

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

June 18, 2018

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on June 18, 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
Tom Slowbe	Secretary
Menashe "Manny" Akiva	Assistant Secretary
Darrell Goldman	Assistant Secretary

Director Dale Thornton was absent. Also present at the meeting were Dennis Hendrix of Crossroads Utility Services ("*Crossroads*"); Taylor Kolmodin of Municipal Accounts and Consulting ("*MAC*"); Jason Jones of Jones Heroy & Associates; Garry Kimball of Specialized Public Finance; 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 none, Director Faske stated that the Board would consider approving the minutes of the May 14, 2018 and May 21, 2018 Board meetings. Upon motion by Director Goldman and second by Director Slowbe, the Board voted 4-0 to approve the minutes.

Director Faske then recognized Mr. Hendrix for purposes of receiving the District operator's report. Mr. Hendrix presented Crossroads' report, attached as **Exhibit "B"**, and stated that the water loss was back up slightly to 8.78%. He noted that the District had 1,646 occupied single-family connections, a total of 1,902 accounts, and an estimated population of 5,760 as of the end of May. Mr. Hendrix reported that 171 taps had been sold for the year to date. He stated that there were no major issues with any of the wells, but noted that HydroResources had gone out to check Well No. 2. Director Akiva stated that residents were complaining that their water was sort of white. Mr. Hendrix responded that the new wells had come on line and there was more cloudiness or air in the water because the water storage tanks had been being drawn down during the day and refilled at night. Director Faske inquired about the average run time on the wells and Mr. Hendrix responded that Well No. 1 was off, that Well No. 2 ran about 28 hours, and now that Wells No. 4 and 5 were on line, everything should balance out. He stated that all of the storage tanks were now full. Mr. Hendrix stated that Wells No. 1, 2 and 3 should basically equal the run time on Wells No. 4 and 5. Mr. Jones stated that he felt, with the new wells, the District would be at 50% to 70% of capacity during the summer. The Board discussed balancing the increased water demand during the summer with reducing or lifting the water use restrictions. Director Slowbe inquired about lifting the water use restrictions and Mr. Jones stated that his recommendation was to step down the restrictions rather than lift them all together, noting that this was how the District's drought management plan was written. Mr. Jones stated that the plan provided for five days at Stage 2, then five days

at Stage 1, with the goal being to avoid a dramatic increase in demand, with a whiplash effect if something broke down. Director Slowbe stated that the new pumps had been running for five days and that they had been running on auto since Thursday morning. Mr. Hendrix stated that, since the system was so new, he concurred with Mr. Jones' recommendation to stay on Stage 2 to make sure the new system worked well. Director Faske inquired what would happen if a new well went down and Mr. Jones responded that the residents could not live on just the old wells and added that the two new wells had to run together as a permitted supply and the District could only run one if it was an emergency situation. Mr. Hendrix reminded the Board that Well No. 1 was going to be taken out of service the next week. The Board then discussed timing of taking Well No. 1 out of service. Mr. Jones and Mr. Hendrix concurred with the recommendation of phasing the reduction in water use restrictions. Director Slowbe stated that he would be more comfortable with seven days of Stage 2 before making any further adjustments. Mr. Jones stated that the Well No. 1 rehab project was not extensive and he expected that it would be down about a week. Director Goldman then moved to accept the recommendation and go to Stage 2 water use restrictions for a full week effective the following morning and then go to Stage 1, and after 14 days at Stage 1, to re-evaluate the situation. Director Slowbe seconded the motion. Upon being put to a vote, the motion was adopted by a vote of 4-0. The Board further agreed to send out an email blast, to post the revised water use restrictions on the website, and to put out signs to advise the residents of the revised restrictions.

Mr. Hendrix then reviewed four write-offs in the total amount of \$953.12 that had been sent to collections. He stated that the next Crossroads invoice would increase slightly because of operating the two new wells.

Mr. Hendrix then stated that the leak detection that had been undertaken had identified three leaks. He stated that one of the leaks identified was a check valve that had been hit by a contractor of LGI and that the estimated water loss was two to three gallons per minute or about 85,000 gallons per month. The Board directed Mr. Hendrix to backbill the contractor for the cost of lost water. Mr. Hendrix stated that the second leak identified was on a lateral line and again, was about three gallons per minute. Director Goldman asked if they had checked all of the meters and Mr. Hendrix explained that they used a leak detection unit to listen for leaks and narrow down if it was a corporation or lateral and that, once the line was excavated, they would know exactly where the leak was. Mr. Hendrix stated that he would provide photos with the final report. Mr. Hendrix stated that they had also found a hydrant leaking and requested Board approval to replace the valve seat, noting that the hydrant was fairly new, so he might be able to seek coverage under warranty. Mr. Jones stated that he would check the records to determine when the hydrant was accepted. Mr. Hendrix noted that they had also found a valve at 313 and Sapphire that was buried under eight to nine inches of cover that they could hear water running through. He stated that all well meters had been calibrated and any necessary repairs had been made, noting that they were all within standards.

Director Faske stated that Mr. Bilger was not present in order to present the manager's report. The Board agreed to postpone the report until the next Board meeting.

Director Faske then stated that the Board would discuss District security. He called the Board's attention to the patrol report that had been received from the City of Jarrell police department. He asked if this service was still to the residents' advantage. Director Slowbe stated that, in his opinion, it was. He explained that there was a new Police Chief and that he had not yet had a chance to meet with him. The Board agreed to continue the service for the interim. Director Slowbe stated that it was his understanding that the patrols were more at night and that he felt it was a little clearer that the truck problem was being addressed. Director Akiva stated that he felt the trucks were still a problem. Director Slowbe stated that the priority was the trucks and the second priority was the parks and the rest of the neighborhood.

Director Faske stated that the Board would next discuss park and recreational facilities. Director Slowbe stated that two proposals for a park master plan had been received by the Park and Trail Subcommittee and that both were for \$25,000. He stated that a new committee member had brought up some ideas that the Subcommittee was exploring. Director Slowbe explained that universities had urban design departments and that the District might be able to partner with one of them to get a study done. He stated that both of the proposals included supporting some grant applications. He stated that he thought he would have a better idea by the next Board meeting as to whether the District could get some support from a university, and added that there might still be some funding needed.

Ms. Littlefield reported that the License Agreement with Williamson County had been finalized and sent to Charlie Crossfield for approval by Williamson County. Ms. Kolmodin confirmed that the District had \$75,000 in the capital outlay budget for park improvements.

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 "C"**; the supplemental check register attached as **Exhibit "D"**; and called the Board's attention to the reimbursements from the CASE conference; and the capital projects check register attached as **Exhibit "E"**. She reminded the Board that, over the next few months, she would be working on the budget. She reviewed the bond payments and Lone Star Regional Water Authority payment. Upon motion by Director Goldman and second by Director Slowbe, the Board voted 4-0 to approve the bookkeeper's report and the payments as presented. Ms. Kolmodin confirmed that the per diem to Director Thornton would be voided due to his absence.

Director Faske stated that the Board would next discuss the District's Bond Application No. 8. Mr. Kimball distributed the financial analysis attached as **Exhibit "F"** and stated that, based on preliminary 2018 property values, the District had almost \$350 Million in value, which was up \$85 Million from 2017. He stated that this was well in excess of what he had used to project the last bond issue and added that the District had immediate bonding capacity, even after the last bond sale, due to the lower than anticipated interest rate. He added that he calculated there was \$12.5 Million in bonding capacity on a no-growth basis. He also explained that the taxable value that the District had was as of on January 1, 2018, and did not take into account growth since that date. Mr. Jones confirmed that he had projected reimbursable costs to be approximately \$7.6 Million. Mr. Kimball noted that this would leave about \$5 Million in capacity on the table and added that the current market interest rate was 3.75%, and he had run his numbers based on 4.5%. He stated that he felt, based on an expedited review with a sale by the end of the year, the 3.75% interest rate was more than sufficient. Mr. Kimball recommended that the Board approve proceeding with a bond application, noting that rates were still low and he preferred to proceed to market sooner rather than later. Mr. Jones explained that he would like a not to exceed figure of \$8 Million for the application. He noted that this would potentially include additional impact fees paid to the City of Jarrell. Mr. Kimball noted that the earlier reimbursement would cut off interest paid to developer and save the District money. In response to question from Director Slowbe, Mr. Jones explained that costs associated with the surface water supply were also included. Director Faske asked who kept track of the bonds sold and the remaining bond capacity available. Mr. Kimball stated that, when the voter-approved bonds were gone, they were gone, noting that about \$38 Million remained prior to this proposed issue. Ms. Littlefield then called the Board's attention the Resolution Establishing Official Intent to Reimburse Certain Costs, attached as **Exhibit "G"**, noting that this would allow the District to reimburse the general fund for previously approved capital costs. She then presented the Resolution Requesting Updated Appraised Value from Williamson Central Appraisal District attached as **Exhibit "H"** and explained that Mr. Kimball had requested this Resolution. Ms. Littlefield then presented the Resolution Authorizing Application to the Texas Commission on Environmental Quality for Approval of Project and Bonds, attached as **Exhibit "I"**, and reviewed it with the Board. Ms. Littlefield then requested that Mr. Jones review the Street and

Utility Construction Agreement for Sonterra West Section 8O; Sonterra Section 10, Phase 3 and Sonterra Section 11 attached as **Exhibit “J”**, the Street and Utility Construction Agreement for Sonterra West, Section 1C Condominiums and Sonterra West Section 8 Detention Pond Improvements attached as **Exhibit “K”**, the Hold-Back of Bond Proceeds for Sonterra West Section 8O; Sonterra Section 10, Phase 3 and Sonterra Section 11 attached as **Exhibit “L”**, the Hold-Back of Bond Proceeds for Sonterra West, Section 1C Condominiums and Sonterra West Section 8 Detention Pond Improvements attached as **Exhibit “M”**. Mr. Jones explained that these sections were not yet complete, and these documents would allow these sections to be bonded, but the developer would not receive funds until the improvements were complete and accepted by the District. He noted that the hold back amount was about \$4.5 Million total, which included a hold back for the street improvements. After discussion, upon motion by Director Goldman and second by Director Faske, the Board voted 4-0 to approve the Resolutions and Agreements, as presented.

Director Faske stated that the Board would next receive the engineer’s report and recognized Mr. Jones. Mr. Jones stated that, as directed, he had approved the project manager to be used by Austin Underground and that he would keep a close eye on the project. He also stated that he was working on the white paper for fluoride, as he would like to include fluoride levels for the new wells so he was providing the best information available. He then presented his report attached as **Exhibit “N”** and called the Board’s attention to the summary of action items attached as **Exhibit “O”**.

Mr. Jones presented Pay Estimate No. 5 in the amount of \$248,304.53, attached as **Exhibit “P”**, for Water Plant No. 1 – Phase III 8-inch Waterline and Site Improvements and recommended approval. He noted that this was the project Central Road and Utilities (“**CRU**”) was doing and that it was substantially complete. He stated that he had received another lien notice for CRU and recommended handling it the same as the last time, which was to approve a separate check for the amount of the lien notice, which was about \$11,900. Ms. Kolmodin stated that she had brought extra checks and could do this. After discussion, upon motion by Director Faske and second by Director Goldman, the Board voted 4-0 to approve payment of the Pay Estimate by two checks, as previously discussed.

Mr. Jones then presented Pay Estimate No. 1 in the amount of \$154,823.17, attached as **Exhibit “Q”**, for Sonterra West Section 12 construction and recommended approval. He stated that the contract had been awarded in April and notice to proceed was issued in May. After discussion, upon motion by Director Faske and second by Director Slowbe, the Board voted 4-0 to approve the Pay Estimate.

Mr. Jones then presented Pay Estimate No. 3 in the amount of \$645,253.92 and Change Order No. 2 in the amount of \$3,300, attached as **Exhibits “R”** and **“S”**, respectively, for Sonterra West Sections 8-O, 10-3, 11-2 and 12C construction and recommended approval. He stated that the Change Order was for an additional headwall which he had requested be added to an existing storm drain outfall located adjacent to the subdivision. Director Faske moved approval and Director Goldman seconded the motion. Director Goldman inquired if this Pay Estimate included the two outfalls in the channel in 8-O and Mr. Jones responded that it did not and noted that the project was only 44% complete. Upon being put to a vote, the motion was adopted by a vote of 4-0.

Mr. Jones then presented Pay Estimates No. 1 and 2 in the amounts of \$28,026.74 and \$43,179.08, attached as **Exhibits “T”** and **“U”**, respectively, for Sonterra West Section 12C Condos and Sonterra West Section 8 Detention Pond Improvements and recommended approval. He stated that this project was about 24% complete and these were the first two pay estimates. He added that the notice to proceed had been issued May 4. After discussion, upon motion by Director Faske and second by Director Slowbe, the Board voted 4-0 to approve the Pay Estimates.

Director Faske then recognized Ms. Littlefield, who reviewed her directives, and noted that she had forwarded the draft contract for the new website to Mr. Bilger for approval. She then presented the schedule for establishing the District's 2018-2019 budget and 2018 tax rate and reminded the Board that the August and September Board meetings would be important ones. She asked that, if any Board member had a conflict on one of those meeting dates, they notify her office. She also reminded the Board that Ms. Kolmodin wished to schedule at least one budget worksession. Ms. Kolmodin suggested scheduling two worksessions, the first in early July, and added that, based on the first worksession, the Board could decide if another worksession was needed. After discussion, the Board agreed to schedule the first worksession for July 10, 2018 from 4:00 p.m. to 7:00 p.m.

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




Tom Slowbe, Secretary
Board of Directors

Date: July 16, 2018