

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

August 19, 2019

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on August 19, 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"**.

All of the members of the Board were present, as follows:

John Faske	-	President
Tom Slowbe	-	Vice President
Darrell Goldman	-	Secretary
Camy Lenn Reynolds	-	Assistant Secretary
Menashe "Manny" Akiva	-	Assistant Secretary

Also present at the meeting were Andy Bilger of Vecindario Management, LLC; Jason Jones of Jones-Heroy & Associates, Inc. ("***JHA***"); Taylor Kolmodin of Municipal Accounts and Consulting, LP; Dennis Hendrix, James Wills and Robert Anderson of Crossroads Utility Services, Inc. ("***Crossroads***"); Edward Castro of Top Quality Lawn Care; and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director Faske called the meeting to order at 6:02 p.m. After the Pledges of Allegiance to the United States and Texas flags, Director Faske stated that the Board would receive any Board member remarks or citizens communications. There being none, Director Faske stated that the Board would discuss the District's 2019-2020 budget and 2019 tax rate. Ms. Kolmodin called the Board's attention to the District's certified assessed value, attached as **Exhibit "B"**. She noted that the Board had previously conducted a budget worksession and reminded the Board that it had discussed approving an overall tax rate of \$0.9475, allocated \$0.1235 to operations and maintenance and \$0.824 to debt service. She also reminded the Board that it had discussed an increase in fees payable to Sonterra West Homeowners' Association, Inc. (the "***HOA***") for deed restriction enforcement, as well as salary and benefit cost increases for Dan Fleece and Jesse Fleece under the Professional Services Agreement with Vencindario Management, LLC. Director Akiva asked what was paid to the HOA. Mr. Bilger responded that the HOA remitted money to the District twice a year out of HOA assessments. Director Faske stated that this money was earmarked for parks and recreation and that these funds had been included in the draft budget. Ms. Kolmodin also pointed out that the budget included capital payments that were projected to be received from Cool Water Municipal Utility District. Ms. Kolmodin stated that she had included the increased payments to the HOA as well as the increased salary for Dan Fleece and Jesse Fleece in the draft budget as well as the other changes discussed at the budget worksession. Director Faske asked if Mr. Jones' projected capital improvement costs had been included. Mr. Jones stated that another ground storage tank would be required and there would be related engineering and financing costs, noting that actual construction would not start during the fiscal year, but the engineering costs likely would be incurred. He asked for a placeholder for this expense, but stated that he did not have an estimated cost at this time. Director Faske asked about any projected changes in maintenance expenses and Mr. Bilger responded that there would be an increase in the monthly mowing bill from Mr. Castro and he

was still planning to go out for bid for the landscape package. Director Faske asked if there were any changes to the maintenance costs for Crossroads. Mr. Hendrix responded that insulation for the well site had been included as well as service agreements for all of the pumps. He stated that, at the age of the system, he was recommending service agreements. Mr. Jones stated that \$125,000 had been included in the budget for system maintenance and repairs. Director Slowbe asked about maintenance on the District's equipment. Mr. Bilger responded that the water wagon was a trailer with a five gallon pump on it. He noted that a new mower and brush hog had been purchased during the current fiscal year. After discussion, upon motion by Director Slowbe and second by Director Goldman, the Board voted unanimously to include the increase in the HOA fees and the salary adjustments as proposed, with a 20% increase to Dan Fleece and a \$2.00 per hour increase to Jesse Fleece, and the proposed budget.

The Board then discussed the permanent insulation proposal in the amount of \$16,665.80 attached as **Exhibit "C"**. Mr. Hendrix reviewed the proposal, noting that the cost would come out of capital outlay under the current year's budget. Director Slowbe asked what the cost of installing temporary insulation was and Mr. Hendrix responded that it was about \$4,500 per year. Upon motion by Director Slowbe and second by Director Goldman, the Board voted unanimously to approve the proposal.

Ms. Kolmodin stated that, with the debt service tax rate recommendation from the District's financial advisor, Garry Kimball, the budget would be supported by the proposed \$0.9475 tax rate. After discussion, upon motion by Director Goldman and second by Director Slowbe, the Board voted to adopt a proposed tax rate of \$0.9475 per \$100 assessed valuation, with all Directors present and voting "aye".

Director Faske then stated that the Board would schedule a public hearing on the tax rate. After discussion, upon motion by Director Faske and second by Director Reynolds, the Board voted unanimously to schedule a public hearing on the tax rate for September 16, 2019 at 6:00 p.m. Upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to authorize Ms. Littlefield to publish notice of the public hearing on the tax rate.

Director Faske then stated that the Board would consider approving the minutes of the July 15, 2019 and August 7, 2019 Board meetings. Upon motion by Director Reynolds and second by Director Akiva, the Board voted unanimously to approve the minutes.

Director Faske stated that the Board would next 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 "D"**. Upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve the Amended and Restated Resolution.

Director Faske stated that the Board would next receive the manager's report and recognized Mr. Bilger. Mr. Bilger reported that it had been a busy month. He stated that the library had approached him with a couple of requests as well as potential opportunity, noting that a lady in Jarrell, who was a local historian, was about to move and had a room full of Jarrell and Corn Hill information and the library had asked about getting a separate room for these documents. He stated that the library would also like to put up a book box and a flagpole and requested that an item be added to the next meeting agenda for the Board to consider and Ms. Littlefield agreed to do so. Mr. Bilger stated that the library would also like to put up a sign and Director Slowbe responded that he thought this was already covered by the lease. Mr. Bilger stated that the District's sign was down and the Board should consider getting a new sign.

Director Faske asked if this cost was in the budget. Director Slowbe stated that library also wanted to have a fundraiser.

Mr. Bilger reported that there was high home sales and water usage was up, but it was almost through August, so hopefully The District would not need to implement any higher water use restrictions.

Mr. Bilger agreed to get pricing for renewal of the mowing services agreement, including any additional areas that needed to be included. He stated that he would like to go out for bid for the landscaping services in September and that Mr. Castro was eager to bid on that work as well.

Director Faske stated that the Board would next discuss website services. Mr. Bilger stated that the District was currently paying \$300 per month for website maintenance and that the current Website Development and Maintenance Agreement would expire September 30, 2019. After discussion, the Board directed Mr. Bilger to proceed with a renewal of the contract that incorporated all of the updates required by legislative changes. Mr. Bilger noted that broadband service would be helpful in providing the marquee signs.

Director Faske stated that the Board would next discuss District security. He called the Board's attention to the security report from Williamson County included in the meeting packet. The Board agreed that it was pleased with the law enforcement activity and the detailed reports. Director Slowbe stated that there had been some break-ins and wondered if the Board should discuss expanding the services, as there were now more people in the community. After discussion, upon motion by Director Slowbe and second by Director Reynolds, the Board voted unanimously to increase patrol hours under the agreement by 20 hours per month.

Director Faske then stated that the Board would discuss park and recreational facilities. Mr. Bilger stated that the contractor for the sidewalk work was currently on hold until the County completed its roadway project. He also reported that the school superintendent, Dr. Bill Chapman, had called and would like to talk about trails and sidewalks to get people to the school. Director Slowbe stated that this had been discussed with the school several times. He added that the Park and Trails Subcommittee meeting was scheduled for the following night so UT Arlington could give a presentation, that a public workshop will be held on the 31st, and he would then come back to the Board with ideas. He stated that it was his idea that the crosswalks had been incorporated into the trails. Mr. Bilger stated that he felt there was an opportunity to work with some of the builders to improve access for their homebuyers. Director Slowbe agreed to work with Mr. Bilger to approach the builders. Mr. Bilger stated that he believed the school also had some funds available to help with the sidewalks and trails.

Director Faske then stated that the Board would receive the District operator's report. Mr. Hendrix presented Crossroads' report, attached as **Exhibit "E"**. He stated that, as of the end of July, the District had 2,028 occupied single-family connections, an estimated population of 6,084, and a total of 2,443 accounts and that there had been 17 new taps sold in July and 276 for the year. Mr. Hendrix reported that all lab results had been satisfactory and that there had been a water loss of 1.22% during the prior reporting period. He stated that Well No. 5 had been turned on August 23rd. He stated that he was working with the Lone Star Regional Water Authority's ("LSRWA's") contractor, as they were pulling a large quality of water throughout the day, noting that their usage was now limited to non-peak hours. Mr. Hendrix stated that Well No. 5 and the Trinity Well had a little more odor and there had been some discussion of this on social media pages, noting that this had been monitored by Mr. Wills, who lived in Jarrell. Mr. Hendrix stated that there were a handful of residents who were very vocal, including one resident who had made a couple of complaints. He stated that Crossroads was doing everything

it could possibly do to manage this. He stated that the District had exceeded the fluoride limit in June when drawing down on the Edwards Well, noting that Crossroads was working on managing the fluoride levels. Director Reynolds stated that it seemed like it was one area that was most affected by odor issues. Mr. Hendrix agreed, stating that it was the area closest to the elevated tank. Mr. Jones stated that the wells near IH35 had been pumping hard and had been having trouble keeping up over the last 60 days, which had required more of the Trinity Well water in the system and less Edwards Well water to be mixed with it. Mr. Hendrix stated that he was making some operational changes at Well No. 2. Director Slowbe stated that it was only four more months until the surface water supply was on line. Mr. Hendrix stated that some of the residents were discussing options to address the odor problem, including customer disinfection of their water heaters. Director Reynolds stated that some of the residents affected had water softeners. Mr. Hendrix then reported that 14 accounts totaling \$1,954.90 had been written off and sent for collection. He stated that he had suggested that one resident who was impacted by the smell issue utilize water from the reverse osmosis system, noting that that system was up and running, but the resident had responded that it wasn't a help with showering. Mr. Hendrix stated that the light at the top of the elevated storage tank was not functioning and the company was shipping new parts. He stated that Crossroads' staff was not equipped to do the change-out, and would need to bring a contractor out to do this work. He stated that he believed this had also been caused by the lightning strike. Mr. Hendrix stated that there currently was no pump and haul being done. He then presented the consumer price index increase adjustment for the 2019 year under the Operations Services Agreement and the new rate schedule attached as **Exhibit "F"**.

Mr. Hendrix then advised the Board that Crossroads was going to utilize a new billing software company, Blue Fin, as T Tech was going away. He stated that Blue Fin operated on a different system and the new services would be less expensive. Director Reynolds stated that she thought it was inappropriate that the residents had to pay the charges for paying online. The Board discussed the costs and Mr. Anderson pointed out that the new fees were less than what the District's residents were currently paying. Mr. Hendrix then presented the Merchant Processing Application and Merchant Services Terms and Conditions with Bluefin Payment Systems, LLC attached as **Exhibit "G"**, as well as the Addendum to Card Services Agreement by and Among Sonterra Municipal Utility District of Williamson County, Texas, Bluefin Payment Systems, LLC and Wells Fargo Bank USA, N.A. attached as **Exhibit "H"** and the Service Agreement with T Tech, LLC attached as **Exhibit "I"** and the First Amendment to Operation Services Agreement with Crossroads Utility Services, LLC attached as **Exhibit "J"**. After discussion, upon motion by Director Slowbe and second by Director Akiva, the Board voted unanimously to approve the agreements and to authorize termination of the existing agreements with Pace Payment Systems, Inc., Global Payments Director, Inc., Wells Fargo N.A., AVR, Inc. and T-Tech, Inc.

Director Faske stated that the Board would next discuss water, wastewater and rate matters. Mr. Hendrix stated that the District was currently in Stage 1 water rationing. Mr. Jones stated the trigger for Stage 2 was about 1MGD and, with the limitation on chlorination, the District was at about 1.25 on supply. He stated that the District had not yet met either of the thresholds to go to Stage 2. He stated that managing the water used by the contractor to fill the 24-inch line had helped significantly. Mr. Jones stated that the District was still in a good place with regard to its water use restrictions. The Board then discussed whether action was required. Mr. Wills stated that the water supply was currently below 4% on fluoride. Director Slowbe stated that, if notification needed to go out, Crossroads needed to ensure it was provided in every way the District had agreed to provide it. Mr. Wills stated that Crossroads could include something on the back of the notice explaining the cause. Mr. Jones stated that, now that the Trinity Well was online, the District should be back in compliance. Mr. Wills agreed to make himself available to meet with residents if needed, and agreed that Crossroads would be as

transparent as possible. Director Slowbe stated that he wanted to make everything very clear and agreed to review any required notice to be sent out or put on the website.

Mr. Jones stated that they were expediting some work at both plants so the Trinity water could be brought to the ground storage tank and blended, which would keep the fluoride level below the 4% threshold. Director Faske asked for timing on delivery of the LSRWA water and Mr. Jones responded that it looked like it would be available sometime in October, when the LSRWA project would be complete. Mr. Jones added that the District's plant upgrade project would not be done until February 2020 and this work was required before the LSRWA water could be used.

Mr. Jones stated that the City of Jarrell's permit renewal was still in process and he hadn't heard anything further from the City on the status of the expansion project. Mr. Jones reported that the City had considered and approved the Fourth Amendment to the District's wastewater agreement at its July 24th meeting.

Mr. Jones stated that he projected having an impact fee study complete this Fall and would then run an application through the Texas Commission on Environmental Quality ("TCEQ"), and anticipated receiving approval to implement the impact fee in the Spring.

Ms. Littlefield stated that the Agreement for the Provision of Retail Water and Wastewater Services with Cool Water Partners, LP and Cool Water Municipal Utility District was now final and presented the final Agreement, attached as **Exhibit "K"**, to the Board. Ms. Littlefield stated that there had been a change in the payment structure so that the first year's capacity payment would be paid over the course of the 2019-2020 fiscal year, and pointed out that Cool Water would pay a prorata share of the cost of the excess LSRWA capacity with an agreement for a "true up", noting that it was expected that costs would be reviewed annually.

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 "L"**, the supplemental check register attached as **Exhibit "M"**, and the funds transfers. Ms. Kolmodin reviewed several invoices with Director Akiva. She reported that the District was 99.46% collected on taxes. Ms. Kolmodin stated that LGI had received a refund for the penalty overpayment based on the reduction approved by the Board at the prior meeting. After discussion, upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve the bookkeeper's report and the payments and transfers as presented.

Director Faske then recognized Mr. Jones for the purpose of receiving the engineer's report. He confirmed that the City of Jarrell had approved the Fourth Amendment to the Wastewater Agreement and explained that this would change the billing system to winter averaging. He stated that there were still some funds payable to the developer for land costs that were pending from the last bond issue. Mr. Jones called the Board's attention to his report, attached as **Exhibit "N"**. He stated that the water plant upgrades were in process, but no pay applications had yet been received.

Mr. Jones then stated that the District's Bond Application No. 9 had been filed with the TCEQ in June and declared administratively complete on July 8, 2019.

Mr. Jones then presented Change Orders No. 2 and 3 in the amounts of \$1,200 and \$3,000, attached as **Exhibits "O"** and **"P"**, for Sonterra West Bailey Park Phase I and IV and Sonterra West Section 7, Phase 2A-1, Block 12, Lot 34 and recommended approval. He stated that Change Order No. 2 was to clean out the channel along Sonterra Boulevard and that Change Order No. 3 was to move an existing stockpile. He stated that this was not a reimbursable cost.

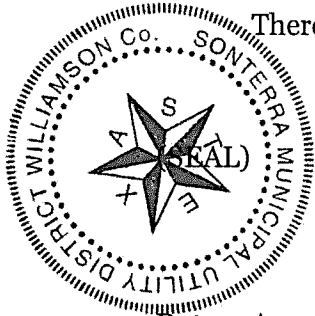
Mr. Jones noted that he also received had Change Order No. 4, which had been approved out of order at the prior meeting. He stated that the project was now about 62% complete. After discussion, upon motion by Director Faske and second by Director Goldman, the Board voted unanimously to approve the Change Orders, subject to the acknowledgment that the relocation of the stockpile was not a reimbursable cost. Mr. Jones then recommended approval of Pay Estimate No. 3 in the amount of \$997,671.60, attached as **Exhibit "Q"**. Upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve the Pay Estimate.

Mr. Jones then reported that the Trinity Well was operating and that he was waiting on the warranty statement. He agreed to send the contractor a backbill for Crossroads' time for manual operations of the well while the pump wasn't working.

Director Faske then stated that the Board would receive an update on the LSRWA project. Mr. Jones stated that Mr. Joyce had made progress on the water rates and that the projected wholesale rates had been included in the budget.

Director Faske then recognized Ms. Littlefield, who reviewed her directives. She then provided a legislative update to the Board.

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



Darrell Goldman
Secretary, Board of Directors

Date: August 19, 2019