

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

January 21, 2019

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on January 21, 2019, 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 Andy Bilger of Vecindario Management, LLC; Dennis Hendrix of Crossroads Utility Services ("*Crossroads*"); Edward Castro of Top Quality Lawn Care; Taylor Kolmodin of Municipal Accounts and Consulting ("*MAC*"); Ashlee Martin of McCall Gibson Swedlund Barfoot PLLC; Jason Jones of Jones Heroy & Associates; County Judge Bill Gravell; Camy Lenn Reynolds, candidate for appointment to the Board; 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 asked if there were any Board member remarks or citizens communications. There being none, Director Faske stated that the Board would consider accepting the resignation of Director Thornton and taking action to fill the vacancy created by the resignation. Upon motion by Director Slowbe and second by Director Goldman, the Board voted 4-0 to accept the resignation of Director Thornton and to appoint Ms. Reynolds to serve for his remaining term.

Mr. Bilger then advised the Board that Judge Gravell was present to swear in Director Reynolds. After Director Reynolds was sworn in, Judge Gravell discussed the Board's responsibilities and the history of some of the items that were on the meeting agenda. Director Slowbe then moved to approve the Sworn Statement of Appointed Officer, Oath of Office and Bond for Director Reynolds. Upon second by Director Goldman, the motion was adopted by a vote of 4-0.

Judge Gravell thanked the Board for all of its work, noting that his home, and the home of his daughter and his grandchildren, were in the District. He stated that he was very excited that the following day he would approve a plaque for Sonterra. He stated that it was the people like the Board members who made the County a wonderful place to work, live and play.

Director Faske then stated that the Board would consider the election of officers. Director Faske moved to appoint Director Slowbe Vice-President, Director Goldman Secretary, Director Reynolds Assistant Secretary and otherwise maintain the same slate of officers. Upon second by Director Goldman, the motion was unanimously adopted.

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, 2018 and recognized Ms. Martin. Ms. Martin presented the audit report attached as **Exhibit "B"** and first called the Board's attention to her firm's opinion, which she explained was an unmodified opinion and the highest quality of opinion that the District could receive. Ms. Martin pointed out that the Management's Discussion and Analysis was a summary of the audit report and provided a good overview. She then reviewed the District's financial statements and reviewed the statement of net position or balance sheets for the District's general, debt service and capital projects funds. She stated that the GASB 34 adjustments had been made to convert the governmental fund balance sheets into more of a "for profit" view. She pointed out that this included an adjustment for depreciation as well as deferred costs associated with the District's refunding bonds. Ms. Martin then reviewed the District's fund balances and the increases in each of the funds. She noted that the GASB adjustments to the fund balances were primarily to account for interest as well as outstanding debt, both bonds and capital leases. She explained that the adjusted fund balances were normal for a district of the District's level of maturity. She then reviewed the statement of activities, including revenues and expenditures. Ms. Martin next reviewed the notes to the financial statements, which she stated provided more detail about the District's finances. She pointed out that the schedule of the District's debt included the payments coming due in 2019. She confirmed that the District's bank balances had been covered by FDIC insurance and pledged collateral as of the end of the fiscal year. She reviewed the District's capital leases and obligations on the Lone Star Regional Water Authority ("*LSRWA*") bonds. Ms. Martin explained that there had been several adjustments made to the financial statements, primarily relating to Capital Appreciation Bonds and related interest, as well as the District's debt with the LSRWA, and the deferred charges related to the District's refunding bonds. She stated that these prior period adjustments were related to a previous audit entry, and not anything the bookkeeper had done. Ms. Martin then reviewed the required Texas Supplementary Notes, including the analysis of the taxes levied and collected, noting that the District had collected 99.6% of the taxes levied the prior year. Ms. Martin also reviewed the analysis of the District's long-term debt. She asked if there were any questions about the audit. There being none, Ms. Martin provided the letter attached as **Exhibit "C"** confirming there had been no issues, adjustments or disagreements with management in the course of the audit. Ms. Martin also presented the Board representation letter attached as **Exhibit "D"** and explained that this letter confirmed that the District had provided all information required to conduct the audit and was based on the representations of the District's manager and bookkeeper. After discussion, upon motion by Director Faske and second by Director Goldman, the Board voted unanimously to approve the audit report, the representation letter, and the filing of the audit report.

Director Faske then stated that the Board would consider approving the minutes of the December 10, 2018 Board meeting. Upon motion by Director Goldman and second by Director Faske, the Board voted unanimously to approve the minutes.

Director Faske stated that the Board would next consider approving a revised District Registration Form which updated the list of Directors and their offices and terms. After discussion, upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve the revised District Registration Form.

Director Faske then stated that the Board would consider approving the updated account resolutions for District bank accounts. Upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve the Secretary's Certificate and Resolutions Regarding Operating Account and Capital Projects Fund Account attached as **Exhibit "E"**; the Secretary's Certificate and Resolutions Regarding Lock Box Clearing Account attached as

Exhibit "F"; and the Secretary's Certificate and Resolutions Regarding Park and Pool Account attached as Exhibit "G".

Director Faske stated that the Board would next receive the manager's report and recognized Mr. Bilger. Mr. Bilger reported that the marquee signs had been delayed due to issues with the internet connection. He stated that the wireless system was not very reliable so there would need to be a dedicated connection to each unit and that it might require a hardwired system, which he felt would be more reliable. Mr. Bilger reported that the Library was about to receive a grant and had requested a letter from the District stating that it intended to continue its support. He also reported that he had found several options for a water trailer, noting that, since it would rely on a generator to pump the water, he felt the District should buy a new unit, with a 5,000 gallon tank and a generator, for a cost of about \$6,500.

Mr. Bilger stated that there had been a complaint regarding the condominium homes being constructed behind homes on Robertson Lane, noting that the complaint related to the homes' location. He stated that there was a minimum setback of 10 feet and that the homes were in compliance with this setback, so he was not sure what the basis of the complaint was as there were no easements. After discussion, Mr. Bilger agreed to advise the resident that there was no setback or easement that would prohibit the homes' location.

Director Faske stated that the Board would next discuss park and recreational facilities. Mr. Jones stated that the specifications were ready for Phase 1 of the sidewalks. Director Slowbe stated that the District needed to move forward with advertising for bids, noting that this phase would be down Sonterra Boulevard to the McDonald's. Upon motion by Director Slowbe and second by Director Faske, the Board voted unanimously to authorize proceeding with the advertisement for bids for Phase 1 of the sidewalk improvements. Director Slowbe stated that Phase 2 of the sidewalks would be from the pool to McDonald's and from Sonterra Boulevard to Limestone Terrace. Mr. Bilger confirmed that Centex Homes had agreed to construct the portion of the sidewalk improvements on its lots. Mr. Jones clarified that he did not design the sidewalk, but just provided the specifications that the contractor would be required to meet. Director Faske stated that he wanted to ensure that the sidewalks were ADA compliant. Mr. Jones stated that the Texas Department of Licensing and Regulation ("TDLR") had not reviewed the plans, which would require the generation of a set of plans. Director Faske expressed concern that, over time, a compliant sidewalk could become non-compliant due to shrinking and swelling. Mr. Bilger stated that the cost of the plans per linear foot would have been prohibitively expensive. Director Slowbe stated that, even if a segment had to be corrected, it would be much more cost effective.

The Board then returned to the discussion of the watering trailer. Mr. Bilger stated that the trailer would allow watering during times of drought. Mr. Bilger stated that the LSRWA contractor had damaged a significant amount of the District's irrigation system. Mr. Jones stated that the contractor could be held responsible. Mr. Bilger stated that the necessary repairs would be massive and discussed them with the Board. Ms. Littlefield recommended that the District notify the LSRWA and request that the contractor make repairs and that the District be allowed to inspect and approve the repairs once they were completed. Mr. Jones agreed to coordinate giving this notice to the LSRWA.

Director Slowbe then moved that the Board authorize the expenditure of an amount not to exceed \$6,500 for the water tank and trailer. Director Goldman seconded the motion. Director Faske stated that there needed to be a process to drain the tank before it froze each year to ensure that the District would not be required to replace the pump. Mr. Bilger stated that he would have Dan Fhlies do this. Mr. Bilger then stated that the District had had its zero-turn lawnmowers since 2010 and that they were starting to have a lot of issues and requested that

Ms. Littlefield add an item to the next meeting agenda to discuss purchasing new zero-turn mowers. Upon being put to a vote, the motion to authorize the purchase of the water tank and trailer was unanimously adopted.

Director Faske then stated that the Board would discuss District security. He noted that this had been on the agenda for a couple of months. He stated that the District had finally received the security reports from the City of Jarrell (the "City") and he was pretty dissatisfied due to low level of police activity. Director Slowbe asked if the City had provided an accounting of the patrol hours. Ms. Kolmodin responded that the reports just said 80 hours, without any detailed backup. Director Slowbe stated that he had requested the raw detail that supported the hours and added that the City had provided this level of detail at the beginning, but had not responded to this request. Director Faske moved that Director Slowbe and Mr. Bilger work together to address the apparent insufficiencies in the report. Upon second by Director Slowbe, the motion was unanimously adopted. Ms. Kolmodin agreed to void the related checks to the City.

Director Slowbe reported that he had scheduled a meeting with UT Arlington on February 11 to kick off the master planning process and tour the area. He asked Mr. Jones to provide a map that detailed the location of the different parks within the community in a PDF format that could be enlarged. Mr. Jones agreed to work with Director Slowbe to do this.

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 the District had 1,829 occupied single-family connections and an estimated population of 6,000 as of the end of December. Mr. Hendrix reported that there had been 39 new connections so far in 2019. He stated that there were no major issues with any of the wells and the water loss had been 2.1% in December. Mr. Hendrix stated that Well No. 5 was still out of commission and that he was still working on getting a new pump. Mr. Hendrix then reported that there had been \$366.96 in write-offs, representing two accounts.

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 "I"**. After discussion, upon motion by Director Faske and second by Director Goldman, the Board voted unanimously to approve the Resolution.

Director Faske asked for an update on the backcharge for the broken water line. Mr. Hendrix stated that he had sent the invoice and the contractor had paid, no questions asked. Mr. Hendrix then reported that he had obtained pricing for the repair of the portable generator and requested Ms. Littlefield add an item to the Board's next meeting agenda to consider approval. He stated that the repair would cost approximately \$7,000 and the cause had been bad fuel. Director Slowbe asked if the generator was on routine maintenance and Mr. Hendrix responded that there had not been routine maintenance for the portable generator, but that Crossroads would do so going forward. Director Faske asked if the generator could be started up once a month and Mr. Hendrix responded that this needed to be done about once a week. Mr. Hendrix recommended putting it on a timer like the on-site generators. Director Reynolds asked if sufficient residents had participated in the lead and copper sampling and Mr. Hendrix confirmed that they had and that he was very thankful. He stated that there would be another round of sampling in the next six months.

Director Faske stated that the Board would next discuss water, wastewater and rate matters. Mr. Jones stated that the District was currently on Stage 1 and recommended staying there due to uncertainties relating to the Trinity Well. He stated that it would be approximately three to four weeks for delivery of the new pump after approval of the submittal. Mr. Jones stated that he would inquire about a new one-year warranty for the pump. He estimated that it was about a \$75,000 pump. Mr. Jones stated that the original pump had gone out because it was not set correctly and explained that they would install some sound buffer to reduce the noise level. Mr. Hendrix stated that, because there were vertical turbines, he would recommend a qualified subcontractor to perform the periodic inspections and maintenance to ensure a long life out of these systems.

Mr. Jones stated that he and his crews had been checking the fluoride level and that it was at or less than 4 mg/L. Mr. Hendrix stated that he had been monitoring the Water Watch website and felt the District should be coming off that list shortly.

Mr. Jones and Mr. Bilger reported that construction of the City's wastewater plant expansion was on-going and that it had been delayed by the Fall rains, but that the contractor was still promising Phase 1 would be finished in April. Mr. Jones noted that the timing of the District's bond issue was being affected due to the delay in the project. Mr. Jones confirmed that the City was about halfway done with the roads to provide access to the wastewater line impacted by inflow and infiltration. Mr. Bilger stated that the City had found a series of small leaks and not one large one, which was what they had hoped for. He noted that, if this repair effort wasn't successful, then the Mayor intended to authorize investigation of another segment of line.

Mr. Bilger then reminded the Board that Mr. Jones had previously proposed changing from flow meters to wastewater winter-averaging under the wholesale contract with the City. After discussion, upon motion by Director Faske and second by Director Goldman, the Board voted unanimously to authorize Director Goldman to negotiate and execute a Fourth Amendment to the District's Agreement for Wholesale Wastewater Service with the City to provide for winter-averaging.

Mr. Bilger then explained the developer's proposal to reserve capacity in the existing City plant by prepaying impact fees. Ms. Littlefield explained that any agreement with the City would be contingent on funding from the developer. Mr. Bilger stated that the City appeared to be doing all of the things that it needed to do to address the capacity issue, but this agreement would provide additional assurance to the District.

Director Faske stated that the Board would next discuss rate matters, including the adjustments to the park fees previously implemented by the Board. After discussion, upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to establish a rate subcommittee consisting of Director Faske and directed that the Amendment No. 1 to the District's Amended Rate Order be brought back for approval at the next Board meeting.

Director Faske then stated that the Board would next receive the engineer's report and recognized Mr. Jones. Mr. Jones presented his report, attached as **Exhibit "J"**. He reviewed his directives and stated that he had relayed the Board's preference to include operating costs as part of the LSRWA rates, but explained that one complication was that Williamson County had indicated it would participate in the LSRWA costs, but was not a ratepayer. He stated that the LSRWA was still wrestling with that issue. Mr. Jones stated that he had requested a proposal for the acquisition of easements, for both the District and Cool Water Municipal Utility District, and was waiting on an engagement letter.

Mr. Jones then stated that the final pay estimate for the 12C condos was still outstanding. Mr. Bilger stated that this should be received soon, as he had just completed negotiations with the contractor. Mr. Jones stated that the water treatment plant upgrade was on hold pending financing through the bond issue. He stated that, with growth, he suggested talking to Mr. Kimball about financing for the next phase of water plant upgrades and stated that he thought revenue bonds through the LSRWA would be a good way to go. Director Slowbe asked about the water treatment conversion and Mr. Jones confirmed this was within the parameter of the bond financing that was on hold due to wastewater capacity issues. Ms. Littlefield suggested talking to Mr. Kimball about the possibility of issuing bond anticipation notes if timing was an issue.

Mr. Jones asked Director Slowbe for a status update regarding the 313 Star Market. Director Slowbe stated that this project would be started in February and he thought that they were holding off waiting on some fill.

Mr. Jones then presented Pay Estimate No. 7 (Retainage) from Central Road and Utility in the amount of \$96,636.89, attached as **Exhibit "K"** for Water Plant No. 1 – Phase III 8-inch Waterline and Site Improvements and requested approval. Mr. Jones stated that he was not ready to recommend final payment. Ms. Littlefield recommended discussing this project in executive session and the Board agreed to do so.

Mr. Jones then presented Pay Estimates No. 7 and 8 from JKB Construction Company in the amounts of \$277,208.10 and \$55,246.05, attached as **Exhibits "L"** and **"M"** for Sonterra West Section 12 and requested approval. Upon motion by Director Slowbe and second by Director Faske, the Board voted unanimously to approve the Pay Estimates.

Mr. Jones then presented Pay Estimate No. 10 from Joe Bland Construction, LP, in the amount of \$12,279.82, attached as **Exhibit "N"**, for Sonterra West Section 8-O, 10-3, 11-2 and 12C Construction and requested approval. After discussion, upon motion by Director Faske and second by Director Goldman, the Board voted unanimously to approve the Pay Estimate.

Mr. Jones then presented Pay Estimates No. 4 and 5 from JKB Construction Co., LLC, in the amounts of \$233,253.99 and \$272,350.57, attached as **Exhibits "O"** and **"P"**, for Sonterra West Section 11, Phase 3 and Sonterra West Section 12B and requested approval. After discussion, upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve the Pay Estimates.

Mr. Jones then presented the proposal for preparation of the District's Bond Application No. 9 attached as **Exhibit "Q"**, which he stated would be submitted once the City had addressed its wastewater issues. Mr. Bilger stated that the Texas Commission on Environmental Quality ("**TCEQ**") was very backlogged, so about \$15,000,000 in bonds was projected and that he wanted to submit the application as soon as possible, but needed to ensure the City's wastewater plant expansion was up and running. He stated that this should catch the District up on any outstanding funds owed to the developer. Mr. Jones stated that this was substantially the same proposal as the proposal for Bond Application No. 8. Upon motion by Director Faske and second by Director Goldman, the Board voted unanimously to approve the proposal.

Mr. Jones then presented the summary attached as **Exhibit "R"** in connection with the excess capacity in the LSRWA facility and explained that the District had been paying 55% of the cost of the excess 1.6 MGD in capacity even though it had not been allocated. He stated that the proposal now was for the City to take .8 MGD and the District take the other half. He stated that the District would now be paying 50% of the excess cost, so its cost would go down and it would also receive a small check from the City for its share.

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 "S"** and the supplemental check register attached as **Exhibit "T"**. She pointed out the TCEQ regulatory assessment that the District was required to pay annually based on its utility charges during the year. Ms. Kolmodin also called the Board's attention to the interest payments coming due on the District's bonds. 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, including the bond payments, with the void of the checks to the City for security patrols and a directive to hold Check No. 10879 until the amount of the refund to Lennar Homes was confirmed by Mr. Hendrix.

Director Faske then recognized Ms. Littlefield, who reviewed her directives. She then called the Board's attention to the Resolution Confirming Annual Review of Written Procedures for Post Bond Issuance Federal Tax Compliance attached as **Exhibit "U"** and the Resolution Confirming Annual Review of Code of Ethics and Financial Investment, Travel and Professional Services Policy and Amending List of Qualified Brokers attached as **Exhibit "V"**, noting that no changes were recommended other than the update of the list of qualified brokers contained in the District's financial policies. Ms. Littlefield also called the Board's attention to the Texas Municipal League Intergovernmental Risk Pool Summary of Claim Experience Report included in the meeting packet. After discussion, upon motion by Director Faske and second by Director Goldman, the Board voted unanimously to approve the Resolutions.

Mr. Hendrix then reported that the refund check was correct because Lennar had substantially overpaid its bill for that address.

At 7:26 p.m., Director Faske stated that the Board would convene in executive session as permitted by Section 551.071 Texas Government Code to talk about CRU. At 7:34 p.m., the Board reconvened in open session and Director Faske stated that no action had been taken in executive session.

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



Date: February 18, 2019

A handwritten signature in black ink, appearing to read 'Darrell Goldman', written over a horizontal line.

Darrell Goldman
Secretary, Board of Directors