

**SONTERRA MUNICIPAL UTILITY DISTRICT
MINUTES OF BOARD OF DIRECTORS' MEETING**

January 16, 2017

THE STATE OF TEXAS §
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COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on January 16, 2017, within the boundaries of the District, 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
David Chandos	Vice President
Michael McCloskey	Secretary
Tom Slowbe	Assistant Secretary
Dale Thornton	Assistant Secretary

Also present at the meeting were Andy Bilger of Vecendario Management, LLC; Dennis Hendrix of Crossroads Utility Services ("Crossroads"); Keli Kirkley of Municipal Accounts and Consulting ("MAC"); Bob West of West Davis and Company; Jason Jones of Jones Heroy & Associates; and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director Faske called the meeting to order at 6:30 p.m. After the Pledges of Allegiance to the United States and Texas flags and the invocation, led by Director McCloskey, Director Faske inquired if there were any citizens communications or Board member announcements. There were no residents present wishing to address the Board, and no Board member announcements.

Director Faske stated that the Board would next consider approving the minutes of the December 19, 2016 Board meeting. Upon motion by Director Chandos and second by Director Slowbe, the Board voted unanimously to approve the minutes.

Director Faske then stated that the Board would consider approving the Resolution Adopting Written Procedures for Post Bond Issuance Federal Tax Compliance attached as **Exhibit "B"**. Ms. Littlefield advised the Board that these procedures were intended to ensure that the District complied with Federal Tax law and were recommended by the District's bond counsel. After discussion, upon motion by Director Slowbe and second by Director Chandos, the Board voted unanimously to approve the Resolution.

Director Faske stated that the Board would next consider approving the Order Establishing Identity Theft Prevention Program attached as **Exhibit "C"**. Mr. Hendrix advised that this program was implemented by all of Crossroad's districts and that Crossroads had already implemented these safeguards for the District. He added that they had been very effective. Ms. Littlefield explained that an identity theft prevention program was required by Federal law to diminish the risk of theft of the District's customer account information. After discussion, upon motion by Director McCloskey and second by Director Faske, the Board voted unanimously to approve the Order.

Ms. Littlefield then requested that the Board approve a revised District Registration Form to update the name of the Williamson County tax assessor-collector. Upon motion by Director Faske and second by Director Chandos, the Board voted unanimously to approve the revised Registration Form.

Director Faske then recognized Mr. West for purposes of receiving a report on the audit of the District's financial statements for the fiscal year ended September 30, 2016. Mr. West stated that his firm had prepared the District's audit for the past ten years. He then presented the audit report attached as **Exhibit "D"** and called the Board's attention to the auditor's opinion included in the report. He explained that his firm's opinion, which was a clean opinion, was contingent upon Board approval of the audit and the representation letter, attached as **Exhibit "E"**. Mr. West pointed out that the management's discussion and analysis included in the report was provided by the District's management. He then reviewed the financial statements and the statement of net position or balance sheet for the District and summarized the District's ending fund balances. He explained that the financial statements were prepared on a modified accrual basis and then adjusted to present the financials on a full accrual basis. He explained that having a slight negative net position after these adjustments was to be expected. He then reviewed the District's income statement and pointed out that the District had experienced an increase in its various fund balances. Mr. West noted that the District paid its debt out of its debt service fund, but paid debt service on lease purchase payments out of its general fund, and that the lease purchases included one on the District office and one on the recreational facilities. He then reviewed the notes to the financial statements and explained that these included information on the debt service on the District's bonds and its capital leases and pointed out that, in 2018, there was a lump sum payment coming due on the office building lease that would require a substantial capital outlay. He then reviewed the Texas Commission on Environmental Quality ("**TCEQ**") required supplemental schedules, and noted that he had also included some information on which his firm did not render an opinion, including the statement of top taxpayers. After discussion, Director Chandos moved approval of the representation letter and the audit report and the filing of the audit report. Upon second by Director Faske, the motion was unanimously adopted. Mr. West stated that he had brought two copies of the audit for execution and filing.

Director Faske then stated that the Board would discuss the District's application for use of \$161,860 in surplus funds. Mr. West noted that the TCEQ approval letter, attached as **Exhibit "F"**, had only been received about ten days previously and explained that this letter authorized the use of surplus funds for reimbursement of wastewater impact fees, as outlined in the letter. Mr. West then presented his firm's report on reimbursable costs relating to the surplus funds, attached as **Exhibit "G"**, and reviewed it with the Board. He stated that his work had been to review the checks issued in payment of the impact fees, noting that he had confirmed that the District had received the payments from the developer and that it had also paid those over to the City of Jarrell. Mr. West stated that he had made a slight adjustment to interest as the anticipated reimbursement date had been April 1st. He stated that the District still had a small amount of surplus funds remaining. After discussion, upon motion by Director Thornton and second by Director Faske, the Board voted unanimously to accept the report on reimbursable costs, as presented, and to approve the disbursement of the surplus funds as set forth in the report on reimbursable costs.

Director Faske then stated that the Board would receive the operator's report and recognized Mr. Hendrix, who called the Board's attention to Crossroad's report, attached as **Exhibit "H"**. He advised the Board that the District had 1,278 active connections and an approximate population of 3,800. He stated that the District had added 201 connections during

2016. He reported that the District had experienced a 6.36% water loss for the prior reporting period, which was very good, and noted that the wells were operating properly. Mr. Hendrix then reported that one account in the amount of \$144.66 had been sent to collections. Mr. Hendrix stated that he had erred in the first announcement of the Board's meeting time on the back of the utility bills, but would correct the error in the future notices. Mr. Hendrix called the Board's attention to the drawings of the awnings over the control panels attached as **Exhibit "I"**, which the Board had requested at the prior meeting, but recommended that the Board postpone consideration of the proposal for the awnings until after receiving Mr. Jones' report. Mr. Hendrix also stated that the chlorine scales at the plant were faulty and that he had brought a proposal for their replacement at a cost of \$2,150, attached as **Exhibit "J"**, which he noted included installation. Mr. Jones stated that he recommended proceeding with the replacement of the chlorine scales. Upon motion by Director McCloskey and second by Director Faske, the Board voted unanimously to approve the proposal for the replacement.

Director Faske then stated that the Board would receive the bookkeeper's report and recognized Ms. Kirkley. Ms. Kirkley called the Board's attention to the check register included in her report, attached as **Exhibit "K"**; to the supplemental check register attached as **Exhibit "L"**; and to the capital projects fund check register attached as **Exhibit "M"**. She explained that the payment to Countryside, Check No. 9658, had been voided because there was actually a credit due to the District. Ms. Kirkley recommended that all of the payments and the transfer be approved as presented, with the void noted. She noted that the payments from the capital projects fund included payment of the disbursements out of surplus funds the Board had previously approved. Ms. Kirkley stated that the District would see a net savings on the Frontier bills beginning the following month. The Board thanked her for her effort to restructure those accounts. Upon motion by Director Chandos and second by Director Faske, the Board voted unanimously to approve the bookkeeper's report, including the payments as presented. Director Chandos reported that all of the Board members needed to fill in the information on the CASE conference application form.

Director Faske then stated that the Board would receive the manager's report and recognized Mr. Bilger. Mr. Bilger stated that he and Mr. Jones were working with the Lone Star Regional Water Authority ("*Lone Star*") engineer on the location for the Lone Star waterline and he felt that most of the routing was now settled. He also reported that the City of Jarrell had indicated that it was comfortable proceeding with the Reinstatement and Amendment to Interlocal Agreement for Security Patrol Services attached as **Exhibit "N"**. Director Slowbe recommended approval of the Reinstatement and Amendment. Mr. Bilger reported that the Jarrell City Manager had also indicated that he expected the City Council to approve the Amendment to Strategic Partnership Agreement with City of Jarrell, attached as **Exhibit "O"** and that he recommended that the Board also approve it. Mr. Bilger further recommended approval of the Interlocal Agreement for Fire Hydrant Inspection and Maintenance attached as **Exhibit "P"**.

Mr. Bilger then explained that there had been a series of landscape maintenance companies used by the District, but that he had been unable to locate the landscape maintenance agreement with the current contractor, Countryside Nursery & Landscaping, Inc. He stated that, when he had requested a copy from Countryside, the company had sent a new agreement and asked for a much higher payment than had previously been agreed to. He stated that he was not totally comfortable with Countrywide's services, even though it was a better contractor than those the District had used in the past. Director Slowbe stated that the services provided were erratic and some areas were addressed when others were not. Mr. Bilger stated that the District had consistently spent between \$35,000 and \$50,000 per year for maintenance

services and noted that there were enough additional drainage areas that the District's maintenance employee and a helper could stay busy all year without addressing the landscaped areas like the new park. Director Faske recommended creating a map that showed the areas to be maintained and the schedule for their maintenance. Mr. Bilger stated that he felt it was important to maintain similar areas consistently and to be sure that trees that were planted were properly cared for. Director Faske stated that he would assist in providing names of firms that could be asked for proposals for the work, and Mr. Hendrix stated that he would as well.

After discussion, upon motion by Director Slowbe and second by Director McCloskey, the Board voted unanimously to approve the Amendment to Interlocal Agreement for Security Patrol Services, the Amendment to Strategic Partnership Agreement, and the Interlocal Agreement for Fire Hydrant Inspection and Maintenance .

Director Slowbe asked that emergency services be added to the Board's next meeting agenda and Ms. Littlefield agreed to do so.

Director Faske then stated that the Board would receive the engineer's report and recognized Mr. Jones. Mr. Jones reviewed his report, attached as **Exhibit "Q"**. He stated that Lone Star was providing some "bang for the buck", and explained that Lone Star was acquiring easements that it would share with the District, which would result in a significant savings in terms of both time and expense. He stated that there had not been a lot of utility inspections lately and that he was mostly checking punch list items. Mr. Jones reported that the elevated storage tank painting was underway and was scheduled to be complete by March. He added that he had reminded the contractor of the liquidated damages clause in the contract because the tank needed to be on line before the hot summer months. Mr. Jones reported that his firm had completed three additional sections of the GIS map book and anticipated that, in the future, an annual update would be all that was required. Mr. Jones reminded the Board that the District was still holding some of the proceeds of the last bond issue until completion of certain punch list items. Mr. Jones then presented Pay Estimate No. 5 in the amount of \$123,985.71, attached as **Exhibit "R"**, for the Elevated Storage Tank and recommended approval. Upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve the Pay Estimate, as presented. Mr. Jones then advised the Board that he had asked the contractor for a proposal for painting of the yard piping and hydropneumatic tank at Water Treatment Plant Site No. 2 and that he had anticipated that this work would cost approximately \$25,000, but the contractor had proposed a price of \$7,000, which was excellent. He presented Change Order No. 2, attached as **Exhibit "S"**, for the additional repainting which he proposed be included as part of the Water Plant No. 1, Phase 1 Elevated Storage Tank contract. Upon motion by Director Chandos and second by Director Slowbe the Board voted unanimously to approve the Change Order. Mr. Jones stated that the contractor had not yet acidized the new well, which was why there were currently no pay estimates. He then presented Change Order No. 4 for water quality and flow testing at the District's existing wells in the amount of \$9,150, attached as **Exhibit "T"**, for the Water Plant No. 1 – Phase II Water Well Construction project and explained that this change order included the full gamut of water quality testing and that he recommended approval. Director Slowbe stated that, if a lot of water would be discharged and visible to the residents, he recommended communicating the scope of the project to the residents so as to alleviate any concerns. Mr. Hendrix stated that he would provide this information directly to the District's website contractor. Mr. Jones explained that the water used would be reported in the water testing line item and not as water loss. Upon motion by Director Slowbe and second by Director McCloskey, the Board voted unanimously to approve the Change Order.

Mr. Jones then stated that he had received several bids for the proposed improvements to Lift Station No. 1 and reviewed the bid tabulation attached as **Exhibit "U"**. He explained

that he had estimated estimated that this would be about an \$80,000 project and, although the actual low bidder had come in at \$77,000, that the bidder had advised that its bid software had made an error and withdrawn its bid. He explained that the second low bid was \$135,000, but that he believed that there would be a possibility of negotiating some deductions due to some changes that could be made to make the project easier. He stated that he did not think that it would cost less if the work was rebid, even if it was included as part of a bigger project. Mr. Jones then reviewed the memorandum attached as **Exhibit "V"**. He recommended waiting to do the awnings because he felt this lift station project should have a greater priority. He also recommended delaying the awning project to maintain a balanced budget. The Board then discussed using the remaining surplus funds to cover a portion of the cost of the project and the possibility of calling the bid bond of the bidder that had withdrawn its bid. Director Thornton stated that he did not recommend pulling bid bond since the contractor withdrew before the contract was awarded. Mr. Jones recommended approving the award to the second low bidder and stated that he would use his best efforts to negotiate a reduction in the price. Upon motion by Director Thornton and second by Director Chandos, the Board voted unanimously to award the contract to JKB Construction Company, LLC, as recommended, and directed Mr. Jones to use his best efforts to negotiate reductions in the price.

Mr. Jones then presented the proposal for the preparation of Bond Application No. 7, attached as **Exhibit "W"** and requested approval. He stated that he anticipated that the District would have the assessed valuation in the May time frame to support this application. He added that his firm's fees would be the same as for the last couple of applications. After discussion, upon motion by Director Faske and second by Director Chandos, the Board voted unanimously to approve the proposal.

Mr. Jones then presented a proposed Order Adopting Minimum Criteria for the Qualification of Bidders on District Projects and reviewed it with the Board. Mr. Jones stated that this Order would provide more formality to the process of qualifying bidders, and pointed out that the bidder must not have sued or threatened to sue the District, which was something the Board had requested after the conflict had arisen over the bid that was accepted late. Mr. Bilger stated that he did not believe JKB Construction Company, LLC, had been in business for more than three years, but pointed out that it had successfully completed several jobs for the District. Ms. Littlefield stated that the District could include an exception for contractors who had successfully completed two or more jobs for the District. Mr. Jones stated that he would be comfortable reducing the time period to two years. Director Thornton suggested providing an exception for a company with principals who had been with a prior contractor and had started a new company. After discussion, upon motion by Director Faske and second by Director Chandos, the Board voted unanimously to approve the Order subject to any final revisions agreed to by Director Thornton, Mr. Bilger, Mr. Jones and Ms. Littlefield, and the Order approved is attached as **Exhibit "X"**.

Director Faske then recognized Ms. Littlefield, who reviewed her directives with the Board. Ms. Littlefield explained that she was working with Crossroads on the proposed landlord agreement and requested that it be postponed until the next meeting and the Board agreed. Ms. Littlefield inquired about the source of funding for the lease purchase balloon payment that Mr. West had mentioned, and Mr. Bilger agreed to negotiate an extension of the building lease purchase payment.

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

(SEAL)



Tom Slowbe, Assistant Secretary
Board of Directors

Date: February 20, 2017