

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

August 6, 2015

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 6, 2015, 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 Directors Sams and Zuniga, thus constituting a quorum. Also present at the meeting were Allen Douthitt of Bott & Douthitt, PLLC, the District’s bookkeeper; Dennis Hendrix of Crossroads Utility Services LLC, the District’s utility operator; Ken Schroeder of Schroeder Engineering Company, the District’s engineer; Cheryl Allen of Public Finance Group PLLC, 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 12:04 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 4, 2015 Board meeting. Upon motion by Director Dalton and second by Director Ragland, the Board voted unanimously to approve the minutes.

Director Kochwelp next announced that the Board would consider a utility construction agreement with Cottonwood Holdings, Ltd. (“CHL”). Mr. Bartram stated that he had worked out a few comments to the utility construction agreement considered by the Board in June with the developer’s attorney and that the agreement was now ready for final approval. Upon motion by Director Ragland and second by Director Dalton, the Board voted unanimously to approve the Utility Construction Agreement attached as **Exhibit “B”**.

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 “C”**, summarizing the schedule and process for adopting a budget and setting a tax rate. He also reviewed the letter from Travis Central Appraisal District attached as **Exhibit “D”**, advising taxing entities that, due to a taxing unit challenge by the City of Austin, certified values were not expected until August 28, 2015. Ms. Allen confirmed that she was coordinating with the tax office and felt that the District would be able to stay on schedule by budgeting off of average home values. Ms. Allen then reviewed the 2015

preliminary valuation estimates and tax rate analysis materials attached as **Exhibit “E”**. She noted that the District’s preliminary net taxable value for 2015 was \$26,816,763, which was up from ±\$23,106,926 in 2014. She stated that, because values had come up, 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 2015 of \$0.9112, comprised of a \$0.35 contract tax and a \$0.5612 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. Mr. Douthitt then reviewed the draft budget for the 2015-2016 fiscal year attached as **Exhibit “F”**, which he noted was supported by the recommended \$0.9112 tax rate and \$137,750 in developer funding and based on the assumption that there would be 24 new connections during the 2015-2016 fiscal year. He noted that the developer had previously requested the ShadowGlen districts to consider ways to reduce the amount of developer funding and that Travis County MUD No. 2 was considering a mechanism to adjust the amount of developer funding if new connections exceed a certain amount. Mr. Bartram noted that the Master District had also discussed budgeting for an additional CIP reserve. Mr. Douthitt stated that the additional Master District CIP reserve was not yet reflected but once incorporated, the projected surplus would be reduced. Mr. Douthitt then reviewed the draft Master District budget for the 2015-2016 fiscal year attached as **Exhibit “G”**. He noted that the Master District allocations were changing slightly due to development, primarily in Cottonwood Creek MUD No. 1. He also 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. 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 2015 tax rate by record vote; (ii) schedule a public hearing at which the adoption of the 2015 tax rate would be considered; and (iii) authorize notice of the public hearing on the 2015 tax rate to be published in the newspaper. After discussion, upon motion by Director Ragland and second by Director Dalton, the Board voted to (i) establish a proposed 2015 tax rate of \$0.9112 per \$100 valuation; (ii) schedule a public hearing at noon on Thursday, September 3, 2015 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, and Ragland all voting “aye”. Directors Sams and Zuniga were not present for the vote. Director Kochwelp asked why the City of Austin challenge to commercial values was holding up certification of residential properties. Ms. Allen explained her understanding of the situation.

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 “H”**. He reported that water usage was down in June, likely due to all the rain, and was still under the take-or-pay contract amount. He confirmed that the bacteriological and chlorine samples were all satisfactory but reported that water loss had increased to ±12%. He stated that some of the lost water was probably attributable to increased flushing associated with discolored water and the annual valve and hydrant survey. He next reported that the wastewater treatment plant was in compliance and that there had been no excursions. He then reviewed the latest connection report, noting that there had been only one new connection in the District this year. He then reviewed the billing, adjustments, and delinquent accounts reports and stated that there were no write-offs to consider this month. Mr. Hendrix next review the annual consumer confidence report for 2014, a link to which had been included on customers’ June water bills. Mr. Hendrix next reported on drainage channel damage caused by the rains in May and June. He stated that the heavy rains in May had washed out the bull rock in the channel in Section 15B and that his crews had repaired the damage before the tropical storm rains in June. He stressed that this was only a temporary repair and that a permanent solution would need to be engineered. Mr. Schroeder stated that installation of concrete channel improvements would be very expensive

and the District would likely need the developer's assistance with that. He suggested that the District might be able to re-grade the length of the channel as an alternative. After discussion, the Board generally agreed to address the issue on an ad hoc basis for now. Mr. Hendrix next reported that he was looking in to capital improvement projects to improve the District's utility system, such as "smart" meters and master meters. He stated that master meters would cost \pm \$25,000 each and would probably be handled at the Master District level. He estimated that it would cost \$200 per meter to convert the existing water meters to "smart" meters and that the cost of "smart" meters for new connections could be recouped through an increase in tap fees. Discussion of "smart" meters ensued. Mr. Hendrix stated that most manufacturers guaranteed their "smart" meters for 20 years. The Board generally agreed that it would be prudent to move forward with converting existing meters to "smart" meters and to require installation of "smart" meters for new connections. Mr. Bartram stated that he would prepare a rate order amendment to increase tap fees, and Mr. Hendrix stated that he would work up a proposal to convert the existing meters. Mr. Hendrix then concluded the operations report by presenting (i) the notice from Metro H₂O, Ltd. ("Metro") attached as **Exhibit "I"**, advising the Master District of the 2015 "annual rate payment", which he noted included a CPI increase per the amended wholesale water contract, and (ii) the notice from Metro attached as **Exhibit "J"**, advising the Master District of a volumetric 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 bookkeeper. Mr. Douthitt 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 with the exception of the checks for fees of office for Directors Sams and Zuniga, which would need to be voided due to their absence. He next reviewed the cash/investment activity report including the quarterly investment report, the tax collection report, and the District's financial statements as of June 30, 2015. He stated that the District was currently \pm \$40,000 ahead of plan. Discussion of developer funding obligations ensued. Mr. Bartram noted that, now that there were two developers in the District with reimbursement agreements, developer funding obligations would be split pro rata based on acreage. 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.

There being no representatives of any developer in attendance, 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. He stated that there was currently no active development in the District but that new sections were being planned. He added that Travis County MUD No. 2 had recently approved the Southwest Detention Pond project, which would be joint facility shared with the District. 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 205,000 gpd, with a maximum day of \pm 526,000 gpd, which he stated were still above normal amount due to rainfall in June. He next reported that Master District repairs and maintenance were generally within budget and all invoices were in order. He stated that Ovivo USA, LLC had achieved several months of energy savings over 50% and that it appeared that the six-month energy retest would be satisfied, which would mean that Ovivo would get paid for the second half of the equipment upgrades cost. Mr. Bartram then directed the Board's attention to the Second Amendment to Wilbarger Creek Municipal Utility District No. 2 Wastewater Treatment Plant Membrane Equipment Upgrades and Performance Guaranty Contract attached as **Exhibit "M"**, which he stated had been prepared to memorialize certain clean-up changes to minor discrepancies in the baseline energy consumption data under the Ovivo contract.

Director Kochwelp next announced that the Board would receive a report from the District's financial advisor. Ms. Allen stated that the developer had recently requested Wilbarger Creek MUD No. 2 to support the creation of a public improvement district, or PID, to finance the construction of a bridge across Wilbarger Creek as well as all internal utilities within Wilbarger Creek MUD No. 2. She stated that the board of directors of Wilbarger Creek MUD No. 2 had determined that it could not support the creation of a PID to do what Wilbarger Creek MUD No. 2 was already contractually obligated to do but that it would help evaluate possible alternatives through which the Participant Districts might help the developer finance the construction of a bridge across Wilbarger Creek, as reflected in the letter from Mr. Bartram to the developer attached as **Exhibit "N"**. Mr. Bartram recommended that the Board receive legal advice on this issue in executive session at the end of the meeting before taking any action. The Board concurred.

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, which he confirmed were all complete or in process.

Director Kochwelp next announced that the Board would consider the Master District and Advisory Committee items on the agenda. Mr. Bartram first reviewed the Master District's latest draft list of capital improvement projects and 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. After discussion, the Board agreed that it would meet in September and October and then go back to an every-other-month meeting schedule, consistent with past practice.

At 12:57 p.m., Director Kochwelp announced that the Board would convene in executive session in order to receive legal advice regarding on PID creation and possible alternatives to assist the developer with financing construction of a bridge across Wilbarger Creek, as permitted by Section 551.071 of the Texas Government Code. The Board reconvened in open session at 1:17 p.m., and Director Kochwelp confirmed that no action was taken in executive session. The Board then directed Ms. Allen to follow up with the developer regarding alternatives that might help the developer expedite construction of the bridge across Wilbarger Creek and Mr. Bartram to include an item on the Board's September agenda to initiate the District's first bond application.

Director Kochwelp then asked if there was any 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: September 3, 2015