

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

August 15, 2016

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on August 15, 2016, 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	Treasurer

Also present at the meeting were Keli Kirkley of Municipal Accounts & Consulting, L.P.; Dennis Hendrix of Crossroads Utility Services ("*Crossroads*"); Jason Jones of Jones-Heroy & Associates ("*Jones-Heroy*"); several residents of the District; and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director Faske invited anyone present who wished to address the Board to sign in at the podium. He then called the meeting to order at 6:30 p.m. After the Pledges of Allegiance to the United States and Texas flags, Director Faske inquired if there were any citizens communications. He recognized Maria and Matt Arnold. Ms. Arnold stated that she and her husband had recently moved into the District and that they had a concern because Lennar Homes was building fences behind their back fence and their neighbors' back fences and there was about a six-inch gap between them, which would make it difficult to maintain or repair the fences, and would result in weeds growing up between the fences that could not be trimmed. She stated that they had contacted the Homeowners Association ("*HOA*"), which had referred them to the District. Ms. Littlefield explained that the District actually was the water, wastewater and drainage utility and that it had no jurisdiction over issues such as fence locations. The Board agreed, but stated that it would direct the District manager to contact the HOA and the developer to determine if there was a way to resolve this issue with the builders.

There being no Board member announcements and no other residents wishing to address the Board, Director Faske stated that the Board would discuss the District's 2016-2017 budget and 2016 tax rate. Ms. Kirkley called the Board's attention to the District's certified assessed value, attached as **Exhibit "B"**, and explained that Mr. Kimball recommended that the District maintain the same overall tax rate of \$0.95 per \$100 assessed valuation, allocated \$0.12 to operations and maintenance and \$0.83 to debt service. Ms. Kirkley then reviewed the draft budget she had prepared based on the Board's input at its budget work session, noting that it would be supported by the proposed \$0.12 operations and maintenance tax rate. She noted that, on the expense side, she had increased the payment to Lone Star Water and added the annual payment under the Strategic Partnership Agreement with Jarrell of \$12,500 per year. She explained she had also added \$3,400 for patrol services. Ms. Kirkley pointed out that she

had increased revenues based on a 12-month estimate of income for the current year. She stated that she had also decreased the budget line item for maintenance and repair based on a 12-month estimate and increased the cost for pool chemicals. Director Slowbe stated that he felt the cost of pool chemicals would decrease because of the new chlorinator. After discussion, the Board agreed to use the originally budgeted number for pool chemicals. Director McCloskey pointed out that the District's average home value had increased and that the District had also experienced an increase in value due to new construction, which would increase tax revenues. Ms. Kirkley stated that the budget was developed based on the certified assessed valuation, which was the basis on which the District's 2016 taxes would be levied. She also pointed out that the District had about four months of reserves, but that she recommended a six-month reserve. The Board discussed the District's assessed valuation and budget, as well as the calculation of the roll-back tax rate. Ms. Littlefield explained that the required form of notice was misleading because it reflected an increase of taxes on the average residence of 12% and the value of an average residence had increased, in part, due to higher priced homes being added to the tax roll. She stated that the actual rollback calculation was based on the percentage increase of the operations and maintenance tax rate only. Ms. Littlefield confirmed that, based on Mr. Kimball's calculation, the rollback rate was higher than the operations and maintenance tax rate he was recommending. The Board directed that Mr. Kimball attend the next meeting and also provide a simple explanation of the rollback rate for the website in order to provide information to the residents. After further discussion, upon motion by Director Chandos and second by Director Slowbe, the Board voted to adopt a proposed tax rate of \$0.95 per \$100 assessed valuation, to schedule a public hearing on the tax rate for September 19, 2016 at 6:30 p.m., and to authorize Ms. Littlefield to publish the Notice of the Public Hearing on the Tax Rate, with Directors Faske, Chandos, Thornton, Slowbe and McCloskey all present and voting "yes".

Director Faske stated that the Board would next consider approving the consent items on the Board's meeting agenda: the minutes of the July 18, 2016 and August 2, 2016 Board meetings and the revised Resolutions Regarding Park and Pool Account attached as **Exhibit "C"**. Upon motion by Director Chandos and second by Director Thornton, the Board voted unanimously to approve the consent items.

Director Faske then stated that the Board would receive the operator's report and recognized Mr. Hendrix, who called the Board's attention to the report attached as **Exhibit "D"**. He advised the Board that the District currently had 1,183 occupied single-family residences and total of 1,520 connections, as well as an estimated population of 3,700. He stated that all water samples had been good and that the District had experienced a 5.60% water loss for the prior reporting period. Mr. Hendrix then stated that he had ten accounts he proposed to write off and send to collections as well as three accounts that were too small to be sent to collections and recommended that they just be written off as set forth on **Exhibit "E"**. He stated that the District's write-off rate was actually very low. After discussion, upon motion by Director Chandos and second by Director Faske, the Board voted unanimously to approve the write-offs, as presented.

Mr. Jones then presented the information regarding the District's well water supplies attached as **Exhibit "F"**, and Mr. Hendrix explained that the drilling that was done for the new well in preparation for the elevated storage tank was about 2,500 feet from Well 1 and that problems with Well 1 had been experienced as a result of drilling the new well. He stated that Crossroads had to shut down production from Well 1 on August 2nd and then had a fuse blow on Well 2 on August 4th, which had resulted in a water shortage beginning on August 4th, and had resulted in Stage 4 watering restrictions being implemented in order to allow time to address the problem. Mr. Hendrix stated that he had had a water well driller make a service call and gotten

Well 2 put back into production on August 5th. He stated that Well 3 also had experienced reduced production. Mr. Hendrix stated that this was the same thing that had occurred in prior years, in that Well 3 had a low production of about 80 GPM during periods of high demand. He stated that implementing Stage 4 reduced demand on the system to a level that could be served while the rest of the system could be brought back up. Mr. Hendrix added that, currently, Stage 2 watering restrictions were in place. He stated that he was working with Mr. Jones, Mr. Bilger and Ms. Littlefield on updating the District's drought plan. Director Slowbe stated that he felt Crossroads did a great job overall, but was a little critical of the communications because he personally was inundated with calls from residents and he felt the information did not get out as well as it should have. He stated that the District needed an itemized game plan on who got notified and how. Director Slowbe stated that the lack of communication about the water shortage had caused a lot of miscommunication and misinformation, and that he wanted to have a much better response system. He added that he did not want to get notified after he had already gotten a bunch of calls, he wanted to have the necessary information in advance so he could respond appropriately. Director Slowbe stated that it needed to be clear who got notified and who made the decisions. Director McCloskey agreed, adding that the Board needed to be apprised as they were the elected officials. Mr. Jones explained that the drilling of the new well had started the day before the problem was experienced, noting that this was on a peak demand day and, in fact, during the biggest three days of water usage in the District's history. He added that, with temperatures over 100, Well 1 was working harder than it ever had. He stated that, meanwhile, the drilling rig for the new well was causing dirty water to enter the water supply because Well 1 was pulling water from the drilling activity area. He pointed out that Well 1 had been off-line due to poor water quality for four days before Stage 4 was implemented. He also explained that it had taken several days to confirm that the drilling was affecting the water quality in Well 1. Mr. Jones stated that the drilling rig would be moved to a second test well located further away from Well 1 and explained that the Edwards Aquifer was essentially a fragmented limestone formation so that something occurring in one area could affect water quality in another area. Mr. Hendrix stated that Crossroads had taken nine samples throughout the District and that all samples were free of e-coli except one that had required a retest due to operator error, but was free of e-coli on the resample. Director Slowbe stated that this type of information needed to be communicated via the website because, in this era, communications, even misinformation, spread very rapidly and the District needed to update its official information timely to counter this problem. Mr. Jones agreed and stated that the District needed a better system that would allow it to update the website directly without going through the website consultant. Director McCloskey stated that, if there was an emergency situation, the Board needed to be updated regarding the situation at least daily. Director Slowbe stated that the District also needed to ensure that information going out was correct, adding that there was technology available to make this happen. Ms. Littlefield then reviewed an Order Establishing Interim Procedures in Contemplation of Adoption of Revised Water Conservation and Drought Contingency Plan and explained that this would allow Mr. Bilger and Mr. Jones to implement and rescind stages of water rationing as necessary to respond to an emergency. Director Slowbe stated that this was acceptable to him, but that it needed to be revised to state that the Board would be notified prior to implementation or termination of any stage. Director McCloskey moved approval of the Order with this change and Director Chandos seconded the motion, which was unanimously adopted. A copy of the Order, as revised and adopted, is attached as **Exhibit "G"**. Director Thornton noted that, based on Mr. Jones' chart, it appeared that water production had dropped on Well 3 and Well 2 prior to August 4th. He asked if there was a concern that the District was likely to have another shortage before the cooler months. Mr. Jones responded that Well 2 had dropped to 400 gpm from about 600 gpm and that he didn't know how sustainable the supply was at 400 gpm. He added that, once the weather cooled, he would evaluate the sustainability of the supply from Well 2 because he was not sure if it could

maintain the supply at this level, noting that the demand during this time period was the highest that had ever been experienced by the wells. Mr. Jones stated that Well 1 was quite a distance away from Well 2 and Well 3, and it had never dropped production, but had just experienced a water quality problem due to the drilling. Director McCloskey inquired how many days the pool had been closed and Director Slowbe responded that he thought it was just one day, because the pool was always closed on Mondays. Director McCloskey then asked how residents were notified of the pool being closed. He also asked if the water brought in from other sources made a difference. Mr. Hendrix responded that the District had received 50 gpm from Jarrell Schwertner Water Supply corporation ("*Jarrell Schwertner*"). Mr. Jones stated that this was not much flow, but pointed out that the systems were on the same pressure plane and that, if the District had totally lost pressure, the system would have drawn more, around 150 gpm, which would be sufficient to supply basic demands. Director Slowbe noted that, at Stage 3, the District couldn't add water to the pool. Mr. Hendrix responded that filling the pool was a problem even at Stage 2, which was one of the reasons they were updating the plan. Director Faske asked about the rationale for adding an additional well, and Mr. Jones explained that there would be two wells to feed the new elevated tank, but that the future surface water supply would provide water for high demand periods. The Board agreed the experience was a good test and allowed the District the opportunity to correct the situation. Director Slowbe stated that he understood that Jarrell Schwertner's water supply would be affected before the District's because the District's wells were deeper. Mr. Hendrix stated that the District's deepest well was 441 feet deep and that the well driller had said the District's wells were deeper. Director McCloskey then asked about posting an emergency meeting if there was a water shortage. The Board discussed establishing a protocol whereby two directors could call an emergency meeting if they believed the situation warranted it. Ms. Littlefield pointed out that the recent shortage was not an issue that the Board could have addressed, and that a special meeting held before the cause of the shortage was determined would have only raised more questions and diverted Mr. Bilger from getting the answers, but the Board definitely needed to be kept informed. Director Chandos reminded the Board that a protocol to call a meeting had previously been established based on a dollar amount.

Director Faske then stated that the Board would receive the bookkeeper's report and recognized Ms. Kirkley. Ms. Kirkley presented the bookkeeper's report and called the Board's attention to the check register included in her report, attached as **Exhibit "H"**, and to the two supplemental check registers attached as **Exhibit "I"** and **"J"**. She recommended that all of the payments be approved as presented. She also reported that the District was 99.07% collected on its taxes. Ms. Kirkley presented the quarterly investment report attached as **Exhibit "K"**. Upon motion by Director Faske and second by Director Slowbe the Board voted unanimously to approve the payments as presented and the investment report.

Director Faske stated that the Board would next receive the manager's report and noted that Mr. Bilger was out of town and had been unable to attend. Director Slowbe stated that he could update the Board on the proposed security patrol agreement, and called the Board's attention to the Interlocal Agreement for Security Patrols that had been finalized and was going to be presented to the Jarrell City Council on August 23rd, a copy of which is attached as **Exhibit "L"**. He stated that, once City Council approval occurred, he would meet with the City Manager on patrols and timing. The Board directed that the agenda items regarding a park curfew and posting signage be placed back on the directives list and agenda for the next meeting. Director McCloskey asked how patrol hours would be allocated and Director Slowbe explained that the Board had authorized him to work with the City on this, but added that he welcomed any input.

Director Faske then stated that the Board would receive the engineer's report and recognized Mr. Jones. Mr. Jones reviewed Jones-Heroy's report, attached as **Exhibit "M"**, and briefly reviewed the general services items, noting that he had been working with Lone Star Water on pipeline easement location options. He also reported that the elevated storage tank had been delivered to the site. He then presented Pay Estimate No. 15 in the amount of \$89,025.75, attached as **Exhibit "N"**, and Change Order No. 5 in the amount of \$3,750, to raise a water valve, attached as **Exhibit "O"**, for Sonterra West Section 7A, Phase 2A and recommended approval. Mr. Jones then presented Pay Estimate No. 6 in the amount of \$192,343.09, attached as **Exhibit "P"**, and Change Order No. 2 in the amount of \$2,970, for irrigation service to detention pond, attached as **Exhibit "Q"**, for Sonterra West Section 8J, Phase 4 and Section 7A, Phase 2B, and recommended approval. Upon motion by Director Thornton and second by Director Chandos, the Board voted unanimously to approve the Pay Estimates and Change Orders as recommended.

At 7:55 p.m., Director Faske stated that the Board would take a brief recess. The Board reconvened in open session at 8:01 p.m. and Director Faske announced that the Board would convene in executive session as permitted by Section 551.071, Texas Government Code, in order to receive legal advice relating to the bid tabulation and recommended approval of a contract award for Sonterra West Section 8K. At 8:24 p.m., the Board reconvened in open session and Director Faske announced that no action had been taken during the executive session. Director Faske then recognized Mr. Jones. Mr. Jones stated that bids had been received for Sonterra West, Section 8K and presented the bid tabulation attached as **Exhibit "R"** and reviewed it with the Board. He pointed out that the design engineer, Pape Dawson Engineers, had recommended award of the contract to the low bidder, JKB Construction Company, LLC, in the amount of \$521,412.70 and that he concurred with the recommended award. Director Thornton then moved that the Board waive any formality in bidding relating to the timing of delivery of the bids, find that the award of the contract to the JKB Construction Company, LLC, would be most advantageous to the District and would result in the best and most economical completion of the work, and approve the developer's award of the contract to JKB Construction Company, LLC, as recommended by the design engineer and the District engineer. Director Chandos seconded the motion and added that, although he was not pleased that any bidder would be less than prompt, he understood that there was a difference in cost and quality and that it was in the District's and its residents' best interest to approve the award as recommended. Director Slowbe concurred. Upon being put to a vote, the motion was unanimously adopted. The Board then directed Mr. Jones to use his best efforts to ensure that all bids were timely in the future. The Board also directed Ms. Littlefield to prepare a prequalification policy for the Board's consideration that provided that any contractor who threatened litigation against the District would not be eligible to bid on District projects.

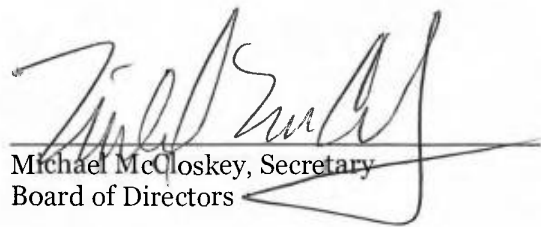
Director Faske stated that the Board would next receive the attorney's report and recognized Ms. Littlefield. Ms. Littlefield reviewed her directives and requested guidance regarding a policy on invocations at Board meetings. Director McCloskey stated that, if invocations were to be opened to the public, they would have to be scheduled. He added that he felt this should be handled by Mr. Bilger. Ms. Littlefield stated that, alternatively, the Board could allow time for individual silent prayers. She then advised the Board that a majority of the Agreements for Payment in Lieu of Taxes which had been discussed by the Board in 2014 had apparently not been finalized. The Board directed her to work with Mr. Bilger to complete the missing agreements and to attempt to obtain their execution, and to bring them back to the Board for signature as they were signed by the property owners. Ms. Littlefield then called the Board's attention to the Texas Municipal League Intergovernmental Risk Pool summary of claims experience report attached as **Exhibit "S"**.

Director Slowbe requested that an item be added to the next meeting agenda to allow the Board to discuss the situation with the fencing raised by the resident, coordination with the HOA, signage, and builder trash. The Board directed Ms. Littlefield to coordinate a meeting with the HOA, Director Slowbe and Director McCloskey, as well as Mr. Breedlove and Mr. Bilger prior to the next meeting. The Board also directed Ms. Littlefield to prepare a policy relating to protection of the District's drainage system from trash and debris for the Board's consideration at the next meeting. The Board agreed that these were community issues that needed a coordinated approach.

There being no further business to come before the Board, upon motion by Director McCloskey and second by Director Slowbe, the Board voted unanimously to adjourn the meeting at 8:47 p.m.

(SEAL)




Michael McCloskey, Secretary
Board of Directors

Date: 9/19/16