

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

September 3, 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 September 3, 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, thus constituting a quorum. Also present at the meeting were Mary Bott of Bott & , PLLC, the District’s bookkeeper; Dennis Hendrix of Crossroads Utility Services LLC, the District’s utility operator; Russ Allison and Crys Sanders of Argent Management, LLC, representing SG Land Holdings LLC, the residential developer in the District; Danny Burnett, representing Cottonwood Holdings, Ltd. and ShadowGlen Development Corporation, the commercial developer in the District; 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 12:00 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 minutes of the August 6, 2015 Board meeting. Upon motion by Director Dalton and second by Director Zuniga, the Board voted unanimously to approve the minutes.

Director Kochwelp then stated that the Board would consider the renewal of the District’s Operations Services Agreement with Crossroads Utility Services LLC. Mr. Bartram reported that the District’s operations contract was scheduled to expire at the end of September and that he had coordinated with Mr. Hendrix on renewal of the agreement for another two years. Mr. Hendrix summarized the proposed changes to the agreement, noting that the exhibit for equipment charges had been updated and that the fee for meter change-outs had been increased from \$45 to \$65. After discussion, upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to approve the renewed Operations Services Agreement with Crossroads Utility Services attached as **Exhibit “B”**.

Director Kochwelp next announced that the Board would consider an assignment of the utility construction agreement with Cottonwood Holdings, Ltd. (“*CHL*”). Mr. Bartram reminded the Board that it had approved a reimbursement agreement with *CHL* at the last meeting. He

stated that that, in order to maintain its “investor” status for tax purposes, CHL planned to assign its reimbursement agreement with the District to ShadowGlen Development Corporation, its development affiliate, and had requested the District’s consent to such assignment. Upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to approve the Assignment of Utility Construction Agreement and Consent attached as **Exhibit “C”**.

Director Kochwelp then stated that the Board would consider the budget and tax items on the agenda and conduct a public hearing on the District’s 2015 tax rate. Ms. Allen first reported that Travis Central Appraisal District had finally certified values, as reflected in the Certification of 2015 Appraised Values attached as **Exhibit “D”**, and stated that, in order to stay below the 8% rollback rate, she was recommending a slight reduction in the overall tax rate to \$0.9080, which was comprised of a \$0.5580 operations and maintenance tax and a \$0.35 contract tax, as more particularly detailed in the tax rate analysis summary and related materials attached as **Exhibit “E”**. Director Kochwelp then opened the public hearing and inquired whether there was anyone present wishing to address the Board regarding the District’s tax rate. There being no public comment on the tax rate, Director Kochwelp then closed the public hearing.

Director Kochwelp then stated that the Board would discuss and consider adopting a budget for the District’s 2015-2016 fiscal year. Ms. Bott presented and reviewed a draft budget attached as **Exhibit “F”**, which he explained had been updated based on discussions at the August meeting. He stated that the budget included funds for “smart” meter conversions and an increased Master District capital reserve, was subsidized by \$137,750 in developer funding, was based on the recommended \$0.9080 tax rate and 24 projected new connections, and projected a surplus at the end of the fiscal year of \$±80,000. At this time, Mr. Bartram presented the Developer Funding Agreements with SG Land Holdings LLC and ShadowGlen Development Corporation for the 2015-2016 fiscal year, copies of which are attached as **Exhibit “G”**, which he stated would provide for quarterly payment of the \$137,500 budgeted developer funding amount pro-rated between the two developers based on acreage. Director Zuniga asked if the developers were responsible for budget shortfalls. Mr. Bartram stated that the developer funding amount was based on the District’s budget and that if there was a shortfall, the developers would be expected to help cover that shortfall under their reimbursement agreements with the District. After discussion, upon motion by Director Zuniga and second by Director Ragland, the Board unanimously approved the Developer Funding Agreements as presented. Director Dalton then moved that the Board approve the Resolution Adopting Budget attached as **Exhibit “H”**. Director Sams seconded the motion, which then carried unanimously.

Director Kochwelp then stated that the Board would next consider establishing the District’s 2015 tax rate. Ms. Allen reiterated her recommendation that the District establish a total tax rate for 2015 of \$0.9080, comprised of a \$0.35 contract tax and a \$0.5580 operations and maintenance tax. Upon motion by Director Sams and second by Director Zuniga, the Board voted unanimously to establish a tax rate of \$0.9080, allocated as recommended by Ms. Allen, and to adopt the Order Levying Taxes attached as **Exhibit “I”**, with Directors Kochwelp, Dalton, Sams, Ragland, and Zuniga all present and voting “aye”.

Director Kochwelp then stated that the Board would consider approving an Amended and Restated Information Form. Mr. Bartram explained that the form needed to be updated to reflect the change in the District’s tax rate. Upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to approve the Amended and Restated Information Form attached as **Exhibit “J”**.

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 "K"**. He reported that water usage was up in July, likely due to hotter and drier weather, but was still under the take-or-pay contract amount. He confirmed that the bacteriological and chlorine samples were all satisfactory and reported that water loss had decreased to $\pm 4.92\%$, which was more in line with expectations. 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 and that there were now $\pm 1,300$ connections in the Master District's service area. He then reviewed the billing, adjustments, and delinquent accounts reports and stated that there were no write-offs to consider this month. Mr. Hendrix then concluded the operations report by reporting that the annual hydrant, valve, and manhole survey was complete and that he would have recommendations on any necessary repair work at the Board's next meeting.

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 "L"**, including the bills, invoices, and transfers set forth on the updated cash activity report, and recommended approval. She next reviewed the tax collection report and the District's latest financial statements. She stated that approximately 99.5% of the District's 2014 tax levy had been collected and that the District was currently $\pm \$47,000$ ahead of plan. Discussion of delinquent tax payers ensued. Mr. Burnett stated that it looked like the only delinquent taxes were attributable to the director lot. He stated that he would get those taxes paid and transfer the residual developer interest in that lot to SG Land Holdings LLC. After discussion, upon motion by Director Zuniga 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 reports from the developers and first recognized Mr. Allison. Mr. Allison first reviewed the status of residential development in Travis County MUD No. 2. He stated that his company had entered into a contract to sell lots to Scott Felder Homes and was working on a contract with Perry Homes. He reported that the lots in Section 14B-1 were approximately 70% complete and that the contract for the construction of lots in Section 14B-2 was in the process of being bid with commencement of construction anticipated by October 1st. He reported that construction of the Southwest Detention Pond was nearing completion, the excavated fill from which had been moved to Sections 9 and 11 to remove that land from the floodplain. He further reported that his company had recently formed an affiliated home builder known as Sierra Point Homes, which would be testing the market on lots in this area. He added that Ryland Homes had dropped out of future lot positions in the development because it was merging with Standard Pacific Homes but that there may be opportunities to sell lots to Standard Pacific after the merger. Mr. Allison next reported on development in the District. He stated that the contract for construction of Section 19A-1 had been awarded to DNT Construction and that his company was under contract to sell these lots to Scott Felder Homes. He indicated that Scott Felder Homes also had an option on the lots in Section 19A-2 but that other builders had also expressed an interest in these lots. Mr. Allison stated that the lots in the District were smaller than the lots in Travis County MUD No. 2, and he predicted that they would sell faster due to lower price points. He stated that he was seeing a trend in builders gravitating toward smaller lots because that was what was selling best. Director Kochwelp asked how the smaller lots were priced, and Mr. Allison stated that they would be sold in the \$850 to \$900 per front foot range in order to maintain absorptions. Mr. Allison next reported that the engineering plans for Shelby Way had recently been submitted to the City for approval and that he hoped to start construction by November 1st. He then concluded that the new elementary school in the District had just opened and that it was his understanding that the school was already at capacity.

Mr. Burnett then reported on commercial development activity at the entrance to the District on F.M. 973. He stated that his company was under contract to sell one lot that was proposed for development as a gas station / convenience store and was looking to develop the adjoining lot with pre-engineered metal buildings that could be used as office or warehouse space. He stated that five buildings, each consisting of approximately 4,000 square feet, were proposed. Director Zuniga asked if the buildings would be sold or rented. Mr. Burnett stated that the plan was to rent the buildings and possibly sell the lot as a package once the leases were in place. He stated that construction of the utilities for these two lots was currently in the bidding process.

Director Kochwelp then stated that the Board would receive a report from the District's engineer. Mr. Bartram stated that Mr. Schroeder was on vacation and directed the Board's attention to the engineering report attached as **Exhibit "M"**. With respect to District matters, he noted that Mr. Schroeder had reviewed and recommended approval of the Crossroads Utility Services invoice. With respect to Master District matters, he noted that the engineering report indicated that the daily wastewater flows at the wastewater treatment plant for the month of July had averaged $\pm 162,000$ gpd, with a maximum day of $\pm 234,000$ gpd, which were generally within the expected range of flows based on the current number of connections, and that Master District repairs and maintenance were generally within budget and all invoices were in order. He also reported that Ovivo USA, LLC ("Ovivo") had achieved several months of energy savings over 50% and that the six-month energy retest would likely be satisfied, which would mean that Ovivo would get paid for the second half of the equipment upgrades cost. He stated that the operator was coordinating with Ovivo on operating procedures in order to maintain the energy savings going forward.

Director Kochwelp next announced that the Board would receive a report from the District's financial advisor. Ms. Allen stated that she had been evaluating opportunities for the ShadowGlen districts to assist the developer in expediting construction of a bridge across Wilbarger Creek connecting the existing development in the District and Travis County MUD No. 2 to the undeveloped land in Wilbarger Creek MUD No. 2. She handed out and reviewed the Memorandum attached as **Exhibit "N"**, noting that, based on the developer's latest projections, it would be feasible for the District to issue $\pm \$3.8$ million in bonds in late 2016, which would result in approximately $\$3.1$ million in developer reimbursements. She noted that, because this would be the District's first bond issue, it would take Mr. Schroeder five to six months to prepare the bond application and another seven to eight months to get approval from the Texas Commission on Environmental Quality to sell the bonds, which would mean that the developer would receive bond funds a little over a year from now. Ms. Allen explained that, after issuing bonds, the District would need to levy a debt service tax but that the overall tax rate would not change. She then directed the Board's attention to the engagement letter from Schroeder Engineering Company for preparation of a bond application, a copy of which is attached as **Exhibit "O"**. She noted that the estimated fee was \$38,000, plus the \$500 filing fee and \$6,000 to \$8,000 for additional services during technical review and process, which she stated was customarily paid by the developer. Ms. Allen indicated that there were also opportunities for Travis County MUD No. 2 and the Master District to issue bonds, which would increase the total amount of reimbursements to the developer that could conceivably be used to finance construction of the bridge. After discussion, upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to initiate work on the District's first bond issue and to approve the engagement letter with Schroeder Engineering Company for preparation of the bond application.

Director Kochwelp then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram reviewed the fraud questionnaire attached as **Exhibit "P"**,

which he stated was provided by the District's auditor under Statement on Auditing Standard No. 99 as part of the auditor's planning process for the audit of this year's financial statements to document material misstatements caused by fraud, and he advised anyone with questions or concerns about fraud to contact the auditor.

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. After discussion, the Board agreed that it would meet in October and then go back to an every-other-month 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 12:44 p.m.

(Signature page follows.)

(SEAL)



Date: October 1, 2015

Scott Sams, Secretary
Board of Directors