

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

August 4, 2016

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 4, 2016, 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, the District's bookkeeper; Russ Allison and Crys Sanders of Argent Management, LLC, representing SG Land Holdings LLC, the residential developer in the District; Ken Schroeder of Schroeder Engineering Company, the District's engineer; Cheryl Allen and Justin Taack of Public Finance Group LLC, the District's financial advisor; and John Bartram of Armbrust & Brown, PLLC, the District's general legal counsel.

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 following item on the consent agenda: the minutes of the June 2, 2016 Board meeting. Upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to approve the minutes as presented.

Director Kochwelp next announced that the Board would receive a status report regarding the District's proposed 2016 bond issue. Mr. Schroeder confirmed that the bond application report was in process. He stated that he was working with Ms. Allen and Mr. Taack regarding the sizing and the improvements to be included, and he indicated that he should have the application completed within a couple of months. Director Kochwelp asked what the anticipated size of the bond issue was expected to be, and Ms. Allen estimated \$3,030,000. Director Kochwelp then asked about interest rates. Ms. Allen stated that non-rated, non-insured bonds were currently selling at 3.35% and that rated bonds were selling around 2.75%. Director Kochwelp stressed the importance of timing the market and suggested that the District could secure Texas Commission on Environmental Quality ("TCEQ") approval and then defer issuing the bonds until the values were there and/or market conditions were advantageous. Ms. Allen concurred, noting that, as soon as the first series of bonds was issued, she would likely come back to the Board to do just that with a second bond issue.

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 "B"**, summarizing the schedule and process for adopting a budget and setting a tax rate. He also reviewed the Certification of 2016 Appraised Values from Travis Central Appraisal District attached as **Exhibit "C"**. Ms. Allen then reviewed the 2016 Tax Rate Analysis and related materials attached as **Exhibit "D"** and noted that the District's assessed valuation for 2016 was \$30,511,711, which was up from ±\$27,242,750 in 2015. She stated that, because values had increased, the tax rate would need to come down slightly to stay below the 8% rollback rate and that she was, therefore, recommending that the District establish a total proposed tax rate for 2016 of \$0.8895, comprised of a \$0.35 contract tax and a \$0.5395 operations and maintenance tax. Ms. Allen noted that the District could always adopt a lower tax rate, but could not set a tax rate higher than the proposed rate set at this meeting. Ms. Bott then reviewed the draft budget for the 2016-2017 fiscal year attached as **Exhibit "E"**, which she noted was a zero-balance budget supported by the recommended \$0.8895 tax rate and \$82,537 in developer funding and based on the assumption that there would be 24 new connections during the 2016-2017 fiscal year. She stressed that the proposed budget was a draft that was subject to change and that the final version would be considered in September. 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 2016 tax rate by record vote; (ii) schedule a public hearing at which the adoption of the 2016 tax rate would be considered; and (iii) authorize notice of the public hearing on the 2016 tax rate to be published in the newspaper. Director Zuniga stated that it was unlikely that she would be able to attend the Board's next scheduled meeting on September 1<sup>st</sup> and asked the Board to consider moving its September meeting to an alternative date. The Directors consulted their calendars and generally agreed that Thursday, September 15<sup>th</sup> would be a suitable alternative. After further discussion, upon motion by Director Sams and second by Director Ragland, the Board voted to (i) establish a proposed 2016 tax rate of \$0.8895 per \$100 valuation; (ii) schedule a public hearing at noon on Thursday, September 15, 2016 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, Ragland, Sams, and Zuniga all voting "aye".

Director Kochwelp then stated that 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 "F"**, noting that usage had increased during the current fiscal year due to new development. He then reviewed the notices from Metro H<sub>2</sub>O, Ltd. ("*Metro*") attached collectively as **Exhibit "G"**, advising the Master District of the annual 3% increases of the "annual rate payment" and volumetric rates under the wholesale water contract, including a surcharge passing through to the Districts an increase in Metro's water costs from Blue Water.

Director Kochwelp then stated that the Board would receive a report from the District's utility operator. Mr. Bartram stated that Mr. Hendrix was on vacation but that he had reviewed the operator's report with Andrew Hunt, one of Mr. Hendrix's colleagues at Crossroads Utility Services, by telephone and that he would do his best to cover the high points. Mr. Bartram then directed the Board's attention to the operations report attached as **Exhibit "H"**. He pointed out that water usage had increased, and he confirmed that the bacteriological and chlorine samples were all satisfactory. He stated that, after spiking to 34%, water loss had fallen to ±5% without any corrective action. He stated that Crossroads had identified two fire hydrant leaks but noted that water loss had come down before the leaks had been repaired, which tended to indicate either unmetered construction use or meter reading errors. Mr. Bartram next addressed wastewater treatment plant operations and stated that Mr. Schroeder would provide

additional details during the engineer's report. Mr. Bartram next reviewed the latest connection report, noting that there were currently 134 occupied connections in the District. He then reviewed the billing, adjustments, and delinquent accounts reports and stated that there were no write-offs for this reporting period. Mr. Bartram next directed the Board's attention to the letter from the TCEQ, a copy of which is attached as **Exhibit "I"**, reminding the District of lead and copper sampling requirements. He stated that Mr. Hunt had confirmed that the sampling was in process. Mr. Bartram then concluded the operations report by reviewing the 2015 Annual Drinking Water Quality Report, also known as the annual Consumer Confidence Report, attached as **Exhibit "J"**, which he stated Mr. Hunt had confirmed had been mailed to all customers earlier in the summer.

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 "K"**, including the bills, invoices, and transfers set forth on the updated cash activity report, and recommended approval. She then directed the Board's attention to the financial statements included in her report. She stated that only \$16 of the District's 2015 tax levy remained to be collected and that the District was currently ±\$35,000 ahead of plan. After discussion, upon motion by Director Dalton and second by Director Zuniga, the Board voted unanimously to approve the bills, invoices, and transfers as presented.

Director Kochwelp next announced that the Board would receive reports from the developers. Mr. Allison reported that there were now four active builders in ShadowGlen: Scott Felder Homes, Perry Homes, Buffington Homes, and Ryland Homes, which was now known as CalAtlantic. He stated that Perry Homes had 12 homes under construction, four of which had been sold. He added that, once their model homes were complete, he expected the builders to begin aggressively marketing in the community. Mr. Allison next reported that Section 19A, which was under contract by Scott Felder Homes, was complete except for installation of power and street lights. He stated that Section 19B, which Scott Felder Homes also had under contract, would follow; but he noted that the extension of Shelby's Way would need to be completed to provide additional access before Scott Felder Homes would take any Section 19B lots down. Director Kochwelp asked about projected home sales. Mr. Allison predicted five to ten additional sales during 2016. He anticipated that homes in Section 19A would sell faster because they were a smaller, more affordable product. He stated that 25 sales during the 2016-2017 fiscal year was conservative. Mr. Allison then concluded by noting that Scott Felder Homes also had a right of first refusal on Section 20. He stated that his company planned to see how sales went in Section 19A before offering Section 20 to another builder.

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 engineering report attached as **Exhibit "L"** and presented and recommended approval of the following pay estimates, copies of which are attached collectively as **Exhibit "M"**: (i) pay estimate no. 4 for the ShadowGlen Trace commercial project in the amount of \$23,220, representing 85% completion and work through June; and (ii) pay estimate no. 7 for the ShadowGlen Phase 2, Section 19A project in the amount of \$9,653.25, representing 98.4% completion and work through June. After discussion, upon motion by Director Sams and second by Director Zuniga, the Board voted unanimously to approve the pay estimates. With respect to District matters, Mr. Schroeder stated that the Crossroads Utility Services invoice was in order and within budget. He then addressed items related to the Master District and reviewed the latest daily wastewater flows at the wastewater treatment plant. Mr. Schroeder then concluded by reporting that Master District repairs and maintenance were generally within budget, that all invoices were in order, and that electrical savings continued in the 30% to 40% range.

Director Kochwelp next announced that the Board would receive a report from the District's financial advisor. Ms. Allen stated that she had nothing further to report 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, noting that they were all complete or in process. He reminded the Board that Ms. Bott had previously noted that there was a delinquent tax account for a parcel owned by 2009 XIF, LLC, a prior developer, which was a sliver of land adjacent to Section 15A that had been missed in the conveyance to the current developer. Mr. Bartram stated that Mr. Allison was having a legal description of this parcel prepared so that it could be conveyed to SG Land Holdings and incorporated into the Section 19A plat. Mr. Bartram next directed the Board's attention to the MSRB Rule G-42 Update attached as **Exhibit "N"**, which he stated was a required disclosure from the District's financial advisor regarding requirements of municipal advisors under applicable securities laws. Ms. Allen asked anyone with questions regarding the disclosure to contact her. Mr. Bartram then concluded by reporting that the acknowledgment requested by the ShadowGlen developer's lender was still in process. He stated that he had recently received an inquiry from the lender regarding the status of the acknowledgment and that he had responded with the comments and questions that he had previously submitted.

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 and agenda items. Mr. Bartram reminded the Board that the September meeting had been rescheduled to Thursday, September 15<sup>th</sup>, and he asked the Board to calendar the meeting for quorum purposes. The Board generally agreed that it would meet in September and October and then go back to an as-needed meeting schedule, consistent with past practice.

Director Kochwelp then asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 12:35 p.m.

*(Signature page follows.)*

(SEAL)



  
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Scott Sams, Secretary  
Board of Directors

Date: September 15, 2016