

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

April 17, 2017

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on April 17, 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
Dale Thornton	Assistant Secretary
Tom Slowbe	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"); Darrell Goldman; 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 invocation by Director McCloskey and the Pledges of Allegiance to the United States and Texas flags, Director Faske asked Mr. Bilger if he had invited Dan Fhlies to lead the invocation and Mr. Bilger responded that he had. Director Faske then inquired if there were any citizen's communications or Board member announcements. There being none, Director Faske stated that the Board would consider approving the minutes of the March 20, 2017 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 a revised District Registration Form. Upon motion by Director Faske and second by Director Chandos the Board voted unanimously to approve the revised District Registration Form.

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 "B"**. He advised the Board that the District had 1,342 occupied single-family connections and an estimated population of 4,000. Mr. Hendrix noted that he had taken six water samples and that all of the samples looked good. He reported that the District had experienced an 8.9% water loss for the prior reporting period, which was higher but not unusual due to the amount of construction, and noted that he would continue to monitor the situation. Mr. Hendrix stated that the Texas Commission on Environmental Quality ("TCEQ") had taken two water samples and that both had slightly higher than anticipated fluoride levels. The Board discussed concerns related to high fluoride levels. Mr. Hendrix noted that Well 1 was still off line. He reported that the pipe was on site at the elevated storage tank. Mr. Hendrix noted that Wells 2 and 3 looked good and were the ones carrying the District at this time. He stated that he had included water reports in his report since discussion of a drought plan was on the agenda.

Mr. Hendrix noted that two accounts had been sent for collection and that both were owner accounts.

Mr. Hendrix then presented information on Crossroads' proposed new billing system. He stated that this system would provide additional payment options for the customers and that he anticipated slightly lower costs to the District.

Mr. Hendrix then reported that, due to growth in the District, the utility system was becoming very complex and noted that one of the concerns was the response time required for the closest operator to respond to alarms. He explained that there were some very helpful remote systems that would allow the system to be monitored and managed remotely, which would improve response times. Mr. Hendrix stated that he had not yet received a firm recommendation on what would be required to implement a remote monitoring system, noting that currently there were three levels of security required to get access to the system, but he wanted more information before making a formal recommendation to the Board. In response to a question from Director McCloskey, Mr. Hendrix stated that all of the information would be stored in the cloud so it wouldn't require access to a specific computer, and the system would be managed by a third-party contractor. He stated that he felt there was a need for a remote system, particularly to monitor water levels at the elevated and storage facilities, so that the facilities could be monitored for recharging overnight especially during times of drought. Director McCloskey stated that he felt it was critical to ensure that the appropriate security systems were in place and Mr. Hendrix agreed. Mr. Hendrix reported that two u-branches had blown off in the new construction area and that they had to be repaired as an emergency. Mr. Bilger stated that this cost needed to be backcharged to the contractor and Mr. Hendrix agreed to do so.

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 "C"**; the supplemental check register attached as **Exhibit "D"**; the capital projects fund check register attached as **Exhibit "E"**; including the supplemental to Pape Dawson, attached as **Exhibit "F"**. She recommended that all of the payments be approved as presented. She stated that District was on track for the second quarter of the fiscal year, noting that the District was approximately 97.79% collected on taxes. Upon motion by Director Chandos and second by Director McCloskey, the Board voted unanimously to approve the bookkeeper's report, including the payments as presented.

Director Faske then stated that the Board would receive the manager's report and recognized Mr. Bilger. Mr. Bilger stated that the interlocal for police patrols was on the City's agenda, noting that the City manager had experienced a lot of health issues and had been out of his office. Mr. Bilger stated that he anticipated it would be approved with no questions. Director McCloskey inquired about the status of the additional permanent "no parking" signs that had been authorized and Mr. Bilger responded that he would follow up on the status of the signs. Director Slowbe stated that he had noticed that the most recent renewal of the interlocal had reduced patrol hours to 50 per month and that he had some concerns about this because there had been an increase in trucks in the neighborhood. Director McCloskey stated that he felt the signage would be helpful in addressing this.

Mr. Bilger noted that there were three roads in the District that currently weren't being maintained due to the City's de-annexation of the area. Director McCloskey agreed to initiate a conversation with the County Commissioner. Director Slowbe stated that there was an additional area off of Sonterra that also needed to be maintained. Mr. Bilger stated that he

would like to address that area with the new County engineer before raising it with the Commissioner.

The Board then discussed the possibility of homestead exemption for disabled persons. After discussion, the Board requested that the consultants bring a financial analysis back to the Board for consideration at its next Board meeting.

Director Faske then stated that the Board would receive the engineer's report and recognized Mr. Jones. Mr. Jones presented his report, attached as **Exhibit "G"**. He presented information pertaining to the status of the elevated storage tank attached as **Exhibit "H"** and explained that the contractor was responding with concern about the possibility of imposition of liquidated damages. Mr. Jones stated that the pipe crews had now been mobilized, but that the contractor was a minimum of 30 days behind schedule so potentially \$15,000 would be due as liquidated damages. He stated that homebuilding and new connections were picking up and that the contractor was well aware of the time-sensitive nature of the project.

Mr. Jones then stated that he had received a letter from Pape Dawson regarding the proposed Trinity Well attached as **Exhibit "I"**, noting that Table No. 1 explained that the purpose was to blend water from the Trinity Well with water from Well 1 and Well 4 which was Edwards water that was over the minimum contaminant level for fluoride. He noted that the concern with the Trinity Well was TDS, or total dissolved solids, which might limit how much water could be pulled from Trinity Well for blending purposes. He stated that, if the worst case of 15,000 mcl was received, then blending would be based on the two levels. He stated that the best choice was the lower Trinity as it was most likely to have a high flow rate and a low fluoride level. Mr. Jones stated that this construction option would cost between \$1.1 to \$1.2 Million. Mr. Bilger stated that, in the future, water from the other two wells could also be combined with the Trinity Well water. Mr. Jones stated that, once water was received from Lone Star, there would be more blending options. Director Faske inquired about quality of the water expected to be received from Lone Star, and Mr. Jones responded that fluoride levels and TDS were basically non-existent in the surface water, but that Lone Star was also drilling a Trinity well to supplement its Lake Granger supply, and also intended to blend. Director Chandos inquired if the District needed to lock in a specific quality of water and Mr. Jones responded that he had received the test results from Lone Star from its test well and based on these results, he did not have a water quality concern. He reminded the Board that it had already authorized bidding the Trinity Well, and reported that he was working on a bid package. Mr. Jones explain that there was a limited number of options for contractors because of the depth of the well. He also stated that he felt the District would be in a good position in about nine months, noting that the tank would be on line before that time. Mr. Jones stated that he was working on financing options and would present these at the next Board meeting. He noted that, because of the size of the project, the District might be able to go to Lone Star for revenue bonds, which could be a less expensive financing option.

Mr. Jones stated that he had not heard anything further from Argent Development.

Mr. Jones then presented Pay Estimates No. 7 and 8 in the amounts of \$45,919.99 and \$22,264.29, attached as **Exhibits "J"** and **"K"**, for the elevated storage tank. Upon motion by Director Chandos and second by Director Faske, the Board voted unanimously to approve the Pay Estimates.

Mr. Jones then presented Change Orders No. 1 and 2 in the amounts of \$42,500 for concrete aprons and \$14,000 for curb inlet transitions, attached as **Exhibits "L"** and **"M"**, for Sonterra Section 7, Phase 4. Mr. Bilger stated that the bid missed all of the transitions into the

inlets and was considered a bidding error, but noted that the bid was still \$300,000 to \$400,000 lower than the next bid. Mr. Bilger stated that, based on the circumstances, he felt these were legitimate change orders as there was not a line item for these items in the bid package. He also stated that the pricing was consistent with the contractors bid prices for these items on other bids. After discussion, Director Chandos moved approval of the Change Orders. Upon second by Director Slowbe, the Board voted unanimously to approve the Change Orders as presented.

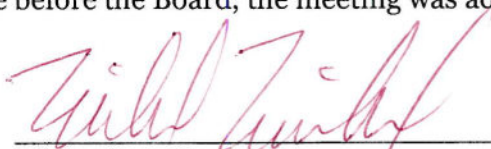
Mr. Jones then reported that he had been working with Ms. Littlefield and Mr. Bilger on a drought management plan based on State guidelines. He stated that it was designed to provide more flexibility, but also be clearer to the residents. The Board then discussed means of notification of the residents under the plan. Mr. Jones pointed out that Section 7 allowed notification by signage, bill inserts and website. He stated that he felt there needed to be a coordinated effort. The Board discussed the best means of providing notice and agreed that it was signage, but concurred that being able to print out a PDF that was a quick reference would also be helpful. The Board discussed the need for monitoring so that triggers for each stage were clear. Mr. Jones stated that it was currently difficult to evaluate filling of the storage overnight, but there were also usage triggers that were monitored on a regular basis. Director McCloskey stated that he wanted to ensure that the Board members were notified of the implementation or rescission of any stage and the Board agreed to add this to the plan. Upon motion by Director McCloskey and second by Director Chandos, the Board voted unanimously to adopt the plan attached as **Exhibit "N"**, with the change requested by Director McCloskey and to direct the consultants to bring the plan back to the Board for further review at the next Board meeting.

Mr. Jones noted that there was nothing new to report on the annexation policy and the Board agreed the consultants should bring it back to the Board when there was a reason to do so.



Date: 5/15/17

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



Michael McCloskey, Secretary
Board of Directors