

**SONTERRA MUNICIPAL UTILITY DISTRICT
MINUTES OF BOARD OF DIRECTOR'S MEETING**

April 16, 2018

THE STATE OF TEXAS §
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COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on April 16, 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"**.

All of the members of the Board were present, as follows:

John Faske	President
David Chandos	Vice President
Tom Slowbe	Secretary
Menashe "Manny" Akiva	Assistant Secretary
Dale Thornton	Treasurer

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"); Darrell Goldman of DMG Construction; Jason Jones of Jones Heroy & Associates; Lori Riley, a resident of the District; and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director Faske called the meeting to order at 6:00 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 Slowbe reported that there was an individual who was currently coordinating a Fourth of July Celebration, but that he felt it would be better for the District to coordinate and added that, as the District was a governmental entity, it was possible that any donations would be tax-deductible. He stated that this celebration was a community-wide event. Mr. Bilger added that the Homeowners Association ("HOA") had sponsored the event in the past and that it was very professionally done. Director Slowbe stated that the individual who did the fireworks was very professional and that he had also offered to provide some fireworks safety training. He added that there had been a pretty good turn out the prior year. Director Slowbe stated that a number of local businesses were interested in making contributions and moved that the Board approve a District contribution of up to \$2,000, handle collecting any donations, and provide a letter confirming any donations received. Director Chandos seconded the motion. Director Faske asked if the event would occur if the Board declined to coordinate. Director Slowbe responded that he felt the local businesses and HOA would still do this. Director Faske expressed a preference that the City of Jarrell take over this responsibility. Director Slowbe responded that it was a small, local event. After further discussion, the motion was adopted by a vote of 4-1, with Director Faske voting "no".

Director Faske then recognized Ms. Riley who stated that she lived at 457 Drews Lane and wanted to thank the Board for mowing the easement behind her house. She asked when a park would be built in the area. She also stated that her meter had been replaced, but that she still had not heard anything about the very high bill she had received.

Director Faske then stated that the Board would consider approving the minutes of the March 19, 2018 Board meeting. Upon motion by Director Chandos and second by Director Slowbe, the Board voted unanimously to approve the minutes.

Director Faske stated that the Board would next consider approving the Secretary's Certificate and Resolutions Regarding Bookkeeper's Account attached as **Exhibit "B"**. Upon motion by Director Chandos and second by Director Faske, the Board voted unanimously to approve the Resolution.

Director Faske stated that the Board would next receive the manager's report and recognized Mr. Bilger. Mr. Bilger reviewed his directives and stated that the Fire Department would not provide a certificate stating the maximum occupancy of the District's office because it did not want to be liable if something happened. He also stated that he had completed the map for the License Agreement and would review it with Ms. Littlefield. He noted that he hoped to use the same map for the two landscaping contracts. Director Faske asked if the District could get a map for the District office and Mr. Bilger agreed to provide one. Mr. Bilger reported that the pool deck coating was almost complete, but a problem with a breaker had been occurring and it had been discovered that there was a break in the electrical line somewhere between the pedestal and where it came into the box. He stated that he thought the conduit was broken underground and had asked the electrician to provide a bid for a replacement of the conduit and line. He estimated the cost for this would be between \$3,000 to \$4,000 and requested authorization to proceed. Director Thornton inquired if there was a route that could be followed that wouldn't go under the pool decking and Mr. Bilger confirmed that there was. Upon motion by Director Thornton and second by Director Chandos, the Board voted unanimously to authorize Mr. Bilger to proceed with the work, with the directive that, if the price from the current electrician was unreasonable, Mr. Bilger obtain an additional bid and that the location of the new line be documented. Mr. Bilger agreed to do so and noted that the line would run next to the wall.

Director Slowbe then updated the Board on Parks Subcommittee activities and reported that all of the parks had been reviewed and the Subcommittee had identified three top priorities the first being sidewalks, including from McDonalds to the swimming pool, noting that trashcans as well as pet waste stations needed to be added along the trails and sidewalks. He stated that the second priority was making the new park by the elementary school a splash pad with restrooms instead of a dog park, and the third priority was making the 21 acre detention area a useable park by adding sports fields, lighting and parking. Director Slowbe asked Mr. Bilger for direction. Mr. Bilger stated that the HOA already had the funds on hand for the sidewalk from the McDonalds to the swimming pool. He stated that there were a lot of other areas owned by the District where trails and sidewalks could be added that would provide access to the parks and to the school. Director Slowbe stated that the Subcommittee's concern was to ensure that sidewalks were only put in where they would actually be used, noting that a lot of people walked along County Road 313 and this was very dangerous. Mr. Bilger stated that a sidewalk or trail could be built on District property without a license agreement, so this could be done quickly. Director Slowbe suggested that a sidewalk between the McDonalds and the pool be the first priority and Mr. Bilger responded that it would take at least six months to get this through the County. Director Faske noted that, with future development, the pool would become more centralized which would be a benefit. Mr. Bilger stated that a sidewalk could be installed if the District agreed to be responsible for the maintenance and suggested that various routes be prioritized. Director Slowbe stated that the Subcommittee's goal was to get people off of unsafe areas.

Director Faske then recognized Mr. Hendrix for purposes of receiving the District operator's report. Mr. Hendrix stated that he had just received the results of the meter test for Ms. Riley's meter and asked the Board to authorize him and Mr. Bilger to review the results and get back with Ms. Riley and the Board concurred. Mr. Hendrix then presented Crossroads'

report, attached as **Exhibit "C"**, and noted that the District had 1,630 occupied single-family connections, a total of 1,834 accounts, and an estimated population of 5,712 as of the end of March. He stated 117 taps had been sold for the year to date. Mr. Hendrix reported that the District had experienced a water loss of 14.71% during the prior reporting period. Director Faske stated that he still didn't understand why there were such wide fluctuations, and asked how flushing water was being accounted for. Mr. Hendrix responded that Crossroads billed the contractors for flushing water, but didn't get a flushing log until the end of each project. Director Faske pointed out that the Board had asked that the contractors be required to provide their flushing logs as a part of the pay application process on a monthly basis. Mr. Hendrix responded that the District's water loss had consistently been in the double digits. Director Faske stated that he felt it was critical to get the water loss under control. Mr. Bilger noted that flushing did not occur consistently throughout the month. Director Thornton stated that he felt the loss factor was unacceptably high. Mr. Jones stated that the flushing log requirement was a close-out document and not a monthly reporting requirement. He noted that the construction projects occurred over a long period and that some of the contracts had begun months previously. Mr. Bilger added that flushing occurred at the end of a project, but filling of the pipes was intended to ensure that the pipes were holding water and so occurred at different intervals. Mr. Hendrix confirmed that a high level of unaccounted for water was usual for districts with a high level of construction. Director Faske asked what an acceptable loss factor was and Mr. Hendrix responded that 10% on an annual basis was generally viewed as the threshold. Mr. Hendrix stated that the District's loss factor had been 9.8% the prior year and, for the year to date, was a little over 11%. Mr. Bilger asked if the usage for pipe filling could be captured on a monthly basis. Mr. Hendrix stated that he felt it was do-able to provide an estimate and agreed to work with Mr. Jones to do a better job of reporting this information. He then reviewed the well logs with the Board and stated that the wells were stable. He requested approval of a write-off in the amount of \$14.27 and reported that one account in the amount of \$115.96 had been sent to collections. Director Thornton stated that it appeared that the quantity of unaccounted for water was consistently between 1.1 and 1.3 million gallons. Mr. Bilger stated that this quantity of water was not being used for construction on a monthly basis. Mr. Jones pointed out that this quantity of water could be lost from one fire hydrant in a month. Mr. Bilger suggested that the fire hydrants be checked and Mr. Jones concurred. Upon motion by Director Thornton and second by Director Slowbe, the Board voted unanimously to proceed with leak detection for the District's fire hydrants and above-ground valves. Mr. Hendrix then reported that the repairs by HOT Systems had been completed. He also reported that there had been an incident with a manhole leaking wastewater and that Crossroads had found that the wastewater line was blocked by a piece of PVC and a test ball. He stated that the blockage had resulted in a small spill, but only self-reporting was required, which had been done.

Mr. Hendrix then reported that there had been a complaint regarding a high water bill received from a customer who had moved in during July and had no winter-average and so was billed based on actual water usage. Ms. Littlefield explained that the District's current rate order did not include a "deemed winter average", which was a standard provision and reminded the Board that it had held off making a full revision to the rate order pending completion of a rate study. She stated that she recommended that the Board address the issue since this had resulted in an unreasonably high bill. After discussion, upon motion by Director Chandos and second by Director Slowbe, the Board voted unanimously to approve a deemed winter average of 7,000 gallons and to authorize Mr. Hendrix to make the appropriate adjustment to the customer's bill. At this time, Director Slowbe left the meeting.

Director Faske then stated that the Board would receive the bookkeeper's report. Ms. Kolmodin called the Board's attention to the check register, attached as **Exhibit "D"** and the supplemental check register attached as **Exhibit "E"**. She pointed out a check to the Lone Star Regional Water Authority ("LSRWA") for a bond payment. She stated that she had also brought authorization for a wire transfer to fund a payment to the developer for Sonterra West Section

8M, which Mr. Jones would present later in the meeting. Director Faske asked if the Board members were registered for CASE. Ms. Kolmodin asked that the Directors who wished to attend register on the CASE website and then have CASE send the bill to her. Upon motion by Director Chandos and second by Director Thornton, the Board voted 4-0 to approve the bookkeeper's report and the payments as presented.

Director Faske stated that the Board would next receive the engineer's report and recognized Mr. Jones. Mr. Jones presented his updated report attached as **Exhibit "F"** and reviewed it with the Board. He also provided the summary of action items attached as **Exhibit "G"**. Mr. Jones reviewed his directives and confirmed that it was acceptable for the hydropneumatic tank to be out of service. He stated that he now had the necessary data to complete the fluoride "white paper", hopefully before the next meeting.

Mr. Jones then presented the Water Line Easement from Williamson County Emergency Services District No. 5, attached as **Exhibit "H"**. After discussion, upon motion by Director Chandos and second by Director Thornton, the Board voted 4-0 to authorize acceptance of the Water Line Easement, as presented.

Mr. Jones then reminded the Board that, when the District's \$6,500,000 Unlimited Tax and Revenue Bonds (the "**Bonds**") were sold, Section 8M was not complete. He reported that this Section was now complete and the only pending item was the developer's filing and his approval of the condo documents. He added that Mr. West had completed his supplemental report, attached as **Exhibit "I"**, and pointed out that the reimbursable amount was \$1,188,383, with interest of \$15,285, and noted that there had been a hold back for streets in the amount of \$240,985 and engineering fees of \$151,453, together with interest of \$4,081, for a total to of \$1,700,187. Director Thornton moved that the Board authorize the release of the funds in accordance with the report, subject to his approval and that of Mr. Jones. Director Faske seconded the motion, which was adopted by a vote of 4-0.

Mr. Jones then requested approval of the Resolution Authorizing Application to the Texas Commission on Environmental Quality for the Release of Escrowed Funds attached as **Exhibit "J"** for release of \$50,000 in land costs that had been escrowed pursuant to the TCEQ's order approving the Bonds. He explained that the developer had now documented all of the land costs. Upon motion by Director Thornton and second by Director Chandos, the Board voted 4-0 to approve the Resolution.

Mr. Jones next reported that the LSRWA was opening bids on Thursday and that the LSRWA Board was meeting the following week to hopefully approve the award of contracts. He stated that this was a fairly complicated process and explained that, if the LSRWA had a need for additional funding, a special meeting of the Board might be required to approve the additional funding. The Board agreed that it would schedule a special meeting if required.

Mr. Jones then reported that he was not moving forward with the Well No. 1 reverse osmosis unit, since there was a possibility that the LSRWA project would alleviate the need. He added that the City of Jarrell wastewater plant was very near capacity and a reverse osmosis unit would require 80 LUEs of wastewater capacity to dispose of the brine. He stated that he was monitoring both of these situations. Director Faske inquired about the anticipated fluoride level of the LSRWA water and Mr. Jones responded that surface water normally had a fluoride level of .2 to .3 mg/L and that the District's goal was to be below 2 mg/L. In response to a question from Director Faske, Mr. Bilger stated that the City of Jarrell was behind schedule on its plant expansion, but was motivated to get the expansion underway.

Mr. Jones updated the Board on the status of District and non-District facilities construction as outlined in his report. He then presented Pay Estimates No. 2 and 3 for Water Plant No. 1 Phase II, 8 inch water line and site improvements, attached as **Exhibits "K"** and

"L". Upon motion by Director Faske and second by Director Chandos, the Board voted 4-0 to approve the Pay Estimates.

Mr. Jones next presented Pay Estimates No. 4, 5 and 6—Retainage for Sonterra West, Section 8M, attached as **Exhibits "M", "N", and "O"**, respectively, and recommended approval and acceptance of the project upon his approval of the final plat and condo documents. Upon motion by Director Thornton and second by Director Chandos, the Board voted 4-0 to approve the Pay Estimates and to accept the project contingent upon receipt and approval of the final plat and condo documents.

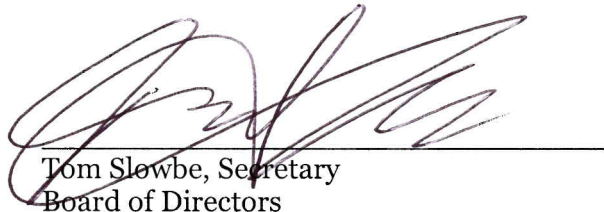
Mr. Jones next recommended approval of Pay Estimates No. 4, 5 and 6—Retainage, attached as **Exhibits "P", "Q" and "R"**, respectively, for Sonterra West Section 11, Phase 1 and stated that the project was complete. He also presented Change Orders No. 1, 2, 3 and 4, attached as **Exhibits "S", "T", "U" and "V"**, respectively, and reviewed them with the Board. He recommended approval of the Pay Estimates and Change Orders and acceptance of the project for operation and maintenance. Upon motion by Director Faske and second by Director Chandos, the Board voted 4-0 to approve the Pay Estimates, Change Orders and acceptance of the project as recommended.

Mr. Jones then presented the bid tabulation for Sonterra West Section 12 attached as **Exhibit "W"** and recommended award of the contract to the low bidder, JKB Construction. He stated that he and Mr. Bilger were very pleased with JKB Construction's work and pointed out that there was a very tight spread on the bids. Upon motion by Director Faske and second by Director Thornton, the Board voted 4-0 to approve the award of the contract as recommended.

Mr. Jones presented the bid tabulation for Sonterra West Section 12C Condos attached as **Exhibit "X"** and recommended award of the contract to the low bidder, Wolff Construction. Director Thornton inquired if Wolff Construction had hired someone from another company and Mr. Bilger stated that they had a pretty good pipe crew. Upon motion by Director Faske and second by Director Chandos, the Board voted 4-0 to approve the award of the contract as recommended.

Director Faske recognized Mr. Bilger who noted that this would be Director Chandos' last meeting and thanked Director Chandos for his service to the District. There being no further business to come before the Board, the meeting was adjourned.




Tom Slowbe, Secretary
Board of Directors

Date: May 21, 2018