

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

October 17, 2016

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on October 17, 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"**.

The following members of the Board were present, constituting a quorum:

John Faske	President
David Chandos	Vice President
Michael McCloskey	Secretary
Dale Thornton	Treasurer

Director Tom Slowbe was absent. Also present at the meeting were Andy Bilger of Vecendario Management, LLC; Dennis Hendrix of Crossroads Utility Services; Keli Kirkley of Municipal Accounts and Consulting; several residents of the District; 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, the Board directed Mr. Bilger to frame and hang the Texas Pledge on the wall of the meeting room. Director Faske inquired if there were any citizens communications or Board member announcements. The two residents noted they were new property owners, but did not wish to speak. Director Faske then stated that the Board would consider approving the following consent items on the Board's meeting agenda: the minutes of the September 19, 2016 Board meeting; a revised District Registration Form; and the Bill of Sale, Assignment and Conveyance from Sonterra Townhome Partners attached as **Exhibit "B"**. Upon motion by Director McCloskey and second by Director Chandos, 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 "C"**. He advised the Board that the District currently had 1,226 occupied single-family residences and total of 1,699 connections, as well as an estimated population of 4,500. He stated that, now that Phase 2 of the Apartments was complete, and the Texas Commission on Environmental Quality ("**TCEQ**") has classified the apartments for three residents per unit, which accounted for the population increase. He stated that this change did not affect the number of required samples, as Crossroads was already taking five, and reported that all water samples had been good. He stated that Crossroads had 20 addresses that were options for the required samples. He stated that everything was going well with the wells and water production, that the District had experienced a 2.83% water loss for the prior reporting period, and noted that he had included the production reports in the packet. Mr. Hendrix stated that he believed there was something going on with the air line at Well No. 1, but that this wasn't a big concern. He stated that they would investigate at the time of the next well maintenance. Mr. Hendrix then stated that he had two accounts to send to collections and one to be written off as set forth on **Exhibit "D"**. Mr.

Hendrix reported that he had received a complaint from a resident about water quality at the end of the system and that, with Mr. Bilger's authorization, Crossroads was going to install a flush valve. Mr. Bilger stated that he believed there was already a flush valve at this location based on the plans, but it had likely been covered during development. Mr. Hendrix stated that there had been a power outage the prior week, and that he wasn't sure of the cause. Mr. Bilger stated that a transformer in the electric supplier's system had blown out. Mr. Hendrix stated that the generator had worked well at the water plant and no problems had been experienced. He stated that the portable generator had been used at the lift station and it had worked well. Director McCloskey inquired if there were any protocols in place to address these types of outages. He noted that it wasn't an option to go to the electric supplier's website when the residents had no power. Director Faske inquired if the electric supplier would at least contact Crossroads. Mr. Bilger stated that he could attend one of the electric supplier's board meetings and could ask for official notification, but that he had been referred to the supplier's Facebook page when he inquired. He added that the District would know of any power outages because the alarm system would go off, but noted that it was more difficult to get the information on the cause of the outage.

Director Faske then stated that the Board would receive the bookkeeper's report and recognized Ms. Kirkley. Ms. Kirkley apologized for missing the Board members' per diems for the special meeting and stated that she would arrange for payment at the next meeting. She then presented the bookkeeper's report and called the Board's attention to the check register included in her report, attached as **Exhibit "E"**, to the supplemental check register attached as **Exhibit "F"**, and the capital projects fund check register attached as **Exhibit "G"**. She noted that three supplemental checks had been written, including a check to the Attorney General for the review fee for the bond issue. Ms. Kirkley stated that there was about a \$107,000 budget deficit, which was due to the Lone Star payments that had not been included in the budget. She recommended that all of the payments be approved. Upon motion by Director Chandos and second by Director McCloskey, the Board voted unanimously to approve the payments as presented.

Director Faske then stated that the Board would receive the manager's report and recognized Mr. Bilger. Mr. Bilger reported that he was still working on coordinating a meeting with the Texas Municipal League Intergovernmental Risk Pool's representative to review the District's facilities and coverage. He then called the Board's attention to the report on the Lone Star Regional Water Authority ("**LSRWA**") budget attached as **Exhibit "H"**, noting that the District's share of operating costs was slightly less than budgeted. He stated that Mike Fisher, one of the District's representatives, had fought a long hard battle to get the District's cost reduced. He added that Mr. Fisher was a volunteer representative and had expended a great deal of time on this effort. Mr. Bilger noted that Dan Dodson had been replaced by Tom Ray, formerly of the Brazos River Authority. Mr. Bilger stated that there had been no progress on the proposed letter of intent with the City of Georgetown, but that he would discuss this with Mr. Ray. He stated that, with the District's new well, he felt it was an even better idea to try to lease some of the District's excess capacity, noting that the new well was a very high producer and he anticipated that it would produce an even greater quantity of water once acidized. Mr. Jones stated that Mr. Dodson had initiated the discussion of a potential sale and that he would reach out to Mr. Ray to follow up on the discussion. Mr. Bilger explained that this would be an interim lease of capacity for about a ten-year period. Mr. Bilger reported that there had been a lot of development planning on several sections, including lots for LGI, D.R. Horton and Lennar. He stated that he had seen some shrinkage on sales, and that the builders were backing off on new lot purchases so there were reasons to be cautious, but the numbers in the budget were very conservative. Director McCloskey inquired if slowing of sales could be a result of home prices

being higher and Mr. Bilger responded that this was possibly a contributor. Director Thornton noted that 60% of home sales occurred between February and June-July and that there were lower home sales in the Fall, when most builders were doing inventory. Mr. Bilger reported that the park signs were on order and that the crews were finishing up the last touches at the park, including painting two handicapped spaces. Mr. Bilger then explained that the District did not currently have a contract with the Emergency Services District ("ESD") and Mr. Freeman had previously recommended that the District just make a donation. Ms. Littlefield explained that it was her opinion that a governmental entity could not simply make a donation of public funds, but should receive a "quid pro quo". She recommended an interlocal agreement to properly document the public purpose of the expenditure. Mr. Bilger explained that the payment supported a second staff person for the fire station which supported the ISO rating for the community and lowered the insurance rates. He explained that the ESD would inspect the District's fire hydrants in return for the proposed payment. Director McCloskey noted that this was in the best interest of the residents. Mr. Bilger then reported that the City would consider extending the term of the security patrol agreement the following day. He noted that the trash and traffic had improved dramatically with the patrols and that he felt the District was providing a lot of bang for the buck. Director McCloskey suggested that the District authorize the installation of a few additional signs to increase visibility. Mr. Bilger agreed that additional signage of the same style as the existing ones could be purchased. Director McCloskey moved that the Board authorize Mr. Bilger to spend up to \$500 for two additional "no parking" signs. Upon second by Director Faske, the motion was unanimously adopted.

Mr. Bilger explained that he would not be at the November meeting and suggested having a truncated meeting in order to approve payment of bills.

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 "I"**, and briefly reviewed the general services items. He stated that a lot of work was going on with Lone Star Regional Water Authority's engineer. Director Faske asked if the waterline route had been finalized, as some resident of the affected areas were upset. Mr. Jones stated that easement acquisition was likely to result in some delays. Mr. Bilger stated that he was glad the new well was a strong producer. He also reported that there had been good progress on the elevated storage tank and they were currently working on paint colors. Mr. Jones stated that SonWest Co. had deeded the storage tank site and would be conveying the well site to the District. He stated that the land cost would be included in the next bond issue to ensure that the TCEQ approval of the reimbursement was obtained. He stated that his firm had completed the updated GIS maps for Crossroads. Mr. Jones stated that Lift Station No. 1 would be bid by end of the year. He then presented Pay Estimate No. 3 in the amount of \$91,620, attached as **Exhibit "J"**, for the fabrication of the Water Plant No. 1 – Phase 1 Elevated Storage Tank and recommended approval and payment. Upon motion by Director Faske and second by Director Chandos, the Board voted unanimously to approve the Pay Estimate. Mr. Jones then presented Change Order No. 1 in the amount of \$1,000, attached as **Exhibit "K"**, for additional video logging at the test site for Well Site No. 1 and Pay Estimate No. 1 in the amount of \$29,169, attached as **Exhibit "L"**, for the well casing for the first test well for Water Plant No. 1 – Phase II Water Well Construction and recommended approval and payment. Director Faske moved that the Board approve Pay Estimate and Change Order. Director Chandos seconded the motion. Director McCloskey asked for clarification that the change order was included in the Pay Estimate and Mr. Jones confirmed that it was. Mr. Jones also stated that the contractor had to relocate the drill site to avoid it caving in and that the contractor had drilled for 48 hours continually to avoid a problem at the second drill site, but had not asked for any additional compensation. Upon being put to a vote, the Board voted unanimously to approve the Pay

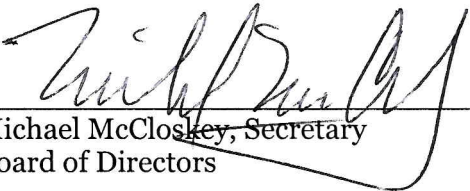
Estimate and Change Order. Mr. Jones then presented Pay Estimate No. 8 in the amount of \$2,677.05 for 8J Phase 4 and Section 7A, Phase 2B, attached as **Exhibit "M"**, and recommended approval. Upon motion by Director Faske and second by Director Chandos, the Board voted unanimously to approve the Pay Estimate.

Director Faske stated that the Board would next receive the attorney's report and recognized Ms. Littlefield. Ms. Littlefield reviewed her directive, noting that she had left security patrol services on the agenda as requested by the Board. She then reviewed the finalized Agreements for Payment in Lieu of Taxes listed on **Exhibit "N"**. She requested approval of these agreements. Ms. Littlefield also requested that the Board authorize Mr. Bilger and her to negotiate and Mr. Bilger to execute the interlocal agreement with the Emergency Services District for fire hydrant inspection services for a one-year term and compensation of \$15,000. 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, as presented, and the negotiation and execution of the interlocal agreement. Ms. Littlefield then noted that the Board had requested that the Preliminary Official Statement for the District's \$5,555,000 Unlimited Tax and Revenue Bonds, Series 2016 be brought back to the Board so it could review and approve the updated draft. Upon motion by McCloskey and second by Director Thornton, the Board voted unanimously to approve the updated draft of the Preliminary Official Statement.

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

(SEAL)





Michael McCloskey, Secretary
Board of Directors

Date: November 21, 2016