

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

November 27, 2017

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on November 27, 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; Paul Mallini, a resident of the District; Mark McAdams, Fire Chief for Emergency Services District #5 ("ESD"); 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 Board member remarks and citizens communications. There being no Board member remarks, Director Faske recognized Mark McAdams, who stated that he had been the Fire Chief for the ESD back in 2005 and worked on the initiative to get a taxing district created, noting that the ESD had struggled over the years. Mr. McAdams stated that he was also Fire Chief in 2014-2015, but stepped down due to the lack of funds for a full-time chief, noting that he was asked to return because the sales tax initiative passed and things had gotten better. He stated that the ESD currently had a two-man staff and that he was working on hiring a third man, noting that the ESD covered 75 square miles with City of Jarrell and the District being the most dense areas. Mr. McAdams thanked the Board for helping the ESD out when it had been running such a tight budget and stated that he appreciated the District allowing the ESD to inspect the fire hydrants and hadn't wanted too much time to pass without thanking the Board for its support.

Director Faske then stated that the Board would consider taking action regarding the District's \$6,500,000 Unlimited Tax and Revenue Bonds, Series 2018 (the "Bonds"). Ms. Littlefield explained that the District's financial advisor had prepared the revised timetable for the issuance of the bonds attached as **Exhibit "B"** which contemplated a special meeting on December 11, 2017. She called the Board's attention to the Texas Commission on Environmental Quality ("TCEQ") staff memorandum and draft order relating to the bond application, a copy of which is attached as **Exhibit "C"**. She also reported that Mr. Jones had received the pre-purchase inspection memorandum from the TCEQ, attached as **Exhibit "D"**, and that no construction deficiencies had been noted, but it was pointed out that some sediment accumulation needed to be removed and Section 8M was still under construction. Director

McCloskey moved that the Board hold its December meeting on December 11, 2017 at noon at Armbrust & Brown, PLLC in order to finalize the bond sale as well as pay any bills and invoices that needed to be paid. Upon second by Director Chandos, the motion was unanimously adopted.

Director Faske stated that the Board would next consider approving the minutes of the October 23, 2017 Board meeting. Upon motion by Director Chandos and second by Director Slowbe, the Board voted unanimously to approve the minutes.

Director Faske then recognized Mr. Bilger for purposes of receiving the manager's report. Mr. Bilger provided an update to his directives, noting that ten "no parking" signs had been ordered to be put up on Limestone Terrace. Mr. Bilger then explained that Countryside had been doing a good job on mowing, but a less than acceptable job on other maintenance items. He explained that the company had split, and the new company, Green Plant Scapes, was doing the other work. He stated that he would like to continue to use Countryside for the mowing, which would be done 50 weeks per year, noting that they had lowered their price to \$4,100 per month and increased the area covered. Mr. Bilger explained that Green Plant Scapes would handle all of the flower beds, irrigation, etc., on a weekly basis, and their service would cost under \$1,000 per month. He stated that he felt the District would benefit by having two different companies do the work and requested authorization to negotiate and execute these contracts. He also stated that he felt the continued maintenance of the irrigation system would reduce overall costs. Director Faske asked for a map showing the maintenance areas and Mr. Bilger stated that a color-coded map would be added as an exhibit to the contract. After discussion, upon motion by Director Thornton and second by Director Faske, the Board voted unanimously to authorize negotiation, execution of the new landscape maintenance contracts and to approve the payment of the invoices to Countryside and Green Plant Scapes for services rendered.

Director Slowbe then asked about installing the "no parking" signs on a spring, as was done in Georgetown and which allowed signs that were hit by a vehicle to spring back. Mr. Bilger agreed to get pricing for this type of installation.

Mr. Bilger then reported that work on the Sonterra Boulevard sidewalk improvements and the license agreement with Williamson County were still in process.

Mr. Bilger reported that the Interlocal Agreement with Jarrell-Schwertner Water Supply Corporation (the "*Jarrell-Schwertner WSC*") and the amendment to the Consent Agreement with the City of Jarrell were in process and that he had had a number of conversations, but was still waiting on the paperwork.

Mr. Bilger stated that Well No. 2 had gone down, noting that the pump had blown. He noted that Mr. Hendrix had been out of town and that Mr. Abshire was in New Mexico, but that the response had been the smoothest response he had seen, in part due to practice. Director McCloskey stated that, due to the emergency situation, Well No. 1 was activated. He noted that notifications had gone out to the residents both when the situation arose and when the issue was resolved. Mr. Bilger stated that a new pump had been installed within a day and the further delay was due to required testing. He stated that he was pursuing replacement of the pump under the warranty. Mr. Hendrix stated that the motor had been sent out to the company that built it and that he believed it would be covered under the manufacturer's warranty. He added that he anticipated that he would have an update by the January Board meeting. Director Slowbe stated that the notice and signage had been handled promptly and that the RO system was also available. He stated that this was the best response to an emergency that he had observed. Mr. Bilger stated that there was not room to install a duplex pump in Well No. 2, but, with all of the additional wells drilled and coming on-line, one well going down should not have

such a big impact in the future. He stated that Mr. Jones also had a recommendation for an additional RO unit for Well No. 1 which he would present under his report. Director Faske asked how the problem was discovered and if there was a quicker way to discover malfunctions of this nature. Mr. Hendrix stated that he would provide additional information at the January Board meeting.

Director Faske stated that the Board would next discuss District security. Director Slowbe stated that he had received a report which he would forward to Ms. Littlefield.

Director Faske stated that the Board would next discuss District park and recreational facilities and improvements. Mr. Bilger stated that he would meet with Director Slowbe on this prior to the January Board meeting.

Director Faske stated that the Board would next receive the operator's report and recognized Mr. Hendrix. Mr. Hendrix stated that there was a meter on the reverse osmosis ("RO") system that showed how much water was being fed into the system, but that it was a meter that read in 1,000's gallons of water, and that Crossroads was working on a system to measure the demand on the system. He then presented Crossroads' report, attached as Exhibit "E", and noted that the District had 1,517 occupied single-family connections and an estimated population of 7,000. He stated that the District had a total of 1,724 accounts as of the end of October, with 200 new taps for the fiscal year to-date. Mr. Hendrix reported that the District had experienced a water loss of 11.99% during the prior reporting period and added that the submeter at the pool had not been being read. He stated that he would continue to monitor the loss, but felt it was due to construction water and flushing. Mr. Hendrix stated that water usage was down for October at about 303,000 gallons per day, down from 406,000 in September. He then noted that all of the water samples were good and that there had been three accounts totaling \$382.85 sent to collections. Ms. Littlefield explained that the Crossroads contract needed to be renewed and requested authorization to finalize negotiation and execute the contract, with a Board member designated to review and approve it. Director Chandos agreed to review and approve the contract. After discussion, Director Chandos moved that the Board authorize negotiation and execution of the Crossroads contract following his approval. Upon second by Director Slowbe, the motion was unanimously adopted.

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 "F", the supplemental check register attached as Exhibit "G", and the supplemental Capital Projects fund check register attached as Exhibit "H", noting that the blank checks that were to be pre-authorized would be voided since the Board would be meeting in December. She recommended that all of the payments be approved as presented, with the voids noted. She also requested approval of a wire transfer for the upcoming bond payments. Upon motion by Director Chandos and second by Director Faske, the Board voted unanimously to approve the bookkeeper's report, including the payments as presented, with the voids noted, and the wire transfers. Ms. Kolmodin also called the Board's attention to information on the billings under the Agreements for Payment in Lieu of Taxes, noting that the invoices would be sent out in January.

Director Faske then stated that the Board would receive the engineer's report and recognized Mr. Jones. Mr. Jones reviewed the information attached as Exhibit "I" in connection with his request for authorization to begin design and bidding of a second RO treatment unit for Well No. 1. Mr. Jones stated that the District should have three times its existing water supply by April or May 2018. He explained that there were 1,974 current connections and another 290 lots, which were scheduled to come on line by Summer of 2018, were under construction, as well as some commercial lots, bringing the estimated connections to 2,300. He stated that, during 2018, he expected another 585 lots to be approved, bringing the

estimated connections to 2,849. He also pointed out that this summary included a color-coded map, and a page that summarized water quality issues as well as blending options. Mr. Jones explained that Well No. 4 was high in fluoride and, without additional treatment or the surface water supply, the District would remain over 3.7 (mg/L). Mr. Jones stated that installing a small RO unit at Well No. 1 would provide more blending water and reduce the overall fluoride level as summarized in Option A. He also explained that the demand he had used, 4.7 gpm/connection, was based on a worst-case scenario. Mr. Bilger reviewed the timeline and explained that Lone Star Regional Water Authority (the "LSRWA") had committed to completing the line to allow the District to receive supplemental water from the City of Jarrell. Director McCloskey stated that he felt, with the projected growth, the District was barely keeping up. Mr. Jones stated that there were other options for supplemental water as well, including the Jarrell-Schwertner WSC. Director Thornton asked how the proposed RO unit would work. Mr. Jones stated that it would provide a factor of safety if a well went down by giving the District an additional source of supplemental blending water that would enable the District to continue to supply water without any water quality issues. Director Slowbe inquired about the wastewater treatment issue and Mr. Jones responded that the City of Jarrell had confirmed it was capable of providing treatment for the necessary quantity of brine. Director Slowbe inquired if the brine could be re-injected and Mr. Jones stated that this could not be done over the Edwards Aquifer. In response to a question from Director Thornton, Mr. Jones confirmed that water from the District's other wells could also be treated by this RO unit as this would only require a few plumbing modifications. Mr. Jones stated that, long-term, the surface water would come into the ground storage tank at the Interstate and that ultimately the District would need to build another water plant and storage at the elevated storage tank. He stated that, once this happened, the RO unit would no longer be needed. He also pointed out that LSRWA was drilling a Trinity Well to supplement its surface water supply in times of drought. Mr. Jones stated that there would be an option to upgrade to a larger RO unit in the future, if the District wished to, noting that the pad would be sufficient and the plumbing would all be in place, although there would likely need to be some electrical upgrades. Director Thornton inquired about the timing of the RO unit and Mr. Jones responded that he did not see this happening before August 2018. Mr. Jones then reviewed the cost and financing status included in his report. He summarized that, conservatively, he felt the District needed about \$600,000 to finance the RO unit. He pointed out that the District would have outstanding financing costs of \$529,500 based on cost overruns and the fact that the pricing had come in about \$300,000 over the engineer's estimate. Mr. Bilger stated that a lot of the costs would not come in until the third quarter of 2018, but SonWest Co. was committed to providing financing for the cost overruns if it was necessary. Mr. Jones stated that he felt going through the bid process would be at least a 60-day process. After discussion, Director McCloskey moved that the Board authorize Mr. Jones to begin the process. Director Faske seconded the motion, which was unanimously adopted. Mr. Jones pointed out that the engineering budget was \$44,000, through completion.

Ms. Littlefield confirmed that LSRWA was close to final offer on the Ortiz easement. Mr. Jones confirmed that he had an agreement with LSRWA on the assignments within the easement.

Mr. Jones then called the Board's attention to the LSRWA map attached as **Exhibit "J"** and explained that, at a customer meeting on October 21st, the LSRWA had updated the customers on the additional financing needs for the project, which were approximately \$5,000,000, and reviewed the projected financial impact on the customers. He stated that this would have a substantial impact on the customers' debt service requirements. He stated that the cause was cost overruns and time lapse, noting that the Texas Water Development Board ("TWDB") would not allow the LSRWA to bid the project until all easements were obtained and, meanwhile, costs kept going up. Mr. Bilger stated that the LSRWA basically presented this additional financing as a safety blanket and noted that the District had the most urgent need for this water supply. Director Slowbe inquired if it was just the easements that were dragging the

process out and Mr. Jones responded that this was the primary cause. The Board then discussed the Ortiz easement and the status of the LSRWA's good faith offer. The Board discussed how to put more pressure on the LSRWA Board, and Mr. Bilger encourage the Board members to attend the LSRWA meetings. Mr. Jones also advised the Board that the LSRWA financial advisor had agreed to approach the TWDB for a line of credit, to ensure that financing was available to provide additional funds if necessary. He also confirmed that the project had been scaled back and alternate bid items provided to allow opportunities for cost savings. He stated that he was working with the other participants on this, in order, for example, to remove extensions that were not needed at the outset. Mr. Bilger stated that the District had already taken an additional 1 MG of water supply to make the project work, which had resulted in a greater cost share.

Mr. Jones then presented the construction and development standards attached as **Exhibit "K"**, noting that these had been updated to address various construction and infrastructure requirements within the District and requested approval. After discussion, upon motion by Director Thornton and second by Director Slowbe, the Board voted unanimously to approve the updated construction and development standards. Mr. Jones confirmed that these would be in effect for all future contracts.

Mr. Jones then noted that, when the repair was actually dug up in Section 8, Phase 1-3, the damaged line was worse than he had anticipated. He explained that it appeared that the contractor had gotten a 15-inch mandrill stuck which damaged the line. He stated that the contractor had then sawed the damaged section out and made a very poor patch. Mr. Jones stated that it was much worse than he had originally expected. He added that he expected the wastewater inflow and infiltration would decrease as a result of the repair. He stated that, during the work, it had been discovered that two existing manholes near the Sonterra Apartments needed to be raised due to fill that had been placed in the area. He recommended approval of the proposal to raise the manholes from JKB Construction in the amount of \$4,175, attached as **Exhibit "L"**. Upon motion by Director McCloskey and second by Director Thornton, the Board voted unanimously to approve the proposal.

Mr. Jones then presented Change Order No. 5 in the amount of \$13,000, attached as **Exhibit "M"**, which he explained had been authorized by himself and Mr. Bilger, for repumping and retesting the well. Upon motion by Director Thornton and second by Director Faske, the Board voted unanimously to approve the Change Order. Mr. Jones then presented Pay Estimate No. 4 in the amount of \$225,414, attached as **Exhibit "N"**, for Water Plant No. 1 – Phase IIb Trinity Water Well Construction to HydroResources and requested approval. Upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve the Pay Estimate, as presented.

Mr. Jones then presented the bid tabulation for the Water Plant No. 1 – Phase III 8-inch Waterline and Site Improvements attached as **Exhibit "O"**, noting that the low bidder was Central Road and Utility and recommended award of the contract to the low bidder, for the bid amount of \$938,560.10. He pointed out that there was an alternate additional cost for the six inch waterline and an alternate deduction for an alternate cedar fence, instead of concrete, but noted that a cedar fence would be a maintenance issue. He stated that these were not included in the base bid and could be considered later. The Board agreed that it preferred the low maintenance concrete fence. After discussion, upon motion by Director Slowbe and second by Director Thornton, the Board voted unanimously to approve the award of the contract to the low bidder for the base bid amount.

Mr. Jones then presented Pay Estimate No. 8 in the amount of \$45,023.16, attached as **Exhibit "P"**, for Sonterra West Section 8L and Section 7, Phase 4 and requested approval.

Upon motion by Director Faske and second by Director Chandos, the Board voted unanimously to approve the Pay Estimate, as presented.

Director Faske stated that the Board would next discuss the proposed substitution of land and request for retail water and wastewater services to a proposed new municipal utility district. Mr. Bilger reviewed a map showing the District's boundaries and two additional areas. He explained that he had been discussing his concerns regarding bonding authority with Mr. Jones, noting that the District's maximum bonding authority was \$71.3 Million. Mr. Bilger stated that currently the District was at about \$44 Million, and explained that, earlier this year, it appeared some of the property in the District not owned by SonWest Co. was going to be sold and that it became clear that the District's bonding capacity would run short of the financing requirements. He added that nothing had been included for time or inflation when the bond amount was set in 2005. Mr. Bilger stated that he did not want to go back to the voters because of mistakes made in the past, but was familiar with a process to annex and deannex because in 2007-2008 he had discovered errors in the original boundaries of the District and the District had gone to the State Attorney General to get it corrected. Mr. Bilger stated that, in order to address the bonding shortage, he proposed to bring a small amount of property into the District and take out a larger amount, to accelerate the development of the District and remove the property to the east, which had more infrastructure requirements, so that the overall benefit to residents was accelerated development within the current boundaries through annexation of a land within the center of the District. Mr. Bilger stated that he was proposing to annex 85 acres and deannex 250 acres to the east. He added that, in Mr. Jones' analysis, this would allow development to be completed within the next five to ten years, resulting in a savings in the cost of the infrastructure as well as the cost of financing, noting that no additional major infrastructure was required. Mr. Bilger stated that the District's bond counsel had reviewed the proposal and it had been precleared by the Attorney General. He stated that this also provided the residents with certainty as to the build-out and an end-date to the payoff of the bonds. Mr. Bilger explained that the proposal was to create a new municipal utility district which would pay costs associated with the District's surface water and infrastructure, reducing the financial impact on the District's residents. Director Thornton asked if there would be a master mud and submuds and Mr. Bilger stated that this had been contemplated initially, but this power would be removed from the District's legislative authority. The Board then discussed the financial benefits of providing service to the new district which would contract to be supported by a tax agreement, as well as the fact that any out-of-district service area must at least pay its prorata share of the cost of any District facilities that were used by it. Mr. Bilger stated that this presentation was just to bring the concepts to the Board, noting that a number of agreements would be needed over the next 60 to 90 days.


Director Faske stated that the Board would next receive the attorney's report and recognized Ms. Littlefield. Ms. Littlefield reported that she had completed her directive. She then reviewed the most recent Texas Municipal League Intergovernmental Risk Pool Summary of Claim Experience Report with the Board.

Mr. Jones then advised the Board that he had received construction plans for the Dannick tract in Section 12, which was currently out of the District and requested approval to proceed with the plan review, noting that Ms. Kolmodin had received the required \$10,000 deposit from the developer. Upon motion by Director Thornton and second by Director Slowbe, the Board voted unanimously to confirm approval to proceed.

There being no further business to come before the Board, the meeting was adjourned.



Date: 1/22/2018


Tom Slawke, Assistant Secretary
Board of Directors