

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

May 14, 2018

THE STATE OF TEXAS           §  
  §  
COUNTY OF WILLIAMSON       §

A special meeting of the Board of Directors of Sonterra Municipal Utility District was held on May 14, 2018, at 100 Congress Avenue, Suite 1300, Austin, Texas 78701. 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"**.

Director John Faske, Director Dale Thornton, and Director-elect Darrell Goldman were present. Director Tom Slowbe and Director Menashe "Manny" Akiva were absent. Also present at the meeting were Taylor Kolmodin of Municipal Accounts and Consulting ("**MAC**"); Jason Jones of Jones Heroy & Associates; and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director Faske called the meeting to order at 12:17 p.m. Director Faske stated that the Board would first receive Board member remarks and citizens communications. There being none, Director Faske stated that the Board would consider approving the Sworn Statements, Oaths of Office and Official Bonds for Directors Thornton and Goldman. After discussion, upon motion by Director Faske and second by Director Thornton, the Board voted 3-0 to approve the Sworn Statements, Oaths of Office, and Official Bonds for Directors Thornton and Goldman.

Director Faske then stated that the Board would consider the election of officers. Director Faske moved that the Board appoint Director Thornton as Vice-President, Director Goldman as Assistant Secretary and retain the remaining slate of officers. Upon second by Director Goldman, the motion was adopted by a vote of 3-0.

Director Faske stated that the Board would next consider a revised District Registration Form to reflect the revised slate of officers and new Director terms. Upon motion by Director Faske and second by Director Goldman, the Board voted 3-0 to approve the revised Form.

Director Faske then stated that the Board would discuss the East Williamson County Regional Water Transmission System Project, including approval of the selection of contractors and facilities proposed by the Lone Star Regional Water Authority ("**LSRWA**"). Mr. Jones advised the Board that the LSRWA had opened bids on April 19th, and reminded the Board that a potential additional financing need of up to \$5,000,000 had previously been identified. He stated that the LSRWA had submitted an application for this additional financing to the Texas Water Development Board and anticipated approval in June. He explained that the project's total budget was \$21 to \$22 Million, consisting of 18 different contracts and a number of alternative bid items, primarily to allow reducing the budget if needed. He stated that he and Mr. Bilger had met with representatives of the City of Jarrell and Jarrell-Schwertner Water Supply Corporation ("**Jarrell-Schwertner WSC**") and the LSRWA customers had agreed that the best, most cost-effective option was to proceed with the entirety of the project. Mr. Jones explained that the bid pricing was very good, noting that the project would include generators at the pump stations and also a concrete ground storage tank, which would essentially be maintenance-free for 30 years. He stated that, at the end of the day, the project would be about \$1.5 Million over budget due to the improvements, including additional line extensions to the north to be used by a new district, Jarrell-Schwertner WSC and the District. He stated that the additional financing would also firm up a contingency of \$500,000. Director Goldman inquired



about timing of the project and Mr. Jones responded that he expected the LSRWA to issue notice to proceed in June for the primary part of the project, and that he anticipated delivery of water in the Fall of 2019. Mr. Jones stated that he was very pleased with the contractor for the pump stations, which was an important part of the project. He added that a contractor out of Alabama would construct a major portion of the 24-inch line and that, although he had initially had reservations about this, the contractor's references had been checked carefully. Mr. Jones then called the Board's attention to the letter from Steve Kallman, the project engineer, attached as **Exhibit "B"**, which he pointed out outlined the budget for the additional financing. He noted that, although the budget was \$1.335 Million, the customer group had elected to increase it to \$1.5 Million to bump up the contingency. Director Faske inquired about the contract proposed to be awarded to Austin Underground and the Board discussed several issues that had arisen with respect to this contractor's performance in the District in the past. Mr. Jones stated that he had requested that John Finley, a project manager for Austin Underground who had addressed the recent problem on a District project, be assigned to the work to ameliorate the concern. Director Thornton asked that this be required as a condition to the District's approval and Mr. Jones stated that he would ensure this was confirmed and agreed to relay this requirement to Mr. Finley. Mr. Jones also pointed out that the line would be pressure tested, which would provide an additional level of assurance.

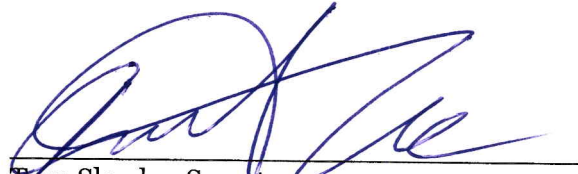
Mr. Jones then called the Board's attention to the financing analysis from Specialized Public Finance attached as **Exhibit "C"**. He explained that the analysis summarized the additional financing requirements based on an additional \$1.5 Million in bonds, noting that a small amount would be taxable due to Jarrell-Schwertner WSC's participation, and that the total debt service cost to the District would be about an additional \$55,000 per year with a straight amortization. Director Thornton expressed concern about the additional debt obligation and the Board reviewed the total debt structure associated with the LSRWA bonds. Mr. Jones stated that Jay Joyce had evaluated the original debt at the time he had begun his rate analysis and had indicated that, with the projected growth in the District, the District would not need to increase its rates in order to cover the debt service. Ms. Littlefield stated that the LSRWA financing was a big commitment, and she felt it was important to ensure that the Board had a rate analysis completed to enable the Board to plan ahead. Ms. Kolmodin agreed that the Board would need to take a careful look at the District's budget for fiscal year 2018/2019 in order to build in the revenues necessary to fund this additional debt service from the operating fund. She also stated that she felt the District should build its reserve fund, which was currently at about six months, up to nine months or one year. Ms. Littlefield agreed and pointed out that the District had significant obligations funded out of its operating fund, including the LSRWA financing, the office lease/purchase and the pool lease/purchase. She stated that she felt a rate study and a conservative approach to the budget and District reserves were essential. Mr. Jones then reviewed the financing cost allocation, based on the District's pro rata share of the project contained in the analysis. He noted that the District's share was about \$216,000 for the 2018 fiscal year, but this would increase substantially over the next ten years. The Board discussed the importance of the LSRWA surface water supply to ensure adequate water, as well as lower fluoride water, for the District's residents, and budget and tax rate issues related to the LSRWA financing. Director Thornton then moved to concur with the LSRWA's selection of proposed contractors, with the caveat that the Austin Underground contract was approved contingent upon John Finley or another project manager approved by Mr. Jones and Mr. Bilger as acceptable to the District be assigned to the portion of the waterline that was to serve the District, and to approve participation, on a pro rata basis, in the supplemental financing to complete the project as outlined in the financing analysis. Upon second by Director Goldman, the motion was approved by a vote of 3-0.

The Board then discussed the proposed rate study and its importance in anticipation of developing the District's 2018-2019 budget and the Board's goal to increase reserves and ensure planning for the additional debt service for the LSRWA project.

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



Date: June 18, 2018



Tom Slowbe, Secretary  
Board of Directors