

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

March 18, 2019

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on March 18, 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
Darrell Goldman	Secretary
Menashe "Manny" Akiva	Assistant Secretary
Camy Lenn Reynolds	Assistant Secretary

Director Tom Slowbe was absent. Also present at the meeting were Andy Bilger of Vecindario Management, LLC; Edward Castro of Top Quality Lawn Care; Taylor Kolmodin of Municipal Accounts and Consulting ("**MAC**"); Garry Kimball of Specialized Public Finance; Bart Fowler of McCall Parkhurst & Horton, PLLC; Ken Heroy of Jones Heroy & Associates ("**JHA**"); James Wills of Crossroads Utility Services ("**Crossroads**"); Julia Day, representing the Community Library Northern Williamson County (the "**Library**"); and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director Faske called the meeting to order at 6:01 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 were no Board member remarks. Director Faske then recognized Ms. Day, who stated that a lot of work had been done since the Board had authorized use of space in the District office by the Library. She reported that the Library had received two grants from the Tocker Foundation, which had allowed the Library to obtain the use of some essential software that the Library would not have otherwise been able to afford for a period of five years. She added that the Foundation had also provided a consultant to help automate the Library's system, which now included about 5,000 books. Ms. Day explained that the community, including Jarrell Independent School District, had donated furniture for the Library's use. She added that the Library was very excited to have hired two part-time workers, and that their salaries were also supported by the grants. Ms. Day stated that the only things keeping the Library from holding its grand opening were adding some exit signs, installing some specific fire extinguishers, and extending electricity for the exit signs. Ms. Day stated that sustainability would always be an issue and that the Friends of the Library's organizational meeting would be held the following evening. Director Akiva asked when the Library would be open, and Ms. Day responded that this would be scheduled once the fire and safety inspections were completed. She stated that the Library would work with the Mayor and Chamber of Commerce and that she anticipated it would occur in about a month, but definitely before the school year ended. Director Akiva asked how residents would learn about the opening and Ms. Day responded that the Library would use social media, as well as flyers through the schools, and notices through radio and TV. She stated that the Library also anticipated having some signage. Director Faske thanked Ms. Day for the update.

Director Faske then stated that the Board would consider taking action regarding the District's \$7,580,000 Unlimited Tax and Revenue Bonds, Series 2019 (the "Bonds"). He recognized Mr. Kimball who explained that, after the last Board meeting, the District had received the Texas Commission on Environmental Quality ("TCEQ") staff memorandum and Order Approving an Engineering Project and the Issuance of \$7,580,000 in Unlimited Tax and Revenue Bonds, attached as Exhibit "B". He then presented the proposed timetable for the issuance of the Bonds attached as Exhibit "C" and reviewed it with the Board. He noted that the schedule anticipated two Board meetings in April, including a special meeting at the attorney's office at noon on April 8th, and explained that bidders typically liked to submit their bids in the morning and not to leave them open very long because the markets were very volatile. He stated that this type of schedule typically led to a lower interest rate. Mr. Kimball then explained that this issue was just over \$7,000,000 and, if the District proceeded with a second issue of just over \$12,000,000, it would not be able to take advantage of bank qualification. He stated that the rule was that if an entity sold over \$10,000,000 in tax exempt bonds in a year, then it could not take advantage of bank qualification and added that this determination had to be made at this time and could not be deferred until the time of the second issuance that was projected. Mr. Kimball added that, after speaking with Mr. Jones and Mr. Bilger, the schedule was pretty tight with respect to when the TCEQ would approve the next application and he was not sure it would be possible to close the second bond issuance this calendar year. He recommended that, even if the application came out of TCEQ late in the year, the Board postpone the second issuance until January 2020, which would allow the District to take advantage of the bank-qualified designation for the Bonds. He added that this would result in about \$88,000 in lower interest costs over the term of the Bonds. Ms. Littlefield concurred with the recommendation. Mr. Kimball then called the Board's attention to the draft preliminary official statement ("POS") for the Bonds and explained that the POS was still being reviewed by the District's consultants and additional changes could also be made up to the time the document was posted. He requested that the Board approve the POS subject to any additional changes recommended by the Board or the District's consultants. Mr. Kimball called the Board's attention to the Resolution Approving Preliminary Official Statement; Authorizing Distribution of Preliminary Official Statement and Publication of a Notice of Sale of Bonds; and Approving Other Related Matters attached as Exhibit "D" and pointed out that the Resolution approved the payment of the Attorney General bond review fee and also designated Bank of Texas, as the paying agent/registrar, noting that Bank of Texas was the paying agent/registrar for the District's outstanding bonds and had the lowest fees. After discussion, upon motion by Director Faske and second by Director Goldman, the Board voted 4-0 to approve the Resolution, including the designation of Bank of Texas as paying agent/registrar, and the payment of the bond review fee to the Attorney General, and to call a special meeting to sell the Bonds on April 8th at noon at the offices of Armbrust & Brown.

Director Faske then stated that the Board would consider approving the minutes of the February 18, 2019 Board meeting. Upon motion by Director Reynolds and second by Director Akiva, the Board voted 4-0 to approve the minutes.

Director Faske stated that the Board would next receive the manager's report and recognized Mr. Bilger. Mr. Bilger reported that he was proceeding with the purchase of a new Farris zero-turn mower under the Board's previous authorization, noting that the mower would cost \$10,780 and would be purchased from Almighty Rentals, which would include a 25 percent discount on any future rentals and a 50% discount on future rentals if the mower was in the shop for repairs. Mr. Bilger reported that he had spent a considerable amount of time working with the City of Jarrell on the wastewater issues and called the Board's attention to the letter attached as Exhibit "E", which he noted had been sent out under Director Faske's signature on the District's behalf. Mr. Bilger explained that this letter outlined the District's concerns about the City's ability to meet its contractual obligations. He also reported that SonWest Co. had

retained DCS Engineering, Inc. ("DCS") to work on the District's behalf to coordinate the City's filing for the necessary permit renewal and amendment, and to keep future plant expansions on track. He stated that SonWest Co. had retained DCS, but requested that DCS be engaged by the District, with the understanding that SonWest Co. would advance the costs for the services. Ms. Littlefield explained that, as the remedies under the wastewater contract were the District's, this was appropriate. The Board discussed pursuing reimbursement of the cost of the services from the City and Mr. Bilger stated that he felt it was most likely that any reimbursement would be through a credit against impact fees. Ms. Littlefield pointed out that some changes to the DCS proposal would be required to address legal requirements applicable to governmental entities, but these could be addressed through an addendum. Mr. Bilger then reported that, based on the most recent information he had received, he felt that the plant expansion would not be done until November or December. He added that he was very disappointed about the quality of work being provided by the City's engineer as well as by some of its other field personnel and explained that DCS would help manage the expansion that was underway, as well as construction of the next 1 MGD expansion, which probably would not be done until the end of 2020. Mr. Bilger stated that the District's growth was already outpacing the expansion of the plant and that DCS would also assist in bringing in the design and engineering for the next phases of the treatment plant. He stated the fourth major component of DCS's work would be to do some actual planning. The Board asked if the City Council was aware of the shortfalls and Mr. Bilger responded that he was concerned it was not, although the Mayor was now aware of them. He explained that the DCS proposal included doing some modeling that would address future needs and also facilitating making the plant work through the end of the year. After discussion, upon motion by Director Faske and second by Director Goldman, the Board voted 4-0 to approve and confirm the letter sent to the City; to approve the proposal with DCS, subject to the incorporation of the required addendum and with the understanding that SonWest Co. would advance the costs; and to appoint Directors Faske and Goldman to serve as the Board's wastewater subcommittee with authority to act on any time-sensitive matters between meetings.

Director Faske inquired if the new city manager would be able to assist with resolving these issues. Mr. Bilger responded that she was coming from Odessa/ Midland and appeared to have a lot of relevant experience. He added that he was hopeful she would be able to assist when she started on April 1st. Mr. Bilger stated that he anticipated that wastewater issues would remain on the Board's meeting agenda until the City got in front of all of the wastewater issues.

Mr. Bilger requested that the Board table the item on the marquee signs and postpone discussion of covenant fees until budget season, and the Board concurred. He then reported that the annual bulky waste Clean-Up Day would be coordinated through Clawson Disposal and that he would verify the date. He stated that the dumpsters would be manned and removed at the end of the day. Mr. Bilger added that Clawson Disposal would be sending notices out about the Clean-Up Day. Mr. Bilger stated that, after discussion with Ms. Littlefield, he requested deleting the item relating to the proposed over-55 community from the agenda.

The Board agreed to table the security patrol items due to Director Slowbe's absence and Director Faske stated that the Board would next discuss park and recreational facilities. Mr. Bilger reported that he expected the first segment of the sidewalk projects to be out to bid in the next week or so. He stated that the park master plan was in process and UT Arlington's personnel was in communication with Director Slowbe and the District's Park Committee. Director Reynolds stated that there would be a community meeting to get input on the park plan on Saturday.

Director Faske then stated that the Board would receive the District operator's report. Mr. Wills stated that he had worked with Darren Strozewski of DCS for many years and that he was one of the best. Mr. Wills then presented Crossroads' report, attached as **Exhibit "F"**, and

called the Board's attention to the proposal from Fleet Maintenance of Texas, attached as **Exhibit "G"**, for maintenance of the portable generator and recommended approval. Director Faske asked if this was time-sensitive or if it could wait so additional proposals could be obtained. Mr. Bilger stated that, although it could wait another month, it was getting into the time of the year that the generator would be needed. He added that he felt this cost was appropriate and that that Holt Cat normally came in higher than Fleet Maintenance for this type of service. Upon motion by Director Goldman and second by Director Faske, the Board voted 4-0 to approve the proposal, with both options included. Mr. Wills stated that there had been no major issues with any of the wells and the water loss had been 10.56% in January. He stated that all samples were good and that 15 new taps had been sold in February, with a total of 58 for the year.

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 "H"** and the supplemental check register attached as **Exhibit "I"**. She pointed out a check for the write-off of unclaimed property, and explained that these were checks for uncashed deposit refunds, which were required to be remitted to the State. She stated that the per diem to Director Slowbe would be voided due to his absence. Ms. Kolmodin noted that the checks included the first payment to UT Arlington for the park plan, which had been approved by Director Slowbe. She also reported that she had received the time sheets for security patrols and included payments to the deputies. Ms. Kolmodin called the Board's attention to a debt service payment made in February. She stated that 98% of the District's property taxes had been paid by mid-February. She then called the Board's attention to the quarterly investment report. Director Akiva asked about the process for approving payments to the landscaping company. Director Goldman responded that he or Mr. Bilger approved each of the invoices. After discussion, upon motion by Director Faske and second by Director Goldman, the Board voted 4-0 to approve the bookkeeper's report and the payments as presented, with the void of the per diem to Director Slowbe due to his absence from the meeting.

Director Faske stated that the Board would next receive the engineer's report and recognized Mr. Heroy. Mr. Heroy presented the report attached as **Exhibit "J"**. He reviewed JHA's directives and reported that they were completed. He stated that JHA had been working with Mr. Bilger on the City's wastewater issues. He explained that there were some offsite easements that needed to be acquired and that JHA had recommended that the District take the lead on getting the easements. He called the Board's attention to the right of entry form attached as **Exhibit "K"** and explained that the firm that had been hired to acquire the easements proposed to use this form to obtain the right of entry. Director Akiva asked for the status of the Lone Star Regional Water Authority ("LSRWA") water line and Mr. Heroy responded that he expected the line to be finished up by fall. Mr. Bilger stated that this was close to on schedule. Mr. Heroy stated that one easement for the LSRWA line was in condemnation, but the LSRWA had rights to install the line in all areas. Upon motion by Director Faske and second by Director Goldman, the Board voted 4-0 to authorize JHA to sign rights of entry on behalf of the District in connection with the off-site easement acquisitions.

Mr. Heroy then presented Pay Estimates No. 6 and 7 from JKB Construction, in the amounts of \$71,762.62 and \$22,054.50, attached as **Exhibits "L"** and **"M"**, respectively, and Change Order No. 3 in the amount of \$304,934.05, attached as **Exhibit "N"**, for Sonterra West Section 11, Phase 3 and Sonterra West Section 12B. Mr. Heroy explained that Change Order No. 3 was to construct an offsite gravity wastewater interceptor which did away with a wastewater lift station. Mr. Heroy stated that this was favorable and explained that the timing worked out to allow the gravity line to be built in lieu of the lift station, which had been included as an alternate bid item. Mr. Heroy recommended approval. After discussion, upon motion by

Director Faske and second by Director Goldman, the Board voted 4-0 to approve the Pay Estimates and Change Order.

Mr. Jones then presented Pay Estimate No. 10 from JKB Construction Company in the amounts of \$14,130 attached as **Exhibit "O"**, and Change Order No. 5 in the amount of \$3,510, attached as **Exhibit "P"**, for Sonterra West Section 12 and requested approval. Mr. Heroy then presented Pay Estimate No. 5 from Joe Bland Construction, LP, in the amount of \$5,400, attached as **Exhibit "Q"**, for Sonterra West Section 8N. He stated that the project was almost complete and recommended approval. After discussion, upon motion by Director Faske and second by Director Goldman, the Board voted 4-0 to approve the Pay Estimates and Change Order as recommended.

Mr. Heroy then stated that Mr. Jones had been working with Ms. Littlefield to resolve the unpaid subcontractor claims related to the Central Road & Utilities project. Ms. Littlefield explained that, the day after the last Board meeting, she had received a letter from the bonding company directing that the District not release any additional funds on the project. She stated that, after several weeks of effort, primarily by Concretex, which was the subcontractor with the largest amount due, she had been authorized to release the joint checks previously approved by the Board to the subcontractors, provided that each subcontractor signed a release, but that only Concretex has, thus far, signed a released and picked up its check. She stated that one subcontractor alleged it was owed slightly more than the amount of the check and had refused to sign a release and so she had advised the subcontractor that it could pursue its claim with the bonding company. She stated that Ms. Kolmodin still had two of the three joint payments, as well as the payment that had been authorized to Central Road & Utilities, which she understood would now need to be delivered to the bonding company.

Mr. Heroy stated that the new pump for Water Plant No. 1 – Phase IIIB Trinity Water Well construction was on order and after Mr. Jones had notified the contractor that the District would be making a bond claim, the contractor had shortened the delivery time and agreed to provide a full warranty from time of delivery of the pump. He confirmed that the contractor was still responsible for installation.

Mr. Heroy stated no pumping or hauling was occurring under the pump and haul program.

Director Faske stated that the Board would next discuss the LSRWA's rate study. Mr. Heroy reported that the rate study was ongoing and the LSRWA board discussed how to handle operating costs. Ms. Littlefield then called the Board's attention to the First Amendment to Water Supply Agreement attached as **Exhibit "R"** and the First Amendment to Water Facilities Acquisition, Construction and Financing Contract attached as **Exhibit "S"**. She reminded the Board that it had previously authorized the purchase of an additional .8 MGD in capacity from LSRWA and explained these were the documents required by LSRWA to finalize that purchase. After discussion, upon motion by Director Faske and second by Director Goldman, the Board voted 4-0 to approve the Amendments as presented. Mr. Heroy then reported that the Brazos Regional Water Authority ("**BRA**") had asked for a water use estimate from the District and requested authorization to work with the LSRWA and BRA to project the District's water supply demands. The Board concurred with JHA doing so. Mr. Heroy then reported that the LSRWA board had held a worksession and the consensus of the board members was that the LSRWA was open to financing other regional projects that might be beneficial to the region, provided that the cost of analyzing the feasibility of any new project was borne by the applicant.

Director Faske then recognized Ms. Littlefield, who reviewed her directives with the Board. Ms. Littlefield also reported that, although there had been a recent court case relating to

the Open Meetings Act in the news which indicated that certain criminal penalties for violations of the Act were unconstitutional, she encouraged the Board members to keep the purpose of the law, which was to prevent deliberations of public business from occurring outside of a public meeting, in mind regardless of whether any penalties would be strictly applied in the case of a violation.

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



Date: March 18, 2019

Darrell Goldman
Secretary, Board of Directors