

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

October 23, 2017

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on October 23, 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; Daryl Goldman of DMG Construction; 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. There being no Board member remarks, Director Faske recognized Amanda Henderson, who stated that she purchased her home in 2007 and couldn't recall a time when the District had been out of Stage 2 water use restrictions except when it was in Stage 3. She asked when the District would get out of watering restrictions. The Board requested that Mr. Bilger address Ms. Henderson's question under his report.

Director Faske then stated that the Board would consider taking action regarding the District's \$6,500,000 Unlimited Tax and Revenue Bonds, Series 2017 (the "Bonds"). Ms. Littlefield explained that, due to a statutory change that affected the Texas Commission on Environmental Quality's ("TCEQ's") ability to require the escrow of funds and the fact that the TCEQ had not yet promulgated rules in response to the change, the TCEQ staff had not yet issued its staff memorandum or draft order relating to the Bonds. She stated that, in order to allow the sale of the Bonds to proceed, it had been determined that the best course of action would be for the District to hold-back certain funds under the Street and Utility Construction Agreement attached as **Exhibit "C"** and the Hold Back Agreement attached as **Exhibit "D"**. She reminded the Board that the District had utilized these same forms of agreements in connection with the prior District bond issuance and stated that they would provide a mechanism for the District to proceed with the bond sale by withholding the portion of the proceeds that related to Section 8M, which was not yet complete, until the project was completed and accepted. She requested Board approval of the agreements. Upon motion by Director Faske and second by Director Chandos, the Board voted unanimously to approve the agreements.

Director Faske stated that the Board would next consider approving the minutes of the September 25, 2017 Board meeting. Upon motion by Director Chandos and second by Director McCloskey, the Board voted unanimously to approve the minutes.

Director Faske then recognized Mr. Carter for additional citizens' communications. Mr. Carter stated that the District's website had not been updated with current fluoride levels since September 26th and asked why this information had not been included on the website. He also stated that he would like to see sidewalks included when roads were constructed and that he would like to see Sonterra Boulevard extended with the sidewalks to allow access to the back of the neighborhood. He then asked about the status of the new well. Mr. Bilger stated that there would be an update on the well later in the meeting.

Mr. Bilger stated that reports of the results of the fluoride test were received a week after the tests were taken and that results from the first week in October should be posted. He stated that he would follow-up to ensure that the most recent results were posted. Mr. Bilger then advised Ms. Henderson that the District had stayed in Stage 2 primarily to manage the District's water resources. He noted that until 2015 there had been water supply issues, but most recently the District had experienced water delivery issues due to equipment problems as well as fluoride level issues. Mr. Bilger stated that the intent was to go to Stage 1 later in the Fall, but that he hoped to wait until the new well was on line. He acknowledged that staying in Stage 2 indefinitely took away some of its effectiveness.

Mr. Bilger then reported that he had met with the County engineer and Commissioner Covey and both were supportive of the proposed license agreement for a sidewalk along Sonterra Boulevard. He explained to Mr. Carter that a license agreement was necessary to allow the construction of a sidewalk in the County right-of-way. He also pointed out that sidewalks were included in the condominium areas of the development, which included private rather than public roads, but stated that the County wouldn't allow sidewalks in its right-of-way without a license agreement because the County didn't want to be responsible for maintenance. He stated that the County would not enter into a license agreement with a private entity like the homeowners' association, but wanted to have another governmental entity, like the District, to provide and maintain the sidewalks. He stated that the school district was supportive of providing a sidewalk along Sonterra Boulevard for the use of the school children, as well. Ms. Littlefield agreed to coordinate with Mr. Bilger on submitting the License Agreement through the County engineer and Charlie Crossfield, the County attorney. Mr. Bilger stated that the homeowners' association would assist in funding the construction of the sidewalk.

Mr. Bilger then stated that there was nothing new to report on the proposed sublease to The Community Library of Northern Williamson County, noting that they were still having funding issues and not ready to proceed at this time.

Mr. Bilger next reported that he, Mr. Jones and Ms. Littlefield would continue to work with Jarrell-Schwertner Water Supply Corporation (the "WSC") on a proposed Interlocal Agreement, and noted that there were several issues that needed to be addressed, including a number of easements as well as some old lines that the WSC wished to abandon that would require a service arrangement through the District. He stated that would also approach the City of Jarrell on obtaining additional wastewater capacity as previously discussed.

Mr. Bilger then suggested cancelling the District's December meeting, which fell on Christmas day, and possibly moving the November meeting due to holidays. The Board agreed to discuss its future meeting schedule at the end of the Board meeting.

Director McCloskey then inquired about a mechanism for payment of bills and invoices if a meeting was cancelled and the Board discussed preapproving payments that would incur

penalties and making payments through the bookkeeper's account. Director McCloskey also inquired about Mr. Bilger's progress on several directives, including establishing a protocol for watering of common areas and providing an update on the status of the upgrade of the District's website. Mr. Bilger stated that the web redesign was behind schedule. Director Slowbe stated that it was not that uncommon for web design to take longer than the designer originally estimated and asked if the designer was looking for anything from the District. Mr. Bilger responded that he did not believe so, but that he would check on the status. Director Faske inquired about the street light installation that had been requested by a resident at the prior meeting. Mr. Bilger responded that a street light had been ordered. The Board then discussed pet waste stations and Mr. Bilger stated that setting them would be challenging so he didn't recommend installing them. Director McCloskey requested that more detailed status updates be provided on the directives sheet going forward.

The Board then discussed the reverse osmosis unit. Mr. Bilger noted that the installation had been completed, but that the unit had gone down and was currently not operational. Mr. Bilger stated that he anticipated that it would be back on line soon. Director Slowbe inquired if the usage had been measured while it was operational. Mr. Bilger responded that it had not. Mr. Hendrix stated that he believed there was a gauge that could measure the usage. After discussion, the Board directed Mr. Hendrix to determine if the gauge could be used to measure and report the usage of the unit. Director McCloskey asked if someone from the District was monitoring whether the unit was functioning and Mr. Hendrix responded that Crossroads was doing so. The Board directed Mr. Hendrix to notify the Board if the unit was not operational and to post a sign on the unit that, if it was not operating, Crossroads should be notified.

Director Faske stated that the Board would next discuss District security. Director Slowbe expressed concern that the patrol services were less visible than he would like and stated that he had sent a schedule over to Chief Thompson that included the patrol hours that the District preferred, mostly early in the morning and in the evening. He stated that he would work with the Chief to have this schedule implemented. Director McCloskey stated that he was still not satisfied that there was adequate signage. Director Slowbe stated that he felt it was important to issue citations rather than warnings. Director McCloskey agreed that enforcement needed to be consistent to minimize the impact of truck traffic on the community. Mr. Carter asked if concerned citizens should call the Jarrell Police Department and Director McCloskey stated that community involvement was a great thing. Director Slowbe explained the scope of services provided under the Interlocal Agreement. After discussion, Director Slowbe agreed to obtain a good contact number for the Police Department and determine the best procedure to obtain responses. Director Faske stated that he felt the District should reiterate its expectations and Director Slowbe concurred. Director McCloskey stated that it was important to have appropriate signage in order for it to be fair to issue tickets. Mr. Bilger stated that the District had replaced the signs repeatedly. The Board directed Mr. Bilger to replace any missing signs.

Director Faske stated that the Board would next discuss District park and recreational facilities and improvements. Director Slowbe moved that an advisory committee be formed with the narrow scope of making recommendations to the Board on the location of park trails and paths and that the District publicize the subcommittee positions on the website. He stated that he was willing to serve as the Board liaison to the subcommittee. Director Faske agreed that the District should take applications and added that the Board could make appointments at the next meeting and seconded the motion. Director Slowbe agreed to develop an application form and stated that any recommendations would come back to the Board.

After further discussion, the motion on the table was withdrawn. Director Faske suggested that the Board approve the proposed protocol for the advisory subcommittee at its November meeting, then advertise for positions and fine-tune the protocol in January. Director Slowbe offered to work with Ms. Littlefield on the protocol and bring it and the proposed

application form back to the Board for consideration at its November meeting. Director McCloskey then moved that Director Slowbe be directed to meet with legal counsel on the subcommittee protocol and application form for presentation to the Board at the November meeting. Upon second by Director Faske, the motion was unanimously adopted.

Mr. Jones then reported that there was a critical easement necessary for service from the Trinity well that was currently being obtained the Lone Star Regional Water Authority ("LSRWA"), noting that five of the segments of the easement had already been obtained, but one was expected to go to condemnation. Mr. Bilger explained that LSRWA was going to obtain this easement with or without the District, but that the District's plan was to cost-participate in the easement acquisition so that it could be used by both LSRWA and the District. The Board discussed the District's condemnation powers and Mr. Bilger noted that the District had never previously condemned any easement. Upon motion by Director McCloskey and second by Director Slowbe, the Board agreed to table discussion of the required easement and any cooperation agreement with the LSRWA to condemn the easement until the end of the meeting.

Mr. Jones then reported that the LSRWA project was being delayed due to the easement issues, and that a number of easements would be going to condemnation. He explained that LSRWA needed about 117 easements and had only acquired about 75. Mr. Jones stated that there was also some concern about a potential need for additional funds as the project could potentially require an additional \$2 to \$5 Million in funding. He explained that the debt service terms would be less favorable on any additional financing and that the participants were all concerned about this potential. Mr. Jones stated that the project engineer was very capable and had a lot of experience, but noted that there had been many changes in circumstances that had affected the original estimate. He stated that the District's rate analysis was still in limbo due to the unknowns on the cost of LSRWA surface water. Mr. Jones stated that Mr. Joyce had indicated that the growth in the community would assist in supporting the debt service on the project.

Director Faske stated that the Board would next receive the operator's report and recognized Mr. Hendrix. Mr. Hendrix stated that he was working on a system of obtaining more accurate reports on flushing and construction water as directed. He then presented Crossroads' report, attached as Exhibit "E", and noted that the District had 1,478 occupied single-family connections and a total of 1,724 accounts as of the end of September. Mr. Hendrix reported that the District had experienced a water loss of 11.75% during the prior reporting period, but was under 10% for the year. Mr. Bilger asked if the Board wanted to move forward with leak detection. Director Slowbe asked if Mr. Hendrix had increased his drive-bys and he stated that he had, but had not identified any illegal connections. Mr. Bilger stated that he and Mr. Goldman were also monitoring for illegal connections. Director Faske acknowledged that meter reading timing issues as well as construction water usage affected the reported water loss, but stated that he felt some of the reported loss was likely due to leaks. Director McCloskey stated that the District needed to get a handle on the water loss because it represented tens of thousands of gallons of water. Director Slowbe noted that he had recently reported a leak on Sandstone and Mr. Hendrix estimated that this leak was at a rate of about 10 gallons per minute. Mr. Bilger noted that this was about 15,000 gallons per day. Director Thornton asked if Mr. Hendrix was comfortable with the water loss numbers and he stated that he was. Director Faske asked if the master meter should be recalibrated. Mr. Hendrix stated that it had been tested recently and proved accurate. Director McCloskey stated that he felt the loss factor was unreasonable particularly as the residents were under use restrictions. Mr. Bilger stated that, while there was a substantial amount of unaccounted-for water, it was not all attributable to losses and he felt a good part of it was construction water. The Board discussed the fact that it appeared that no District representative was currently present during the flushing of new lines, which meant the construction water could potentially be underestimated by the contractors. Mr. Hendrix stated that the flushing water in the report was Crossroad's flushing of the system,

and not construction flushing water. Mr. Jones stated that the District could do a better job to take control over the contractor flushing and stated that new standards needed to be implemented to ensure that future contractors were held responsible. The Board directed that these standards be developed by Mr. Jones and be implemented with the next construction contract. Mr. Jones stated he would present the new standards at the next Board meeting. Mr. Hendrix then noted that all of the water samples were good and that there had been four accounts totaling \$868.41 sent to collections. Mr. Hendrix stated that the tank inspection was being coordinated and he expected it to be complete before the next Board meeting.

The Board then discussed fluoride levels and Mr. Hendrix confirmed that the levels were under 4%.

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 the renewal of the Bookkeeping Services Agreement with her company, attached as Exhibit "F". She noted that there had been some language changes by Ms. Littlefield and called the Board's attention to the annual and hourly fee increases. Upon motion by Director Chandos and second by Director McCloskey, the Board voted unanimously to approve the agreement. Ms. Kolmodin then called the Board's attention to her report, attached as Exhibit "G", and the supplemental check register attached as Exhibit "H", noting that the additional invoices included pay estimates that would be reviewed by Mr. Jones under his report and some additional operating checks. She noted that the Countryside payments would be voided until a landscape maintenance contract was approved. She recommended that all of the payments, with the exception of the Countryside payments, be approved as presented. Upon motion by Director Faske and second by Director Chandos, the Board voted unanimously to approve the bookkeeper's report, including the payments as presented, with the voids noted.

Director Faske then stated that the Board would receive the engineer's report and recognized Mr. Jones. Mr. Jones called the Board's attention to his firm's report, attached as Exhibit "I". He stated that he had not yet prepared the exhibit for the License Agreement. Mr. Bilger stated that he would prepare the simple map that was needed. Mr. Jones stated that he would continue to work to get a better handle on flushing water. He stated that he had worked on the idea of providing all construction water from Well 1, but had some pushback due to contractors since their drivers did not have commercial drivers' licenses. He requested that this directive be removed for now and agreed to take it back up next summer if there continued to be water supply issues and the Board concurred.

Mr. Jones stated that he was finalizing plans for the site work for the Trinity well. He added that the well was complete and that he had completed the 36-hour pump test which showed the well produced 500 gallons per minute, which was very encouraging. Mr. Jones stated that the final composite water quality test was pending. He reported that the well was 1,800 feet deep and the pump was at about 1,000 feet and stated that, combined with the additional water supply from the Edwards well, it would help balance the fluoride and would allow production of about one million gallons per day, which was about three times what the District currently had available and would allow up to about 2,300 connections. Mr. Jones stated that his company would have another GIS update prepared later in the year which would update the system maps with the new sections of development.

Mr. Jones then reported that, after televising a segment of wastewater line that had been constructed by Austin Underground, a leaking patch of the line was discovered and that, in response to a demand letter that had been sent with Ms. Littlefield's assistance, the contractor had agreed to make a repair to his specifications at its cost. Mr. Jones then presented Pay Estimate No. 10 – Final in the amount of \$120,022.80, attached as Exhibit "J", for the Water Plant No. 1. – Phase I Elevated Storage Tank and recommended approval. He noted that punch

list items had been addressed, he had received the necessary close-out documentation and he recommended approval of the Pay Estimate and acceptance of the project for operation and maintenance. Upon motion by Director Thornton and second by Director Faske, the Board voted unanimously to approve the Pay Estimate and to accept the project for operation and maintenance.

Mr. Jones then presented Change Order No. 4 in the amount of -\$41,437, attached as **Exhibit "K"**, which he explained was due to a design change on the well. He reminded the Board that the project engineers had worked to develop zones within the well to isolate different qualities of water and that they had to go to a split casing to allow this to be done. He stated that this was not anticipated, and that they had quite a few discussions with the contractor about how to do this and what the additional cost would be. He explained that this change order added the additional cost of the split casing, deleted the original pump which he had determined was overspec'ed and overdesigned, and added delay charges due to the contractor's equipment being on stand-by for ten days while this issue was resolved. He stated that there would be another change order presented to add a different pump that would be submersible and not as deep, and that he felt this would offset a good deal, although not all, of the cost of the split casing. Mr. Jones stated that he estimated the next change order would be for about \$80,000 and so the net would be about a \$40,000 increase. He stated that the well had been designed with the expectation that changes would be made based on circumstances encountered. Mr. Bilger stated that he had been involved throughout the discussion and felt that Mr. Jones had handled it very skillfully. Upon motion by Director Chandos and second by Director Slowbe, the Board voted unanimously to approve the Change Order. Upon motion by Director Thornton and second by Director Faske, the Board voted unanimously to approve Pay Estimate No. 3 in the amount of \$242,041.50, attached as **Exhibit "L"** for Water Plant No. 1 – Phase IIb Trinity Water Well Construction.

Mr. Jones then presented Pay Estimates No. 4, 5, 6, and 7 in the amounts of \$197,475.69, \$62,668.80, \$27,891 and \$64,240.20, attached as **Exhibits "M", "N", "O" and "P"**, respectively, for Sonterra West Section 8L and Section 7, Phase 4 and recommended approval. Upon motion by Director Faske and second by Director McCloskey, the Board voted unanimously to approve the Pay Estimates as presented.

Mr. Jones then presented Change Orders No. 2 and 3 in the amounts of -\$3,320, eliminating some service lines, \$444.60, adding waterline crossings, attached as **Exhibits "Q" and "R"**, respectively, for Sonterra West Section 8M. Upon motion by Director McCloskey and second by Director Faske, the Board voted unanimously to approve the Change Orders. Mr. Jones then presented and Pay Estimates No. 1, 2, and 3 in the amounts of \$199,358.86, \$114,003.45 and \$254,314.16, attached as **Exhibits "S", "T", and "U"**, for Sonterra West Section 8M and recommended approval. Upon motion by Director Faske and second by Director Chandos, the Board voted unanimously to approve the Pay Estimates.

Mr. Jones then presented Pay Estimate No. 1 in the amount of \$26,006.86, attached as **Exhibit "V"**, for Sonterra West Section 11, Phase 1 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 reported that her directives had been completed. She provided a brief update of bills of interest that had passed during the 2017 Legislative Session.

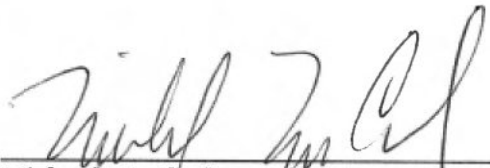
The Board then discussed its November and December meeting schedule. Director McCloskey moved that the Board cancel its regular December meeting and make provisions for

any payments that were time sensitive at the November meeting. Upon second by Director Chandos, the motion was unanimously adopted.

At 8:21 p.m. Director Faske stated that the Board would convene in executive session pursuant to 551.071 of the Texas Government Code, to receive legal advice regarding easement acquisition. At 8:32 p.m., the Board reconvened in open session and Director Faske announced that no action had been taken in executive session. Director McCloskey then moved that the District approve obtaining an appraisal for the proposed Ortiz easement and authorize financial participation by the District in the easement acquisition, to include express rights for the District's facilities, in an amount not to exceed two times the appraised value. Upon second by Director Slowbe, the motion was unanimously adopted. Director Chandos proposed that the Board designate Director Slowbe as the Board's representative in connection with this matter and the Board concurred. Director Slowbe requested that Director McCloskey also be appointed to work on this project. After discussion, the Board unanimously agreed to appoint Director Slowbe and Director McCloskey to serve as the District's representatives in connection with the proposed easement acquisition.

There being no further business to come before the Board, the meeting was adjourned at 8:34 p.m.





Michael McCloskey, Secretary
Board of Directors

Date: October 23, 2017