

**SONTERRA MUNICIPAL UTILITY DISTRICT  
MINUTES OF BOARD OF DIRECTORS' MEETING**

January 22, 2018

THE STATE OF TEXAS           §  
  §  
COUNTY OF WILLIAMSON       §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on January 22, 2018, at 113 Limestone Terrace, Jarrell, 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 following members of the Board were present, constituting a quorum:

John Faske	President
David Chandos	Vice President
Tom Slowbe	Assistant Secretary

Director Michael McCloskey was absent and Director Dale Thornton arrived later. Also present at the meeting were Andy Bilger of Vecendario Management, LLC; Dennis Hendrix of Crossroads Utility Services ("*Crossroads*"); Taylor Kolmodin of Municipal Accounts and Consulting ("*MAC*"); Daryl Goldman of DMG Construction; Bob West of West Davis and Company; Jason Jones of Jones Heroy & Associates; Kelly MacIntyre, Lynasi Sandoval, Jeff Ivicic, Josh Webster and Meg Brewster, residents of the District; and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director Faske called the meeting to order at 5:21 p.m. After the Pledges of Allegiance to the United States and Texas flags, Director Faske stated that the Board would receive Board member remarks and citizens communications. Director Chandos asked that park and recreation issues be added to the next meeting agenda in response to several residents' requests that had been relayed prior to the meeting being called to order and Ms. Littlefield agreed to do so.

Director Faske stated that the Board would next consider approving the election-related items on the Board's supplemental meeting agenda: the Order Calling Director Election for May 5, 2018 attached as **Exhibit "B"**; the Joint Election Agreement and Contract for Election Services for May 5, 2018 Director Election attached as **Exhibit "C"**; the Resolution Approving Joint Election Agreement and Contract for Election Services attached as **Exhibit "D"**; and authorizing the District's legal counsel to give notice of the Director Election for May 5, 2018. After discussion, upon motion by Director Faske and second by Director Chandos, the Board voted 3-0 to approve the items on the Board's supplemental meeting agenda.

Director Faske stated that the Board would next discuss the proposed substitution of land of equal value. Ms. Littlefield presented the Application for Approval of Substitution of Land of Equal Value attached as **Exhibit "E"** and reviewed it with the Board, noting that the application requested the exclusion of 245.95 acres and inclusion of three tracts, totaling 88.504 acres of land, and that, based on the tax certificates provided, she understood that the value of the land proposed to be included was greater than the value of the land proposed to be excluded as required by the Texas Water Code. Ms. Littlefield explained that, in order to consider the request, the Board was required to hold a public hearing on the application. After discussion, upon motion by Director Chandos and second by Director Slowbe, the Board voted 3-0 to accept



the Application, to set a public hearing on the Application for February 19, 2018 at 6:00 p.m. and to approve the Order Calling Public Hearing on Applications for Exclusion and Inclusion of Land attached as **Exhibit “F”**. (**Approval of the February 19<sup>th</sup> hearing date and this Order was subsequently rescinded and this Exhibit has intentionally been deleted. See Exhibit “KK”.**)

Director Faske then stated that the Board would discuss the creation of Cool Water Municipal Utility District. Ms. Littlefield reminded the Board that Cool Water Partners had proposed to create a new municipal utility district on certain land adjacent to the District, including the land that was proposed to be excluded from the District. She explained that, in order for the District to provide retail water and wastewater services to this new district, the City of Jarrell’s consent was required and that she understood the City was considering an amendment to the agreement with the District for wholesale wastewater service and a separate consent resolution at its City Council meeting later in the week. Ms. Littlefield stated that the proposed retail service agreement and the proposed retail rate structure were items that would be significant to the District and its ratepayers and taxpayers in the future and recommended that the District retain Expergy, the rate consultant that had previously been retained for review of the Lone Star Regional Water Authority rates, to assist in structuring the retail rates. She advised the Board that the cost of this analysis would be borne by Cool Water Partners. After discussion, the Board authorized Ms. Littlefield to retain Expergy as recommended. Ms. Littlefield also stated that, with the Board’s approval, she would assist in preparation of the application to the Texas Commission on Environmental Quality (“*TCEQ*”) for the creation of the new district proposed to be named “Cool Water Municipal Utility District”, but that she would represent only the District’s interests in connection with the retail services agreement. The Board concurred with the proposed resolution as stated.

Director Faske stated that the Board would next consider taking action regarding the District’s \$6,500,000 Unlimited Tax and Revenue Bonds, Series 2018 (the “*Bonds*”). Ms. Littlefield presented the Escrow Agreement for Texas Commission on Environmental Quality Transactions attached as **Exhibit “G”** and explained that \$50,000 was required to be held in escrow under the terms of the TCEQ order approving the Bonds. Upon motion by Director Faske and second by Director Chandos, the Board voted 3-0 to approve the Escrow Agreement. Mr. West then distributed the Report on Application of Certain Agreed Procedures attached as **Exhibit “H”** and noted that his firm had prepared the report in connection with the proposed disbursement of the bond proceeds. He stated that the report showed the amounts approved by the TCEQ and the related reimbursements as well as certain amounts that would be withheld pending completion of the related facilities. He reviewed the summary and the schedule showing funds coming in from the bond proceeds and the disbursements out of those proceeds. He pointed out that approximately \$52,000 would be reimbursed to the District’s operating account and that there was also a reimbursement for costs related to the Trinity Well. Mr. West also stated that a supplemental report would be required for the project covered by the District’s hold-back agreement with the developer for the incomplete facilities. He also pointed out that there would be approximately \$24,000 in surplus funds remaining after the disbursements. Upon motion by Director Chandos and second by Director Faske, the Board voted 3-0 to accept the report; to accept the Conveyance of Existing Facilities and Capacity of Bills Paid Warranty attached as **Exhibit “I”** and the disbursement letter attached as **Exhibit “J”**; and to authorize disbursement of the bond proceeds in accordance with the closing memorandum attached as **Exhibit “K”** and the disbursement letter. Ms. Littlefield then called the Board’s attention to memoranda regarding arbitrage and private use that had been provided by the District’s bond counsel and were included in the Board’s meeting packet.

Director Faske stated that the Board would next receive a report on the audit of the District’s financial statements for the fiscal year ended September 30, 2017 and recognized Mr. West. Mr. West presented the report attached as **Exhibit “L”** and called the Board’s attention



to his firm's opinion included in the report. He explained that the opinion was a clean opinion and was the best opinion available, and that his delivery of the report was subject to receipt of the Board's representation letter. Mr. West pointed out the financial statements were prepared by the District's bookkeeper and that his firm expressed an opinion on the financial statements. Mr. West then called the Board's attention to the notes to the financial statements and explained that the notes provided additional detail. Mr. West presented the Board representation letter attached as **Exhibit "M"** and explained that this letter confirmed that the District had provided all information required to conduct the audit and was in reliance on the representations of the District's bookkeeper and operator. After discussion, Director Chandos moved approval of the representation letter, the audit report and the filing of the audit report. Upon second by Director Slowbe, the motion was adopted by a vote of 3-0.

Director Faske then stated that the Board would consider approving the minutes of the November 27, 2017 and December 11, 2017 Board meetings. Upon motion by Director Chandos and second by Director Faske, the Board voted 3-0 to approve the minutes.

Director Faske then stated that the Board would consider approving the Resolution Confirming Annual Review of Written Procedures for Post Bond Issuance Federal Tax Compliance attached as **Exhibit "N"**. At this time, Director Thornton arrived at the meeting. Ms. Littlefield advised the Board that the District's bond counsel did not recommend any changes to the procedures at this time and recommended approval of the Resolution. Upon motion by Director Faske and second by Director Slowbe, the Board voted 4-0 to approve the Resolution.

Ms. Littlefield then presented the Release and Termination of Temporary Easement (Sonterra West Section 10A, Phase 1) attached as **Exhibit "O"**, noting that Mr. Jones had confirmed that permanent facilities had been completed and the easement could be released. After discussion, upon motion by Director Faske and second by Director Slowbe, the Board voted 4-0 to approve the Release and Termination.

Director Faske stated that the Board would next receive the manager's report and recognized Mr. Bilger. Mr. Bilger requested that discussion of the Sonterra Boulevard sidewalk improvements and the status of the related license agreement with Williamson County be tabled and that discussion of the Interlocal Cooperation Agreement with Jarrell Schwertner Water Supply Corporation be placed on hold and removed from the agenda at Jarrell Schwertner's request. Mr. Bilger explained that the Third Amendment to Agreement for Wholesale Wastewater Service and proposed water interconnect had been presented to City of Jarrell and that he anticipated approval at the City Council meeting the following day.

Mr. Bilger then explained that the fluoride test results had been being posted in arrears and that the District's reverse osmosis unit now provided individuals with concerns a second option for water. He recommended that the District no longer post the fluoride levels since there was an option to get water with low fluoride and the information being provided was old. Director Slowbe stated that it was very confusing and asked if the information could be placed somewhere else on the website. Mr. Bilger asked if the Board wanted to continue to take fluoride tests, noting that he recommended testing no more than once per month. Mr. Bilger also stated that the water from the Trinity Well would not decrease the overall fluoride levels. Director Slowbe stated that, other than the reverse osmosis unit, the only low fluoride water would be the LSRWA water and that he felt the continuing weekly testing was not a good use of the District's money. Mr. Bilger concurred, noting that it was over 3.5 mg/L on a consistent level. Director Faske stated that he still wanted to have this information available, but understood that it was a hindrance to the web administrator and that the information was old when posted. Director Slowbe stated that, now that the District knew the fluoride level remained high, he didn't think the information was helpful although it had made sense to do the



tests when the District was trying different things. Mr. Bilger noted that Well No. 1 was being kept offline. Director Faske stated that he felt it was important to keep the lines of communication with the residents open and Director Chandos stated that he felt the website should include an explanation of why the District had been doing the tests, why it would no longer be providing the information, and what the plan was. Mr. Bilger then reported that the firm that had been engaged to do the redesign of the District's website had not completed the work and that he felt he would have to go back out for proposals. Ms. Littlefield inquired about compliance with the Americans with Disability Act ("ADA") requirements and Mr. Bilger stated that any proposer would be required to comply with the latest legislative changes which were available on the Secretary of State's website. Director Slowbe stated that it was very difficult to access information on the District's website. Mr. Bilger agreed to attempt to identify a qualified website designer quickly.

Mr. Bilger then requested that Mr. Jones update the Board on the LSRWA waterline project. Mr. Jones reported that there was one tract under condemnation, but the LSRWA was making substantial progress in obtaining the outstanding easements. Mr. Jones requested approval of the easement in favor of LSRWA on the Wastewater Treatment Plant No. 2 site attached as **Exhibit "P"**. Upon motion by Director Chandos and second by Director Faske, the Board voted 4-0 to approve the easement. Mr. Jones then stated that LSRWA had also submitted an application to the Water Development Board for the additional funding that had been discussed.

Director Slowbe stated that he had nothing to present on security and the Board agreed to hold the check to the City for police patrols until a satisfactory patrol report was received.

Mr. Bilger then explained that the County license agreement was a priority with respect to the park and recreational facilities. He explained that the District had prepared park plans, gone to the State, and gotten funding for trails and parks and that a number of drainage areas were designed to allow ball fields and soccer fields. He added that it would take very little effort to accommodate these fields, even though they would be located in detention ponds, but stated that the field would allow multi-use, and the District would have the ability to make a real impact with a small investment. Mr. Bilger stated that some of the fields would be impacted by rains. Director Thornton asked if there was capacity to put a crown on the fields, noting that otherwise it would take a long time for them to dry out. He stated that he believed a trickle channel would also be a necessity. Director Faske stated that the fields would also need to be ADA compliant and that the ADA requirements should be considered. Mr. Bilger stated that he recommended involving the youth league's representatives. The Board then discuss the need for bathrooms and lighting. Mr. Bilger stated that there was a sewer line that ran right by the area that was available for the fields. Director Slowbe stated that these locations would be well situated so that older kids could play sports and the younger kids could go to the park. Director Slowbe stated that he and Mr. Bilger would have a recommendation for the Board to consider at the next Board meeting.

Director Faske then recognized Mr. Hendrix for purposes of receiving the District operator's report. Mr. Hendrix presented Crossroads' report, attached as **Exhibit "Q"**, and noted that the District had 1,573 occupied single-family connections, a total of 1,727 accounts, and an estimated population of 7,000 as of the end of December. Mr. Hendrix reported that the District had experienced a water loss of 10.5% during the prior reporting period, which he attributed to construction. He noted that all water samples were good and that there were 14 accounts totaling \$2,782 to be sent to collections, as set forth on **Exhibit "R"**. Director Faske stated that, for the collections, the District would unlikely collect more than about one-fourth of the amount. Mr. Hendrix agreed, noting that, since 2010, about \$55,000 had been sent for collection and the District had received about 20% of that. Mr. Hendrix then reminded the Board that it was required to conduct an annual review of the District's identity theft prevention



program under the Federal government's "red flag rules". He reported that the District's identity theft prevention program continued to be effective and there had been no incidents of identity theft in the District. He stated that he had no recommended updates to the program at this time. Ms. Littlefield then directed the Board's attention to the Resolution Confirming Annual Review of Identity Theft Prevention Program attached as **Exhibit "S"**. After discussion, upon motion by Director Chandos and second by Director Faske, the Board voted 4-0 to approve the Resolution. Director Faske asked about the usage on the reverse osmosis unit and Mr. Bilger responded that the machine did not have a separate meter to determine the actual usage. Mr. Hendrix stated that there was a meter that showed usage for filling the unit, but that he did not know how much was used before it was refilled. He stated that he could reach out to the manufacturer. Mr. Hendrix also stated that he could provide a meter read for that unit, although some of the water was discharged as waste stream. Director Faske inquired if Mr. Hendrix had any update on the freeze issues. Mr. Hendrix responded that the belt had come off a compressor for the elevated storage tank and the transducer had malfunctioned, but that his crews were able to get the pressure back up very quickly. Mr. Jones stated that the weatherproofing for the transducer was being bid. Mr. Hendrix also reported that there had been some operational issues with Well No. 2. He stated that this did not appear to be a power issue and that he was having Crossroads' in-house SCADA person look into this. The Board agreed that Mr. Jones should write a "white paper" on the fluoride issues for the website. Upon motion by Director Chandos and second by Director Faske, the Board voted 4-0 to approve the write-offs as presented.

Director Faske stated that the Board would next discuss the professional services agreement for utility operations. Ms. Littlefield explained that she had worked on the contract with Director Chandos, but that, because the pricing in the contract exceeded the expense line items in the District's budget, she and Director Chandos wanted to bring this to the Board's attention. The Board agreed that it would likely need to amend the budget. Mr. Hendrix stated that it was anticipated that the cost of maintenance of the new reverse osmosis system would come down due to the maintenance contract Mr. Jones proposed to obtain.

Director Faske then stated that the Board would receive the bookkeeper's report and recognized Ms. Kolmodin. Ms. Kolmodin called the Board's attention to her report, attached as **Exhibit "T"**, the supplemental check register attached as **Exhibit "U"**, and the supplemental Capital Projects fund check register attached as **Exhibit "V"**. She stated that there was nothing out of the ordinary and added that she would void the per diem to Director McCloskey. Ms. Kolmodin stated that she was continuing to roll over the District's CDs and called the Board's attention the membership fee to Jarrell Chamber of Commerce that had been added to the check register. Director Slowbe pointed out that one bank name had been changed to "RBank" and Ms. Kolmodin agreed to make this correction. Upon motion by Director Chandos and second by Director Slowbe, the Board voted 4-0 to approve the bookkeeper's report and the payments as presented, with the void noted and the directive to Ms. Kolmodin to hold the check to the City until the security report was received.

Director Faske stated that the Board would receive the engineer's report and recognized Mr. Jones. Mr. Jones reviewed his report attached as **Exhibit "W"** with the Board. He advised the Board that he had been trying to get service to the convenience store and explained that a fire loop had previously been put in around the fire station, that the fire loop should have been in an easement, and that there also needed to be a connection with the pump station. He requested that the Board authorize proceeding to obtain the necessary easement and recommended that the District undertake the operation and maintenance of the fire loop, noting that this would provide ability to connect to the fire loop at a substantial savings for the pipeline. He requested authorization to do the surveying of the easement and for Ms. Littlefield to prepare the necessary easement. Mr. Jones stated that the fire station had approved the easement contingent on Mr. Jones' notes. Ms. Littlefield asked where the paperwork was for the



fire hydrant inspection service and Mr. Bilger confirmed that the fire department would provide the documentation. Upon motion by Director Slowbe and second by Director Faske, the Board voted 4-0 to authorize Mr. Jones to proceed to obtain the survey and document preparation for the proposed easement, which Mr. Jones estimated would cost less than \$1,500.

Mr. Jones stated that Pape Dawson had prepared the survey needed for the electrical easement for the elevated storage tank and requested approval of the easement and the standard contract for electric service to the well site. Upon motion by Director Chandos and second by Director Thornton, the Board voted 4-0 to approve the easement and the contract for electric service.

Mr. Jones stated that the new reverse osmosis system was under design and that he was putting a bid package together, as previously authorized and working with the suppliers.

Mr. Jones then presented Pay Estimate No. 9 in the amount of \$7,200, attached as **Exhibit "X"**, for Water Plant No. 1 - Phase II Edwards Water Well Construction unbilled mobilization, noting that he was still working on ordering the pumps. Upon motion by Director Chandos and second by Director Faske, the Board voted 4-0 to approve the Pay Estimate as presented.

Mr. Jones then stated that he recommended approving Pay Estimate No. 5 in the amount of \$585, attached as **Exhibit "Y"**, for sampling for Water Plant No. 1 - Phase IIB Trinity Water Well Construction; Pay Estimate No. 6 in the amount of \$25,650, attached as **Exhibit "Z"**, for unbilled mobilization costs; and Pay Estimate No. 7 in the amount of \$1,588.50, attached as **Exhibit "AA"**, for a video survey and recommend approval of all of the Pay Estimates. Upon motion by Director Faske and second by Director Chandos, the Board voted 4-0 to approve the Pay Estimates, as presented.

Mr. Jones stated that he had no pay estimate for the Water Plant No. 1 - Phase III 8-inch Waterline and Site Improvements, but that he expected to see activity within the next six weeks. He noted that Sonterra West Section 8L and Section 7, Phase 4 was now complete and presented Pay Estimate No. 9 and release of retainage in the amount of \$121,336.22, attached as **Exhibit "BB"**, and requested approval. He also requested that this project be accepted for operation and maintenance. Upon motion by Director Faske and second by Director Chandos, the Board voted 4-0 to approve the Pay Estimate and to accept the facilities for operation and maintenance.

Mr. Jones then presented Change Orders No. 4 and 5 in the amounts of \$167,494.45 and \$26,076, attached as **Exhibits "CC"** and **"DD"**, for Sonterra West Section 8M, noting that Change Order No. 4 was for part of the subdivision that was taken out and the roadway, which required County approval, and Change Order No. 5 added some services. After discussion, upon motion by Director Faske and second by Director Thornton, the Board voted 4-0 to approve the Change Orders.

Mr. Jones then presented Pay Estimates No. 2 and 3 in the amounts of \$205,058.88 and \$227,503.96, attached as **Exhibits "EE"** and **"FF"**, for Sonterra West Section 11, Phase 1 and recommend approval. Upon motion by Director Faske and second by Director Chandos, the Board voted 4-0 to approve the Pay Estimates.

Mr. Jones then stated that the plans had been reviewed and approved for Sonterra West Section 10, Phase 3; Sonterra West Section 11, Phase 2 and 3 and Section 12C; and Sonterra West Section 12. He stated that he had received a consolidated bid for Sections 8-0, 10-3, 11-2 and 12C and presented the bid tabulation attached as **Exhibit "GG"**, noting that the low bidder was Joe Bland Construction. Mr. Jones stated that it was a tight spread for such a big project



and recommended award of the contract to the low bidder. Director Thornton stated that Joe Bland Construction was an excellent contractor. After discussion, upon motion by Director Thornton and second by Director Chandos, the Board voted 4-0 to approve the award of the contract, as recommended.

Mr. Jones then presented the proposal for Preparation of Bond Application No. 8, attached as **Exhibit “HH”**, and the updated rate schedule for his firm, attached as **Exhibit “II”**. He pointed out that last rate schedule was from 2013 and rates had actually gone down at the top tier because his rate was now \$160. He stated that he had several lower billing rates working under him. Director Faske moved to approve the proposal and the revised rate schedule. Upon second by Director Chandos, the motion was adopted by a vote of 4-0.

Director Faske then stated that the Board would next receive the attorney’s report and recognized Ms. Littlefield. Ms. Littlefield presented the Order Adopting Rules Regarding Erosion Control and Protection of the District’s Facilities, Land and Easements attached as **Exhibit “JJ”** and noted she had prepared this Order as directed by the Board at its last meeting. After discussion, upon motion by Director Slowbe and second by Director Chandos, the Board voted unanimously to approve the Order.

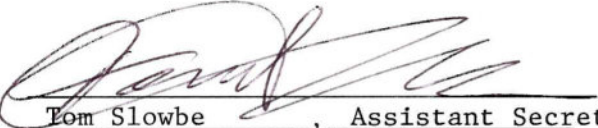
Mr. Jones then requested Board authorization for him to approve change orders for a total amount not to exceed \$50,000 for gates, erosion control, and similar costs that would be incurred due to requirements under the Ortiz easement for Water Plant No. 1 - Phase III 8-inch Waterline and Site Improvements to avoid delays shutting down the project. Upon motion by Director Thornton and second by Director Slowbe, the authorization was granted by a vote of 4-0.

Director Chandos then moved that the Board rescind the scheduling of the hearing on the substitution of land for February 19, 2018 at 6:00 p.m. and the related Order previously approved because February 19<sup>th</sup> was a holiday. Director Faske seconded the motion, which was adopted by a vote of 4-0. Director Chandos then moved that the Board reschedule the hearing on the substitution of land for February 20, 2018 at 6:00 p.m., adopt the Order Calling Public Hearing on Applications for Exclusion and Inclusion of Land attached as **Exhibit “KK”** and, starting in March, move the regular Board meeting date and time to the 3<sup>rd</sup> Monday of the month at 6:00 p.m. Upon second by Director Slowbe, the motion was approved by a vote of 4-0.

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



Date: 2.20.2018

  
Tom Slowbe, Assistant Secretary  
Board of Directors