

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

August 3, 2017

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 August 3, 2017, 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; Ken Schroeder of Schroeder Engineering Company, the District's engineer; Dennis Hendrix of Crossroads Utility Services LLC, the District's utility operator; Russ Allison of Argent Management, LLC, representing SG Land Holdings LLC, a developer in the District; and John Bartram of Armbrust & Brown, PLLC, the District's general legal counsel. Cheryl Allen and Lauren Smith of Public Finance Group LLC, the District's financial advisor, arrived later.

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 the bond-related items on the agenda. Mr. Bartram suggested that the Board skip these items until the financial advisor's arrival. There being no objection, Director Kochwelp next announced that the Board would consider approving the minutes of the April 6, 2017 Board meeting. Upon motion by Director Dalton and second by Director Ragland, the Board voted unanimously to approve the minutes as presented.

Director Kochwelp then stated 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 had expired at the end of June and was currently month-to-month. Ms. Bott proposed that the agreement be renewed for two years at the current compensation. Mr. Bartram noted that he had squared the term of the renewal contract up with the District's fiscal year. After discussion, 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 "B"**.

Director Kochwelp then stated that the Board would consider a Landscape Maintenance Agreement with Joe Carter d/b/a Capital Landcare. Mr. Bartram directed the Board's attention to the proposed agreement attached as **Exhibit "C"**, which he explained would provide for

monthly maintenance of the drainage channel areas in Section 15A from March to October at a cost of \$200 per visit. Upon motion by Director Ragland and second by Director Dalton, the Board voted unanimously to approve the Landscape Maintenance Agreement with Joe Carter d/b/a Capital Landcare as presented.

Director Kochwelp then stated that the Board would consider a Resolution Adopting Standards for Recreational Facilities and Making Certain Finding Related Thereto. Mr. Bartram directed the Board's attention to the Resolution attached as **Exhibit "D"** and explained that Texas law required the Board (i) to establish standards for recreational facilities to be developed and maintained by the District and for the allocation of the District's funds for developing and maintaining recreational facilities and (ii) to make certain findings that the District's park facilities do not duplicate the park facilities of other governmental entities. Mr. Bartram stated that this Resolution tracked the requirements of the Water Code and had been developed in conjunction with the District's bond counsel. After discussion, upon motion by Director Ragland and second by Director Sams the Board voted unanimously to approve the Resolution Adopting Standards for Recreational Facilities and Making Certain Finding Related Thereto, as presented.

Director Kochwelp next announced that the Board would consider revising the District's registration form. Mr. Bartram noted that Ms. Allen's office had moved, and he recommended that the current form be updated to reflect the financial advisor's new address. Upon motion by Director Ragland and second by Director Dalton, the Board voted unanimously to approve the revised District Registration Form attached as **Exhibit "E"**.

Director Kochwelp next announced 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 "F"** summarizing the schedule and process for adopting a budget and setting a tax rate. He noted that the Board would need to meet again in September to conduct a public hearing on the proposed tax rate, adopt a budget, and formally set a tax rate. After discussion, the Board confirmed that the September meeting would be held as scheduled at noon on Thursday, September 7th. Mr. Bartram next directed the Board's attention to the 2017 certified values from Travis Central Appraisal District attached as **Exhibit "G"**. Ms. Bott then reviewed the draft budget for the 2017-2018 fiscal year attached as **Exhibit "H"**, which she noted was supported by a recommended \$0.5280 operations and maintenance tax rate and 20 new connections. She noted that the draft budget projected a year-end deficit of ±\$152,000 but stated that this was probably a timing issue and that the deficit would likely be recouped in future years. She stressed that the proposed budget was a draft that was subject to change and that the final version would be considered in September. Ms. Bott then reviewed the draft Master District budget for the 2017-2018 fiscal year attached as **Exhibit "I"**, which she noted included an additional \$700,000 for planned capital improvements at the wastewater treatment plant as well as master water meters. At this time, Ms. Allen and Ms. Smith arrived at the meeting. Ms. Allen noted that the District's net taxable value had increased from ±\$30.5 million in 2016 to ±\$33.5 million in 2017. She then reviewed the Tax Rate Analysis and related materials attached as **Exhibit "J"**, noting that average home values had increased from \$183,089 in 2016 to \$200,292 in 2017. She stated that, due to the increase in values, she was recommending that the Board lower the tax rate to \$0.8780 per \$100 of assessed value in order to stay below the 8% rollback threshold, noting that the District could always adopt a lower rate at the next meeting but could not adopt a rate higher than what was set today. She explained that the \$0.8780 was comprised of a \$0.5280 operations and maintenance tax and a \$0.35 contract tax. She stated that a debt service component would be included after the District issued bonds. Ms. Allen also reviewed the District's projected fund balance over the next several years. She stated that it was expected to decrease next year but that it would build back up as

new value was added within the District. She closed by noting that the \$0.35 contract tax rate was sufficient for Master District purposes even assuming an additional new money bond issue to fund an expansion of the wastewater treatment plant. 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 2017 tax rate by record vote; (ii) schedule a public hearing at which the adoption of the 2017 tax rate would be considered; and (iii) authorize notice of the public hearing on the 2017 tax rate to be published in the newspaper. After discussion, upon motion by Director Sams and second by Director Ragland, the Board voted to establish a proposed 2017 tax rate of \$0.8780 per \$100 valuation; schedule a public hearing for noon on Thursday, September 7, 2017 to consider the adoption of the tax rate; and authorize a notice of the public hearing to be published in the newspaper, with Directors Kochwelp, Dalton, Ragland, and Sams all voting "aye". Director Zuniga was not present for the vote.

Director Kochwelp then stated that the Board would circle back and consider the bond-related items on the agenda. Ms. Allen reported that the Texas Commission on Environmental Quality (the "TCEQ") had approved the District's first bond application in mid-July, as evidenced by the order attached as Exhibit "K", which authorized the District to issue \$3,030,000 in bonds; but she stated that, because there were not as many new homes under construction as projected, it was not advisable to issue the bonds at this time. She stated that TCEQ approval was valid for 12 months and that, if building activity picked up during that period, she would come back to the Board with a recommendation to proceed with the sale of the bonds.

Director Kochwelp then stated 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 "L", noting that usage had increased during the current fiscal year due to new development. He next reported that the Master District was scheduled to make the "Annual Rate Payment" to Metro H2O, Ltd. ("Metro") this month. He then reviewed the notice from Metro attached as Exhibit "M", advising the Master District of the annual surcharge passing through to the Participant Districts an increase in Metro's water costs from Blue Water. Mr. Bartram concluded by noting that, as wholesale rates increased, at some point the Board would need to evaluate whether retail rates also needed to be adjusted.

Director Kochwelp then stated that the Board would consider taking action with respect to solid waste and recycling collection services. Mr. Bartram stated that residents in Travis County MUD No. 2 as well as the ShadowGlen homeowners association had reported that the quality of trash collection service was deteriorating and that, in response, the board of directors of Travis County MUD No. 2 had directed him to write a letter to the City of Manor, which was responsible for providing trash service within ShadowGlen, expressing the board's concerns. Mr. Bartram directed the Board's attention to the letter attached as Exhibit "N", noting that, in response, the City of Manor's attorney's office had advised him that they intended to send a letter to the contractor outlining all of the concerns.

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 "O". He stated that usage was up due to hot weather and confirmed that the bacteriological and chlorine samples were all satisfactory. He then reviewed water accountability, noting that, although the report showed a monthly loss of -13%, there had been a 4% gain the previous month, which he stated was likely attributable to timing of meter reads or human error. He stated that he was not concerned and that everything should catch back up by next month's report. Mr. Hendrix next

addressed wastewater treatment plant operations. He stated that the plant had generally been running well but that there had been a small "spill" associated with Ovivo USA, LLC's ceramic membrane pilot testing program that had been reported to TCEQ and that a battery failure had caused the control system to go off-line for a short period. He stated that this was the second time there had been an issue with the ceramic membrane pilot program and that he planned to escalate his concerns up the chain of command at Ovivo. Mr. Hendrix then reviewed the latest connection, billing, adjustments, and delinquent accounts reports. He reported that there had been five new connections in the District thus far during the fiscal year, and he recommended approval of one write-off in the amount of \$120.59 to be sent to collections. Upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve the write-off. Mr. Hendrix next advised the Board that his company would be changing its utility billing vendor from AVR to Continental Utility Solutions over the coming months in order to offer customers better and faster utility payment options. He stated that his team would coordinate the paperwork with the District's attorney and keep the Board updated on the status of the transition. Mr. Hendrix next reported that the District's annual consumer confidence / drinking water report had been mailed to residents in June and that there were no water quality problems. He then reported that the manhole coating work on the ShadowGlen interceptor was complete, but he stated that, due to the discovery of two additional manholes, a change order for a manhole drop, and an error in his original cost estimate, the total cost of the project had come in at \$51,950 as shown on the corrected invoice attached as **Exhibit "P"** instead of the \$21,312, as originally estimated. Mr. Hendrix apologized for the error and noted that the increased cost was still significantly below the closest competitor's bid. He stated that he felt the manhole coating work was already making a difference in inflow and infiltration but that he would really need six to eight months of data to draw any firm conclusions. Mr. Bartram then noted that the District's contract with Crossroads Utility Services was scheduled to expire at the end of September, and he asked Mr. Hendrix whether any revisions were anticipated. Mr. Hendrix stated that he would most likely just request a consumer price index catch-up on compensation. Mr. Bartram stated that he would include an appropriate item on the Board's September meeting agenda.

Director Kochwelp then stated that the Board would receive a report from the District's bookkeeper. Ms. Bott first reviewed the bookkeeper's report and handout update attached collectively as **Exhibit "Q"**, and recommended approval of two transfers and the Director and vendor payments with the exception of Director Zuniga's per diem for today's meeting, which would be voided due to absence. She then reviewed the latest quarterly investment report and financial statements. She stated that the District was 100% collected on taxes and ±\$91,000 ahead of plan through June. After discussion, upon motion by Director Dalton and second by Director Ragland, the Board voted unanimously to approve the Director and vendor payments and transfers as presented.

Director Kochwelp next announced that the Board would receive reports from the developers. Mr. Allison reported that there was a lot going on in ShadowGlen and that development within the District was poised to take off over the next couple of years. He stated that his company was finalizing a contract with Meritage Homes for 126 lots in Sections 24A and 24B and that development of those lots would probably commence in October. He stated that Scott Felder Homes' "cottage" product had not been selling well in Section 19A and that the builder was probably going back to the drawing board to develop a different product. He next reported that Pulte Homes had contracted to purchase all of the lots in Section 20 as well as the remaining 15 lots in Section 19A and should have "spec" homes under construction by October. Mr. Allison next reported that his company had recently engaged Kimley-Horn, an engineering firm, to prepare preliminary plats for the remainder of Phase 2 of the ShadowGlen project and that the extension of Shelby's Way should be under construction during the fourth quarter of

2017. Director Kochwelp suggested that the developer require all of the builders to maintain a minimum number of “spec” homes for sale or under construction at all times. Mr. Allison then concluded with a brief update on commercial development in the area.

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 memorandum attached as **Exhibit “R”**. He confirmed that he had reviewed and recommended approval the District’s operations invoices. He further reported that he had received and reviewed the developer’s construction plans for Sections 24A and 24B and had requested a couple of changes to the plat notes to help reduce the use of unmetered construction water. Mr. Schroeder then addressed items related to the Master District. He reported that the latest average daily flows at the wastewater treatment plant were consistent with the number of current connections, that Master District repairs and maintenance were generally within budget, and that all Master District invoices were in order.

There being no further report from the District’s financial advisor, Director Kochwelp then recognized Mr. Bartram for purposes of receiving a report from the District’s attorney. Mr. Bartram first reviewed the consultant directives report, noting that the only directive outstanding was of an on-going nature. He next reviewed the latest correspondence regarding the open records request from Texas Capitol LLC attached as **Exhibit “S”**. Mr. Bartram then concluded by handing out the notice from the City of Manor’s Development Services Department attached as **Exhibit “T”** advising nearby landowners that the City’s planning and zoning commission was scheduled to consider a preliminary plan for the Village at Manor Commons project, which was located east of the Master District’s wastewater treatment plant on the north side of Old Highway 20.

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 agenda and minutes from the most recent joint meeting 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 and agenda items. Mr. Bartram reminded the Board to calendar the September meeting for quorum purposes.

Director Kochwelp then asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 12:56 p.m.

(Signature page follows.)

(SEAL)



Scott Sams
Secretary, Board of Directors

Date: September 7, 2017