

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

September 1, 2011

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 September 1, 2011, 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; Margret Wingrove of Crossroads Utility Services LLC; Cheryl Allen of Southwest Securities; and Patrick Carlson of Armbrust & Brown, PLLC.

Director Kochwelp called the meeting to order at 12:01 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 items on the consent agenda, and he asked Mr. Carlson to review those items. Mr. Carlson first presented the minutes of the August 4, 2011 Board meeting. He next reviewed the Plumbing Inspection Services Agreement with Dan McDowell d/b/a Able Restoration Services attached as Exhibit "B". Upon motion by Director Ragland and second by Director Sams, the Board voted unanimously to approve the minutes and the Plumbing Inspection Services Agreement.

Director Kochwelp then stated that the Board would next consider the District's 2011 tax rate. Ms. Allen distributed the tax rate analysis attached as Exhibit "C", and reviewed it with the Board. She stated that she recommended that the District establish a total proposed tax rate for 2011 of \$0.95, comprised of a \$0.35 contract tax and a \$0.60 operations and maintenance tax, which she noted was the same total tax rate as the prior year. Ms. Allen added that, if the Board adopted the recommended tax rate, the average resident tax bill would decrease by approximately \$73.

Director Kochwelp stated that the Board would next conduct a public hearing on the District's 2011 tax rate. He opened the public hearing and inquired whether there was anyone present wishing to address the Board on the matter of the District's tax rate. There being no one, Director Ragland moved that the public hearing be closed. Upon second by Director Dalton, the Board voted unanimously to do so. Mr. Carlson then presented and reviewed the notices from Travis County Municipal Utility District No. 2 ("TCMUD#2"), copies of which are attached as Exhibits "D", "E", and "F", respectively, advising the District that operating budgets for the Wilbarger Creek Wastewater Interceptor, ShadowGlen Trace, and Southeast Detention Pond joint facility projects had been adopted by TCMUD#2 in its capacity as the manager of those joint facilities.

Director Kochwelp then stated that the Board would next discuss the District's operating budget for the 2011-2012 fiscal year. Ms. Bott reviewed an updated draft of the 2011-2012 budget with the Board, and explained that the only change was to adjust the Master District expenses, which had decreased slightly. Ms. Allen pointed out that the budget included a developer contribution. Director Kochwelp stated that the District needed a written agreement with the developer which would obligate the developer to contribute those funds. Ms. Bott pointed out that the developer had provided funding for the prior year. Ms. Allen reported that she had talked to the developer about the contribution, and that Danny Burnett had asked if the contribution could be paid in quarterly installments. She stated that TCMUD#2 had been comfortable with that arrangement. Director Kochwelp asked that the District's attorney work on a formal, written agreement with the developer for funding. Director Kochwelp then asked about the increased expenses in the District's proposed budget. Ms. Allen explained that the increase was primarily due to wastewater treatment plant repairs and the increased water rate. She then presented the projection of income and expenses, attached as Exhibit "G", and reviewed the historical and projected expenses with the Board. Ms. Bott then presented the proposed budget for Wilbarger Creek Municipal Utility District No. 2's ("WCMUD#2") as the Master District for the 2011-2012 fiscal year, and reviewed it with the Board. She pointed out that the wastewater treatment plant maintenance and repair expenses were projected to decrease during the next fiscal year. Ms. Bott explained that it was important to establish a fund to cover the cost of replacing the wastewater treatment plant membranes. Ms. Wingrove stated that the wastewater treatment plant had approximately 4,200 membranes and that each membrane had a ten-year life span. Ms. Allen noted that approximately 20% of the membranes had already been replaced. After discussion, upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve the District's budget, as presented, based on an overall tax rate of \$0.95, and to adopt the Resolution Adopting Budget attached as Exhibit "H".

Director Kochwelp then stated that the Board would take a record vote on the District's 2011 tax rate and consider adopting an Order Levying Taxes. Upon motion by Director Dalton and second by Director Ragland, the Board voted to establish a tax rate of \$0.95, consisting of a \$0.60 operations and maintenance tax and a \$0.35 contract tax, and to adopt the Order Levying Taxes attached as Exhibit "I", with Directors Kochwelp, Dalton, Ragland, and Sams voting "aye". Director Zuniga was not present for the vote.

Director Kochwelp then stated that the Board would consider approving an Amended and Restated Information Form. Mr. Carlson explained that Board action on this matter was not necessary because the District's overall tax rate had not changed.

Director Kochwelp then stated that the Board would receive a report from the District's utility operator. Ms. Wingrove reviewed her report and stated that water flows had increased in July, and that all water test results had been satisfactory. She explained that the percentage water loss had increased to approximately 4.9%, but stated that it was likely a result of increased flushing, which was partly due to the change in the wholesale water supply. Ms. Wingrove stated that she had received no calls in the District about water quality, but had received numerous calls in Cottonwood Creek MUD No. 1, which was at the end of the water system. She explained that the water quality condition was caused in part by a chemical reaction of the new water with mineral deposits in the lines from the prior water supply. Ms. Wingrove added that a lot of flushing had been required, but that water quality had improved. She then reported that three taps had been sold in the District for July, and that the District only needed to sell one additional tap to meet its budget for the current year. Ms. Wingrove stated that there had been one service termination in July, and that there were no write-offs for the Board to consider. She then concluded by reporting that she was very pleased with how the wastewater treatment plant was running.

Director Kochwelp then stated that the Board would receive a report from the District's bookkeeper. Ms. Bott reviewed the bills, invoices, and transfers set forth on the updated cash activity report attached as Exhibit "J" and recommended approval, with the exception of Director Zuniga's per diem check, which would be voided. She then reviewed the budget comparison and the financial statements as of July 31, 2011, and noted that the District was running a \$21,000 positive variance since its adoption of the amended budget for the current year. Ms. Bott then concluded by stating that one homeowner was delinquent on 2010 taxes. Upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve the bills, invoices, and transfers as presented.

Director Kochwelp then stated that the Board would receive a report from the District's financial advisor. Ms. Allen reviewed the foreclosure report attached as Exhibit "K". She stated that there had been one foreclosure in July and that the winning bid amount had been less than the appraised value of the home.

Mr. Carlson stated that he had spoken with Mr. Schroeder prior to the Board meeting and reviewed Mr. Schroeder's report attached as Exhibit "L". He stated that he could provide the Board with an update on the status of the approved wastewater treatment plant repairs, as reflected on the Pending Maintenance Items report attached as Exhibit "M", and Director Kochwelp asked Mr. Carlson to do so. Mr. Carlson reported that an additional 69 faulty membranes had been identified and replaced, and that the pump for acid cleaning had also been replaced. He stated that the air conditioner in the MCC building had been repaired, and that Mr. Schroeder anticipated presenting the invoice for the repair work at WCMUD#2's next board meeting the following week. Mr. Carlson concluded that additional harmonics testing

had revealed no significant harmonics issues, and that no additional improvements were needed for harmonics control at that time.

Director Kochwelp then stated that the Board would receive a report from the District's attorney. Mr. Carlson first reviewed the consultant directives. Mr. Carlson then reviewed the fraud questionnaire from McCall Gibson Swedlund Barfoot PLLC with the Board, and each Board member confirmed that he understood the risks of fraud, but was unaware of any fraud, suspected fraud, or allegations of fraud affecting the District. The Board also discussed the steps taken by the Board and its consultants to mitigate the risks of fraud, including the implementation of various internal controls by the Board. The Board members further confirmed that, to each of their knowledge, the District was in compliance with all applicable laws and regulations. Mr. Carlson reminded the Board that the Board conducted an annual review of its Code of Ethics, which emphasized the importance of ethical behavior and appropriate business practices and the Board concurred. Mr. Carlson reported that the District's website was up and running, and that there were no problems to report. He then pointed out information regarding the ShadowGlen Golf Course closure in the Board's meeting packet, including the memorandum from the City of Manor's attorney attached as Exhibit "M". Mr. Carlson recommended that the Board receive legal advice regarding the Golf Course closure in executive session before taking any action, and suggested that the Board do so at the end of his report. The Board concurred. He then reported on the status of the Development Agreement for the ShadowGlen Subdivision. Mr. Carlson stated that the Development Agreement had been finalized by Mr. Bartram and that it was ready for approval by the Board. Ms. Allen added that the representatives of the board of directors of TCMUD#2 had met with the mayor of the City of Manor to discuss certain additional requirements being imposed on the districts by the City, and that all issues had been resolved. Upon motion by Director Dalton and second by Director Ragland, the Board voted unanimously to approve the Development Agreement for the ShadowGlen Subdivision attached as Exhibit "N". Mr. Carlson advised the Board that the Utility Construction Agreement for the ShadowGlen project was under review by the developer.

Director Kochwelp then stated that the Board would receive a report regarding Master District and Advisory Committee items. Mr. Carlson first reviewed the agenda and draft minutes from the August 1, 2011 joint meeting of the board of directors of WCMUD#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. He then reported on the status of the wholesale water rate settlement with Metro H2O. Mr. Carlson confirmed that all settlement documents had been finalized and signed, and that all settlement payments had been made at the end of the prior month.

Director Kochwelp then questioned whether there were any future agenda items or further business to come before the Board. Mr. Carlson reminded the Board of its goal to meet only as necessary in order to reduce costs, and stated that his firm would coordinate future Board meetings to accomplish that goal. Ms. Bott stated that, if the Board decided not to meet in October, then she would need approval of an additional funds transfer in the amount of


\$4,000 to the manager's account to cover the next month's trash service bill, and a directive from the Board to make the payment. Upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve the \$4,000 transfer to the manager's account, with a directive to Ms. Bott to pay the October trash service bill.

Director Kochwelp then asked if there was any further business to be discussed before convening in executive session. At 12:44 p.m., Director Kochwelp then stated that the Board would convene in executive session in order to receive legal advice regarding the ShadowGlen Golf Course closure, as permitted by Section 551.071 of the Texas Government Code. The Board reconvened in open session at 12:56 p.m., and Director Kochwelp stated that no action had been taken during executive session.

There being no further business to come before the Board, the meeting was adjourned.

(Signature page follows.)

(SEAL)



Scott Sams, Secretary
Board of Directors

Date: 11/3/11