

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

May 21, 2018

THE STATE OF TEXAS                   §  
  §  
COUNTY OF WILLIAMSON           §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on May 21, 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
Dale Thornton	Vice President
Tom Slowbe	Secretary
Menashe "Manny" Akiva	Assistant Secretary
Darrell Goldman	Assistant Secretary

Also present at the meeting were Andy Bilger of Vecindario Management, LLC; Dennis Hendrix of Crossroads Utility Services ("Crossroads"); Taylor Kolmodin of Municipal Accounts and Consulting ("MAC"); Jason Jones of Jones Heroy & Associates; Edward Castro, Amanda Reed, Lori Riley, Patricia Schwindt, Daniel Grobe, and Jennifer Islas, residents of the District; former Board member, David Chandos; several representatives of SAS Towing; 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. There being no Board member remarks, Director Faske recognized Ms. Reed, who asked what the protocol was to notify the District's residents of water use restrictions. She stated that signs had been posted, but the website was updated after the fact and the signs were now down, but the website had not changed. Ms. Reed asked if there could be email or telephone notifications for important things like water use restrictions. Mr. Bilger responded that the website was in transition, but the water use restrictions were still in place and noted that she could sign up for email notices on the District's website. Director Faske then recognized Ms. Schwindt, who expressed concern about the District's portion of the Williamson County taxes, noting that she had bought a house because she could afford it and taxes had gone up \$600 between 2013 and 2017. She stated that her taxes were \$2,619 and over \$1,300 of that was for the District, and that her house payment had gone up over \$200 per month, which made a huge difference on a fixed income budget. She stated that she had gone to the appraisal district and was told that every time they built a house the infrastructure had to get paid for and that she thought the infrastructure should be paid for by the new houses. Mr. Bilger explained that the tax rate had not gone up, but the appraisal district re-evaluated the value of her house every year, which affected the total taxes on her home. He stated that the District's tax rate was anticipated to remain constant for a long period of time. He added that it was possible to protest the taxable value of her home. Mr. Bilger also explained that the infrastructure was paid for by the taxpayers in a district as a common way to extend infrastructure to undeveloped areas in the State.

Director Faske then stated that the Board would consider approving the minutes of the April 16, 2018 Board meeting. Upon motion by Director Goldman and second by Director Akiva, 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"**; the Resolutions Regarding Operating Account and Capital Projects attached as **Exhibit "C"**; the Resolutions Regarding Lock Box Clearing Account attached as **Exhibit "D"**; the Resolutions Regarding Park and Pool Account attached as **Exhibit "E"**. Upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve the Resolutions.

Director Faske then stated that the Board would consider approving the Amended and Restated Resolution Establishing Offices and Meeting Places of the Board of Directors of Sonterra Municipal Utility District and Establishing Locations for the Postings of Notice of Meetings of the Board attached as **Exhibit "F"**. Ms. Littlefield explained that her office would be temporarily relocated during remodeling of the existing office and that this Resolution would document the change. After discussion, upon motion by Director Faske and second by Director Goldman, 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 first reviewed his directives and explained that the Jarrell City manager had requested that the District's clean-up day be scheduled at the same time as the City's, which would be held the weekend of June 10<sup>th</sup>. He suggested the clean-up day be publicized on the District's website and through an email blast. Director Slowbe stated that it was his understanding that the City's clean-up day was going to be on Saturday, June 23<sup>rd</sup> and added that the City had sent out a flyer. Mr. Bilger explained that Clawson Disposal ("Clawson") would bring several dumpsters to the pool parking lot, collect bulky waste, and haul the containers off. Director Slowbe stated that participants would need to prove that they were residents of the District and that Clawson would have staffing present to monitor the clean-up day. Director Slowbe suggested that the dumpsters be placed at the District office instead of the pool and the Board concurred that this would be a better location. Director Slowbe noted that bulk items would only be accepted until the dumpsters were full. Upon motion by Director Goldman and second by Director Faske, the Board voted unanimously to schedule the District's clean-up day on the same day as the City of Jarrell's, at the District office, and directed Mr. Bilger to publicize this information on the District's website and through an email blast. Director Slowbe asked that the announcement make it clear that it would only last until the dumpsters were filled.

Mr. Bilger then stated that there had been an ongoing issue with landscaping and mowing, and that the standard was that a bigger company would come in, spend a lot of time going over the work, and then start leaving parts of the work out. He stated that he had been speaking with a resident, Edward Castro, who had a landscape company and did a lot of work in the area and had shown that he could do the work. He added that Mr. Castro also felt more invested because he was a resident. Mr. Bilger stated that Mr. Castro's company was fully insured, and reminded the Board that the District's work was divided into two contracts, one covering the mowing and one covering the flowers, mulch, etc. He stated that the District had at least a full day and a half of mowing work based on a six-man crew, including the drainage areas, park areas, etc. He proposed that the Board authorize him to discontinue working with Countryside and instead contract with Top Quality effective June 1<sup>st</sup>. He stated that the cost would be about \$5,000 a month, and noted that currently only about half the mowing work was being done. Mr. Bilger also stated that there would be a 30-day termination clause in the new contract. After discussion, Director Thornton moved that the Board authorize the District Manager to enter into a mowing contract for a cost not to exceed \$5,000 per month. Upon second by Director Goldman, the motion was unanimously adopted.



Mr. Bilger then stated that the District would be shifting to the new website provider within the next 30 days and noted that it was possible that there would be a few days during which the website would be down. Director Slowbe inquired if each Board member would be getting their own email address through the website and Mr. Bilger responded that that would be possible. Director Faske stated that this would make it simpler if there was an open records request. The rest of the Board concurred. Mr. Bilger then reported that the License Agreement had been forwarded to the County and that this agreement would give the District the opportunity to install sidewalks. Ms. Littlefield stated that the County Attorney had required a provision that any signage be approved by the County engineer and also a provision that any irrigation facilities that the County engineer determined were a problem for the pavement could be required to be altered or turned off.

Director Faske stated that the Board would next discuss park and recreational facilities. Director Slowbe distributed the map attached as **Exhibit "G"** and updated the Board on proposals by the Park and Trails Subcommittee to extend sidewalks through the District. He stated that some areas would need to have sidewalks across residential lots. Mr. Bilger stated that he felt this could be done on the flatter side of the street to minimize Americans with Disabilities Act issues and added that any sidewalks would be within the right-of-way. Mr. Bilger stated that the sidewalks would probably be put at the right-of-way line to avoid utility facilities. Director Slowbe stated that the proposal would affect about 15 to 20 lots. Mr. Bilger stated that none of these lots were sold. In response to a question from Director Faske, Director Slowbe stated that drainage areas would be utilized as much as possible. Director Slowbe stated that there was also a priority to have a splash pad in the back to give residents two locations to go to. He stated that the committee preferred the new park area as the location for splash pad. He also proposed to create playing fields in about seven areas of the detention area. He stated that this would be a minimal expense and suggested that, instead of a concession stand, pads with hookups for food trailers be provided. He stated that the Jarrell Youth groups had made a commitment to enter into the same arrangement as with the City: to lease the property and keep the property maintained. He stated that this would be by the elementary school, with sidewalks going back to the playing fields so that residents could access them easily. Director Akiva stated that he felt a sidewalk on County Road 313 should be a priority, because there were so many people walking there already. Director Slowbe responded that his concern was the timing of getting the License Agreement in place in order to get the project going sooner, but agreed that County Road 313 and Sandstone should be priorities. Director Akiva stated that he doubted someone would go to the back just because there was a sidewalk instead of utilizing County Road 313. Mr. Bilger stated that he thought they were not mutually exclusive, and that he felt if residents could avoid walking on County Road 313 they would. He concurred that, if the District wanted to move forward with the project within the next year, then proceeding internally would be the best thing to do, particularly since County Road 313 would ultimately be widened and any relocation costs under a License Agreement would be the District's expense. Director Faske inquired about the width of the proposed sidewalks and Director Slowbe responded that six feet was recommended. Mr. Bilger stated that six feet might not be possible within the area in front of houses. Director Akiva inquired about the source of funding for the project and Ms. Kolmodin explained that the District had budgeted \$75,000 for park capital outlay and that there was another budget line item for \$330,000 for general capital outlay. Mr. Bilger stated that the homeowner's association ("HOA") also had a reserve for sidewalks and trails. He pointed out that June-July was the District's 2018-2019 budget season and noted that he would like to start this project in the current fiscal year. He stated that he felt there was quite a bit that could be done. Director Slowbe stated that First Community Bank was willing to finance the splash pad. Ms. Littlefield asked that the Board bear in mind the lease purchase agreements and LSRWA debt obligations that were already being funded out of operating funds, including the additional LSRWA debt that had already been incurred. Director Slowbe then recommended that a professional be involved in the development of a park plan. Director Faske stated that he felt the District needed to get cost estimates so the budget for the improvements



could be evaluated. Mr. Bilger stated that Tom Brown, a local engineer, had done a lot of work on the park and trail system for Sonterra and recommended that he be brought in to give the Board some basic ideas on project budgets. He stated that he felt this would be a good introduction to the process, and that Mr. Brown also had good base of knowledge. Director Slowbe stated that he had some other contacts who could come in and make a presentation. Director Faske stated that he felt it was important to evaluate the cost and impact on the budget. He also stated that in his experience it was more cost-effective to dispose of water from the splash pad in the creek rather than to try to recycle and reuse the water.

Director Faske then stated that the Board would discuss District security. Director Slowbe called the Board's attention to the patrol report that had been received from the City police department. He stated that he felt the City was doing a great a job and was pleased with the citations and security checks.

Director Faske then recognized Mr. Hendrix for purposes of receiving the District operator's report. Mr. Hendrix presented Crossroads' report, attached as **Exhibit "H"**, and stated that he was pleased to report the water loss was down to 1.48%. He noted that the District had 1,637 occupied single-family connections, a total of 1,871 accounts, and an estimated population of 5,733 as of the end of April. Mr. Hendrix reported that 135 taps had been sold for the year to date. He reviewed a write-off in the amount of \$35.85 and reported that one account in the amount of \$368.17 had been sent to collections. He pointed out that Well No. 2 had dropped significantly in production and that this, along with the demand on the system, had resulted in going to Stage 3 restrictions. He stated that, on April 28<sup>th</sup>-30<sup>th</sup>, there had been a significant increase in demand. He stated that he had no idea what happened to the water rationing signs that had been posted. Mr. Hendrix then called the Board's attention to photographs that documented water theft by a contractor at the new school, George Construction, noting that he had notified the contractor that there were fines and penalties for water theft and had imposed charges for \$5,500 for a million gallons in usage plus \$25,000 in penalties on the contractor and had received payment of both. Mr. Hendrix stated that he had JBS scheduled to perform leak detection for the fire hydrants and above-ground valves in mid to late June. He then reviewed the protocol for leak detection with the Board, and explained that a service line analysis was very costly and would be a second phase, performed only if necessary. Mr. Hendrix then reported that the reverse osmosis system was working well and there had been very few calls.

Mr. Hendrix then stated that there had been a recent sewage backup that had resulted from a sag in the line, noting that the repair would require a street cut and that he hoped to get it resolved later in the week.

Ms. Riley stated that the problem with her meter had been resolved and thanked the Board for its assistance.

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 "I"**, and the supplemental check register attached as **Exhibit "J"**. She pointed that the only check out of the ordinary was to the Comptroller for unclaimed property. She reviewed the actual to budget comparison, pointed out total revenues and expenses, and reported that, as of April 30<sup>th</sup>, the District's 2017 taxes had been 98% collected. She also called the Board's attention to the quarterly investment report. Upon motion by Director Goldman and second by Director Slowbe, the Board voted unanimously 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 "K"** and



reviewed it with the Board. He also reviewed the summary of action items attached as **Exhibit “L”**.

Mr. Jones presented Pay Estimate No. 4 in the amount of \$174,339.27, attached as **Exhibit “M”**, for Water Plant No. 1 – Phase III 8-inch Waterline and Site Improvements and recommended approval, with the caveat that the District had received a lien notice from a subcontractor. He explained that this contract was for the site work to bring the new wells on line. He reported that Hydro Resources had pulled the well pump again and that it was back at the supplier, for the second time, having parts replaced. He stated that he had tried to do a start-up, but there had been issues, some of which were caused by Central Road and Utility, Ltd. (“**CRU**”), the contractor. Director Goldman inquired if these wells had to be on line for the District to come out of Stage 3, and Mr. Jones confirmed that they did. Mr. Bilger asked if there were manual controls for the Edwards well, and Mr. Jones confirmed that the District could use the well in the event of an emergency. He also reported that the District had received TCEQ approval of the wells earlier in the day. After discussion, upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve payment of the Pay Estimate, in two parts, one in the amount of \$22,250.09, the amount of the lien notice, and the second for the balance and directed Mr. Jones to obtain confirmation of payment of the subcontractor before releasing the second check. Mr. Jones then presented Change Order No. 1, attached as **Exhibit “N”**, and requested the Board’s consent, explaining that he had already approved it under the Board’s previous authorization, and Change Order No. 2, for painting, attached as **Exhibit “O”**, and requested approval. Upon motion by Director Goldman and second by Director Faske, the Board voted unanimously to approve the Change Orders.

Mr. Jones then presented the quote from Hydro Resources, attached as **Exhibit “P”**, in the amount of \$14,335.20 to pull the pump at Well No. 1 and re-align the existing above-grade well head piping. He explained that this work was necessary due to a recently constructed subdivision and fence adjacent to the well site, Mr. Jones stated that the quote included the cost to install a new stainless steel air line and a PVC sounding tube that would facilitate monitoring the water level in the well. He stated that an additional cost estimate of \$15,500 was for replacement of the existing submersible pump, which was eight years old, and \$14.82 per foot of discharge piping if necessary. Mr. Jones requested that the Board authorize the work on an as-needed basis for a total cost not to exceed \$37,000. After discussion, upon motion by Director Thornton and second by Director Goldman, the Board voted unanimously to approve the work on an as-needed basis for a cost not to exceed \$37,000. Mr. Jones agreed to keep the cost to the minimum necessary.

Mr. Jones then presented Pay Estimates No. 1 and 2 in the amounts of \$364,708.80 and \$480,320.73 and Change Order No. 1 in the amount of \$15,925, attached as **Exhibits “Q”, “R” and “S”**, respectively, from Joe Bland Construction for Sonterra West Section 8-0, 10-3, 11-2 and 12C construction and recommended approval. He stated that the Change Order was for an additional gate valve and pressure gauge, adding some pipe runners, and plugging a couple of hand dug wells. He stated that there was also an adaptor to be added to the fire hydrants at the request of the Emergency Services District (“**ESD**”), noting that this would add a cost of \$220 per fire hydrant. Director Thornton asked if this adaptor was a requirement. Mr. Jones stated that the ESD had previously approved the plans, but had requested the adaptor be added after approval. Mr. Jones explained that this adaptor was now included in the District’s standard detail for fire hydrants. After discussion, upon motion by Director Thornton and second by Director Goldman, the Board voted unanimously to approve the Pay Estimates and Change Order.

Mr. Jones then presented the bid tabulation attached as **Exhibit “T”** for Sonterra West Section 8N. He stated that bids were opened May 10<sup>th</sup> and that the design engineer had initially recommended award of the contract to CRU for the low bid amount of \$1,087,589.98. He explained that, subsequently, a number of issues had been posed on the current CRU job,



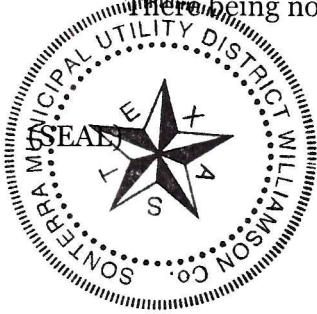
including the lien notice that had been discussed previously. He stated that other engineers in his office had also experienced problems with CRU paying its bills on time, resulting in lien notices, as well as performance issues, including poor coordination with CRU's suppliers and subcontractors, resulting in delays. He noted that CRU had done a poor job on the new concrete fence around the elevated storage tank site, and failed to take responsibility for its subcontractor's poor performance. He stated that, based on this combination of factors, he recommended awarding the contract to the second low bidder, Joe Bland Construction ("Bland") for an additional cost of \$60,000. The Board discussed the lowest and best bid standard for award of a District contract. Director Thornton noted that Bland was a blue chip contractor, and moved to award the contract based on its bid being the lowest and best based on the Board's judgment that the award would result in the best and most economical completion of the work. Upon second by Director Goldman, the motion was unanimously adopted.

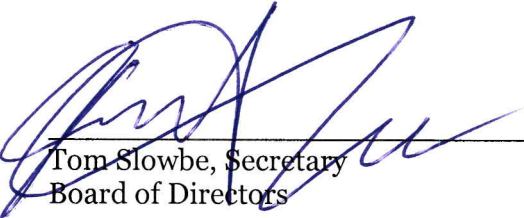
Mr. Jones then stated that he had received plans for the Schlotzsky's project and was working with the developer, the District operator and design engineer to address the District's plan review and construction requirements. He stated that Schlotzsky's had originally requested a variance order to allow a 500 gallon grease trap instead of the 750 gallon grease trap currently required under the District's rate order. Mr. Jones noted that, after reviewing the City of Austin's grease trap sizing criteria, he had planned to recommend approval of the requested variance, but Schlotzsky's had proceeded with the installation of the 750 gallon grease trap prior to the meeting and so no action was necessary. He recommended that this be reviewed when the rate order was revised. The Board discussed the fact that it was problematic to approve variances since there was no control over future tenants of the space and concurred that the existing grease trap sizing was reasonable.

Mr. Jones then reminded the Board that the LSRWA surface water supply project was scheduled for completion in August 2019. He stated that several equipment upgrades to the District's existing water treatment facilities were required before the new surface water source could be accepted and blended with the District's existing well water supplies. Mr. Jones then presented the proposal for engineering for upgrades at Water Treatment Plants No. 1 and 2 attached as **Exhibit "U"**. He stated that the District would need to convert the disinfection chemical system at both plants from chlorine to chloramines, in order to accept the surface water supply, which would be treated with chloramines. He pointed out that his firm planned to subcontract with S.D. Kallman for water quality design and analysis. Director Thornton inquired about the timing of this work. Mr. Jones responded that the optimum time to take the ground storage tank out of service and the water plant off line was during the winter. He stated that he would also get an estimate of the cost of the improvements so that it could be put into the next bond issue and Mr. Bilger concurred with that recommendation. Upon motion by Director Thornton and second by Director Slowbe, the Board voted unanimously to approve the proposal for engineering for the Water Treatment Plants No. 1 and 2 upgrades as presented. Director Faske then inquired about the chloramine system and Mr. Jones explained that it was a longer lasting and safer system, but that it also increased operation and maintenance issues. He suggested going to chloramine at the well system before the surface water supply arrived so the operator would become used to the TCEQ requirements relating to chloramines. The Board discussed funding the improvements and the possibility of adopting a reimbursement resolution so the costs could be reimbursed out of future bond issues. Director Thornton asked if Mr. Bilger could review the affordability of the LSRWA water supply and related debt. Mr. Bilger explained that 1,000 lots were coming on line, and that these would dramatically increase the District's tax base and revenues. He added that Jay Joyce's preliminary rate analysis, based on this projected growth, indicated that the District could afford these improvements without a rate increase. Director Thornton stated that he wanted to be assured the projections were not overly optimistic and that Board could still monitor and adjust its costs if needed and Mr. Bilger agreed.

Director Faske then recognized Ms. Littlefield who called the Board's attention to the Texas Municipal League Intergovernmental Risk Pool Summary of Claim Experience Report. She then recommended that the District obtain increased computer fraud and public employee dishonesty insurance coverage through the Texas Municipal League Intergovernmental Risk Pool. After discussion, the Board authorized proceeding with an application for \$1,000,000 in coverage.

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



  
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Tom Slowbe, Secretary  
Board of Directors

Date: June 18, 2018