

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

October 3, 2013

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 October 3, 2013, 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; Andrew Hunt of Crossroads Utility Services LLC; Russ Allison of Argent Management, LLC, representing SG Land Holdings LLC; and John Bartram 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 minutes of the September 5, 2013 Board meeting. Upon motion by Director Zuniga and second by Director Sams, the Board voted unanimously to approve the minutes.

Mr. Bartram then presented and reviewed the notices from Travis County Municipal Utility District No. 2 ("TCMUD#2"), copies of which are attached as Exhibit "B", advising the District that TCMUD#2 had adopted operating budgets for the 2013-2014 fiscal year for three joint facilities projects in its capacity as the manager of those joint facilities. Ms. Bott stated that all three of these projects affected the District, but that the only project for which expenses were anticipated was the Southeast Detention Pond. She stated that the District's share of expenses for this facility was projected to be \$6,700.

Director Kochwelp then stated that the Board would consider an amendment to the District's rate order. Mr. Bartram presented and reviewed with the Board the revisions to the

District's current rate order reflected in the Amended Order Establishing Rates and Charges, and Adopting Rules with Respect to District Water, Wastewater and Drainage, Including Water Quality, Systems attached as Exhibit "C". He noted that the fees for plumbing inspections had been increased to cover the increase in the inspection fees charged by Dan McDowell approved by the Board at the September meeting. Mr. Hunt explained that the revisions also included changes to the fire hydrant meter deposit policy. He noted that the amount of the deposit had been increased to cover the actual cost of the meter and that the provision had been restructured to clarify the builders' responsibilities. After discussion, upon motion by Director Dalton and second by Director Zuniga, the Board voted unanimously to approve the Amended Order Establishing Rates and Charges, and Adopting Rules with Respect to District Water, Wastewater and Drainage, Including Water Quality, Systems, as presented.

Director Kochwelp next announced that the Board would consider the renewal of the District's operations contract with Crossroads Utility Services LLC ("Crossroads"). Mr. Hunt explained that the term of the current contract was scheduled to expire at the end of November and that his company was requesting a 10% increase in compensation in connection with renewal. He reviewed the draft renewal Operations Services Agreement attached as Exhibit "D", and noted that the term of the contract had been reduced from three years to two years based on the recommendation of the District's bond counsel for purposes of compliance with federal tax regulations relating to the issuance of tax exempt bonds. Mr. Hunt stated that many of the revisions were clean-up in nature resulting from a comprehensive review of the form of agreement by TCMUD#2. Mr. Bartram noted that, because the Board was meeting less frequently, the revisions also included a provision that would allow the fee for basic services to be paid monthly out of the District's bookkeeper's account. He stated that any fees for additional services would be held for approval at Board meetings. Director Zuniga asked if any of the other Participant Districts had approved the renewal contract yet. Mr. Bartram stated that TCMUD#2 was scheduled to have reviewed its renewal contract with Crossroads the previous day but that the meeting had been cancelled due to lack of a quorum. He stated that he would like to keep the form of the contract as similar as possible among the Participant Districts and recommended that the Board authorize a subcommittee to finalize the District's contract after the other Participant Districts had all met. After discussion, upon motion by Director Zuniga and second by Director Sams, the Board voted unanimously to authorize Director Kochwelp to negotiate and execute the District's Operations Services Agreement with Crossroads upon approval of the form renewal contract by all of the Participant Districts.

Director Kochwelp then stated that the Board would receive a report from the District's utility operator. Mr. Hunt directed the Board's attention to the utility report attached as Exhibit "E". He reviewed his prior directives and confirmed that the bacteriological and chlorine samples were satisfactory. He next addressed water accountability, noting that water loss had increased slightly to $\pm 5\%$. However, he stated that, overall, water loss had remained fairly consistent for the last several months. He noted that he still had a couple of larger water meters to recalibrate and that water loss would be re-evaluated after the recalibrations prior to any further leak detection. Mr. Hunt next reported that all of the repairs identified during the annual utility survey had been completed. He also reported that the District's lead and copper

sampling was complete and that this sampling would not be required again for three years. Mr. Hunt next reviewed the wastewater report and confirmed that the wastewater treatment plant was in compliance and that there had been no excursions. He reported that the upgrades to the wastewater treatment plant being performed by Ovivo USA, LLC ("Ovivo") were almost complete and that he would be involved in reviewing and inspecting that work prior to commencement of the performance monitoring. Mr. Hunt reported that there had been some problems with the sensors and blower fans at the plant and that he would be discussing these issues in more detail at the Master District meeting the following week. He next reported that he had sent a news article to the District's residents regarding water conservation and the upcoming bulk-waste clean-up day. Mr. Hunt then reviewed the connection, billing, adjustments, and delinquent accounts reports and stated that there were no write-offs this month. He then concluded his report by directing the Board's attention to the wholesale water purchase schedule attached as Exhibit "F" reflecting the historical amount of wholesale water purchased from Metro H2O, Ltd. ("Metro"). He stated that the amount of usage was still trending under the benchmark take-or-pay amount.

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 "G", including the bills, invoices, and transfers set forth on the 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 August 31, 2013, and the supplementary information, including the budget comparison. She stated that the District was currently running about a \$30,000 negative budget variance, primarily because actual tap connections were behind budget. Ms. Bott then reported that the developer had been invoiced for its next quarterly developer funding installment. Mr. Allison confirmed that the developer funding agreement for the 2013-2014 fiscal year was in the process of being executed by the developer and that the next payment would be made by November 1st. After discussion, upon motion by Director Zuniga and second by Director Dalton, the Board voted unanimously to approve the bills, invoices, and transfers as presented. Ms. Bott then concluded her report by reviewing the notice of the Master District's reservation and allocation of capacity for the 2014 fiscal year as reflected in the Calculation of Reserved and Allocated Water/Wastewater LUEs for FYE 9/30/2014 attached as Exhibit "H", as required under the Master District Contract and the Master District's Resolution Adopting Policy Regarding Reservation and Allocation of Capacity in Master District Facilities. She pointed out that, due to the lack of development, the allocations had not changed from the 2013 allocations.

Director Kochwelp stated that the Board would next receive a report from the developers and recognized Mr. Allison. Mr. Allison reported that his company had received offers from four large builders to purchase lots from the 81 existing inventory lots. He noted that the market was changing and that the builders were now beginning to compete among themselves for lot positions, which is what his company had been waiting for. He anticipated that there would be lot sales within ShadowGlen by the end of the year and new homes under construction within the next four months. Director Sams asked if the prices of the lots were close to the developer's pro formas, and Mr. Allison confirmed that they were.

Director Kochwelp stated that the Board would next receive a report from the District's financial advisor. Mr. Bartram directed the Board's attention to the latest foreclosure report attached as Exhibit "I" and noted that there had been no foreclosures in the District this year.

Director Kochwelp then stated that the Board would receive a report from the District's engineer. Mr. Bartram stated that Mr. Schroeder had been unable to attend the meeting, and he directed the Board's attention to the engineering report attached as Exhibit "J". He noted that Mr. Hunt had already covered the status of Ovivo's upgrades to the wastewater treatment plant. Mr. Bartram then updated the Board on the status of the emergency water interconnect being required by the City of Manor in connection with the developer's extension of Lexington Boulevard from the golf course to the boundaries of TCMUD#2. He stated that the City had sent Mr. Schroeder a letter in support of the interconnect, a copy of which is attached as Exhibit "K", and that the developer had requested the districts to reimburse the developer for the cost of the interconnect improvements. Mr. Bartram noted that, based on the City's letter indicating that the interconnect would be of mutual benefit to the districts and the City, Mr. Schroeder had determined that only 50% of the interconnect costs were eligible for reimbursement by the districts. However, Mr. Bartram stated that there were several engineering, operational, and contractual issues that would need to be fully explored before reimbursement could be considered, such as whether the connection should be metered, whether an interconnect agreement would need to be prepared and who would bear the cost of that, whether any feasibility study of the pressure planes should be undertaken and who would pay for that, and which districts would benefit from the interconnect. He noted that the interconnect could also pose a problem under the current take-or-pay wholesale water contract with Metro because, if the City had an emergency and used water from the districts' system, it could increase the maximum take-or-pay amount for future years. Mr. Allison stated that resolution of the interconnect issue was very important to the developer because it was holding up the development of future residential sections. He stated that he had instructed his engineers to prepare plans with and without the interconnect and hoped that the districts could help resolve the matter with the City so that his company could move forward with development. Director Kochwelp stated that, all things being equal, he would prefer to avoid having to negotiate a complicated agreement with the City. Director Zuniga noted that the districts currently relied on developer funding to operate and asked if additional developer funding would be required for the districts to pay for the interconnect. Mr. Bartram stated that the developer would pay for the interconnect directly, but was asking the districts to reimburse the developer for those costs in the future out of bond proceeds. Director Zuniga stated that the issuance of bonds for the interconnect costs would affect residents because the districts would have to levy taxes in support of those bonds. Mr. Bartram noted that there were many issues associated with the proposed interconnect and that he was of the opinion that more information from the City was required before any of the districts could make an educated decision. The Board generally agreed. Mr. Bartram stated that, at this time, Mr. Schroeder was thinking that the interconnect would be a Master District facility and that he planned to recommend to the Master District's board of directors that the districts' consultants meet with the City of Manor to discuss the interconnect in more detail. The Board concurred with this plan. Mr. Allison stated that it was the developer's goal not to put too much strain on its relationship with the City

because it was to everyone's benefit to have a productive working relationship. Director Kochwelp wished the developer luck with the resolution of the issue.

Director Kochwelp then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram reviewed the previous consultant directives, noting that the only directive outstanding had been completed.

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 meeting 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. The Board acknowledged that its next meeting was scheduled for December 5th but agreed that the meeting would be cancelled if it was not necessary to meet.

Director Kochwelp then asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 12:45 p.m.

(Signature page follows.)

(SEAL)



Scott Sams, Secretary
Board of Directors

Date: December 5, 2013