construction projects be coated in accordance with City of Austin specifications. Mr. Bartram stated that he had incorporated Mr. Schroeder's recommendation into a proposed revision to the District's rate order, attached as Exhibit "R", for the Board's consideration. After discussion, upon motion by Director Zuniga and second by Director Ragland, 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, as presented.

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. He then reviewed the notice attached as Exhibit "S" from the City of Pflugerville regarding an overview of the city's regional water planning feasibility study. He then reminded the Board that the District's contract with Crossroads Utility Services was scheduled to expire at the end of November, and he stated that he would plan to have an item for renewal of the contract on the Board's October meeting agenda.

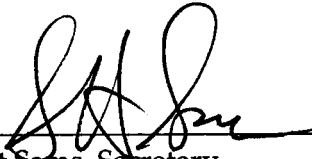
Director Kochwelp next announced that the Board would consider the Master District and Advisory Committee items on the agenda. Mr. Bartram directed the Board's attention to the agendas and minutes from the most recent joint meetings of the Board of Directors of Wilbarger Creek Municipal Utility District 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 September 5<sup>th</sup> meeting date. He further suggested that the Board meet in October and then go back to an every-other-month meeting schedule in order to reduce expenses. The Board concurred.

Director Kochwelp then asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 12:38 p.m.

*(Signature page follows.)*

(SEAL)



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Scott Sams, Secretary  
Board of Directors

Date: September 5, 2013