

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

November 21, 2016

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on November 21, 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:

John Faske	President
David Chandos	Vice President
Michael McCloskey	Secretary
Tom Slowbe	Assistant Secretary

Director Dale Thornton was absent. Also present at the meeting were Dennis Hendrix of Crossroads Utility Services ("Crossroads"); Clayton Chandler of McCall Parkhurst & Horton, LLC; Keli Kirkley of Municipal Accounts and Consulting; Bob West of West, Davis & Co.; 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 invocation, led by Director McCloskey, and the Pledges of Allegiance to the United States and Texas flags, Director Faske inquired if there were any citizens communications or Board member announcements. There being none, Director Faske stated that the Board would discuss the District's \$5,555,000 Unlimited Tax Bonds, Series 2016. Ms. Littlefield called the Board's attention to the pre-purchase inspection and purchase authorization letter from the Texas Commission on Environmental Quality ("TCEQ") attached as **Exhibit "B"**. Mr. West then distributed the report on application of certain agreed procedures attached as **Exhibit "C"** and noted that his firm had prepared the report in connection with the proposed disbursement of the bond proceeds. He stated that the report showed the amounts approved by the TCEQ and the related approved reimbursements as well as certain amounts that would be withheld pending completion of the related facilities. He added that, because the interest rate on the bonds was lower than projected, there were additional funds available that could be used to pay project costs. Upon motion by Director Faske and second by Director Chandos, the Board voted unanimously to accept the report; to accept the Conveyance of Existing Facilities and Capacity of Bills Paid Warranty attached as **Exhibit "D"** and the disbursement letter attached as **Exhibit "E"**; and to authorize disbursement of the bond proceeds in accordance with the closing memorandum attached as **Exhibit "F"** and the disbursement letter. Ms. Littlefield then called the Board's attention to memoranda regarding arbitrage and private use that had been provided by the District's bond counsel. She also advised the Board that she had been unable to locate any documentation indicating that an arbitrage rebate review had been conducted in connection with the District's prior bond issues. Mr. West and Ms. Kirkley indicated that they were unaware of any such reviews being performed. After discussion, Ms. Littlefield agreed to obtain a proposal for arbitrage rebate reviews on the current and prior bond issues for the Board's consideration.

Director Faske then stated that the Board would consider approving the minutes of the October 10, 2016, October 17, 2016, and November 3, 2016 Board meetings. Upon motion by Director Slowbe and second by Director McCloskey, the Board voted unanimously to approve the minutes.

Director Faske then stated that the Board would receive the operator's report and recognized Mr. Hendrix, who called the Board's attention to Crossroad's report, attached as **Exhibit "G"**. He advised the Board that the District had experienced a 5.67% water loss for the prior reporting period, which was not uncommon, and noted that the wells were operating great. Mr. Hendrix then reported that he had five accounts totaling \$1,193.03 to send to collections. He stated that some metal had been found in a well motor that had been pulled, noting that he would proceed with the overhaul of the motor at cost of \$3,300 with concurrence of Mr. Bilger and Mr. Jones. Director Faske inquired if Crossroads was ready for the first freeze, and Mr. Hendrix responded that Crossroads' crews were ready. Mr. Hendrix stated that his only concern was Well No. 2, but noted that his crews had installed new insulation there.

Director Faske then stated that the Board would receive the bookkeeper's report and recognized Ms. Kirkley. Ms. Kirkley called the Board's attention to the check register included in her report, attached as **Exhibit "H"**; to the supplemental check register attached as **Exhibit "I"**; and to the capital projects fund check register attached as **Exhibit "J"**. Ms. Kirkley noted that two supplemental checks had been written -- including one to Pape Dawson and one for payment of Pay Estimate No. 4 for the elevated storage tank project. Ms. Kirkley noted that the per diem to Director Thornton would be voided due to his absence. Ms. Kirkley stated that there was a budget deficit due to the Lone Star payments that had not been included in the budget. She recommended that all of the payments be approved as presented. Upon motion by Director Slowbe and second by Director McCloskey, 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 reviewed his report, attached as **Exhibit "K"**, and briefly reviewed the general services items. Mr. Jones reported that the District had some surplus funds from the current bond issue and a small amount of surplus fund from the 2014 and 2015 bond issues and requested the Board's approval of a surplus funds application to allow use of the remaining surplus funds from the Series 2014, 2015 and 2016 bonds. He then presented Pay Estimate No. 4 in the amount of \$129,060, attached as **Exhibit "L"**, 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 McCloskey the Board voted unanimously to approve the Pay Estimate. Mr. Jones then presented Change Order No. 2 in the amount of \$15,828, attached as **Exhibit "M"**, for an increase in the casing size from 10" to 12" due to the higher than anticipated production at Well Site No. 2. He explained that this would avoid future problems with casing size if the well produced 600 gallons per minute as anticipated after acidization. Upon motion by Director McCloskey and second by Director Faske, the Board voted unanimously to approve the Change Order. Director Faske then moved approval of the Resolution authorizing application to the Texas Commission on Environmental Quality for Approval of Use of Surplus Funds attached as **Exhibit "N"**. Upon second by Director Slowbe, the Board voted unanimously to approve the Resolution.

Mr. Jones then requested that the Board authorize Mr. Bilger and himself to approve additional, unforeseen change orders on the well project in an amount not to exceed, on a cumulative basis, 20% of the construction contract price in order to keep the well drilling crew mobilized during the completion phase of the well. He explained that having the crew stop and start work would be very expensive. The Board discussed some of the issues that might result in

additional change orders and Mr. Jones explained that, for example, an issue could arise with regard to pump size following the acidization if the flows were higher than anticipated. Upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to authorize Mr. Bilger, Mr. Jones and one Board member to approve any additional, unforeseen change orders on the well project that did not exceed, on a cumulative basis, 20% of the construction contract price, as requested.

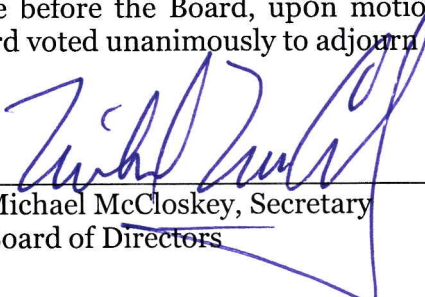
Mr. Jones then reported that both new test wells exceeded permitted fluoride levels. He stated that this was fairly usual for the area. Mr. Jones stated that the only option to address the fluoride would be to install a reverse osmosis system, which would be fairly expensive. He requested approval to obtain a proposal from Hydro Resources to test production of the District's existing three wells, noting that the concern would be mitigated if the well's true capacity was 1.3 MGD. He stated that he anticipated the cost would be less than \$5,000. After discussion, the Board authorized Mr. Jones to proceed with the proposal as recommended.

Director Slowbe inquired about a Frontier bill of \$600. Ms. Kirkley explained that it was a consolidated bill for all of the District's telephone and internet services. Mr. Hendrix stated that the District had five autodialers. The Board directed Ms. Kirkley to have her office confirm the locations.

Director Slowbe then stated that he would like to change the meeting time back to 6:00 p.m., as the Board was not getting the public participation that was anticipated when the time was changed. Director McCloskey responded that the meeting time needed to be convenient for the community. Director Slowbe stated that he felt 6:00 p.m. was as convenient as 6:30 p.m. and that he found the residents participated based on topic. Director McCloskey stated that he would not support a change as it was, in his opinion, the minimum that should be done to accommodate the residents, noting that he had originally proposed a 7:00 p.m. meeting time and 6:30 p.m. was a compromise. The Board discussed its historical meeting times, and the fact that public participation had remained the same. Director McCloskey stated that he felt having the Board meeting at 6:00 p.m. was telling the residents that the Board did not want residents to attend. Director Faske stated that he wanted the meetings to be convenience for residents to attend. Ms. Littlefield suggested that a specific item be placed on the Board's next meeting agenda to allow full discussion of the meeting time. Director Slowbe stated that he would encourage residents to participate in the discussion.

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





Michael McCloskey, Secretary
Board of Directors

Date: December 19, 2016