

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

March 20, 2017

THE STATE OF TEXAS           §  
  §  
COUNTY OF WILLIAMSON       §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on March 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:

John Faske	President
David Chandos	Vice President
Michael McCloskey	Secretary
Dale Thornton	Assistant Secretary

Director Tom Slowbe was 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"); William Hartofilax, a resident of the District; Jason Jones of Jones Heroy & Associates; Tom Ray, the manager of the Lone Star Regional Water Authority ("LSRWA"); and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director Faske called the meeting to order at 6:30 p.m. After the invocation by Director McCloskey and Pledges of Allegiance to the United States and Texas flags, Director Faske inquired if there were any citizen's communications or Board member announcements. Director Faske recognized William Hartofilax who stated that he lived at 239 Engineer's Pass. Mr. Hartofilax stated that he had come to the Board because he had been on disability for the past two years and was concerned about his property taxes going up the past two years. He stated that, because of his disability, he couldn't afford his property tax payment to be going up every year. Mr. Hartofilax added that, when he went to tax office, he was told that Sonterra Municipal Utility District had raised his taxes and he wished to know if his taxes could be frozen like they were for the school district or if an exemption could be granted. The Board asked that this issue be placed on the agenda for the next Board meeting for discussion. Director McCloskey asked if Mr. Hartofilax's home value had gone up and he responded that it had. Mr. Bilger stated that the District's tax rate had not increased, but the taxable value of homes in the District had. Mr. Bilger explained that the District would research what options were available.

Director Faske stated that the Board would next consider approving the minutes of the February 20, 2017 Board meeting. Upon motion by Director Chandos and second by Director Thornton, the motion passed on a vote of three in favor, none against, and one abstention, with Director Faske abstaining from the vote due to his absence from the meeting in question.

Director Faske then stated that the Board would consider approving the Resolution Adopting Amended Code of Ethics and Financial Investment, Financial Management, Travel and Professional Services Policies; Amended Investment Strategies; and Amended List of Qualified Brokers; Confirming Designation of Investment Officers; and Confirming Annual

Review attached as **Exhibit “B”**. Upon motion by Director Chandos and second by Director Faske, the Board voted to approve the Resolution, with a vote of four in favor and none against.

Director Faske stated that the Board would next receive the operator’s report and recognized Mr. Hendrix, who called the Board’s attention to Crossroad’s report, attached as **Exhibit “C”**. He advised the Board that the District had 1,309 occupied single-family connections. He reported that the District had experienced a 4.44% water loss for the prior reporting period, which was very good, and noted that the wells were operating properly and that Crossroads had observed no major issues, although Well 1 was off awaiting a tie-in to the elevated tank. He noted that water demand was creeping up. Mr. Hendrix then reported that there had been four write-off accounts, in the combined amount of \$1,309.15, which would be sent to collections. Mr. Hendrix stated that Lift Station 1 had gone down and reminded the Board that pump one was the temporary pump approved at the prior Board meeting and that he had to call a pumper truck out to “de-rag” the pump and the temporary pump had blown the breaker, resulting in high levels in the wet well. He confirmed that Crossroads had received a high level alarm. Mr. Hendrix noted that the water plant had been repainted and that it looked good. Director Chandos asked why wastewater flows had increased so dramatically and Mr. Bilger responded that he thought some of this was due to increased usage, which had resulted from the increase in single-family connections and apartments coming on line.

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, attached as **Exhibit “D”**, noting that the per diem to Director Slowbe would be voided due to his absence; the supplemental check register attached as **Exhibit “E”**; and the capital projects fund check register attached as **Exhibit “F”**. She recommended that all of the payments be approved as presented, with the void noted. Upon motion by Director Chandos and second by Director Faske, the Board voted to approve the bookkeeper’s report, including the payments as presented, with a vote of four in favor and none against.

Director Faske then stated that the Board would receive the manager’s report and recognized Mr. Bilger. Mr. Bilger stated that construction was going strong, noting that the preconstruction meeting for Section 8L would be held the following day and that Section 7, Phase 4 would be started soon. Mr. Bilger noted that he had received the proposal from Jay Joyce of Expergy, attached as **Exhibit “G”**, to prepare a rate analysis, noting that the time frame was a little longer than initially discussed because the rate structure was more complicated. He stated that the analysis would be completed by June, which would allow time for review before the budget was adopted in the fall. Mr. Bilger recommended approval of the proposal. Director Thornton moved approval and Director Chandos seconded the motion. Director McCloskey asked what a rate analysis would show and Mr. Bilger explained that the District’s rates had not been studied since 2012 and that part of the purpose of the analysis was to be sure the rates were sufficient to cover the increased water costs that would result from the LSRWA water supply, which would cost substantially more than the existing ground water supplies. Director McCloskey asked if this cost would be averaged with the cost of the other water supply and Mr. Bilger confirmed that it would be a blended rate and pointed out that the District currently had a very low rate compared to surrounding communities and that only 50% of the District’s demand at build-out could be met with ground water supplies. He noted that Sonterra was one of the only large communities in the area supplied solely with ground water. He also explained that the surface water supply was necessary to provide a stable water supply, and Director Thornton added that it was anticipated that the LSRWA contract would provide a surplus water supply and that there would be an opportunity to resell this water. Mr. Bilger noted that the cost of the LSRWA project was about 20% of what it would have been if the



District had done this water project acting alone. Director McCloskey stated that he wanted to be sure that the residents understood the dynamics. Director Chandos stated that, the last time that the District went through the rate study exercise, it was found that residents at the lowest tier would actually see a savings, and the higher tiers would experience higher bills. Mr. Bilger stated that it had never been anticipated that the District would rely on well water for its entire build-out. Upon being put to a vote, the motion to approve the proposal was adopted with a vote of four in favor and none against. Mr. Bilger then reported that the City of Jarrell had approved the amendment to the Strategic Partnership Agreement to correct the error in the completion date and now that it was corrected, the timing of the wastewater improvements to serve Jarrell's stranded area would be triggered by notice from the City. He stated that the attorney for the Emergency Services District was revising the agreement for fire hydrant inspections and that he would bring the revised draft back to the Board for review once he received it.

Mr. Bilger then stated that the security patrols by the Jarrell Police Department had made a substantial difference and that he recommended continuing with them through the end of the fiscal year, noting that there had been a huge difference in the amount of truck parking and also park/pool activity. Director McCloskey stated that there had been a noticeable improvement in the quality of life resulting from this. Mr. Bilger noted that even Williamson County stated that its calls had gone down as a result of the patrols. Director Faske suggested that the patrols be more random. After discussion, Director McCloskey moved to extend the security patrol agreement for the remainder of fiscal year, not to exceed 50 hours of patrols per month. Director Faske seconded the motion. Mr. Bilger recommended a "friendly amendment" and that the agreement provide for automatic 30-day extensions and the Board agreed with the proposal. After further discussion, the motion to extend the security patrol agreement was adopted by a vote of four in favor and none against. The agreement so approved is attached as **Exhibit "H"**.

Director Faske then stated that the Board would receive the engineer's report and recognized Mr. Jones. Mr. Jones introduced Tom Ray, the manager of the LSRWA, to the Board. Mr. Ray stated that he was present to update the Board on the LSRWA regional water project. He noted that the LSRWA was at the point of acquiring easements as the engineering design was substantially complete. He stated that he hoped to be out to bid in the summer, maybe in the July-August time frame, with a target date for completion of October 2018. Mr. Ray also reported that LSRWA had widened its easement along CR 113 in order to accommodate the District's water lines to Water Plant No. 1. He stated that easement acquisition along CR 113 was moving along and noted that Texas Water Development Board ("**TWDB**") was a funding partner on the project, which was beneficial, but also added some additional complications. He stated that met with TWDB about the release of funds for acquisition of the easements, which had been delayed until the environmental report was completed, which had caused the easements along CR 113 to be delayed between 60 to 90 days. Mr. Ray stated that the easement acquisition process was also underway along CR 33 and that most of the rights-of-entry had been obtained. Director Chandos inquired if sufficient funds had been released to complete both phases of easement acquisition and Mr. Ray responded that he thought so, although this was dependent on reaching agreements with the property owners. Mr. Ray then reported that the LSRWA had determined that water rates would be composed of three components—debt service, operations and maintenance, and treated water cost from The Brazos River Authority ("**BRA**"). He explained that debt service was based on State participation and the BRA rates were set by the BRA Board. Director Chandos inquired if, with the project proceeding, there was additional interest by third parties in participating in the LSRWA and Mr. Ray responded that there were other projects out there that a regional entity could handle if the LSRWA did a good



job on this project. Director Faske asked if Mr. Ray was the project manager for the water line and Mr. Ray responded that there was a transition going on, but that he would take full responsibility for project management the following month. The Board thanked Mr. Ray for his input.

Mr. Jones then presented his report, attached as **Exhibit "I"**. He stated that he wanted to update the Board on where the District was in preparing for summer 2017. He stated that he had analyzed the District's water supply until LSRWA water became available and that there were two options, one of which was the reverse osmosis plant that had been discussed at the prior meeting, and the second was a Trinity Aquifer well. Mr. Jones stated that Mr. Hendrix had obtained information on the reverse osmosis option and that this was not as attractive because there were no rental options, just a finance option, and the District would have to pay the cost of the infrastructure over three years. He added that operation and maintenance was also pretty expensive, about \$500,000, at about \$40,000 to \$50,000 per year. Mr. Jones stated that he had analyzed use of the Trinity Aquifer well, noting that there were three zones within the aquifer. He stated that using the deeper zone was more expensive, but that there was also a more attractive water supply in the deeper levels. He stated that he had contacted several entities that had tapped into the lower stratum of the Trinity. In response to a question from Director McCloskey, Mr. Jones stated that the Edwards new well had a problem with fluoride levels. Director Faske inquired about the use of the District's interconnect with Jarrell Schwertner WSC ("WSC"), and Mr. Bilger explained that the WSC did not have the capacity to provide sufficient flows to meet the District's demands. Mr. Jones noted that the City of Jarrell had a good well located across I-35, but did not have a bore under the interstate. The Board then discussed various options for supplementing the District's potable water supply. Mr. Jones stated that the District would need to practice conservation for 2017, but would have the new supply available for 2018. He added that he intend to bring an updated drought contingency plan to the April Board meeting. Director McCloskey stated that he was concerned about increased demand because temperatures were already in the 80's and it was only March. Mr. Bilger explained that there were also operational changes that could be implemented to maximize the availability of water supply and noted that Mr. Jones and Mr. Hendrix had worked on putting together a plan to increase efficiency. Mr. Jones explained that one important criteria was whether the District's storage was refilling overnight, and that monitoring this was important. He stated that he was linking data so that this information could be monitored from offsite. Mr. Jones also recommended putting the cost of the Trinity Aquifer well in the current bond application. The Board then discussed the procedures for blending the water supplies in order to balance the fluoride level. Director Faske asked what the timeline was for the Trinity Aquifer well and Mr. Jones responded that he anticipated requesting authorization to go out for bid in April. After discussion, Director Faske proposed that the Board authorize Mr. Jones to go out for bid as soon as he had the necessary information in hand. Mr. Bilger concurred with the recommendation. Director Chandos then moved that Mr. Jones be authorized to proceed with the bidding process for a Trinity Aquifer well. Director Faske seconded the motion, which was adopted with a vote of four in favor and none against.

Mr. Jones then reported that the completion of the elevated storage tank was not proceeding on schedule and requested authorization to take necessary action to enforce liquidated damages under the contract for this project. He explained that the District's high service pump capacity was just shy of 1,700 connections and the District needed the elevated storage tank online this summer because the District now had in excess of 1,700 connections. Director Faske moved that the Board authorize the District's consultants to proceed to take all actions necessary in order to enforce the liquidated damages provision under the District's contract for the elevated storage tank. Director McCloskey seconded the motion, which was



adopted with a vote of four in favor and none against. Mr. Bilger pointed out that the elevated storage tank would provide sufficient storage capacity through build-out.

Ms. Littlefield then reported that she and Mr. Jones had met with representatives of Argent Development, which had contracted to purchase 130 acres of land in the District. She reminded the Board that Director Faske had a conflict of interest in connection with the property, had filed a disclosure statement as required by law and would be abstaining from any discussion and vote relating to the property. Ms. Littlefield stated that Argent Development had asked that the Board authorize negotiation of a reimbursement agreement for the facilities required to service the 130 acres and suggested that the Board confirm the authority of the Development Subcommittee to work with her and Mr. Jones to negotiate the agreement, which would be brought back to the Board for approval. She added that Mr. Jones was analyzing the availability of bonding capacity and that this contract would need to include provisions required by the District's existing agreement with SonWest Co and would be subject to Argent Development's closing of its purchase. After discussion, Director Chandos moved to authorize the Development Subcommittee to proceed with the negotiation as recommended and Director Thornton seconded the motion, which passed with three votes in favor and none against, with Director Faske abstaining.

Mr. Jones then presented Pay Estimates No. 8 and 9 – Final in the amounts of \$45,608.69 and \$1,189, and Change Order No. 4 in the amount of -\$15,964, a reduction for dry utility sleeves that were not installed, attached as **Exhibits “J”, “K” and “L”**, for Sonterra West Section 10A and recommended approval. He noted that he was still waiting to receive some of the required offsite drainage and utility easements before recommending the project for operation and maintenance. Upon motion by Director Faske and second by Director Chandos, motion was unanimously adopted, with four votes in favor and none against.

Mr. Jones then recommended approval of Pay Estimate No. 1 in the amount of \$3,690 and Change Order No. 1 in the amount of -\$13,200, attached as **Exhibits “M” and “N”**, for Lift Station No. 1. He explained that the Change Order was to reduce the cost of the project based on the widening of the gate for ease of access. Upon motion by Director Thornton and second by Director Faske, the motion was adopted with four votes in favor and none against.

Mr. Jones next presented Pay Estimate No. 4 in the amount of \$32,895, attached as **Exhibit “O”**, for Sonterra West Section 8K and recommended approval. He stated that the contractor was 95% complete with utilities. Upon motion by Director McCloskey and second by Director Faske, the motion was adopted with four votes in favor and none against.

Mr. Jones then reported that bids had been opened for Sonterra West Section 8L and Section 7, Phase 4 and presented the bid tabulation attached as **Exhibit “P”**, noting that the low bidder was JKB Construction Company, LLC, for a combined bid amount of \$1,140,784.06. He recommended the award of the contract to the low bidder. He stated that this was an excellent bid price. After discussion, upon motion by Director Chandos and second by Director Faske, the Board voted to approve the award of the contract to JKB Construction Company, LLC as recommended, with a vote of four in favor and none against.

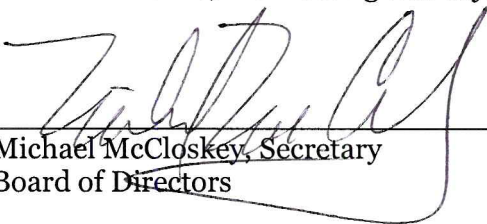
Director Faske then recognized Ms. Littlefield for purposes of receiving the attorney's report. Ms. Littlefield stated that her directive had been to put an annexation policy on the April Board meeting agenda, which she would do. She also stated that she had received a proposed dedication deed for Lot 12, Block 30, Sonterra West Section 8-H, locally known as 444 Ruby

Lane, but that the deed needed to be revised to correct the District's address and to require the grantor to pay 2017 property taxes. Mr. Bilger stated that there was a wastewater easement that had made the lot unbuildable and so the builder had created a pocket park on it. He recommend acceptance, subject to the revisions requested by Ms. Littlefield. Director Faske moved to authorize Mr. Bilger's acceptance of the deed once it was approved by Ms. Littlefield and Director Thornton seconded the motion. In response to a question from Director McCloskey, Mr. Bilger stated that the lot was improved and was next to District drainage. After further discussion, the motion was adopted with a vote of four in favor and none against.

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

(SEAL)



  
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Michael McCloskey, Secretary  
Board of Directors

Date: \_\_\_\_\_

*April 11, 2017*