

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

August 28, 2017

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on August 28, 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"); Taylor Kolmodin of Municipal Accounts and Consulting ("MAC"); Jason Jones of Jones Heroy & Associates; the residents of the District listed on **Exhibit "B"**; 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 and the invocation by Director McCloskey, Director Faske stated that the Board would receive Director remarks and citizens communications. He requested that anyone who wished to speak to sign up by completing one of the forms available outside of the meeting room. Director McCloskey reported that he was still working on arranging a meeting with Commissioner Covey. He also advised the Board that he had met with Senator Carter's office, and that they were willing to help the District in any way possible, including with any approvals needed for the waterline crossing under IH35.

Director McCloskey then noted that the Board had adjusted the August meeting date to accommodate schedules and that he now had a standing conflict on the third Monday of the month. He stated that he would like the Board to consider changing the regular meeting date to the fourth Monday. He then moved that the Board change its regular meeting date to the fourth Monday. Upon second by Director Slowbe, the motion was unanimously adopted.

Director Faske then recognized Mr. Jeff Carter, who stated that he had minimal remarks, and that his main question was why the messaging app wasn't used to notify the residents of the Stage 3 water rationing. Ms. Littlefield responded that an email had been sent out to the residents who had signed up for electronic notices, and that she would confirm that he was on the list and that his email address was correct. Mr. Carter then stated that he appreciated the District's efforts and asked if the reverse osmosis water system was set up yet. Director Slowbe responded that there would be an update on the system later in the meeting.

Director Faske then stated that the Board would discuss the District's 2017-2018 budget and 2018 tax rate. Ms. Littlefield called the Board's attention to the District's current Certification of Appraised Valuation, attached as **Exhibit "C"**. Ms. Kolmodin reported that she

had incorporated all of the changes the Board had requested into the proposed budget and that, with the debt service tax rate recommendation from the District's financial advisor, Garry Kimball, the budget would be supported by a proposed \$0.95 proposed tax rate. After 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 with Directors Chandos, Slowbe, McCloskey, Thornton and Faske all present and voting "aye". Ms. Littlefield pointed out that the Board would need to schedule a special meeting to hold the public hearing on the tax rate, as the fourth Monday in September was later than the last day the District could submit its tax rate to the Williamson County Tax Assessor/Collector.

Director Faske then stated that the Board would schedule a public hearing on the tax rate. Director McCloskey moved that the Board schedule the public hearing on the tax rate for September 11, 2017 at 6:30 p.m. and authorize Ms. Littlefield to publish the Notice of the Public Hearing on the Tax Rate. Director Chandos seconded the motion. Mr. Bilger stated that he would move any conflicting meetings that had been scheduled for the District office. Upon being put to a vote, the motion was unanimously adopted.

Director Faske stated that the Board would next consider approving the minutes of the July 17, 2017 and July 31, 2017 Board meetings. Upon motion by Director Chandos and second by Director Faske, the Board voted unanimously to approve the minutes.

Director Faske then stated that the Board would discuss the District's Real Property Lease/Purchase Agreement with Sonterra West Homeowners' Association, Inc. (the "HOA"). Ms. Littlefield presented the Amendment No. 1 to Real Property Lease/Purchase Agreement attached as Exhibit "D" and the Memorandum of Real Property Lease/Purchase Agreement attached as Exhibit "E" and reviewed them with the Board. She noted that, as pointed out by the District's auditor earlier in the year, the District's Lease/Purchase Agreement for the pool included a balloon payment coming due in 2018 and, after discussing this, the Board had directed Mr. Bilger to work to extend the payment terms. She stated that Mr. Bilger had obtained a modification of the HOA's note for the pool and the amendment would revise the District's payment terms consistently with the revised note. She also stated that it appeared that the Memorandum of Agreement attached to the original Lease/Purchase Agreement had never been recorded and so she had prepared a new one so this could be done. After discussion, upon motion by Director Faske and second by Director Chandos, the Board voted unanimously to approve the Amendment and Memorandum as presented.

Director Faske then stated that the Board would consider a proposed sublease to The Community Library of Northern Williamson County. Director Slowbe stated that he would like authorization to negotiate with the library to lease at least one half of the District's office building to the library, which he thought would be good for the community. He proposed that the District provide one year of free rent in a three-year lease and stated that he would like authorization to work out an agreement. Director Slowbe also proposed a rent of \$0.50 per foot, which he stated was about half the market rate, as this would give the library the building it needed to get grants and funding. He stated that the only change to the building that would be required would be moving one door and installing a lock on the manager's office door. Mr. Bilger stated that he didn't foresee any cost relating to the locks or door, but that one bathroom needed to be made ADA accessible. He stated that the cost of doing this would be minimal. Director Faske inquired about how utilities would be handled and Director Slowbe recommended that utilities be split 50-50. He stated that he proposed that the library handle any necessary cleaning. Director Chandos suggested a cap on the costs borne by the District. Ms. Littlefield inquired about insurance and Director Slowbe agreed to make the library's obtaining insurance, and naming the District as an additional insured, as an additional requirement. Director Faske inquired about insurance coverage for the library's computers and other property and Director Slowbe responded that this insurance would be their responsibility.

After further discussion, Director Faske moved that Director Slowbe be authorized to negotiate and execute a lease with the library consistent with the discussion of the Board. Director Chandos seconded the motion, which was unanimously adopted.

Director Faske stated that the Board would next discuss District park and recreational facilities and improvements. Mr. Bilger advised the Board that a parks and recreation subcommittee had been set up back in 2008, consisting of two Board members and four or five residents, to guide what the community wanted in terms of park and recreation, but added that the District had never had anyone who stayed on that subcommittee for long. He stated that the community now had residents who were interested in providing this input and so it would be a good time to reactivate the subcommittee. Mr. Bilger reported that Director Slowbe had performed a survey of the community regarding its wishes for park and recreational improvements and was prepared to share his findings with the Board. Director Slowbe stated that he had sent a survey out because he thought the District might be able to use drainage areas and fields for multiple functions. He stated that he received over 200 responses from the community and that the number 1 and number 2 priorities were running, walking and biking trails as well as sidewalks on major roads, which he added was a safety issue. He stated that the ability to walk around the community was an overwhelming theme. Director Thornton stated that this was consistent throughout the country. Director Slowbe added that the next community priority was a splash pad. Director McCloskey stated that sidewalks on Sonterra Boulevard were something many residents wanted. Director Slowbe agreed that making this roadway walkable should be a priority. Mr. Bilger stated that the HOA had funds available for extending a sidewalk from the pool to the area where the McDonald's was located, and suggested working with the HOA and the parks and recreation subcommittee over the next year. Director McCloskey stated that this sidewalk would also improve access to the new library. Director Slowbe inquired what the District needed to do to move forward. Mr. Bilger stated that the County would not allow the sidewalk without an entity taking responsibility for maintenance and liability. Director Slowbe stated that he would like to get a clear path forward. Director McCloskey stated that this was an ongoing dialog with the County, and was worthwhile, noting that there were several other issues with the County that need to be addressed as well. He agreed to work on setting up a meeting. Upon motion by Director Faske and second by Director Slowbe, Board voted unanimously to authorize Ms. Littlefield to prepare a license agreement that would allow the construction of a sidewalk along Sonterra Boulevard, to direct Mr. Jones to prepare an exhibit showing the proposed location of the sidewalk, and to authorize a subcommittee consisting of Mr. Bilger, Director Slowbe and Director McCloskey to present the license agreement to the County. Mr. Bilger stated that the District had a park master plan that was built around having multi-use fields and that this master plan could be added to and improved upon. He suggested finding out if these ideas were still as viable as they had been when the plan was prepared.

Director Faske stated that the Board would next consider recreational usage fees. Director Slowbe stated that the fee was currently \$2.00 for residents who were not current and \$3.00 for non-residents. Mr. Bilger stated that the policy was, if a resident was current on utility bills and HOA fees, then there was no resident usage fee. The Board then discussed whether it was worthwhile to raise the non-resident fee. Director Slowbe stated that his point was that non-residents who were using the District's facilities should pay more to use the pool. Director Slowbe stated that this fee should be charged to anyone who did not have a recreational pass. The Board then discussed the process by which recreational passes were issued. Mr. Bilger stated that he estimated a good 15% of the pools patrons were non-residents. Director Slowbe then moved to increase the non-resident daily pool usage charge to \$5.00 per individual. Director Faske seconded the motion. Director McCloskey asked why this was important. Director Slowbe stated that one of the benefits of living in Sonterra was the amenities and he felt that individuals who didn't live in the community should contribute to the costs of providing these facilities. After discussion, the motion was unanimously adopted.

Director Faske then stated that the Board would receive the manager's report and recognized Mr. Bilger. Mr. Bilger reviewed his directives. Mr. Bilger stated that he had not yet received a proposal for leak detection, although he had contacted two contractors. Mr. Bilger stated that the one contractor had estimated a cost of \$10,000 to \$15,000. He reminded the Board that the contractor would walk the entire system with acoustics for this amount. Director McCloskey inquired about the water loss and Director Faske pointed out that the loss had increased over the past five months. Mr. Hendrix stated that he would recommend starting out by having the contractor check the hydrants and valves. The Board concurred. Upon motion by Slowbe and second by Faske, the Board voted unanimously to move forward by getting two bids for leak detection for valves and hydrants and directed Mr. Bilger and Mr. Hendrix to do so.

Mr. Bilger then recommended proceeding with web redesign with a firm from Waco that had fast response times and had already provided a mockup for a webpage redesign and had proposed a cost of \$7,000 to \$10,000 for the redesign, with a monthly administrative charge of \$500 per month. Director McCloskey moved approval of the work. The motion was seconded by Director Faske. Director Chandos inquired if the page could be self-managed and the Board agreed that it preferred a third party web manager. After discussion, the Board voted unanimously to approve proceeding with the web redesign as outlined by Mr. Bilger. Ms. Littlefield reminded Mr. Bilger that she would need a copy of the final proposal and that the web designer would need to provide the required Form 1295.

Mr. Bilger stated that the reverse osmosis system had been shipped on Friday and that it should be delivered later in the week. He noted that he was hopeful that it wouldn't take more than a day to complete the installation.

Mr. Bilger then stated that the City had increased its patrol hours to 80 for the month, although only 50 had been authorized. Director Slowbe stated that this could have been due to a miscommunication on his part. Director McCloskey noted that he saw a note in the patrol report that an officer had been harassed by a truck driver. He stated that he felt continuing the patrols was important to the community. Mr. Bilger agreed, stating that he felt it was one of the most important things the Board had done in the past year. Upon motion by Director Chandos and second by Director McCloskey, the Board voted unanimously to approve amended payment for extra hours and payment for overage.

Director Faske stated that the Board would discuss the District's water supply and water quality. Mr. Bilger reported that the Trinity well had reached 2,000 feet, and that the water quality was being tested. He noted that one area had caved in, which had delayed completion, and the area had required installation of some casing. He added that this had required the District to advance funding the cost of the casing, but did not increase the cost of the project. Mr. Bilger noted that there were good flows from the well, but that final flow information would not be available until the well was finished. Mr. Bilger added that he assumed it would be around 500 gpm, with six active zones, noting that some zones had higher fluoride than he had hoped, between 2 and 3.5 mg/L. He noted that he was waiting on the test results for the last two zones and, when those came in, the engineers would calculate the best course of action and mixing. Mr. Bilger stated that the well was a good water supply with better numbers than the District's current wells. Director McCloskey inquired how the District's daily usage had been affected by rains and Mr. Bilger responded that there had been a significant reduction, with 345,000 gallons used since Sunday. Director McCloskey inquired how the rain would affect the water supply and Mr. Bilger responded that it would take a few days for the water to percolate down, but that the wells should reflect an increase in the water column which would result in less pumping being required. He stated that he did not yet have this measurement and that it would probably be Tuesday or Wednesday before the District would see improved production. The Board discussed whether to drop the water restrictions back to Stage 2 and then, if there was no rain for a few weeks, change back to Stage 3. Mr. Bilger stated that his recommendation

was to keep it at Stage 3 through Labor Day and then re-evaluate. Director McCloskey stated that he would like to have a definition on when the District would move back to Stage 2. Mr. Hendrix stated that he agreed that the District should stay in Stage 3 a little longer. Director McCloskey stated that he was comfortable with leaving it in place through the Labor Day weekend. Mr. Jones stated that he should have water quality results for the Trinity well by Friday. Director Faske asked when the District would be able to deliver the additional water supply from the Trinity well and Mr. Bilger responded that this was dependent on the results and analysis of the testing. Mr. Jones stated that the test results would show the water quality, and that it would identify which zones of the well the District would want to develop, noting that the District would then need to determine the quantity of water that would be made available. He stated that he anticipated having more information at the next Board meeting. Director Slowbe inquired whether the fluoride could be migrating into the Trinity well from the Edwards Aquifer and Mr. Jones responded that he was comfortable that this was not occurring due to the depth of the well. Director Slowbe asked Mr. Bilger to clarify the timing for the installation of the reverse osmosis water system and Mr. Bilger responded that it would definitely be installed sometime in September, but that he was not sure the time that would be required for installation.

Director Faske stated that the Board would next receive the operator's report and recognized Mr. Hendrix. Mr. Hendrix presented Crossroads' report, attached as **Exhibit "F"**, and noted that the District had 1,416 occupied single-family connections, a total of 1,944 accounts, and an estimated population of 5,070 as of the end of July. Mr. Hendrix reported that the District had experienced a water loss of 13.35% during the prior reporting period and that they would be working on reducing the water loss. He stated that there had been five accounts sent to collections and one write-off. He then reviewed the well production and water demand report attached as **Exhibit "G"**. He stated that the remote operating system was up and running, noting that, because of the security system the Board had requested, it could not be accessed by the cell phone. He requested authorizing purchase of a lap top for Crossroads' on-call personnel. He recommended purchasing a Tough Book, which he indicated would cost \$2,500 new and about \$700 refurbished. After discussion, upon motion by Director Slowbe and second by Director Chandos, the Board voted unanimously to authorize purchase of a refurbished Tough Book at a cost not to exceed \$1,000. Director Faske expressed frustration that construction water was still not being estimated for purposes of the water loss report. Mr. Bilger agreed that substantial amounts of water were being used for flushing and filling lines. Mr. Jones stated that contractors were already required to call Crossroads. Mr. Bilger recommended requiring it as part of the pay estimate so the District could receive this information and the Board concurred and directed Mr. Jones to revise the pay estimate form to include this information.

Director Faske then stated that the Board would receive the bookkeeper's report and recognized Ms. Kolmodin. Ms. Kolmodin called the Board's attention to her report attached as **Exhibit "H"**, and the supplemental check register attached as **Exhibit "I"**. She recommended that all of the payments be approved as presented. Ms. Kolmodin noted that there had been one void (Check No. 10064) and a replacement check issued (Check No. 10065) and requested approval. 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.

Director Faske then stated that the Board would receive the engineer's report and recognized Mr. Jones. Mr. Jones confirmed that the recent water samples reflected fluoride below 4mg/L. Mr. Jones reported that Lone Star Regional Water Authority (the "**LSRWA**") was still in the easement acquisition phase and that there were about 16 tracts under condemnation. Mr. Jones stated that the LSRWA Board had discussed its water rates and that the Board had received a proposal for a rate study from the District's rate analyst. He stated that the LSRWA was getting some additional proposals, so the District's rate analysis was on hold until LSRWA

could give the District the additional information the rate analyst had requested. Mr. Jones stated that LSRWA was also working on fast tracking the line required to provide an interconnect to the City of Jarrell. He explained that the idea was that this piece of pipe could be constructed in advance of the remainder of the project. He confirmed that LSRWA had the permit it needed from TxDOT to cross under IH35. Director McCloskey stated that Senator Carter had offered help and Mr. Jones stated that it would be helpful if the Texas Water Development Board could be encouraged to allow this segment of line to proceed in advance of the remainder of the project. Mr. Jones stated that the quarterly charge for LSRWA for next year was \$5,000, which was included in the draft budget. Mr. Jones then called the Board's attention to his report, attached as **Exhibit "J"**. He reviewed his directive about using high fluoride water for construction, and explained that he had received some initial push back from the contractors and that a tank was needed at Well No. 1. Mr. Bilger agreed to look at possibly purchasing a portable water storage tank because they were not that expensive. Mr. Jones explained that the contractors had complained about having to have a driver with a commercial driver's license to get the water to their construction sites. Mr. Jones reported that he had not yet received anything back on Bond Application No. 7. He stated that the water storage tank punch list was pretty well complete. He stated that the final pay estimate had been received and he expected to present it at the next Board meeting. In response to question from Director Faske, Mr. Jones stated that 60 days was standard to complete a punch list. Mr. Jones then presented Pay Estimate No. 7 in the amount of \$6,480, attached as **Exhibit "K"**, for the Water Plant No. 1 – Phase II Edwards Water Well Construction and recommended approval. He stated that this was for plugging the old test well. Upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve the Pay Estimate.

Mr. Jones reported that he and Mr. Bilger had approved Change Orders No. 1 and 2 in the amounts of \$12,448 and \$20,560, attached as **Exhibits "L"** and **"M"**, and stated that these were for additional zone sampling, as well as Change Order No. 3 in the amount of \$96,700, attached as **Exhibit "N"**, for a 24-inch surface casing through the Del Rio clay as well as additional zone sampling. He reminded the Board that it had previously authorized him and Mr. Bilger to approve change orders in a cumulative amount not to exceed 20% of the contract price and stated that he had approved these change orders, but would like to the Board's concurrence. He stated that Change Order No. 3 was for an alternate bid item, surface casing, that was anticipated due to the Del Rio clay problem that had previously been encountered. Upon motion by Director Faske and second by Director Thornton, the Board voted unanimously to concur with the Change Orders. Mr. Jones then presented Pay Estimate No. 1 in the amount of \$170,107.20, attached as **Exhibit "O"**, for Water Plant No. 1 – Phase IIb Trinity Water Well Construction and recommended approval. Upon motion by Director Thornton and second by Director Faske, the Board voted unanimously to approve the Pay Estimate, as presented.

Mr. Jones then presented Pay Estimates No. 5 and 6 in the amounts of \$32,791.50 and \$6,063.25, attached as **Exhibits "P"** and **"Q"**, for Lift Station No. 1 and recommended approval. He noted that Pay Estimate 6 released one-half of the retainage. Upon motion by Director Faske and second by Director McCloskey, the Board voted unanimously to approve the Pay Estimates.

Mr. Jones next presented Change Order No. 1 in the amount of \$3,163.20, attached as **Exhibit "R"**, for Sonterra West Section 8M and recommended approval, noting that this change order was a result of the Williamson County review comments that were addressed following the bid opening and therefore was not eligible for reimbursement. Upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve the Change Order.

Mr. Jones then presented the bid tabulation for Sonterra West Section 11, Phase 1, attached as **Exhibit "S"**, and recommended award of the contract to the low bidder, Wolff


Construction, Inc., for the low bid amount of \$552,351.32. He stated that this contractor was new to the District, but not a new utility contractor, and that he had worked with them in Killeen. After discussion, upon motion by Director Faske and second by Director Thornton, the Board voted unanimously to approve the award of the contract to the low bidder, as recommended.

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 called the Board's attention to the Texas Municipal League Intergovernmental Risk Pool Summary Claims Experience Report included in the Board's meeting packet. Ms. Littlefield then reported she had been advised that TR(2) Management, LLC's contract for the 130 acre tract had terminated. She also stated that, since the Attorney General had closed its file on Ms. Taylor's request and advised her to clarify it, pursuant to the letter attached as **Exhibit "T"**, she had received nothing further. She added that she understood that Mr. Bilger would meet with Ms. Taylor and that she would provide any information that Ms. Taylor requested and that her goal was to do so at the lowest possible cost to the District.

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



Date: August 28, 2017



Michael McCloskey, Secretary
Board of Directors

