

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

May 15, 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 May 15, 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; Darrell Goldman; 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 Faske called the meeting to order at 6:30 p.m. After the Pledges of Allegiance to the United States and Texas flags, Director Faske asked 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 April 17, 2017 Board meeting. Upon motion by Director Chandos and second by Director Slowbe, the Board voted unanimously to approve the minutes.

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 1,355 occupied single-family connections and an estimated population of 4,887. 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 uncommon due to the amount of construction, and noted that he would continue to monitor the situation. Mr. Hendrix stated that Well 1 was still off line although it had been turned on earlier in the day. He stated that demand was starting to creep up. Mr. Hendrix noted that he had four accounts to send to collection. He stated that the District had received a notice of violation from the Texas Commission on Environmental Quality ("TCEQ") regarding the District's fluoride levels. He stated that these levels were at the entry point to Well 1. He stated that the District was required to send a notice to the District's residents as well as a report to the TCEQ advising how the District planned to address the exceedance. Director Faske inquired if the testing lab could be an issue and Mr. Hendrix responded that the TCEQ controlled the testing and the lab. Mr. Jones stated that the District had also retested the well with the same result. Director McCloskey inquired how often the residents needed to be notified and Mr. Hendrix stated that once every quarter would be sufficient. Mr. Hendrix stated that, because the District had a plan

to address the exceedance, he didn't anticipate a penalty. Mr. Bilger requested that Crossroads provide the proposed response to the TCEQ to Mr. Jones, Ms. Littlefield and him before submitting it and Mr. Hendrix agreed to do so. Director McCloskey inquired if there was an opportunity to contest the violation and Ms. Littlefield responded that, since the result had been confirmed, it could not be contested, but that the District could provide a response advising that the well was offline and provide information on the District's plan to address the issue. Mr. Hendrix then explained that the District was due to do lead and copper testing, which was a standard requirement and was required every three years. He stated that he did not foresee any issues with this testing. Mr. Hendrix explained the process to obtain samples and submit them to a State approved lab for testing. Director McCloskey inquired if there was anything else that the District would want to test for and Mr. Hendrix responded that the District had done detailed samples of the water supply just a few months previously and the only component of concern was the fluoride. Mr. Hendrix agreed to provide copies of the Notice of Violation to the Board members. A copy of the notice is attached as **Exhibit "C"**. He stated that the notice to the residents would include State-mandated language, but also could include information about what was being done to address the situation. He confirmed that the u-branch repairs had been back-charged, as he had been directed to do. Director Slowbe inquired if Mr. Hendrix had received the appropriate number of volunteers for the lead and copper samples and Mr. Hendrix responded that he had more than the requisite number of volunteers, which was fantastic.

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"**; the supplemental check register attached as **Exhibit "E"**; and the capital projects fund check register attached as **Exhibit "F"**. She also called the Board's attention to the quarterly investment report, attached as **Exhibit "G"**. Ms. Kirkley pointed out that the billing recap wasn't reflected on the budget reconciliation due to the fact that the meeting was earlier in the month than usual. She recommended that all of the payments be approved as presented. Upon motion by Director Chandos and second by Director Slowbe, the Board voted unanimously to approve the bookkeeper's report, including the payments as presented.

Director Faske then stated that the Board would discuss property tax exemptions. Ms. Littlefield explained that Mr. Kimball had reviewed the proposal to grant an exemption for residential homesteads of disabled persons and that he had indicated that he had no objection to the District granting a \$3,000 exemption and that, based on 2016 tax roll information, he projected an approximate impact of the loss of \$430,000 in value or approximately \$4,000 in tax revenue. Director McCloskey then moved approval of a \$3,000 exemption. The motion failed for lack of a second.

Director Faske then stated that the Board would receive the manager's report and recognized Mr. Bilger. Mr. Bilger stated that he had ordered three additional "no parking" signs as he had been directed to do. He deferred discussion of the Lone Star Regional Water Authority ("LSRWA") to the engineer's report. Mr. Bilger then proposed that the Board consider a possible sublease of space in the District office to the Jarrell Public Library, and explained that the proposal was still in the early discussion phases, but he felt it would be desirable for the library to be on the east side of Interstate 35 as the District had a large amount of unutilized space, and it would be a good public use for the space if the library raised sufficient funds. He stated that providing reduced cost space would be a good community statement. Director McCloskey expressed interest and asked if there was a library currently and Mr. Bilger stated that there was not. Director Faske inquired if there were ADA standards that would need to be met and Mr. Bilger stated that, if there were costs associated with complying with ADA standards, then that would need to be addressed. Ms. Littlefield stated that the District was

already required to have ADA-compliant meeting space and so, if there were accessibility issues, they would need to be addressed regardless. The Board agreed that ADA compliance should be addressed as part of the budget process. The Board directed Mr. Bilger to pursue obtaining an accessibility study to determine what needed to be addressed and how much the changes would cost. Director Slowbe stated that he liked the idea of providing the library with the space, but was concerned about pedestrian access, particularly due to the large number of trucks in the area. He added that he felt a site that was more walkable would be more desirable. Mr. Bilger stated that the homeowners' association had funds for additional sidewalks. Director Slowbe stated that he definitely preferred a location on the east side Interstate 35. Mr. Bilger stated that he would proceed with the ADA analysis, and asked if there was any objection to his pursuing the discussion with the library. The Board concurred that it was supportive of Mr. Bilger continuing the discussion. Mr. Bilger then stated that the meeting with Williamson County regarding roadway maintenance had not yet occurred and Director McCloskey stated that his meeting with the Williamson County commissioner had also not yet occurred.

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 "H"**. He stated that the LSRWA was still moving along with pipeline design and was in the easement acquisition phase, which was likely to slow things down, but the LSRWA engineer was hoping to bid some components during the summer. Mr. Jones explained that, on May 17th, the LSRWA Board would consider whether it wished to participate in the District's rate study. Mr. Jones then noted that only \$20,000 remained to be funded out of Bond Issue No. 6. Mr. Bilger noted that he was working with the contractor to address the remaining issues which should be addressed later in the week. Mr. Jones stated that he was still finalizing a few projects for Bond Application No. 7, but hoped to bring a resolution to the Board in June for approval. Mr. Jones stated that the developer for the 130 acre tract had been requesting a meeting, but had not yet closed on the property. Mr. Jones presented Pay Estimate No. 9 in the amount of \$99,666.71, attached as **Exhibit "I"**, and Change Orders No. 4 and 5 in the amounts of \$4,000 and \$2,618, respectively, attached as **Exhibits "J"** and **"K"**, for the elevated storage tank. Mr. Bilger explained that one of the change orders was for \$4,000 for repainting, which had been done without his approval. He explained that the lettering on the tank had been very small when it was initially painted and that it was difficult to gauge the appearance based on a rendering. He confirmed that the contractor had determined the size of the font. He stated that the lettering had also been located very low on the tank. Mr. Bilger stated that the contractor acknowledged it did not get authorization before proceeding with the work. After discussion, the Board agreed that no action should be taken on Change Order No. 4. Upon motion by Director Chandos and second by Director Thornton, the Board voted unanimously to approve Pay Estimate No. 9 as recommended by Mr. Jones. The Board then returned to discussion of the Change Orders. Mr. Jones explained that Change Order No. 5 was legitimate as it was for piping and valves that were overlooked and stated that he recommended approval. Director Chandos moved approval of Change Order No. 5 and, upon second by Director Slowbe, the Board voted unanimously to approve Change Order No. 5. The Board directed Mr. Jones to bring back Change Order No. 4 when the change order for liquidated damages due to the delay in completion was presented. Mr. Jones then explained that an inspection had found that the contractor didn't have a check valve in place in one of the pipes, which had caused about a two-week delay, and he felt the contractor would raise this as an ambiguity.

Mr. Jones stated that well project was moving forward slowly. He then presented Pay Estimate No. 6 in the amount of \$1,350, attached as **Exhibit "L"**, for Water Plant No. 1 – Phase II Water Well Construction and recommended approval. Upon motion by Director

Chandos and second by Director Thornton, the Board voted unanimously to approve the Pay Estimate. Mr. Jones reported that the Lift Station No. 1 contractor had mobilized.

Mr. Jones then presented Pay Estimate No. 5 in the amount of \$7,920, attached as **Exhibit "M"**, and Change Order No. 1 in the amount of -\$4,504.50, attached as **Exhibit "N"**, which he explained deleted right-of-way vegetation for Sonterra West Section 8K and recommended approval. Upon motion by Director Thornton and second by Director Slowbe, the Board voted unanimously to approve the Pay Estimate and Change Order.

Mr. Jones then explained that an easement on Jarrell Independent School District property was required and Mr. Bilger stated that he believed this easement had been approved. Mr. Jones explained that Sonterra West Section 8M was a new section and that the review letter had just been submitted and the project had been sent out for bid. He stated that he anticipated bringing a recommendation for contract award to next Board meeting.

Mr. Jones then called the Board's attention to the updated draft of the Drought Contingency Plan and to the summary prepared by his office, attached as **Exhibit "O"**. Mr. Jones explained that the starting point for the Drought Contingency Plan was a TCEQ form plan, but that the plan was customized to, among other things, reduce the number of stages. He stated that the summary would be posted on the District's website. Mr. Jones confirmed that Crossroads would also provide signage notifying the residents of the drought stage that was in effect. The Board discussed the plan, including the changes that had been made and the proposed builder landscaping guidelines. Ms. Littlefield recommended that the builders be given notice of the plan and explained that notice would need to be published so penalties could be enforced. Upon motion by Director Chandos and second by Director Thornton, the Board voted unanimously to approve the Order Adopting Revised Drought Contingency Plan attached as **Exhibit "P"**.


Mr. Jones then requested that the Board consider financing the Trinity Well project through the LSRWA and explained that this would provide the money more quickly and would also avoid drawing down the District's bonding authority. The Board concurred with proceeding with this plan.

Director Faske stated that the Board would next receive the attorney's report and recognized Ms. Littlefield. Ms. Littlefield reported that her directives had been completed. She then advised the Board that she had sent a notice of violation of the District's rules to LGI Homes on April 21, 2017, a copy of which is attached as **Exhibit "Q"**, and the response attached as **Exhibit "R"** had been received on May 4, 2017. She explained that she had directed Mr. Hendrix to hold the builder's taps until the violation was corrected and the penalty imposed paid. She also reported that, following correction of the violation, she had, with Mr. Bilger's concurrence, reduced the penalty to \$2,000 and used the opportunity to discuss LGI's attitude about compliance with District requirements with LGI's corporate attorney. She confirmed that the penalty had now been paid. Ms. Littlefield then stated that certain commercial properties had not made their payments in lieu of taxes and that, under the District's rate order, these charges were to be placed on the customer's utility bills from the District. She then called the Board's attention to the Texas Municipal League Intergovernmental Risk Pool summary and claims experience report included in the meeting packet.

There being no further business to come before the Board, the meeting was adjourned at 7:49 p.m., upon motion by Director Chandos and second by Director Slowbe.



Date: June 19, 2017



Michael McCloskey, Secretary
Board of Directors