

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

September 15, 2016

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 September 15, 2016, 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; Dennis Hendrix of Crossroads Utility Services LLC, the District's utility operator; Crys Sanders of Argent Management, LLC, representing SG Land Holdings LLC, the residential developer in the District; Ken Schroeder of Schroeder Engineering Company, the District's engineer; Cheryl Allen and Justin Taack of Public Finance Group LLC, 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 12:02 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 4, 2016 Board meeting. Upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve the minutes as presented.

Director Kochwelp next announced that the Board would consider a proposal from McCall Gibson Swedlund Barfoot PLLC ("MGSB") for audit services. Mr. Bartram directed the Board's attention to the proposal attached as **Exhibit "B"**. He noted that the proposed engagement covered both the 2015-2016 and 2016-2017 fiscal years and that the proposed fee for both audit years was between \$9,750 and \$10,750, which was slightly higher than the fee range from the last two years. Mr. Bartram also reviewed the fraud questionnaire attached as **Exhibit "C"**, which he stated was provided by the auditor under Statement on Auditing Standard No. 99 as part of the auditor's audit planning process to document material misstatements caused by fraud, and he advised anyone with questions or concerns about fraud to contact the auditor. After discussion, upon motion by Director Dalton and second by Director Ragland, the Board voted unanimously to engage MGSB for the audit of the District's financial statements for the fiscal years ending September 30, 2016 and September 30, 2017.

Director Kochwelp then stated that the Board would consider the election items on the Supplemental Agenda. Mr. Bartram reported that the District's 2016 director election was uncontested and that the election could, therefore, be canceled. After discussion, upon motion by Director Zuniga and second by Director Dalton, the Board voted unanimously to approve the Order Declaring Election of Unopposed Candidates and Canceling November 8, 2016 Director Election attached as **Exhibit "D"**.

Director Kochwelp next announced that the Board would receive a status report regarding the District's proposed 2016 bond issue. Mr. Schroeder reported that he planned to complete and file the bond application by the end of October on an expedited basis. He stated that the size of the issue was still projected at \$3,030,000.

Director Kochwelp next announced that the Board would consider the budget and tax items on the agenda and stated that the Board would conduct a public hearing on the District's 2016 tax rate. He 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, Director Kochwelp closed the public hearing and then recognized Ms. Allen for purposes of receiving a recommendation regarding the District's 2016 tax rate. Ms. Allen reviewed the tax rate analysis and related materials attached as **Exhibit "E"** and recommended that the District establish a total proposed tax rate for 2016 of \$0.8895, comprised of a \$0.35 contract tax and a \$0.5395 operations and maintenance tax, which was slightly lower than the 2015 tax rate.

Director Kochwelp then stated that the Board would next discuss and consider adopting a budget for the District's 2016-2017 fiscal year. Ms. Bott first presented the Master District budget attached as **Exhibit "F"**, which she noted had been adopted by the Master District the previous week. She then presented the draft operating budget for the District attached as **Exhibit "G"** which, she explained, was supported by the recommended tax rate of \$0.8895, without any developer advances. She noted that the proposed budget projected a negative year-end balance of ±\$86,000, but she noted that the District had a sufficient general fund balance to absorb the loss. Ms. Allen confirmed that the District would be in good shape for the foreseeable future. Mr. Bartram noted that, because no developer advances were contemplated, Developer Funding Agreements for the 2016-2017 fiscal year would not be needed. After discussion, upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to approve the Resolution Adopting Budget attached as **Exhibit "H"**.

Director Kochwelp then stated that the Board would next consider establishing the District's 2016 tax rate. Ms. Allen reiterated her recommendations for the District's 2016 tax rate. Upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to establish a tax rate of \$0.8895, allocated as recommended by Ms. Allen, and to adopt the Order Levying Taxes attached as **Exhibit "I"**, with Directors Kochwelp, Dalton, Zuniga, Sams, and Ragland 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 Sams and second by Director Ragland, the Board voted unanimously to approve the Amended and Restated Information Form attached as **Exhibit "J"** and its filing.

Director Kochwelp then stated that the Board would receive a report from the District's utility operator. Mr. Hendrix directed the Board's attention to the operations report attached as **Exhibit "K"**. He reported that water usage had increased, and he confirmed that the bacteriological and chlorine samples were all satisfactory. He stated that, after a few months of

elevated water loss, water loss had come down to  $\pm 8.57\%$  in July. He acknowledged that water loss for the year was still high at  $15.14\%$  and that he was investigating. He stated that spike in water loss had occurred during a period when there was a lot of construction activity going on and that the drop in water coincided with construction wrapping up. He also reported that a couple of leaks on the Master District's water line had recently been repaired, which could have been a contributing factor. Mr. Schroeder noted that the lost water attributable to the recently repaired leaks was less than ten percent of the water loss during the worst month, which strongly suggested that the problem was yet to be fully explained. Mr. Hendrix stated that he had asked the contractors for their flushing logs in an effort to cross-check the data. Director Kochwelp stated that the District could put more pressure on the contractors if and as necessary. Mr. Bartram stated that the Master District had taken the water loss issue very seriously and had directed the consultant group to make getting it resolved a priority. Mr. Hendrix next addressed wastewater treatment plant operations, noting that the plant was running well and that there had been no major problems or excursions. He added that he was happy to report that, for the first time in a long time, there were four active blowers at the plant. He stated that the fifth blower was down with a bad motor. Mr. Hendrix next reviewed the latest connection report, noting that there were currently 142 active connections in the District, 134 of which were occupied homes. He then reviewed the billing, adjustments, and delinquent accounts reports and stated that there were no write-offs for this reporting period. Mr. Hendrix then concluded the operations report by advising the Board that a boil water notice had been issued for an area in Cottonwood Creek MUD No. 1 following a major water leak on the Master District's water line. He stated that the cause of the leak was corroding bolts on the valve face underground. He indicated that a similar problem had been observed at the Master District fire hydrant near the creek and stated that the Master District's consultants were in the process of trying to determine if the problem was more widespread and/or if there was an external contributing factor such as the proximity of the high voltage power lines.

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 then directed the Board's attention to the financial statements included in her report. She stated that only \$16 of the District's 2015 tax levy remained to be collected and that the District was  $\pm \$42,000$  ahead of plan through the first ten months of the fiscal year. After discussion, upon motion by Director Dalton and second by Director Zuniga, the Board voted unanimously to approve the bills, invoices, and transfers as presented.

Director Kochwelp next announced that the Board would receive reports from the developers. Ms. Sanders reported that Section 19A, which was comprised of 76 lots, was in the process of being accepted. She stated that the final walk-through had been conducted on Monday and that the contractor was addressing the punch list. She next reported that construction of Section 16 was expected to commence in October. She also reported that a preliminary plat for Sections 17, 18, 21A, 21B, 24A, and 24B had been submitted. Ms. Sanders stated that Scott Felder Homes and Perry Homes were actively constructing homes in Section 14B-1 and that Buffington Homes had started its model complex in Sections 12 and 13. She closed by reporting that Manor would soon be getting a new Whataburger restaurant.

Director Kochwelp then stated that the Board would receive a report from the District's engineer. Mr. Schroeder directed the Board's attention to the engineering report attached as **Exhibit "M"** and presented and recommended approval of the following pay estimates, copies of which are attached collectively as **Exhibit "N"**: (i) pay estimate nos. 6 and 8 for the ShadowGlen Phase 2, Section 19A project, representing 98.5% completion and work through July; and (ii) pay estimate no. 5 for the ShadowGlen Trace commercial project, representing



97.5% completion and work through July. Mr. Schroeder stated that pay estimate no. 7 for Section 19A had been approved in August but that pay estimate no. 6 had been missed. Upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to approve the pay estimates. With respect to District matters, Mr. Schroeder stated that the Crossroads Utility Services invoice was in order and within budget. He then addressed items related to the Master District and reviewed the latest daily wastewater flows at the wastewater treatment plant. Mr. Schroeder then concluded by reporting that Master District repairs and maintenance were generally within budget and that all invoices were in order.

Director Kochwelp next announced that the Board would receive a report from the District's financial advisor. Ms. Allen stated that she had nothing further to report at this time.

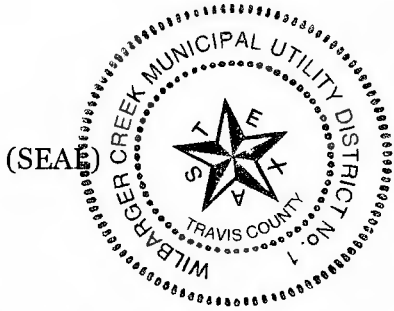
Director Kochwelp then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram first reviewed the outstanding consultant directives, noting that there was none outstanding. He next reported that the District's insurance carrier, the Texas Municipal League Intergovernmental Risk Pool, had recently changed the deductible structure for wind and hail damage to buildings from a per occurrence basis to a percentage of scheduled building values. He noted that the District did have the ability to "buy back" a per occurrence deductible for additional cost. After discussion, upon motion by Director Zuniga and second by Director Dalton, the Board voted unanimously not to buy back a per occurrence deductible for wind and hail coverage. Mr. Bartram next reported that his comments to the acknowledgment of collateral assignment that the developer's lender had requested from the ShadowGlen districts in connection with a new development loan had been addressed and that the document was ready for approval. Upon motion by Director Sams and second by Director Ragland, the Board voted unanimously to approve the Acknowledgment of Notice and Indemnity attached as **Exhibit "O"**.

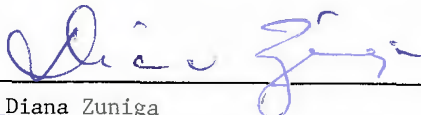
Director Kochwelp next announced that the Board would consider the Master District and Advisory Committee items on the agenda. Mr. Bartram directed the Board's attention to the agendas and minutes from the most recent joint meetings of the Board of Directors of Wilbarger Creek Municipal Utility District 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 the next meeting would be scheduled on an as-needed basis, 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 12:30 p.m.

*(Signature page follows.)*



  
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Diana Zuniga  
Assistant Secretary, Board of Directors

Date: November 3, 2016