

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

September 19, 2016

THE STATE OF TEXAS           §  
  §  
COUNTY OF WILLIAMSON       §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on September 19, 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"); Garry Kimball of Specialized Public Finance; Jason Jones of Jones-Heroy & Associates ("Jones-Heroy"); Judge Bill Gravell and several other residents of the District; and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director Faske called the meeting to order at 6:30 p.m. and invited anyone present who wished to address the Board to sign in at the podium. He then recognized Judge Gravell for the invocation. After the invocation, Judge Gravell stated that he lived in the community and was proud to call Sonterra home. He added that it was very noticeable how wide the road at the entry to the community was now that there were no 18-wheelers parked there. Judge Gravell stated that, in his experience, most public officials heard more complaints than compliments and that he wanted to thank the Board and tell them that they were making a difference. He added that he knew that taxes were high, but that he had been in the seat that the Board members sat in and that he encouraged the Board members to continue to do their work. Judge Gravell stated that more people were moving into the area than the area had lots and utilities and roads ready for. He stated that he was glad to be a part of the community and looked forward to the community being the voting center of Williamson County. He also commended Director Faske for his leadership of the Board. Judge Gravell also reminded the Board that the truckers who had received citations for parking violations were innocent until proven guilty. He stated that Williamson County had a reputation as being hard on crime, but that he felt it was actually fair on crime.

After the Pledges of Allegiance to the United States and Texas flags, Director Faske inquired if there were any other citizens communications or Board member announcements. There being none, Director Faske stated that the Board would consider the District's 2016-2017 budget and 2016 tax rate. Mr. Kimball addressed the Board and stated that he understood the Board had requested an explanation of the roll back tax calculation. He explained that every year, at tax season, his firm ran a rollback tax calculation and explained that State law provided that this calculation determined whether the voters could potentially call an election to "rollback" the tax rate, so that the taxing entity would collect no more than 8% over what was

collected the prior year. Mr. Kimball explained that the debt service component of the tax rate was exempt from the rollback calculation and that the calculation was based on the County's reported average home value in the current year compared to the average home value the prior year. He stated that this value was multiplied by the operating component of the tax rate, divided by 100, and multiplied by 1.08%, which resulted in the maximum rate that an entity could set without the potential of a rollback. He then reviewed the rollback calculation for the District attached as **Exhibit "B"**. He explained that, as shown by this calculation, if the Board adopted an operations tax of more than \$0.1254, it would open up the potential for a rollback election, which would result in its own expense. He stated that, when he added the recommended debt service tax rate of \$0.83 to the maximum operations tax rate, the result was \$0.9554, which was the roll back tax limit. Mr. Kimball stated that he recommended maintaining an overall tax rate of \$0.95, which was below the rollback tax limit. He pointed out that more expensive homes were being built in the community and that the District did not have any control over what the appraisal district reported as the average residential home value. He stated that, although the notice of the public hearing on the tax rate that had been published reflected a 12% increase, this was because the required form of the notice did not accurately capture the calculation for the rollback. Director McCloskey stated that he felt it was important that the residents took into account that the value of their homes probably had not increased by 12%. Mr. Bilger pointed out that the actual tax rate of \$0.95 had not increased for over four years, but the District was required to use the State promulgated notice forms. Mr. Kimball stated that \$0.95 was the average tax rate for most new master-planned communities in the area. Director Thornton stated that he felt it was advantageous to the community to pursue issuing debt based on the current favorable interest rates and Mr. Kimball agreed.

Mr. Kimball then recommended that the Board establish a tax rate of \$0.95 per \$100 assessed valuation, allocated \$0.83 to debt service and \$0.12 to operations and maintenance. He stated that he had confirmed that this would balance the budget.

Director Faske then stated that the Board would conduct a public hearing on the District's 2016 tax rate. He opened the public hearing on the District's 2016 tax rate and asked if there was anyone present who wished to address the Board on the matter of the District's tax rate. There being no one, Director Faske closed the public hearing. Director Faske stated that the Board would next consider taking action regarding the 2016-2017 budget. Ms. Kirkley stated that there had been no changes to the proposed budget since the last meeting. After discussion, upon motion by Director Chandos and second by Director Slowbe, the Board voted unanimously to approve the Resolution Adopting Budget attached as **Exhibit "C"**.

Director Chandos then moved that the Board adopt the \$0.95 tax rate, as recommended, and approve the Order Levying Taxes attached as **Exhibit "D"**. Upon second by Director Slowbe, the motion was adopted, with Directors Faske, Chandos, McCloskey, Slowbe and Thornton all present and voting "yes".

Director Faske then stated that the Board would receive a report and consider taking any action necessary in connection with the District's pending Bond Application No. 6. Ms. Littlefield reported that, earlier in the day, the District had received the staff memorandum and draft order relating to the bond application, a copy of which is attached as **Exhibit "E"**, from the Texas Commission on Environmental Quality. Mr. Kimball presented the proposed timetable for the issuance of the bonds attached as **Exhibit "F"** and reviewed it with the Board. He noted that the goal was to take advantage of the current historically low interest rates and added that uncertainly in the markets created more investment in bonds. He stated that he anticipated that, until the presidential election, there would be a lot of investors on the sidelines investing in bonds. He explained that he expected to obtain an interest rate in the low 3%. He

explained that meeting his schedule would require a special Board meeting the week of October 10<sup>th</sup> to approve the offering document, which would allow him to advertise the sale. He stated that another special meeting would be required on November 3<sup>rd</sup>, which was the last possible date to have the sale to make the election-related deadline. After discussion, the Board agreed to schedule a special meeting for October 10, 2016 at 6:00 p.m. and a special meeting for November 3, 2016 at 6:00 p.m.

Director Faske stated that the Board would next consider approving the following consent items on the Board's meeting agenda: the minutes of the August 15, 2016 Board meeting; the proposal from West, Davis and Company for the preparation of the audit for the fiscal year ending September 30, 2016 attached as **Exhibit "G"**; the Resolution Authorizing Administrative Acceptance of Utility Facilities for Operation and Maintenance attached as **Exhibit "H"**; and a revised District Registration Form. Ms. Littlefield explained that the checklist attached to the Resolution included standard requirements for District acceptance of facilities and that this Resolution would allow Mr. Jones to accept facilities on the District's behalf if all of the requirements were met. Mr. Jones stated that this was very important for Sonterra because of problems that had been encountered with sections being opened for homebuilding before formal acceptance and that this would allow proceeding with homebuilding. Director Thornton asked how much retainage was typically held for revegetation and Mr. Bilger responded that 10% retainage would be held. Upon motion by Director McCloskey and second by Director Slowbe, the Board voted unanimously to approve the consent items.

Director Faske then stated that the Board would receive the manager's report and recognized Mr. Bilger. Mr. Bilger reported that he had had a few directives, noting that one that was outstanding was a discussion of the owners association and fences. He explained that Lennar Homes had not put up any fencing at the time the resident had addressed the Board at the last meeting and that no double fencing was anticipated. He added that he thought the issue was resolved, but explained that the owners association did have some double perimeter fencing because it didn't have money to take old residential fences down when it built new perimeter fencing and that it was the residents' responsibility to take their deteriorated fences down. He then called the Board's attention to the report on the Lone Star Regional Water Authority ("LSRWA") waterline project attached as **Exhibit "I"**, noting that he had discussed concerns about the budget with Mike Fisher. Mr. Bilger pointed out that, in LSRWA budget, the LSRWA had tried to shift a lot more expense onto the member entities. He stated that he felt the shift of some expenses, such as condemnation costs associated with the pipeline, was not appropriate and he believed that Mr. Fisher should oppose the budget if this was not addressed and, in that case, the LSRWA would need to hold a special meeting to discuss the matter. He stated that he felt cost allocation was not being handled appropriately. Mr. Bilger also reported that Mr. Dodson was no longer the LSRWA administrator, but that he was the assistant director of bond projects because of his historical knowledge. He stated that the LSRWA waterline project had good oversight, but that this was a restructuring stage for the entity. Mr. Bilger also noted that the elevated storage tank project was going well and that he was pleased that this project was not being managed by the LSRWA. Director Faske stated that he would like to have a timeline projecting where the LSRWA would be with the waterline project. Director Slowbe asked whether the project was on schedule and Mr. Bilger responded that the LSRWA said it was on time, but he did not believe it would be. Mr. Bilger reported that no work had occurred on the potential sale of excess capacity, although Georgetown had attended the last few LSRWA meetings. Mr. Bilger stated that he had ordered the park signs and so that directive was complete.

Mr. Bilger then asked Director Slowbe to speak on the “no parking” issue and also commended him for getting the project over the finish line. Director Slowbe called the Board’s attention to the executed Interlocal Agreement for Security Patrol Services attached as **Exhibit “J”** and stated that the program was going very well and that he encouraged the Board to continue it. Director Faske stated that he had understood that the District was going to hit it strong at the beginning and then back off a bit to see how it could be maintained. Director Slowbe stated that the new County Sheriff had indicated that he would also pick up some of this effort. Director McCloskey stated that he felt the residents would see real value to the program and that he didn’t want to see a gap in service. Director Slowbe stated that he supported continuing the program through the end of the year, not necessarily at 80 hours per month, but possibly at 60 hours per month. He added that, if, after the first of the year, the Sheriff picked up some of the enforcement, then the District could back off its use of the City’s patrols. Director McCloskey stated that he felt regulating the truck parking was a quality of life issue and that he didn’t want to see these patrols stop. Director Slowbe then moved that the District continue the patrols under the Interlocal Agreement through the end of the year at 60 hours per month after the initial term, with the concept that the hours would be made more random. Upon second by Director McCloskey, the motion was unanimously adopted. The Board directed that the item be left on the agenda for discussion through the end of the year.

Mr. Bilger then stated that the license agreement for sidewalks in the public right-of-way was not worth pursuing until the District got the parks and wildlife grant closed. He reported that two new handicapped parking spots were being required and that the District should have its grant reimbursement by the end of November. Director Faske asked that Mr. Bilger ensure that the District was conservative on slopes due to the need to be ADA compliant and concerns about the ground settling and changing the grades. Mr. Bilger agreed to do so, and added that the sidewalks going up to the bridge were pretty close to the maximum slope. He stated that he would re-evaluate this and work with the concrete contractor.

Mr. Bilger then explained that, in the course of the attorney transition, an issue had been identified in connection with the amendment to the Strategic Partnership Agreement. He stated that the document that was signed was not the agreement that had actually been negotiated and that he had met with the City and the City concurred. Mr. Bilger stated that the City had asked that the District have Ms. Littlefield draw up an amendment, but there was an additional problem with the text that would need to be resolved. He agreed to continue to work on this and bring it back to the Board at the next meeting.

Director Faske then stated that the Board would receive the engineer’s report and recognized Mr. Jones. Mr. Jones reviewed his report, attached as **Exhibit “K”**, and briefly reviewed the general services items, noting that the elevated storage tank would be mobilized the following day, and that the contractor would put the structure up with a crane. He stated that he was working on GIS maps for Crossroads. Mr. Jones stated that he was very pleased with the bond issue staff memo. Mr. Jones then presented Pay Estimate No. 2 in the amount of \$538,839.90, attached as **Exhibit “L”**, for the Water Plant No. 1 and recommended approval and payment. He stated that this Pay Estimate brought the status of the project to 57% and paid for material delivered to the site. Upon motion by Director Thornton and second by Director Faske, the Board voted unanimously to approve the Pay Estimate and payment. Mr. Jones then reported that the second well drilling site was very quiet and had had no impact on Well No. 1, but that he was not sure about production yet. Mr. Jones then presented Pay Estimate No. 7 in the amount of \$90,690.75, attached as **Exhibit “M”**, and Change Order No. 3 in the amount of \$2,164.50, attached as **Exhibit “N”**, for Sonterra West Section 8J, Phase 4 and Section 7A, Phase 2B. He stated that the change order was for additional revegetation and erosion control

along future County right-of-way that was not in the plan set and recommended approval of the Pay Estimate and the Change Order. He stated that this project was about 97% complete. Upon motion by Director Thornton and second by Director McCloskey, the Board voted unanimously to approve the Pay Estimate and Change Order as recommended. Mr. Jones also reported that the contractor had mobilized on Section 8K, which consisted of 68 lots.

Mr. Jones also reported that the Sonterra Apartments had delivered its waterline documents, but one document needed to be re-notarized. Ms. Littlefield stated that she was working with Mr. Jones and Mr. Bilger on the revised drought contingency plan. In response to a question from Director Faske, Mr. Jones confirmed that he had conveyed the Board's concerns about timely bids and would reinforce this in connection with future projects.

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 "O"**, to the supplemental check register attached as **Exhibit "P"**, and the capital projects fund check register attached as **Exhibit "Q"**. She recommended that all of the payments be approved as presented. Upon motion by Director Faske and second by Director Chandos, the Board voted unanimously to approve the payments as presented. Ms. Kirkley inquired about the invoicing under the Interlocal Agreement for Security Patrols. Director Slowbe stated that he understood that the City would submit a bill.

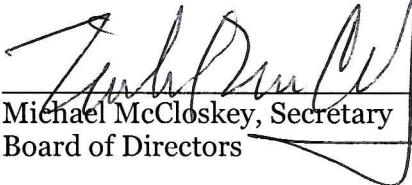
Director Faske then stated that the Board would receive the operator's report and recognized Mr. Hendrix, who called the Board's attention to the report attached as **Exhibit "R"**. He advised the Board that the District currently had 1,204 occupied single-family residences and total of 1,545 connections, as well as an estimated population of 3,600. He stated that all water samples had been good and that the District had experienced a 5.75% water loss for the prior reporting period which was acceptable. He called the Board's attention to well production reports, noting that his main concern was to provide the information requested by the Board. Mr. Hendrix then stated that he had three accounts he proposed to write-off and send to collections as set forth on **Exhibit "S"**, noting that these write-offs were within the authority previously granted to him by the Board. He also reported that the apartment project had paid its tap fees.

Director Faske stated that the Board would next receive the attorney's report and recognized Ms. Littlefield. Ms. Littlefield reviewed her directives, noting that she had finalized the Agreements for Payment in Lieu of Taxes listed on **Exhibit "T"**. She requested approval of these agreements. She stated that she was working with Mr. Jones on a prequalification of bidder policy and anticipated that it would be brought back to the Board at the next meeting. She then presented the Order Adopting Rules Governing Drainage Facilities and Regulating Privileges on Land and Easements Owned by the District attached as **Exhibit "U"** and stated this would provide the District with some recourse in the event of dumping on District property. She recommended that the Board establish a subcommittee to review the District's Texas Municipal League Intergovernmental Risk Pool ("**TMLIRP**") coverage and any changes for the 2016-2017 fund year. After discussion, upon motion by Director Faske and second by Director Chandos, the Board voted unanimously to approve the Agreements for Payment in Lieu of Taxes and the Order, as presented, to approve the Order, and to appoint Directors Faske and Slowbe and Mr. Bilger to be on an insurance subcommittee, with a directive to meet with TMLIRP on the District's coverage and bring a recommendation back to the Board. The Board also directed Mr. Bilger to schedule the necessary meeting with the TMLIRP.

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

(SEAL)



  
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Michael McCloskey, Secretary  
Board of Directors

Date: 10/17/16