

**SONTERRA MUNICIPAL UTILITY DISTRICT
MINUTES OF BOARD OF DIRECTOR'S MEETING**

April 15, 2019

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on April 15, 2019, at 100 Congress Avenue, Suite 1300, Austin, 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
Tom Slowbe	-	Vice President
Darrell Goldman	-	Secretary
Camy Lenn Reynolds	-	Assistant Secretary
Menashe "Manny" Akiva	-	Assistant Secretary

Also present at the meeting were Andy Bilger of Vecindario Management, LLC; Jason Jones of Jones-Heroy & Associates, Inc. ("JHA"); Taylor Kolmodin of Municipal Accounts and Consulting, LP; Dennis Hendrix of Crossroads Utility Services, Inc.; Ashlee Martin of McCall Gibson Swedlund Barfoot PLLC; and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director Faske called the meeting to order at 6:00 p.m. After the Pledges of Allegiance to the United States and Texas flags, Director Faske asked if there were any Board member remarks or citizens communications. There being none, Director Faske stated that the Board would consider taking action regarding the District's \$7,580,000 Unlimited Tax and Revenue Bonds, Series 2019 (the "Bonds"). Ms. Martin distributed the report on reimbursable costs attached as **Exhibit "B"** and noted that her firm had prepared the report in connection with the proposed disbursement of the proceeds of the Bonds. She reminded the Board that, prior to reimbursement of the developer, the Texas Commission on Environmental Quality ("TCEQ") required a detailed examination of the invoices and payments that supported the developer's claim for reimbursement. She stated that her firm had done this. She called the Board's attention to Schedule B to her report, which she explained showed the amounts approved by the TCEQ and the related reimbursements that had been verified by her firm. She noted that the majority of the reimbursements were for construction-related costs and the remainder was for developer interest. Ms. Martin then reviewed the bond-issuance related expenses as well as the estimated costs to complete column on the schedule, which she explained consisted of amounts being withheld for District projects pursuant to the TCEQ order and hold-back amounts for facilities that had not yet been completed by the developer. She pointed out that there was a contingency line-item for additional bond-issuance related expenses that she expected the District to be billed after the closing. She stated that, after funding all reimbursements and expenses, the District would have approximately \$494,000 of surplus funds. The Board discussed the potential use of these funds for District projects or other developer reimbursements.

Ms. Littlefield then explained that Statement on Auditing Standards No. 133 required that Ms. Martin obtain an updated representation letter from the Board because the audit report had been used in the offering documents for the Bonds. Ms. Martin presented the Official

Statement Management Representation Letter attached as **Exhibit “C”** and requested approval. Ms. Littlefield then reviewed the remaining action items on the Board’s meeting agenda related to the Bonds. After discussion, Director Faske moved that the Board accept the report on reimbursable costs; authorize acceptance of the Conveyance of Existing Facilities and Capacity and Bills Paid Warranty attached as **Exhibit “D”** and related closing documents; approve the Addendum to Exhibit A for arbitrage rebate services contract dated December 19, 2016 with BLX Group, LLC attached as **Exhibit “E”**; approve the Blanket Issuer Letter of Representations attached as **Exhibit “F”**; and authorize disbursement of the proceeds of the Bonds in accordance with the report on reimbursable costs, subject to receipt of a disbursement letter signed by the developer. Upon second by Director Goldman, the motion was adopted by unanimous vote. A copy of the final disbursement letter is attached as **Exhibit “G”**.

Director Faske then stated that the Board would consider approving the minutes of the March 18, 2019 and April 8, 2019 Board meetings. Upon motion by Director Faske and second by Director Reynolds, the Board voted unanimously to approve the minutes. Director Faske then stated that the Board would consider approving the Order Establishing Revised Drought Contingency Plan attached as **Exhibit “H”**. Upon motion by Director Faske and second by Director Akiva, the Board voted unanimously to approve the Order.

Director Faske stated that the Board would next receive the manager’s report and recognized Mr. Bilger. Mr. Bilger reported that the pool parking lot required some repairs and that the developer would repair the potholes, but that an overlay was also needed because the parking lot would not hold up to another year’s traffic. He confirmed that he had solicited three bids, but added that only one bidder had responded. Mr. Bilger stated that the parking lot at the District office was also in poor condition and that the placement of the dumpsters for the clean-up day had resulted in substantial deterioration of the parking lot in the back of the building. He recommended that he be authorized to rebid the overlay of both parking lots as a combined project. Director Slowbe asked if the pool parking lot work would be done before the pool opening and Mr. Bilger confirmed that it would be. After discussion, upon motion by Director Faske and second by Director Reynolds, the Board voted unanimously to authorize Mr. Bilger to proceed with rebidding the project and to appoint a subcommittee consisting of Directors Faske and Goldman to review the bids and approve a contract for the work.

Mr. Bilger then stated that the repairs to the irrigation system along the Lone Star Regional Water Authority (the “LSRWA”) pipeline had exceeded the damage that was anticipated. He stated that the contractor was neither repairing the damage nor marking the damage so the District’s contractor could repair it. He estimated that the cost of the repairs had exceeded \$25,000 at this point and advised Mr. Jones that he felt this needed to be reported to the LSRWA and its engineer. Mr. Jones confirmed that he had done this and that the contractor would be held responsible for the damage. Mr. Bilger stated that the contractor had also killed several large trees and Mr. Jones explained that the contract documents made it clear that the contractor needed to coordinate with the owner on any work around the trees, but the contractor had removed several of them and left them laying on the ground for an extended period, and that they had died.

The Board then reviewed the general manager’s directives and updated the list. The Board discussed the proposed marquee signs and the challenges in getting internet service to operate the signs. After discussion, the Board directed Mr. Bilger to contact FSG Signs about the marquee signs and to determine if it could provide the signs and internet as a combined package.

Mr. Bilger stated that he had had no success in getting more detailed reports from the City of Jarrell regarding the patrol services it had billed for. After discussion, the Board

authorized Mr. Bilger to negotiate a settlement with the City under which the District would pay one-half of the billed amount in full satisfaction of the City's claim. Mr. Bilger stated that the item on the fees payable for covenant services was premature and asked that this be taken off the directives list until such time as he had obtained the information to present in connection with the 2019-2020 budget.

Director Faske stated that the Board would next discuss District security. Director Slowbe stated that the Sheriff's deputies were doing an excellent job and had issued 42 citations in March as well as 54 warnings.

Director Faske then stated that the Board would discuss park and recreational facilities. Director Slowbe reported that the Park and Trails Subcommittee had met and that there had been an excellent turn-out. He stated that the University was putting together some conceptual drawings with ideas for different areas. He added that Mr. Jones had compiled the requested GIS information and this had been provided to the University. Mr. Bilger stated that the bids for the sidewalk project would be opened on April 22nd and that he would present a recommendation at the next Board meeting. Director Slowbe reported that the bulky waste clean-up day had been held as previously authorized by the Board.

Director Faske then stated that the Board would receive the District operator's report. Mr. Hendrix presented Crossroads' report, attached as **Exhibit "I"**. He stated that, as of the end of March, the District had 1,903 occupied single-family connections and a total of 2,156 accounts. He reported that all lab results had been satisfactory and that there had been a water loss of 6.98% during the prior reporting period. Mr. Hendrix stated that there had been three write-offs in the total amount of \$539.67. He stated that Well No. 4 was still being operated by hand, and that he hoped to have Well No. 5 back in operation in the next few weeks. Mr. Hendrix stated that there had been some operational problems with Well No. 2 and explained that the subrol that protected the motor had failed. He stated that Crossroads had bypassed it and ordered a replacement. He called the Board's attention to the fluoride reports and noted that the level was 3.82 mg/L after blending and noted that Well No. 4 and Well No. 5 was designed to be blended together.

Director Faske stated that the Board would next discuss water, wastewater and rate matters. Mr. Bilger stated that he had nothing new to report regarding the City's wastewater expansion project and added that Mr. Jones was meeting with DCS Engineering ("*DCS*") on flow matters. Director Faske asked if the City was aware of the significance of the issues it faced. Mr. Bilger stated that the Mayor, City Manager and operator were aware, but that he felt there was a problem with them being overly optimistic, especially since all the current projects were about a year behind. He stated that he was in fairly constant communication with the City's representatives, and primarily the Mayor. Mr. Bilger stated that he was concerned that the City was still annexing land and planning to extend service to new developments. He added that the City had indicated that it was waiting for the report from DCS. Director Slowbe asked when the report was coming out and Mr. Jones responded that the City really needed a five to ten year plan, but DCS was currently working on a one-year plan. He confirmed that the City had repaired some inflow and infiltration leaks, but explained that there was not a good flow history since the repairs had been made. Mr. Jones stated that, with the additional phase of the plant added, the City could still be out of capacity in another year. Mr. Bilger pointed out that nothing had been done yet on the next expansion phase.

Director Faske then stated that the Board would receive the bookkeeper's report. Ms. Kolmodin called the Board's attention to the check register attached as **Exhibit "J"** and the supplemental check register attached as **Exhibit "K"**. Ms. Kolmodin stated that almost 98% of the District's property taxes had been paid as of the end of February. After discussion, upon

motion by Director Goldman and second by Director Faske, the Board voted unanimously to approve the bookkeeper's report and the payments as presented.

Director Faske stated that the Board would next receive the engineer's report and recognized Mr. Jones. Mr. Jones confirmed he had checked on the Trinity well pump order and stated that it should be received in a week or two. He then reviewed the report attached as **Exhibit "L"**. He stated that he thought the LSRWA project was on schedule and explained that it was necessary to complete the District's water plant upgrade project in order to utilize the water since the treatment processes were currently different. Director Akiva asked how this would be done and Mr. Jones explained that blending would be done at the District's two water facilities, in the ground storage tank. He added that the surface water supply would be delivered treated with chloramines, while the District's well water was treated with chlorine and would need to be treated with chloramines in order for the two supplies to be blended. He stated that the funds for the water plant upgrade were included in the current District bond issue. Mr. Jones stated that he expected to bring bids for the upgrade to the Board in June and the project would be completed in four or five months. Mr. Jones confirmed that Crossroads was under contract to operate the LSRWA system, and stated that this continuity was good. He confirmed that Mr. Joyce was currently working on the rate structure and that he was working on the usage estimates that the LSRWA had requested. Mr. Jones estimated that the cost would be about \$4.00 per thousand gallons for the surface water. He stated that, if the District would not be taking water until January 2020, it might be more cost-effective to pay an excess water charge rather than pay under the take or pay provision of the contract.

Mr. Jones then presented Pay Estimate No. 11 from JKB Construction in the amount of \$21,505.50, attached as **Exhibit "M"**, for Sonterra West Section 12 and requested approval. He stated that this project was almost complete. After discussion, upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve the Pay Estimate as recommended.

Mr. Jones then presented Pay Estimate No. 11 from Joe Bland Construction, in the amount of \$187,576.35, attached as **Exhibit "N"**, for Sonterra West Sections 8-O, 11-2 and 12C and requested approval. He stated that this project was also almost complete. After discussion, upon motion by Director Faske and second by Director Goldman, the Board voted unanimously to approve the Pay Estimate as recommended.

Mr. Jones then presented Pay Estimate No. 8 from JKB Construction, in the amount of \$53,570.25, attached as **Exhibit "O"**, for Sonterra West Section 11, Phase 3 and Sonterra West Section 12B and requested approval. After discussion, upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve the Pay Estimate as recommended.

Mr. Jones then presented the bid tabulation attached as **Exhibit "P"** for Sonterra West Section 13. He stated that bids were opened April 1st and that the design engineer recommended award of the contract to Joe Bland Construction, LP for the low bid amount of \$1,919,634.20. He added that he also recommended awarding the contract to the low bidder. He stated that he was very pleased with the work that had been done by Joe Bland Construction, LP on other projects and pleased that it was the low bidder. After discussion, upon motion by Director Faske and second by Director Slowbe, the Board voted unanimously to approve the award of the contract to the low bidder, Joe Bland Construction, LP.

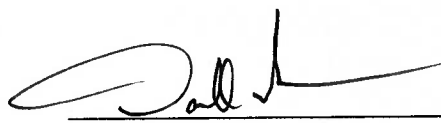
Mr. Bilger then reported that there was a four-inch force main coming out of Section 6 that was not located within the easement and that he assumed it had been improperly located because FM 313 didn't exist in its current location at the time the force main was built by the

prior developer. Mr. Jones requested authorization to solicit three bids for the relocation of the force main into the easement, and estimated that the cost would be between \$12,000 and \$25,000. Upon motion by Director Faske and second by Director Goldman, the Board voted unanimously to authorize Mr. Jones to proceed with soliciting three bids for the project and to appoint a subcommittee consisting of Directors Faske and Slowbe to approve the award of the contract for the work.

Director Faske then recognized Ms. Littlefield, who reviewed her directives with the Board. She then reviewed the most recent Texas Municipal League Intergovernmental Risk Pool Summary of Claim Experience Report with the Board.

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





Darrell Goldman
Secretary, Board of Directors

Date: April 15, 2019