

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

December 19, 2016

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on December 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	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; 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 were no residents present wishing to address the Board. Director Faske asked Mr. Bilger to give LGI notice to pick up its trash. Mr. Bilger agreed to address the problem.

Director Faske stated that the Board would next consider approving the minutes of the November 21, 2016 Board meeting. Upon motion by Director Chandos and second by Director Slowbe, 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 "B"**. He advised the Board that the District had 1,254 active connections. He stated that the District had experienced a 3.93% water loss for the prior reporting period, which was very good, and noted that the wells were operating great. Mr. Hendrix then reported that he had seven accounts totaling \$1,916.28 to send to collections. He stated that there had been three write-offs totaling \$67.58. Mr. Hendrix then reviewed the proposal for coating of manholes attached as **Exhibit "C"**, and explained that he had solicited bids from the companies that provided this service. Director Chandos asked if this was a requirement and Mr. Jones responded that there was a 12-inch interceptor at the back of the District and, in the process of doing the video of the sewer line, they had discovered that a lot of the manholes were in pretty bad shape and accumulating a lot of gases. He added that they had also found some leaks, where water was entering the sewer system through the manholes. Mr. Hendrix stated that the gases would ultimately eat the manholes away unless they were coated. Mr. Bilger stated that this coating was now being done at the time of construction. Mr. Jones concurred and stated

that they were also being more particular about the connections into the interceptor. Mr. Hendrix stated that the linear footage was an estimate. Mr. Bilger stated that some of the manholes were from 2005. Mr. Hendrix then explained the process of cleaning the manholes before coating them. In response to a question from Director Thornton, Mr. Hendrix stated that the advantage of the flow-through plugs was that they would not need to shut down the line during the coating process. Upon motion by Director Thornton and second by Director Chandos, the Board voted unanimously to approve the proposal, with an allowance for additional work, at a not to exceed total cost of \$55,000. Mr. Hendrix then presented proposal to replace some of the panel awnings at the wells attached as **Exhibit "D"**, which he explained provided a protective cover for the panels as well as a base for some security lighting, at a cost not to exceed \$31,159.25. Mr. Jones stated that this work had been on the District's CIP list since 2015. The Board agreed that it would prefer to see some additional proposals, as this seemed very expensive and it was not familiar with the type of work. The Board requested that Mr. Hendrix solicit some additional proposals and also provide photographs or drawings of the design. Mr. Hendrix agreed to do so. Ms. Littlefield agreed to put this item back on the agenda for the January meeting.

Director Faske then stated that the Board would receive the bookkeeper's report and recognized Ms. Kolmodin. Ms. Kolmodin advised the Board that she had discussed the Frontier bills with the provider and was working on restructuring the District's phone and internet service. She stated that this was long overdue. Director Slowbe asked how Suddenlink played into this and Mr. Bilger responded that Suddenlink was providing some of the phone service and was a more recent provider. He stated that Frontier, formerly Verizon, had been the exclusive provider prior to 2012. Ms. Kolmodin then 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 to the capital projects fund check register attached as **Exhibit "G"**. Ms. Kolmodin also presented a funds transfer to move some bond proceeds into the TexPool account until it was needed, attached as **Exhibit "H"**. Ms. Kolmodin recommended that all of the payments and the transfer be approved as presented. Director Slowbe stated that there was an error on a check to the City of Jarrell noted on the check register and noted that there was also an issue of a check to Crossroads that he wanted to be sure was not a double payment. Ms. Kolmodin stated that the Crossroads payment was for a lost check and that she had stopped payment on the initial check. She stated that the error in payment to the City of Jarrell had been caused by MAC's check printer. She agreed to void the check and reissue it. Upon motion by Director Chandos and second by Director Slowbe, the Board voted unanimously to approve the bookkeeper's report, including the payments as presented, with the voids and correction noted.

Mr. Bilger then reported that he had inspected the District's facilities with the Texas Municipal League Intergovernmental Risk Pool ("TML") staff. Ms. Kolmodin confirmed the first payment for the park grant had been received. Mr. Bilger stated that this was the culmination of five years of work and that he anticipated bringing a proposal for preparation of a second \$500,000 park grant application to the Texas Parks and Wildlife Department to the Board. Director Slowbe asked about doing a ribbon cutting. Mr. Bilger stated that Mr. Akiva was going to build a bridge and he thought that when that bridge was done, it would be better timing. Mr. Bilger then asked that Mr. Jones review changes to the Lone Star Water line location with the Board. Mr. Jones stated that the location changes were minor. Mr. Bilger then reported that there had been a stakeholder meeting, and that they had discussed concerns with the delays in the timetable for the line, noting that he felt better after the meeting. He stated that he felt Lone Star Water's updated timetable was reasonable. Mr. Bilger confirmed that the signs with park hours had been installed and noted that this would allow the police patrols to enforce the District's curfew. Director Slowbe stated that the curfew should be relayed to the Jarrell Chief of

Police. Director McCloskey asked if there had been progress made on the installation of two additional no parking signs, noting that there had been an increase in truck activity. Director Slowbe stated that there would be another week of patrols under the existing agreement with Jarrell, but that he suggested the current agreement be extended for another two months. Mr. Bilger agreed that building the relationship with Jarrell was desirable, and added that the Jarrell police had done a good job. He noted that, in the past, the truckers had removed the signage that had been installed. Director McCloskey stated that he thought adding the signature and patrols was the right thing to do. Mr. Bilger agreed that the patrols and enforcement had the support of the residents. Mr. Bilger then recommended extending the existing agreement by another three months with the same budget and with the ability to further extend from month to month at the discretion of the Board. Director Slowbe stated that there would be a gap in service because the Jarrell City Manager had no flexibility to extend the agreement. Upon motion by Director Slowbe and second by Director McCloskey, the Board voted unanimously to adopt Mr. Bilger's proposal. Mr. Bilger then stated that an amendment to the Strategic Partnership Agreement with Jarrell was needed to correct a provision relating to the completion of the lift station improvements. He stated that the City was willing to allow Ms. Littlefield to draft the amendment. He recommended that the Board approve the negotiation and execution of an amendment to the Strategic Partnership Agreement to confirm that no payment would be due for failure to complete the lift station unless it was not completed within 12 months of the Jarrell's approval of the plans. Upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to authorize negotiation of the amendment and directed that the amendment be brought back for Board approval once it was finalized. Mr. Bilger then reviewed Mr. Slowbe's proposal to create a landlord account and authorize a subaccount for tenants. Director Slowbe stated that the reason he had brought this up was because there was a lot of rental property in the District and it didn't make sense for property owners to set up the accounts and make a deposit and then for the District to have to refund those deposits so the renters could come in and set up an account. He stated that a lot of utility companies did this so the property owners could set up a deposit and it would be transferred back and forth automatically. Ms. Littlefield stated that this would be optional, as the District could not require a landowner to sign a contract of this type. She added that she did not have any districts that were doing this. Director Slowbe stated that he wanted to abstain from the vote as he was a property manager. After discussion, the Board directed Ms. Littlefield to prepare a draft agreement and discuss it with Crossroads and bring it back to the next meeting for further discussion. Mr. Bilger then stated that some of the District's equipment was aging and that the Brushhog currently needed about \$2,000 of work and the John Deere dealer had offered a replacement unit worth \$9,000 for a cost of \$3,000 with the trade-in of the old unit. Upon motion by Director Thornton and second by Director McCloskey, the Board voted unanimously to authorize Mr. Bilger to proceed with the trade-in and purchase.

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"**. He reviewed a map showing the current proposed locations of the Lone Star water line and water tank. He stated that Lone Star Water was supposed to start construction in 2017 and anticipated delivering water in 2019. The Board then discussed the elevated storage tank and the fact that the color sky blue had already been selected for the tank.

Mr. Jones then reported that he had prepared a bid package for the proposed improvements to Lift Station No. 1 and that the project was currently in the bidding phase. Mr. Jones noted that the bid opening was scheduled for January 4, 2017 and that there had been six or eight prospective bidders who had picked up bid packages. He added that he hoped to have a recommendation of a contract award at the January Board meeting. Mr. Jones advised the

Board that he would be submitting the District's surplus funds application soon. Mr. Jones then presented Pay Estimates No. 2 and 3 in the amounts of \$28,935 and \$4,500, respectively, attached as **Exhibits "J" and "K"**, and Change Order No. 3 for an additional 120 linear feet of pilot borehole drilling in the amount of \$840, attached as **Exhibit "L"**, for the Water Plant No. 1 – Phase II Water Well Construction project and recommended approval. He stated that the change order related to the additional bore hole and noted that this cost was very reasonable. He added that he expected to see a change order later in the process for a deduction because they had overestimated the depth of the bore. Upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve the Pay Estimates and Change Order. Mr. Jones then reported that a walk through in Section 10A, Phase 2 had occurred and noted that the District was still holding money on that project. Mr. Jones then presented Pay Estimate No. 16-Final in the amount of \$10,000, attached as **Exhibit "M"**, for Sonterra West Section 7A, Phase 2A, and recommended approval. He stated that he had received the final close-out documentation and recommended acceptance of the project for operation and maintenance. Upon motion by Director Faske and second by Director McCloskey, the Board voted unanimously to approve the Pay Estimate and acceptance of the project. Mr. Jones then presented Pay Estimates No. 9 and 10 in the amounts of \$12,730.50 and \$16,955.10, respectively, attached as **Exhibits "N" and "O"**, for Sonterra West Section 8J, Phase 4, and Section 7A, Phase 2B, 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 Estimates No. 1, 2 and 3 in the amounts of \$43,137.36, \$236,539.17 and \$144,725.85, attached as **Exhibits "P", "Q" and "R"**, respectively, for Sonterra West Section 8K and recommended approval. After discussion, upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve the Pay Estimates as presented. Mr. Bilger reported another 182 lots in Sonterra Section 7A, Phase 2A, and Section 8L were expected to go out for bid in January. Mr. Jones stated that he had asked for testing costs for the well site, but had not yet received them, and noted that he had received no change orders on the well project since the last Board meeting.

Mr. Jones then reported that the Sonterra Apartments had provided the required conveyance documents, but still needed to complete a headwall and clean up the drainage ditch. Mr. Bilger noted that they also needed to clean up the material that had been stored on District property adjacent to the park. Mr. Jones also reported that he had received some inquiries from Golden Chick and expected plans the first week in January.

Director Faske then stated that the Board would consider approving the proposal from West, Davis and Company for agreed procedures in connection with the surplus funds application attached as **Exhibit "S"**. Upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve the proposal.

Director Faske then recognized Ms. Littlefield who reviewed her directive, calling the Board's attention to the engagement letter with BLX Group for Arbitrage Rebate Compliance Services attached as **Exhibit "T"**. Ms. Littlefield explained that arbitrage, which was earning interest in excess of the stated bond interest rate, was prohibited, but that this was not as straight forward as it might appear. She stated that a specialty group did the calculations and provided a certification to confirm that the District was monitoring earnings and this certification was available in the event of an Internal Revenue Service inquiry. Ms. Littlefield also explained that, if the District realized excess earnings, it was required to rebate the excess to the Federal Government and so the engagement of BLX Group was intended to ensure compliance. She stated that she was pleased with BLX Group's service and that its rates were good. After discussion, upon motion by Director Chandos and second by Director Slowbe, the

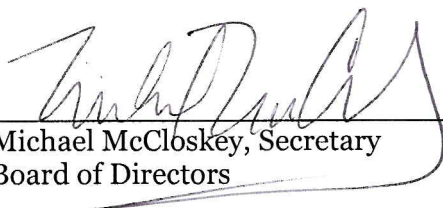
Board voted unanimously to approve the engagement letter. Ms. Littlefield reported that she and Mr. Jones had met with representatives of the proposed purchaser of land in the District owned by Director Faske's father. She explained that Director Faske was aware that participating in any discussion of entitlements for the property would create a conflict of interest and that he would be abstaining from any discussion relating to the property. Ms. Littlefield requested the Board's guidance on its preferences relating to negotiations with the proposed purchaser. After discussion, the Board agreed that Director Slowbe and Director Chandos would serve as the District's development subcommittee and that a \$5,000 deposit against costs would be required before any additional work was done in connection with the property.

Director Faske then stated that the Board would discuss future Board meetings. The Board agreed that the January meeting would be held on January 16th as scheduled. Director McCloskey stated that he had done some informal research after the meeting time and the comments generally were that no one wanted to change the time to 6:00 p.m.; some people wanted to change to 6:30 p.m.; and some wanted to change the meeting to 7:00 p.m. He stated that he felt the reality was that people wanted access, but it was unlikely that large numbers of people would attend the Board meetings regardless of the time. He stated that he felt 6:00 p.m. made it impossible for residents to attend and the meetings needed to be accessible. Mr. Bilger stated that he didn't disagree, but if the meeting time was a factor, he wasn't sure why people didn't come at 7:00 p.m. when the Board was still meeting then. He stated that he did not feel that meeting at 6:30 p.m. was excluding people. Director Slowbe asked if citizens communications could be put at the end of the meeting. Director McCloskey stated that he felt the question was whether the Board wanted to make the meeting accessible or not. Director Slowbe stated that he felt this was a false premise and he felt, if the residents were interested and it was a priority, they would attend. Director McCloskey then stated that he felt the residents had not been adequately informed of the change in the meeting time. Director Slowbe inquired how Director McCloskey felt the residents should be informed. The Board discussed the fact that the meeting time and agenda were on the District's website. After discussion, the Board agreed that the meeting time would remain 6:30 p.m. and directed Mr. Hendrix to include the meeting time on the "back of the bill" for three months and directed Mr. Bilger to place information on the District's website that residents were welcome to address the Board at any time during the Board meetings, even if the citizen's communications item had already been considered.

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

(SEAL)




Michael McCloskey, Secretary
Board of Directors

Date: January 16, 2017