

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

December 5, 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 December 5, 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 except Director Dalton, thus constituting a quorum. Also present at the meeting were Mary Bott of Bott & Douthitt, PLLC; Andrew Hunt of Crossroads Utility Services LLC; Ken Schroeder of Schroeder Engineering Company; and John Bartram of Armbrust & Brown, PLLC.

Director Kochwelp called the meeting to order at 12:05 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 October 3, 2013 Board meeting. Upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to approve the minutes.

Director Kochwelp next announced that the Board would consider the renewal of the District's operations contract with Crossroads Utility Services LLC ("Crossroads"). Mr. Bartram reminded the Board that it had authorized Director Kochwelp to negotiate and execute the agreement at the last meeting pending approval of the form of the agreement by the other Participant Districts with no major substantive changes. Mr. Bartram confirmed that the other Participant Districts had now all approved their agreements and that there had been no substantive modifications to the form previously reviewed by the Board. Upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to approve the Operations Services Agreement attached as **Exhibit "B"**.

Director Kochwelp then stated that the Board would consider revisions to the District's bank account resolutions. Mr. Bartram stated that the renewed operations contract with Crossroads contemplated that Crossroads' base fee would be paid monthly. He stated that, because the Board was not meeting monthly, he had revised the District's account resolutions to ensure that the District's bookkeeper would be able to pay the Crossroads invoice as well as other "major" expenses that were due between Board meetings, such as Master District charges, District insurance, and regular, recurring utility bills. Mr. Bartram also recommended a few housekeeping revisions to incorporate recent changes in the Texas Water Code. After discussion, upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to approve (i) the Secretary's Certificate and Resolutions Regarding Accounts attached as Exhibit "C"; and (ii) the Secretary's Certificate and Resolutions Regarding Bookkeeper's Account attached as Exhibit "D".

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 to $\pm 5.7\%$. However, he stated that, overall, water loss had remained fairly consistent for the last several months and that the percentage was up only because usage was down. Mr. Hunt next reviewed the wastewater report and confirmed that the wastewater treatment plant was in compliance. He stated that there had been no excursions during the month of October but that flows had been elevated due to recent rain events. He added that there would likely be an ammonia excursion in the November reports due to a permeate valve problem at the plant that had since been resolved. Director Zuniga asked if any enforcement action by the Texas Commission on Environmental Quality (the "TCEQ") was expected. Mr. Hunt stated that he would research the issue in more detail but that he anticipated that the excursion would result in only a standard Category B "NOV" violation with no monetary penalty. Mr. Hunt then reviewed the connection, billing, adjustments, and delinquent accounts reports and stated that there were no write-offs this month. He stated that Manor Independent School District was moving forward with plans for the new elementary school to be constructed within the District. He stated that it was his understanding that construction would begin in January 2014 and be completed by January 2015, and that the school would open in August 2015. Mr. Hunt next reviewed the "Notice of Violation: Chemical Monitoring, Routine Major" from the TCEQ attached as Exhibit "F", which he noted related to regulatory asbestos sampling. He stated that the samples had been taken as required and sent to the TCEQ's laboratory subcontractor, that the subcontractor had been paid, but that the subcontractor had failed to send the lab results to the TCEQ, which had resulted in the violation notice. Mr. Hunt confirmed that he was working to resolve the issue and get the violation rescinded. He then concluded his report by directing the Board's attention to the wholesale water purchase schedule attached as Exhibit "G" 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 "H", including the bills, invoices, and transfers set forth on the updated cash activity report, and recommended approval with the exception of the check for Director Dalton's fee of office, which would be voided due to his absence. She next reviewed the cash/investment activity report, the tax collection report, the District's financial statements as of October 31, 2013, and the supplementary information, including the budget comparison. She noted that tax collections for the 2013 tax levy should start coming in soon, and she stated that the District was currently running about a \$2,000 positive budget variance. 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 stated that the Board would next receive a report from the developers. Mr. Bartram stated that Mr. Allison had been unable to attend the meeting and had asked him to report that (i) the developer had recently installed a temporary construction and sales office in the development, where Mr. Allison would be officing; (ii) the developer was negotiating with builders for the sale of the remaining inventory lots in ShadowGlen and hoped to have a contract in place with at least one builder by the end of the year with new building activity during the first quarter of 2014; (iii) the developer planned to begin construction of the Lexington Street low water crossing project within in the next two weeks and complete the project in four to five months; and (iv) the developer had recently awarded a contract to enhance the landscaping along the parkways in the development and that this work should begin within the next two weeks.

Director Kochwelp stated that the Board would next receive a report from the District's financial advisor. Mr. Bartram noted that Ms. Allen had been unable to attend the meeting, and he directed the Board's attention to the latest foreclosure report attached as Exhibit "I", noting 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. Schroeder first reviewed the engineering report attached as Exhibit "J". 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 October had averaged $\pm 231,000$ gpd, with a maximum day of $\pm 466,000$ gpd. He pointed out that the peak day was higher due to recent rains, but he confirmed that the flows were otherwise generally within the expected range of flows based on the current number of connections. He added that all tests were satisfactory and all reports were within permit. Mr. Schroeder next reported that Master District repairs and maintenance were within budget and all invoices were in order. He then updated the Board on recent activity at the wastewater treatment plant, noting that Ovivo USA, LLC ("Ovivo") had completed the membrane upgrades and had begun the performance monitoring in October. He stated that the first month showed a 38% reduction in electrical consumption, which was above the 30% contractual benchmark. He reminded the Board that if, after the six-month test period, electrical consumption was down 30%, the remaining balance of

the cost of the upgrade work would be due to Ovivo. Mr. Schroeder then addressed the status of the blower malfunctions. He stated that the Master District's special engineering consultant and Crossroads Utility Services had evaluated several options, including redesigning a shroud and/or installing a direct-drive exhaust fan, and that it was starting to look like replacing the existing fans with upgraded models from the manufacturer was going to be the best and most cost-effective option. Mr. Schroeder then concluded his report by updating the Board on the status of the emergency water interconnect required by the City of Manor in connection with the developer's construction of the Lexington Street low water crossing. He reported that Mr. Allison had confirmed that the City had approved the alternate location for the emergency interconnect and was going to allow the developer to proceed with the Lexington Street project on the condition that the developer post fiscal security for construction of the emergency interconnect in the amount of ±\$53,000. He stated that it was his understanding that completion of the emergency interconnect would be a condition to the City's acceptance of the Lexington Street project for operation and maintenance or possibly authorization to proceed with future residential sections.

Director Kochwelp then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram stated that there were no consultant directives outstanding. He then reviewed the notice from the City of Manor attached as Exhibit "K", advising the District that the City's planning and zoning commission would consider a short form final plat for a tract of land adjacent to ShadowGlen that was planned to be developed as a beer distributorship. He stated that Messrs. Burnett and Allison had been working with the residents to minimize the effect of the planned beer distributorship on the ShadowGlen community and had been alerted to the City's notice.


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. Mr. Bartram reminded the Board that the next meeting was scheduled for February 6, 2014.

Director Kochwelp then asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 12:27 p.m.

(Signature page follows.)

(SEAL)



Scott Sams, Secretary
Board of Directors

Date: February 6, 2014