

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

August 7, 2014

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 7, 2014, 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; Margret Wingrove 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 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.

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 5, 2014 Board meeting. Upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve the minutes.

Director Kochwelp then stated that the Board would consider the election items on the Supplemental Agenda. Mr. Bartram reminded the Board that director elections were now held in November of every even-numbered year, and he stated that it was time to call the 2014 Director election. He stated that the election could be canceled if uncontested. He then directed the Board's attention to the Order Calling Director Election for November 4, 2014, a copy of which is attached as **Exhibit "B"**. He recommended that the Board approve the Order calling the election and authorize his office to give notice of the election as required by law. He then confirmed that his office had already posted the notice of the deadline to file an application for a place on the ballot, as required by the Texas Election Code. Mr. Bartram next reviewed the Resolution Approving Election Agreement and Joint Election Agreement, a copy of which is attached as **Exhibit "C"**. He stated that, under this arrangement, Travis County would staff and conduct early and regular voting for the District's election at a cost that should be substantially lower than either purchasing or renting compliant voting equipment. He further stated that the District had the opportunity to conduct its election jointly with other

jurisdictions, which would facilitate the conduct of the elections and enable District voters to vote a combined ballot for all applicable elections at a single polling location. At this time, Mr. Bartram reviewed the draft Election Agreement and the draft Joint Election Agreement attached to the Resolution Approving Election Agreement and Joint Election Agreement. He 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 Resolution authorized the officers of the District to execute the agreement when finalized. After discussion, upon motion by Director Zuniga and second by Director Dalton, the Board voted unanimously to (i) approve the Order Calling Director Election for November 4, 2014, as presented; (ii) approve the Resolution Approving Election Agreement and Joint Election Agreement, including the form Election Agreement and form Joint Election Agreement attached thereto, as presented; and (iii) authorize the District's attorney to give notice of the November 4, 2014 Director election.

Director Kochwelp next announced that the Board would consider taking action regarding budget and tax items. Ms. Allen 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. She stated that the appraisal district still had not certified the property values but that she had been told that values would be certified by mid-August. Ms. Allen then reviewed the 2014 certification estimates and tax rate analysis materials attached as **Exhibit "E"**. She noted that the District's preliminary net taxable value for 2014 was \$22,982,695, which was up from ±\$20,282,879 in 2013. 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 2014 of \$0.9275, comprised of a \$0.38 contract tax and a \$0.5475 operations and maintenance tax. Ms. Allen noted that the District could always adopt a lower tax rate, but could not go higher than the proposed rate set at this meeting. Ms. Bott then reviewed the draft budget for the 2014-2015 fiscal year attached as **Exhibit "F"**, which she noted was supported by the recommended \$0.9275 tax rate and \$137,750 in developer funding. She stated that no new taps were projected for the year. Ms. Bott also reviewed the water and wastewater capacity allocations for the upcoming fiscal year attached as **Exhibit "G"** and the draft Master District budget for the 2014-2015 fiscal year attached as **Exhibit "H"**. She noted that, because of the new development in Cottonwood Creek MUD No. 1, the Master District allocations had changed slightly, which reduced the District's share of the Master District charges. 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. 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 2014 tax rate by record vote; (ii) schedule a public hearing at which the adoption of the 2014 tax rate would be considered; and (iii) authorize notice of the public hearing on the 2014 tax rate to be published in the newspaper. After discussion, upon motion by Director Dalton and second by Director Zuniga, the Board voted to (i) establish a proposed 2014 tax rate of \$0.9275 per \$100 valuation; (ii) schedule a public hearing at noon on Thursday, September 4, 2014 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, Sams, Ragland, and Zuniga 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 "I"** and stated that she was filling in for Mr. Hunt, who was on vacation. She reported that the new elementary school in ShadowGlen was under construction and that the new medical center was almost complete. She pointed out that water consumption had decreased

slightly, that water loss was down to 1.8%, and that the bacteriological and chlorine samples were satisfactory. However, she did note that there had been two water quality complaints in the District in July, which had been resolved by flushing. She then reviewed the connection, billing, adjustments, and delinquent accounts reports and recommended approval of one write-off. Ms. Wingrove then reported on wastewater treatment plant operations, noting that the plant was in compliance and that there had been no excursions. Mr. Bartram then directed the Board's attention to (i) the notice from Metro attached as **Exhibit "J"**, advising the Master District of the 2014 "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 "K"**, advising the Master District of a volumetric surcharge passing through to the Districts an increase in Metro's water costs from Blue Water. He then alerted the Board to pending changes to the Texas Commission on Environmental Quality's lead and copper sampling, as detailed in the letter attached as **Exhibit "L"**. After discussion, upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve the write-off, as recommended.

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 "M"**, including the bills, invoices, and transfers set forth on the updated cash activity report, and recommended approval. She next reviewed the cash/investment activity report, the tax collection report, the District's financial statements as of June 30, 2014, the supplementary information, including the budget comparison, and the latest quarterly investment report. She stated that the District was currently running a  $\pm$ \$18,000 positive budget variance primarily due to tap fees that had not been budgeted for. After discussion, upon motion by Director Dalton and second by Director Ragland, 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. Mr. Allison reported that his company had recently sold 25 lots to Ryland Homes ("*Ryland*") and that Ryland was close to starting model homes on four of those lots. He stated that his company was working with Ryland on marketing signage within the community, including builder directional signage. Mr. Allison next reported on the status of the Lexington Street project. He stated that the paving and striping was done and that work on the early warning electrical system was in process. He anticipated that the roadway would open by October 1<sup>st</sup>. He next reported that the Manor Expressway was now open and that the ShadowGlen elementary school was under construction and scheduled to open in the Fall of 2015. Mr. Allison then reported that additional landscaping enhancements were underway and that the major roadways had just been seal-coated. He next reported that the only developed lots that his company had left on the ground were 55 of the 75' lots along the golf course. He indicated that these lots would be sold at a premium and that his company was looking for one builder to take the lots down. Director Zuniga asked what the lot price of these lots was. Mr. Allison stated that he would double-check and let the Board know. He then reported that Ryland had an option to purchase one half of Section 14B, which he predicted Ryland would exercise if its initial 25 lots sold well. He added that his company had engineered plans ready for Sections 16 and 19 for lots on a paper lot or developed lot basis and that he had started the engineering for Sections 17, 18, 21, and 24, which would include the last two major loop roads in the development. He stated that he expected to have  $\pm$ 5 sections under development by next spring. Director Kochwelp asked what Ryland's home prices would be. Mr. Allison estimated that they would be in the mid-\$200,000s. Director Kochwelp asked if Ryland was currently the only active builder in ShadowGlen, and Mr. Allison confirmed that to be the case.

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 "N"**. 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  $\pm 168,000$  gpd, with a maximum day of  $\pm 266,000$  gpd, which he stated were generally within the expected range of flows based on the current number of connections. Mr. Schroeder next reported that Master District repairs and maintenance were within budget and all invoices were in order. He next confirmed that Ovivo USA, LLC ("Ovivo") was still working on ways to control ammonia levels at the wastewater treatment plant and had installed a temporary pump to keep the sludge moving between basins. He stated that this alternative was being tested and that, if the results were satisfactory, the energy re-test would begin later in August. He next reported that construction of the emergency water interconnect to the City of Manor's water system was expected to begin later in the month and that the renewal of the wastewater discharge permit for the wastewater treatment plant was in process. He then concluded by noting that one of the new blower fans had already failed and would be replaced under warranty.

Director Kochwelp then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram stated that there were no outstanding consultant directives. He then concluded by reporting that the Texas Municipal League Intergovernmental Risk Pool was seeking nominations for its board of trustees and that, as a member of the risk pool, the District had the opportunity to nominate a candidate. After discussion, the Board declined to submit a nomination.

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 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 4<sup>th</sup> meeting date 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 12:39 p.m.

*(Signature page follows.)*

(SEAL)



  
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Scott Sams, Secretary  
Board of Directors

Date: September 4, 2014