

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

August 6, 2020

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, 2020, via telephone conference call pursuant to Section 551.125 of the Texas Government Code, as modified temporarily by Governor Greg Abbott, and the related guidance from the office of the Texas Attorney General, in connection with the Governor’s COVID-19 Disaster Proclamation. Notice of the meeting 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 meeting was open to the public via the toll-free dial-in telephone number provided in the meeting notice. An electronic agenda packet for the meeting was provided on-line via the link included in the meeting notice. The meeting was recorded, and the recording was made available at the same link after the meeting.

In order to facilitate the efficiency of the telephone proceedings, Director Kochwelp asked Mr. Bartram to moderate the meeting. There being no objections, Mr. Bartram called the telephone conference meeting to order at 12:01 p.m. The roll was called of the members of the Board:

Bill Kochwelp	-	President
Tim Dalton	-	Vice President
Scott Sams	-	Secretary
Diana Zuniga	-	Assistant Secretary
Brandon Somers	-	Assistant Secretary

and all of the Directors were present, thus constituting a quorum. Also present at times on the call were Mary Bott of Bott & Douthitt, PLLC, the District’s accountant; Nancy Olson of McCall Gibson Swedlund Barfoot PLLC, the District’s auditor; Dennis Hendrix of Crossroads Utility Services LLC, the District’s utility operator; Ken Schroeder of Schroeder Engineering Company, the District’s engineer; Lauren Smith of Public Finance Group LLC, the District’s financial advisor; 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.

Mr. Bartram stated that the Board would first receive citizens’ communications and Board member announcements. There being none, Mr. Bartram stated that the Board would next consider the minutes of the May 7, 2020 Board meeting. Upon motion by Director Sams and second by Director Dalton, the minutes were unanimously approved.

Mr. Bartram next announced that the Board would consider a proposal from McCall Gibson Swedlund Barfoot PLLC for audit services. Ms. Olson directed the Board’s attention to the proposal attached as **Exhibit “B”**. She noted that the proposed engagement covered both the 2019-2020 and 2020-2021 fiscal years and that the proposed fees for both audit years were between \$11,500 and \$13,000, which were about \$1,500 higher than the fee ranges from the last two years. Ms. Olson also reviewed the fraud questionnaire attached as **Exhibit “C”**, which she

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, and she advised anyone with questions or concerns about fraud to contact her office. Director Kochwelp asked Mr. Bartram if he had reviewed the documents. Mr. Bartram confirmed that he had, noting that, except for the fee increase, the scope of engagement was substantially similar to prior years. After discussion, upon motion by Director Zuniga and second by Director Sams, the Board voted unanimously to engage McCall Gibson Swedlund Barfoot PLLC for the audit of the District's financial statements for the fiscal years ending September 30, 2020 and September 30, 2021.

Mr. Bartram then stated that the Board would consider the election items on the Supplemental Agenda. He reminded the Board that director elections were held in November of every even-numbered year. He stated that it was time to call the District's 2020 Director election, noting that Directors Zuniga and Somers were up for re-election this year; but he indicated that the election could be canceled if uncontested. Mr. Bartram then directed the Board's attention to the Order Calling Director Election attached as **Exhibit "D"** (the "Election Order") and recommended that the Board approve the Election Order and authorize his office to give notice of the election as required by law. Mr. Bartram next reviewed the Resolution Approving Election Agreement and Joint Election Agreement attached as **Exhibit "E"** (the "County Election Agreement Resolution") and the agreements attached thereto, which he noted would engage Travis County to staff and conduct the District's election and allow the District to hold its election jointly with other jurisdictions. He explained that doing so would facilitate the conduct of the elections, enable District voters to vote a combined ballot for all applicable elections at a single polling location, and be more cost-effective for the District than holding an election independently. Mr. Bartram noted that the Texas Election Code required the terms of a joint election agreement to be stated in a resolution, order, or other official action adopted by the Board and pointed out that the County Election Agreement Resolution authorized the officers of the District to execute the agreements when finalized. After discussion, upon motion by Director Dalton and second by Director Sams, the Board voted unanimously to (i) approve the Election Order; (ii) approve the County Election Agreement Resolution, including the forms of agreements attached thereto; and (iii) authorize the District's attorney to publish and post notice of the District's November 2020 election, as required by law.

Mr. Bartram next announced that the Board would consider taking action regarding budget and tax items and directed the Board's attention to the Certified Estimate of 2020 Appraised Values from Travis Central Appraisal District attached as **Exhibit "F"**. He indicated that the net taxable value within the District for 2020 was ±\$115,000,000, which was up from ±\$61,000,000 in 2019. Ms. Smith added that average home values were also up slightly, from ±\$217,000 last year to ±\$219,000 this year. Mr. Bartram next advised the Board that, under the new Water Code provisions enacted last legislative session as part of Senate Bill 2 ("SB2"), water districts were now divided into three classifications for tax rate purposes – low tax rate districts, developed districts, and other or "developing" districts. He referred the Board to the memorandum attached as **Exhibit "G"** and explained that low tax rate districts are districts with an operation and maintenance tax of 2½ cents or less; that developed districts are districts that have financed, completed, and issued bonds to pay for all land, works, improvements, facilities, plants, equipment, and appliances necessary to serve at least 95 percent of the projected build-out of the district in accordance with applicable law; and that all other districts fall into the "other" or "developing" category. Mr. Bartram stated that the Board would need to determine the District's SB2 tax rate classification annually, and he asked Ms. Smith and Mr. Schroeder for their recommendations. Ms. Smith stated that, based on the status of development, the District was still a "developing district". Mr. Schroeder concurred. Mr. Bartram stated that the classification was important because it governed the rollback rate rules and procedures that would apply to the District.

Ms. Smith then reviewed the tax rate analysis materials attached collectively as **Exhibit “H”**. She recommended that the District establish a total proposed tax rate for 2020 of \$0.8780 per \$100 of assessed value, which was the same overall tax rate as the prior year. She explained that the recommended rate was comprised of a \$0.2450 operations and maintenance tax, a \$0.35 contract tax, and a \$0.2830 debt service tax, and, due to the increase in property values, would result in a ±\$22 increase in the average tax bill. She stated that this equated to a 1.15% increase, which was under the rollback threshold and that, therefore, the new SB2 rollback rate calculations would not be an issue this year. Ms. Bott then reviewed the draft budget for the 2020-2021 fiscal year attached as **Exhibit “I”**, which she stated was based on \$115 million in property values, 107 new connections, and the tax rate allocations recommended by Ms. Smith. She indicated that the budget projected year-end net revenues of ±\$233,000. She stressed that the proposed budget was a draft that was subject to change and that the final version would be considered in September. Mr. Bartram then presented and reviewed with the Board the memorandum attached as **Exhibit “J”**, summarizing the schedule and process for adopting a budget and setting a tax rate. He reminded the Board that the next meeting was scheduled for noon on Thursday, September 3rd, and he asked the Board members to confirm their availability. The Board members consulted their calendars and indicated that they were all available for the September 3rd meeting. Mr. Bartram then summarized the action required with respect to the budget and tax rate items on today’s agenda and advised that the Board needed to accomplish the following at this meeting: determine the District’s tax rate classification under SB2; establish a proposed tax rate by record vote; schedule a public hearing at which the adoption of the tax rate will be considered; and authorize notice of the public hearing on the tax rate to be published in the newspaper. Upon motion by Director Zuniga and second by Director Dalton, the Board voted to classify the District as a “developing district” for the 2020 tax year for SB2 purposes; to establish a proposed 2020 tax rate of \$0.8780 per \$100 valuation; to schedule a public hearing at noon on Thursday, September 3, 2020 to consider the adoption of the tax rate; and to authorize the Notice of Public Hearing on Tax Rate to be published in the newspaper, with Directors Kochwelp, Dalton, Sams, Zuniga, and Somers all present and voting “aye”.

Mr. Bartram next recognized Mr. Hendrix for a report from the District’s utility operator. Mr. Hendrix directed the Board’s attention to the operations report attached as **Exhibit “K”** and reviewed the latest water, water accountability, take-or-pay water purchase tracking, water usage analysis, wastewater, connection, billing, and write-off reports. He reported that water loss was still high and that leak detection work was ongoing. He stated that, so far, nine fire hydrant leaks and one mainline leak had been identified and repaired. Mr. Hendrix stated that the repairs appeared to be curbing water loss and that he would continue to evaluate the data after the end of the next billing period to determine if any additional leak investigation was warranted, noting that this was a priority because of the effect on take-or-pay wholesale water purchase obligations. Mr. Hendrix next discussed his plan to resume normal delinquent and disconnect policies. He stated that most utilities in the region were resuming normal procedures and that he felt it was time for the District to do so too. He indicated that the District currently had ±\$9,500 in aged receivables over 41 accounts and that the plan was to send notices to these customers to catch up or work out payment arrangements. Director Zuniga asked why the water purchases report referenced Wilbarger Creek MUD No. 2 instead of the District. Mr. Hendrix explained that water was purchased through Wilbarger Creek MUD No. 2 as the Master District. Mr. Hendrix next reported on Master District operations, noting that the wastewater treatment plant had been running very well, subject to various ongoing maintenance issues, and that the flows had been normal. He stated that Crossroads had completed significant maintenance on half of the plant in July and that the other half was scheduled for October. Mr. Hendrix then closed by reviewing the District’s 2019 Annual

Drinking Water Quality Report (Consumer Confidence Report), noting that there were no water quality concerns.

Mr. Bartram then stated that the Board would receive a report from the District's accountant. Ms. Bott first reviewed the accounting report attached as **Exhibit "L"** and recommended approval of five transfers, the Director and vendor payments, and the District's September bond payments. She then reviewed the District's latest financial statements, tax collection report, and budget-to-actual comparison, noting that 97.82% of the District's 2019 tax levy had been collected and that the District was \$26,000 ahead of plan three quarters of the way through the fiscal year. After discussion, upon motion by Director Sams and second by Director Zuniga, the Board voted unanimously to approve the transfers, the Director and vendor payments, and the bond payments, as presented.

Mr. Bartram next announced that the Board would receive a report from the District's financial advisor. Ms. Smith stated that her firm was targeting the District's next bond application early next year.

Mr. Bartram then recognized Mr. Schroeder for a report from the District's engineer. Mr. Schroeder directed the Board's attention to the memorandum attached as **Exhibit "M"**. He reported that he had reviewed the plans for several new sections of development but that he had no pay estimates to present this month. Mr. Schroeder then addressed items related to the Master District. He reported that the flows through the wastewater treatment plant had generally been consistent and within expected ranges; that there had been no permit excursions; that the expansion of the wastewater treatment plant was under design; that the wastewater interconnect agreement with the City of Manor that would allow wastewater flows from the Participant Districts to be treated at the City's wastewater treatment plant on a temporary basis had been finalized; and that the plan review of the second elevated storage tank was complete and the project was expected to be bid in September. Director Zuniga asked if the existing wastewater treatment plant would be closed after the new plant was constructed. Mr. Schroeder stated that it was his understanding that most of the existing plant would be incorporated into the design of the new plant.

Mr. Bartram then stated that the Board would receive a report from the developer and recognized Mr. Allison. Mr. Allison directed the Board's attention to the "Construction Status as of 7/31/20" report attached as **Exhibit "N"** and updated the Board on the status of construction and homebuilding activity in ShadowGlen. He stated that there were only three lots currently left in the District but that County approval of the development permits for Section 28, which would "unlock" several additional sections, was expected soon. He stated that his company was working to clear the last environmental comment and construction should be underway within 30 days. Mr. Allison next reported that there were 180 lots left in Travis County MUD No. 2 and that he did not have any updates regarding commercial or regional infrastructure development. Mr. Bartram then directed the Board's attention to the Second Amendment to the Development Agreement for the ShadowGlen Subdivision attached as **Exhibit "O"**, which he stated had been negotiated between the developers and the City to extend the term of the agreement as to the developer parties and to establish a plan for the construction of the trail system and bridge across Wilbarger Creek. Mr. Bartram stated that he had made several comments to the draft amendment, including pointing out that this would be a good opportunity to square up all of the dates and terms in the agreement, but that the developers' legal counsel had asked him to defer those issues to a subsequent amendment in an effort to appease the City and finalize the Second Amendment. After discussion, upon motion by Director Zuniga and second by Director Dalton, the Board voted unanimously to approve the Second Amendment to the Development Agreement for the ShadowGlen Subdivision, as

presented. Mr. Bartram next directed the Board's attention to the draft Third Amendment to the Development Agreement for the ShadowGlen Subdivision attached as **Exhibit "P"**, which he stated he had drafted as a "housekeeping" amendment to "square up" the MUD-related terms that had not been addressed in the Second Amendment. He stated that City staff had indicated that City Council would likely be receptive to such an amendment if some additional details were added regarding the developer's obligation to construct the bridge. Mr. Bartram explained that the extension of the dissolution date for Wilbarger Creek MUD No. 2 (*i.e.*, the date before which the City had agreed not to annex and abolish such district) was also of particular concern to the developer because it was a condition to closing of the sale of Phase 3 to Meritage Homes, which was contractually required to occur before the end of August. Mr. Bartram stated that the draft amendment had been sent to the City several weeks ago and that it was his understanding that City comments were expected soon. In the interest of time and to avoid the need for a special meeting, he recommended that the Board authorize the standing subcommittee on emergency and time sensitive matters to negotiate and execute the proposed Third Amendment between Board meetings. After discussion, upon motion by Director Zuniga and second by Director Sams, the Board voted unanimously to do so.

Mr. Bartram stated that the next item on the agenda was a report from the District's attorney. He first reviewed the consultant directives report and noted that there were no directives outstanding. He next reported that there were no updates or action required regarding the District's website. He then concluded by advising that the special permission from the Governor to hold Board meetings by telephone conference had been extended through August 10th and was expected to be extended further.

Mr. Bartram next announced that the Board would consider the Master District and Advisory Committee items on the agenda. Mr. Bartram first reported that the Master District continued to explore potential alternative water suppliers that might be interested in providing water service to the Participant Districts after the initial 20-year term of the current wholesale contract. He next reported that, pursuant to the letter attached as **Exhibit "Q"**, Metro Water Systems, Inc. ("*Metro*") had responded to the Master District's request for supporting documentation regarding Metro's notice of intent to recalculate the water LUE Fee. Mr. Bartram stated that, despite the explanations offered by Metro in the letter, the Master District consultant team was not in a position to recommend that the Advisory Committee approve the LUE fee increase because Metro's calculations did not appear to be consistent with the methodology required under the wholesale water supply contract and had responded accordingly by the letter attached as **Exhibit "R"**. He next reported that the Master District had made the "Annual Rate Payment" to Metro last month, and that he had received the notice from Metro attached as **Exhibit "S"**, advising the Master District of the annual surcharge passing through to the Districts an increase in Metro's water costs from EPCOR. Mr. Bartram next reported that the Master District was contemplating the issuance of additional new money bonds to finance the expansion of the wastewater treatment plant and construction of the additional elevated storage tank, as evidenced by the notice to the Participant Districts attached as **Exhibit "T"**, and he recommended that the Board confirm receipt of such notice under the Master District Contract. After discussion, upon motion by Director Zuniga and second by Director Sams, the Board voted unanimously to confirm receipt of the Master District's notice of intent to issue bonds pursuant to the letter attached as **Exhibit "U"**. Mr. Bartram next reported that, as mentioned by Mr. Schroeder, the Master District continued to plan for the construction of an additional elevated water storage tank and expansion of the wastewater treatment plant. He then closed by directing 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.

Mr. Bartram then stated that the Board would consider its future meeting schedule and agenda items. He reminded everyone to keep the September meeting calendared for quorum purposes and noted that the October meeting was scheduled for October 1st.

There being no further business to come before the Board, the meeting was adjourned at 12:55 p.m.

(Signature page follows.)

(SEAL)



Scott Sams

Scott Sams
Secretary, Board of Directors

Date: September 3, 2020