

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

February 20, 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 February 20, 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"**.

The following members of the Board were present, constituting a quorum:

David Chandos	Vice President
Tom Slowbe	Assistant Secretary
Dale Thornton	Assistant Secretary

Directors John Faske and Michael McCloskey were absent. 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"); Jason Jones of Jones Heroy & Associates; and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director Chandos called the meeting to order at 6:30 p.m. After the Pledges of Allegiance to the United States and Texas flags, Director Chandos inquired if there were any citizen's communications or Board member announcements. There being none, Director Chandos stated that the Board would next consider approving the minutes of the January 16, 2017 Board meeting. Upon motion by Director Slowbe and second by Director Thornton, the Board voted unanimously to approve the minutes.

Director Chandos 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 "B"**. He advised the Board that the District had 1,295 occupied single-family connections and an approximate population of 4,707. He reported that the District had experienced a 6.43% water loss for the prior reporting period, which was very good, and noted that the wells were operating properly and that Crossroads had no major concerns. Mr. Hendrix then reported that there were three delinquent accounts, two of which in the combined amount of \$939.64 would be sent to collections and one for \$21.18 that would be written off. Mr. Hendrix then reported that Crossroads recommended utilizing the District's existing temporary water service program to facilitate water being provided for temporary uses by landlords or property managers, and added that this was already provided for in the District's rate order. He stated that the present rate was \$100 for five days, but the amount could be lowered. He added that this program could be easily managed. In response to a question from Director Thornton, he explained that Crossroads would open and then turn off the meter to allow this use. Director Slowbe stated that this wouldn't work if a new customer was moving in on Saturday. Mr. Hendrix responded that an operator was on duty even on weekends and could still turn on and turn off the services. He explained that Crossroads' analysis was that the landlord protocol would be more expensive for the District because, for example, Crossroads would be charging for the non-active landlord accounts. Director Slowbe stated that he wanted to be assured that the service could be reconnected on a Saturday and Mr. Hendrix stated that it could be. Mr.

Hendrix then reported that one of the pumps had failed at Lift Station No. 1 and stated that it would cost \$3,600 to rebuild it. He suggested that, while the repair was being made, the District rent a pump for \$400 per month. He stated that labor charges for the installation would be \$1,120, noting that the District would probably need the rental pump for a couple of months. Upon motion by Director Slowbe and second by Director Thornton, the Board voted unanimously to authorize the rental of the pump. In response to a question from Director Slowbe, Mr. Hendrix stated that lead and copper sampling would be conducted over the summer and that he would need 40 sites and 20 samples.

Director Chandos 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, attached as **Exhibit "C"**; the supplemental check register attached as **Exhibit "D"**; the capital projects fund check register attached as **Exhibit "E"**; and the supplemental check register for the capital projects fund attached as **Exhibit "F"**. She recommended that all of the payments be approved as presented. Director Chandos noted that the per diems to Director Faske and Director McCloskey would need to be voided due to their absence from the Board meeting and Ms. Kirkley agreed. Upon motion by Director Slowbe and second by Director Chandos, the Board voted unanimously to approve the bookkeeper's report, including the payments as presented, with the voids noted.

Director Chandos then stated that the Board would receive the manager's report and recognized Mr. Bilger. Mr. Bilger stated that it had been an active month. He reported that a contract had been awarded to JKB Construction for 138 lots, noting that this contractor had also been the low bidder on the rehab of the lift station. He stated that he had met with the City of Jarrell's City Manager and Mayor reported that the City was about to bring on another one million gallons of treatment capacity on line. He explained that he had asked about the possibility of securing additional LUEs to cover new construction and development and had been told that it was a great time to amend the District's contract to add additional LUEs. Mr. Bilger asked that the Board authorize him to pursue obtaining additional wastewater service from the City of Jarrell under the existing terms, noting that any contract amendment would come back to the Board for approval, and the Board agreed that he should do so.

Mr. Bilger then reported that he had met with the Fire Chief regarding the proposed fire hydrant maintenance agreement. He stated that the Chief and the new manager of the City's emergency services thought it would take six to eight weeks to consider the agreement.

Mr. Bilger then asked that Mr. Jones report on the Lone Star Regional Water Authority (the "LSRWA") and water rate matters. Mr. Jones called the Board's attention to the agenda item regarding a proposed joint use easement agreement, and explained that the LSRWA had now withdrawn its request for the District to pay part of the cost of the joint use easement based on the Sonwest Co.'s donation of a number of easements.

Mr. Jones then called the Board's attention to the memorandum from his firm regarding water rate issues, attached as **Exhibit "G"**. He reminded the Board that his partner, Ken Heroy, was on the LSRWA Board, and stated that the LSRWA was working on developing the rates that would be charged to the LSRWA's customers. Mr. Jones stated that he felt a District rate study would be timely, because the District was growing, there were a lot of water infrastructure issues, and there was a large unknown in the magnitude of the impact of the LSRWA rate on the District. He recommended that the Board consider authorizing retention of a rate analyst to begin work on this. After discussion, the Board directed the District's consultants to proceed with identifying a rate analyst and to bring a proposal to the next Board meeting.

Mr. Jones then presented his report, attached as **Exhibit “H”**. He stated that he had recently received information on the pump testing at the District’s existing wells and noted that he was very glad that this had been done as it was valuable information that showed what the system was capable of, but also emphasized the need for a drought contingency plan and to focus on what the District needed to do until the LSRWA water supply arrived. Mr. Jones explained that fluoride levels in the water supply were limited to 4 mcl by the Environmental Protection Agency and that the new well exceed this limit. He explained that a possible solution was to drill a fifth well into the Trinity Aquifer. He noted that the Trinity Aquifer was about three times as deep as the Edwards, but would provide a supplemental water supply that could be mixed with the existing well water to reduce the fluoride level. He also stated that there was an option to treat the water through a rental plant during the interim time period until the LSRWA water was available. Mr. Jones called the Board’s attention to the proposal from Pape Dawson for the assessment, design, bidding and construction administration associated with drilling and completion of a proposed Trinity well near the District’s new well site No. 4, attached as **Exhibit “I”**. In response to a question from Director Thornton, he stated that there was about \$300,000 available from the LSRWA bond proceeds and that he didn’t think this amount would be sufficient. He added there would be another District bond issue later in the year that could provide additional funding for this project. Mr. Bilger explained that water from the new well could not be combined with the existing water supply because of the fluoride levels, and that a well into the Trinity would allow blending. He stated that it was anticipated that a Trinity Well would cost about \$500,000, but it would allow mixing water supplies in the hydrostatic system, which would be an efficient way of addressing the problem. Mr. Bilger stated that the District was analyzing multiple pathways to address the fluoride levels and he felt pursuing a Trinity Well would allow issuing a bid notice fairly quickly. He stated that he agreed with Mr. Jones’ analysis. Director Thornton stated that it sounded like it would be more efficient to utilize the existing well site and inquired about utilizing the hole that was already drilled. Mr. Jones reminded the Board that the first hole was located in Del Rio clay and explained that there was a concern that the hole would potentially cave in if the temporary piping was pulled. Mr. Bilger stated that the well driller felt it was more likely that a good water supply from the Trinity would be found below where the best quantity had been found from the Edwards. Mr. Jones stated that he had reviewed the Pape Dawson proposal and felt it was a good price; and recommended approval. Mr. Bilger stated that rolling this into the existing well contract as a change order had been considered, but it had been decided this was not feasible. Director Thornton then moved approval of the proposal and Director Slowbe seconded the motion. Director Chandos asked for confirmation that only the first step under the proposal would be done now, and that the District would not incur costs associated with construction unless the District proceeded with the project. Mr. Jones stated that he would only authorize the first step. After discussion, the motion was unanimously adopted.

Mr. Jones then reminded the Board that the District was holding bond funding to the Developer on Section 10A, and recommended that the Board authorize the release of the funds to the developer upon receipt of an acceptance letter from his firm and a final inspection letter from the Texas Commission on Environmental Quality. Upon motion by Director Thornton and second by Director Slowbe, the Board voted unanimously to authorize release of the funds on the conditions noted.

Mr. Jones then presented Pay Estimate No. 6 in the amount of \$48,375, attached as **Exhibit “J”**, for the Elevated Storage Tank and recommended approval, noting that this project was about 90% completed. He then presented Change Order No. 3 in the amount of \$8,321, attached as **Exhibit “K”**, noting that this was to change the site work piping from 6 to 8 inches, which was necessary in order to accommodate the proposed Trinity well, and recommended

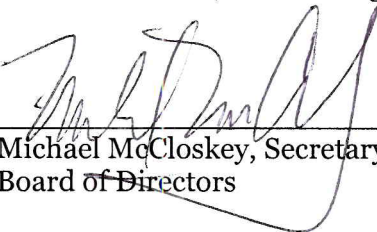
approval. Mr. Jones then recommended approval of Pay Estimate No. 4 in the amount of \$49,174.20 and Pay Estimate No. 5 in the amount of \$37,710, attached as **Exhibits "L" and "M"**, for Water Plant No. 1—Phase II Water Well Construction, noting that the project was about 70% complete at this point. He stated that, although there had been a number of change orders, he anticipated that the total cost would be less than originally projected. Mr. Jones then presented Pay Estimate No. 11 in the amount of \$106,992.95, attached as **Exhibit "N"**, for Sonterra West Section 8J, Phase 4, and Section 7A, Phase 2B and recommended approval. He noted that this brought the project to 100% complete, that he had received all of the necessary close-out documents for this project and that he recommended acceptance of the project for operation and maintenance. Upon motion by Director Thornton and second by Director Slowbe, the Board voted unanimously to approve the Pay Estimates and Change Order, as presented, and to accept Sonterra West Section 8J, Phase 4 and Section 7A, Phase 2B for operation and maintenance, as recommended. Mr. Jones stated that a preconstruction meeting had been held on the lift station rehab and the contractor was assembling submittals for the project. He stated that he was negotiating with the contractor in the hopes of reducing the cost of the contract. Mr. Jones also stated that he anticipated bringing a contract award for the two new sections to the next Board meeting.

Mr. Jones then pointed out that a draft annexation policy had been included in the meeting packet, noting that he had been contacted by a neighboring property owner who was interested in receiving service and that he recommended that the Board consider establishing a policy to govern such requests. After discussion, the Board tabled discussion of an annexation policy for two months and agreed to discuss the issue at its April Board meeting. Ms. Littlefield reported that she and Mr. Jones had a meeting with Argent Developments' representatives on the 130 acre tract later in the week.

Director Chandos then recognized Ms. Littlefield, who reviewed her directives with the Board. Ms. Littlefield reported that BLX Group had confirmed that there had been no yield restriction violations in connection with the District's 2009, 2011, 2013 and 2014 bond issues.

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





Michael McCloskey, Secretary
Board of Directors

Date: March 28, 2017