

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

January 20, 2020

THE STATE OF TEXAS           §  
  §  
COUNTY OF WILLIAMSON       §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on January 20, 2020, 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, constituting a quorum:

Tom Slowbe	-	Vice President
Darrell Goldman	-	Secretary
Camy Lenn Reynolds	-	Assistant Secretary
Menashe "Manny" Akiva	-	Assistant Secretary

Director John Faske was absent. Also present at the meeting were Andy Bilger of Vecindario Management, LLC; Jason Jones of Jones-Heroy & Associates, Inc.; Robert Anderson of Crossroads Utility Services, Inc. ("Crossroads"); Garry Kimball of Specialized Public Finance; Taylor Kolmodin of Municipal Accounts and Consulting; Ashlee Martin of McCall Gibson Swedlund Barfoot PLLC; Edward Castro and Josh Fulter of Landscape Design and Lawn LLC; Chris Black, a resident of the District; William DuBose of Hydro Resources; and Sue Brooks Littlefield of Armbrust & Brown, PLLC.

Director Slowbe called the meeting to order at 6:00 p.m. After the Pledges of Allegiance to the United States and Texas flags, Director Slowbe stated that the Board would receive any Board member remarks or citizens communications. Director Slowbe then recognized Mr. Black, who stated that he had moved into the District three months previously and that his neighbors left their dog out all night and all day and it barked constantly. He stated that he had called the police, animal control and the Homeowners Association ("HOA"), but didn't think the \$25 fine by the HOA was enough. He added that more than just his neighbors left their dogs out and the dogs continued to bark. Director Slowbe stated that, even to start the process of a fine, the HOA must have an affidavit signed by at least two neighbors. Mr. Bilger stated that, unfortunately, enforcement was a process and took time. Mr. Black responded that it was very frustrating and something had to be done. Mr. Bilger stated that the only remedy was a fine and that the HOA could only go to court after \$250 in fines had been levied for violations. He added that most people were unwilling to sign an affidavit because they did not want to get into a bad position with their neighbors. Mr. Black said that he understood that all the neighbors had to agree on the date the problem had occurred.

Director Slowbe stated that the Board would next consider approving the election-related items on the Board's supplemental meeting agenda: the Order Adopting and Implementing Bilingual Election Requirements attached as **Exhibit "B"**; the Order Adopting and Implementing the Use of Accessible Voting Systems in Addition to Paper Ballots in District Elections attached as **Exhibit "C"**; the Resolution Authorizing Secretary's Appointment of Agent to Perform Duties During Election Period and Designating Location for Filing Application for a Place on the Ballot in District Elections attached as **Exhibit "D"**; the Order Calling Director Election for May 2, 2020 attached as **Exhibit "E"**; the Resolution Approving Election

Agreement Between Williamson County and Sonterra Municipal Utility District and Joint Election Agreement (Williamson County) attached as **Exhibit “F”**; and authorizing the District’s legal counsel to give notice of the Director Election for May 2, 2020. Upon motion by Director Goldman and second by Director Reynolds, the Board voted 4-0 to approve the election items on the Board’s supplemental meeting agenda.

Director Slowbe stated that the Board would next receive a report on the audit of the District’s financial statements for the fiscal year ended September 30, 2019 and recognized Ms. Martin. Ms. Martin presented the audit report attached as **Exhibit “G”** and stated that she would go through it at a relatively high level. She called the Board’s attention to her firm’s opinion, which she explained was, once again, an unmodified opinion and the highest quality of opinion that the District could receive. Ms. Martin pointed out that the Management’s Discussion and Analysis was a summary of the audit report and provided a very good overview of the District’s financial activities for the fiscal year. She then reviewed the District’s financial statements and called the Board’s attention to the statement of net position or balance sheet for the District’s general, debt service and capital projects funds. She stated that GASB 34 adjustments had been made to convert the governmental fund balance sheets into more of a “for profit” view. She pointed out that these included an adjustment for the District’s right to receive water from the Lone Star Regional Water Authority (“*LSRWA*”) and its capital facilities. She then reviewed the liabilities and the adjustment for depreciation as well as deferred costs associated with the District’s refunding bonds. Ms. Martin then reviewed the District’s fund balances and the increases in each of the funds. She noted that the GASB adjustments to the fund balances were primarily to account for interest as well as outstanding debt, including both bonds and capital leases. She then reviewed the statement of activities, including revenues and expenditures. Ms. Martin next reviewed the notes to the financial statements, which she stated provided more detail about the District’s finances. She called the Board’s attention to the schedule of outstanding debt and the payments coming due over the current fiscal year. She confirmed that the District’s cash balances had been covered by FDIC insurance or pledged collateral as of the end of the prior fiscal year and reviewed the District’s investments with TexPool as well in various certificates of deposit. She pointed out the sums paid to LSARG for groundwater supplies and to the City of Jarrell (the “*City*”) for wholesale wastewater service. Ms. Martin pointed out the summary on the District’s contracts with LSRWA and the related debt. She also reviewed the schedule of the District’s capital leases for the District office and pool. She stated that the District had finished the year ahead of budget. Ms. Martin then reviewed the required Texas Supplementary Schedules, including total service connections, the District’s water accountability ratio, and an analysis of taxes levied and receivable, noting that the District had collected 99.5% of the taxes levied the prior year. Ms. Martin also reviewed an analysis of the District’s long-term bond debt and a five-year summary of revenues and expenses. Ms. Martin then asked if there were any questions about the audit. There being none, she confirmed there had been no issues, adjustments or disagreements with management in the course of the audit. Ms. Martin requested approval of the representation letter attached as **Exhibit “H”** and explained that this letter confirmed that the District had provided all information required to conduct the audit and that it was based on the representations of the District’s manager and bookkeeper. After discussion, upon motion by Director Goldman and second by Director Reynolds, the Board voted 4-0 to approve the audit report, the representation letter, and the filing of the audit report.

Director Slowbe then recognized Mr. Kimball, who explained that he had been asked to prepare a financial analysis based on the District’s existing tax rate through build out, with forward-looking growth projections, noting that he used 75% of the growth projected by the developer. Mr. Kimball stated that the bottom line was that the District would have an additional \$44.8 Million in additional bonding capacity over the current voted authorization. He stated that he expected that the District would issue all of its authorized bonds by the end of 2022. He added that this was just a financial analysis and that he did not get into the

engineering that would be needed to support an additional bond election. Mr. Kimball then discussed bonds for park facilities and Mr. Bilger explained that the District wasn't initially planned to be as large as it was, it had been anticipated that there would be a number of smaller districts that would finance their individual utility facilities, and the District did not have sufficient bonding capacity to fund all of the necessary utility projects. He stated that additional bonding authority would give the District the ability to finance these additional improvements. Mr. Kimball noted that park bonds were limited to 1% of the District's taxable value and that, for example, if the District reached \$1 Billion in tax base, the District would have the ability to bond \$10 Million in park facilities. After discussion, the Board agreed to schedule a worksession on a possible bond election and the additional facilities that could be financed for February 3, 2020 at noon at the District's office and requested that bond counsel be invited to attend to discuss the bond process. Mr. Kimball then stated that his firm had been evaluating the District's outstanding debt in terms of the market and the District could refinance certain outstanding bonds as early as May. He stated that, based on current market rates, the District could refinance some 5% bonds in a 3% market, which could result in a savings of over \$400,000. The Board directed Ms. Littlefield to add an item to discuss this to the Board's February meeting agenda and she agreed to do so.

Director Slowbe stated that the Board would next consider approving the minutes of the December 9, 2019 Board meeting. Upon motion by Director Reynolds and second by Director Slowbe, the Board voted 4-0 to approve the minutes.

Director Slowbe then stated that the Board would receive the manager's report and recognized Mr. Bilger. The Board asked about the status of the new meeting room chairs. Mr. Bilger responded that he was looking for chairs that did not require assembly. He reported that the County was finally moving forward with the road construction project. Mr. Bilger stated that the pool house was starting to look a little worn and he didn't have a proposed budget, but thought this work needed to occur before Spring, noting that painting was a priority. He also stated that the sand in the sand filter needed to be replaced and that it hadn't ever been changed out. The Board asked Ms. Littlefield to add an item on the Board's next meeting agenda to discuss the pool house and replacing the sand filter media and she agreed to do so. Mr. Bilger then stated that he had been approached by a pastor who wanted to rent the District's office for church services on Saturday nights and Sunday mornings. The Board asked Ms. Littlefield to add an item on the Board's next meeting agenda to discuss renting the building for this type of use and she agreed to do so. Director Slowbe stated that he and Mr. Bilger needed to get together on the marquee signs. He added that the internet facilities lease was now final, subject only to Mr. Jones' approval of the plans. After discussion, the Board authorized Mr. Jones to approve the plans for the installation of the internet facilities on the water storage tank, subject to any requirements he felt were appropriate for safety and for protecting the water storage tank from damage. The Board directed Mr. Bilger to negotiate and execute an agreement with the emergency services district for fire hydrant maintenance for an amount not to exceed \$3,500. Mr. Bilger then requested that the sidewalks be removed from his directives, as this item has been completed. Ms. Littlefield agreed to go through Mr. Bilger's directives with him in order to delete any completed items. Mr. Bilger stated that the signs required by the Texas Commission on Environmental Quality ("TCEQ") had been ordered and installed.

Director Slowbe then stated that the Board would discuss landscape maintenance and mowing services. Mr. Bilger stated that the County was misinterpreting the intent of the License Agreement with Williamson County, noting that he had clarified that it was not only main roadway and that it really covered all of the right-of-way. He stated that two individuals were saying that some of the crepe myrtles on Vireo, at the entrance across from Geode, were too close to the curb, but that they were actually more than 36 inches from the curb. He stated that he was trying to schedule a meeting with the County engineer to discuss these issues.

Director Slowbe stated that the Board would next discuss District security. Director Slowbe stated that he hadn't seen any trucks parking in the District.

Director Slowbe then stated that the Board would discuss park and recreational facilities. He stated that he and Mr. Bilger had met with Trent Rush, a park planner, and were now working on scheduling a meeting with the full Park Committee to develop a set of timelines and a budget for each project. He stated that they were discussing whether Mr. Rush's firm could serve as the project manager or perform some other scope of work. Director Reynolds stated that she was working on putting a pool committee together to come up with some recommendations on pool hours. Director Slowbe stated that the goal would be to maximize usage.

Director Slowbe then stated that the Board would receive the District operator's report. Mr. Anderson stated that the double-billing issue relating to park fees had been addressed and explained this was due to Crossroads' migration to a new billing system. He stated that the chlorination notice was in process and, once approved by Director Reynolds, would be sent out. Mr. Anderson explained that Crossroads had been stricken by a ransomware virus which had required its system to be shut down, noting that Crossroads had replaced its servers rather than pay any ransom and that it was in the process of rebuilding the system. He confirmed that none of the District's billing information was available on Crossroads' servers and added that Crossroads had hired a specialty cybersecurity company to come in and do an audit just to be sure. Mr. Anderson then presented Crossroads' report, attached as **Exhibit "I"**. The Board discussed the need for a better email blast system.

Mr. Anderson then reminded the Board that it was required to conduct an annual review of the District's identity theft prevention program under the Federal government's "red flag rules". He reported that the District's identity theft prevention program continued to be effective and there had been no incidents of identity theft in the District. He stated that he had no recommended updates to the program at this time. Ms. Littlefield then directed the Board's attention to the Resolution Confirming Annual Review of Identity Theft Prevention Program attached as **Exhibit "J"**. After discussion, upon motion by Director Akiva and second by Director Goldman, the Board voted 4-0 to approve the Resolution.

Mr. Anderson then reported that there had been a water loss of 7.32% during the prior reporting period. He also reported that eight accounts totaling \$1,354.90 had been written off and sent for collection. Mr. Anderson stated that the meter at Well No. 5 had been replaced. He reported that there was some desire from residents to be able to continue to use the payment drop box that had been installed by Crossroads and explained that this would be an extra cost as it must be bank quality. He reviewed samples of types of box that could be used with the Board. The Board directed Ms. Littlefield to add the installation of a payment drop box to the February meeting agenda for discussion.

Director Slowbe stated that the Board would next discuss water, wastewater and rate matters. Mr. Jones recommended that the Board approve the Resolution Confirming Annual Review of Drought Contingency Plan attached as **Exhibit "K"** and stated that the plan was working well and he had no recommended changes. After discussion, upon motion by Director Akiva and second by Director Slowbe, the Board voted 4-0 to approve the Resolution. Mr. Jones reported that fluoride levels remained right around 4.0 and they were currently waiting on Well No. 2 to be back on line and getting the surface water supply. In response to a question from Director Akiva, Mr. Jones confirmed that the surface water supply was getting very close as the LSRWA was closing out contracts and added that he anticipated it would be delivered in about another month. He stated that the City had run into electrical problems getting the new wastewater plant started up, but the contractor was committed to finishing the job, noting that the control panels had to be sent back to Houston to be reconfigured. Mr. Jones stated that he had also been in contact with the City on its wastewater master plan, noting that this had been

an eye-opening experience for the City, which was much needed. He stated that there were a series of meetings scheduled with the City over the next two months and that DCS Engineering was working to finish up the plan before spring. Mr. Jones stated that the City was now aware that its 4 MGD discharge permit would not be enough to serve its current commitments, noting that there was time for the City to obtain additional permitting.

Mr. Jones then updated the Board on the water impact fee process and called the Board's attention to the capital improvements plan attached as **Exhibit "L"**. He stated that his goal was to obtain Board approval so he could proceed with filing it with the TCEQ. Mr. Jones explained that he had used a "not-to-exceed" number of \$3,500, although the District could justify more, because there were also market considerations. Director Slowbe asked if this was cast in stone and Mr. Jones responded that the plan was required to be reviewed every two to five years. Mr. Jones then reviewed the District's ultimate service area consisting of the District, Cool Water Municipal Utility District and the proposed Eastwood Municipal Utility District, which he explained consisted of several smaller tracts. He reviewed the land uses shown on the land use plan attached as **Exhibit "M"**. He stated that most of the plan was set, but that he had to make some assumptions on the Eastwood tracts. Mr. Jones explained that his draft report included various tables and reviewed the system capacities currently on the ground with the Board. He explained the water plant capacities, as well as the facilities in place and those in process to meet demand. Mr. Jones then reviewed the connections for the District, Cool Water Municipal Utility District and the proposed Eastwood Municipal Utility District, as well as a small number of out-of-District customers, adding up to 9,189 connections, which he explained was an average density about 4.6 units per acre. He stated that, for multifamily uses, he was using about 8.5 units per acre. Mr. Jones stated that the individuals who were at the last meeting to discuss out-of-District service had projected 14 units per acre. Mr. Jones then reviewed the maximum water supply capacity and storage and the related number of service connections. He stated that the capital improvements projects ("**CIP**") included 1 and 2, the LSRWA pipeline and the water plant upgrades to convert to chloramines that were in process, and 3 and 4, which were future projects. He explained the relationship of the additional improvements required to take the entire amount of capacity contracted for from the LSRWA, including the additional Wastewater Treatment Plant No. 1 improvements (ground storage and high service pumps) that he recommended the District proceed with later in the year. He stated that the District's 12-inch waterline network, which was in place, provided a looped system from the District's water plant. Mr. Jones then reviewed the costs of the CIP and noted that the District's share of the LSRWA project, including engineering and construction, was about \$12.2 Million. He explained that \$962,000 was the water plant upgrade, which was underway. He stated that the cost of the booster pump and storage at water plant 1 was about \$3.4 Million, which he recommended financing in 2020 and constructing in 2021. He added that project 4 was the additional elevated storage tank at the interstate. Mr. Jones then reviewed the cost allocation among the District and the retail service districts. He stated that the proposed \$3,500 water impact fee would finance the cost of these projects. Mr. Jones recommended that the Board approve the capital improvements plan and the Resolution Authorizing Application to the Texas Commission on Environmental Quality for Approval of a Water Impact Fee attached as **Exhibit "N"**. After discussion, upon motion by Director Goldman and second by Director Akiva, the Board voted 4-0 to approve the plan and the Resolution.

Mr. Jones then reviewed the Sonterra Municipal Utility District Annexation and Out-of-District Service Policy attached as **Exhibit "O"**. He stated that the District currently had no available capacity due to the agreements with Cool Water Municipal Utility District and the proposed Eastwood Municipal Utility District. After discussion, upon motion by Director Reynolds and second by Director Akiva, the Board voted 4-0 to approve the Policy, to acknowledge Mr. Jones' report that the District had no surplus capacity available at this time, and to advise any applicants for out-of-District service or annexation that the District did not have the capacity to serve their tracts at this time.

Mr. Jones then reviewed the summary and cost allocation prepared by Jay Joyce attached as **Exhibit "P"**, and explained that the cost analysis included the CIP he had reviewed, as well as shared facilities that would be utilized by the District and the retail service districts. He noted that these costs had been allocated on a capacity basis. After discussion, upon motion by Director Goldman and second by Director Slowbe, the Board voted 4-0 approve the payment schedules as presented and directed Ms. Littlefield to bring contracts incorporating these schedules to the February Board meeting for approval. The Board agreed that it would also consider an amended budget at that time.

Director Slowbe 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 "Q"** and the supplemental check register attached as **Exhibit "R"**. Ms. Kolmodin stated that she would void the check that was shown as being reissued to Armbrust & Brown, PLLC as the previous check had been found subsequent to the report being prepared. She stated that she was missing November and December information due to not receiving reports from Crossroads, noting that the amount of that check would be filled in once the invoices were received. Ms. Kolmodin reviewed the supplemental checks to the City for wastewater and for the District's strategic partnership payment. She stated that a lot of tax money would be coming in over the next couple of months. She also noted that bond payments were coming due in February. Director Akiva inquired about the payments to DCS Engineering and Mr. Jones reminded the Board that the District had engaged this engineer to work on the City's wastewater permit renewal as well as the City's wastewater master plan and explained that the District would receive a credit against its future wastewater impact fee payments for this cost. Upon motion by Director Goldman and second by Director Reynolds, the Board voted 4-0 to approve the bookkeeper's report and the payments as presented, with the void noted.

Director Slowbe then recognized Mr. Jones for the purpose of receiving the engineer's report. Mr. Jones called the Board's attention to his report, attached as **Exhibit "S"** and the supplemental report attached as **Exhibit "T"**. He reminded the Board that Hydro Resources' proposal for the new pumping equipment at Well No. 2 was over \$50,000 and explained that he had obtained an additional quote from Advanced Water Well for \$57,000 and one from Smith Pump for about \$74,000. He stated that, after analyzing the quotes, he recommended awarding the contract to Hydro Resources for an amount not to exceed \$62,000. Mr. Jones then introduced Mr. DuBose to the Board. Mr. Jones then explained that, at the bottom of the facing in the well there was an open hole, and the pump intake was above the motor, so they wanted to keep water flowing around the motor to keep it clean and cool. He stated that his concern was that, when the production zone was above the motor, it was not letting water circulate around it. He stated that he had asked all three bidders if they could fabricate a custom shroud to go around the motor and Hydro Resources is the only bidder that is willing to do this work, which is critical to extending the life of the motor. Mr. DuBose then explained that his company had televised the casing and found that the bore hole was not perfectly straight. He stated that this alignment issue was an additional complication. The Board discussed other options, including utilizing a turbine pump in lieu of a submersible pump. The Board also discussed timing for the project. Mr. DuBose noted that the lead time for VFD electrical equipment would be the longest. Director Goldman inquired about the warranty and Mr. DuBose responded that there would be a one-year warranty. Mr. Jones recommend getting this pump on line as soon as possible. Director Slowbe inquired what the estimated completion time would be and Mr. DuBose responded that he assumed it could be done in six weeks, if his company could get the enclosure for the variable frequency drive in three weeks. Upon motion by Director Slowbe and second by Director Goldman, the Board voted 4-0 to approve the award of the contract to Hydro Resources, as recommended.

Mr. Jones then recommended that the Board terminate the October 20, 2014 Utility Construction Inspections Agreement with his company that provided for inspection services and

authorized these services to be billed to the respective sections on a time and materials basis under the terms of Jones-Heroy & Associates, Inc.'s general services agreement with the District beginning January 1, 2020. He stated that the size of the current section under construction was causing billing problems and this would make the billing much simpler. After discussion, upon motion by Director Goldman and second by Director Reynolds, the Board voted 4-0 to do so.

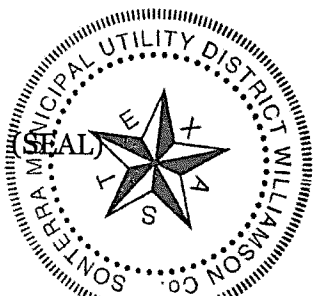
Mr. Jones then provided the Board with **Exhibit "U"**, noting that this report replaced the report included in the meeting packet. He called the Board's attention to the Change Order that had been authorized by the Board at the last meeting attached as **Exhibit "V"**. He stated that the pressure tank wall thicknesses had checked out so the District could proceed with the painting once he got the cost. Mr. Jones then presented Pay Estimate No. 5 in the amount of \$76,050, attached as **Exhibit "W"**, for the Water Treatment Plant Nos. 1 and 2 upgrade and recommended approval. Mr. Jones also recommended approval of Change Order No. 3 for an updated operator control interface and remote alarm equipment in the amount of \$16,355, attached as **Exhibit "X"**. Mr. Jones stated that Crossroads can install a needed chlorine gas sensor in the amount of \$1,800, which is a \$1,700 savings versus a quote received from TTE. Upon motion by Director Slowbe and second by Director Akiva, the Board voted 4-0 to approve the Pay Estimate and Change Order as well as the \$1,800 for the chlorine gas sensor.

Mr. Jones next presented Pay Estimate No. 5 in the amount of \$41,175, attached as **Exhibit "Y"**, for Sonterra West Section 13 and recommended approval. Mr. Jones also presented Pay Estimate No. 1 in the amount of \$117,915.30, attached as **Exhibit "Z"**, for Sonterra West Bailey Park Phases II and III and recommended approval. Upon motion by Director Goldman and second by Director Slowbe, the Board voted 4-0 to approve the Pay Estimates.

Mr. Jones stated that he had no update on easement acquisition, and noted that he was working on the Jarrell-Schwetner wheeling agreement.

Director Slowbe then recognized Ms. Littlefield for purposes of receiving the attorney's report. Ms. Littlefield updated the Board on her pending directives. She stated that she had requested that the District's website administrator set up email addresses for the Board members for use for all official communications. After discussion, each of the Board members agreed that they would prefer to use these email addresses and Ms. Littlefield agreed to forward the information from the website administrator. She then called the Board's attention to the Resolution Confirming Annual Review of Written Procedures for Post Bond Issuance Federal Tax Compliance attached as **Exhibit "AA"** and the Resolution Confirming Annual Review of Code of Ethics and Financial Investment, Travel and Professional Services Policies; and Amending List of Qualified Brokers attached as **Exhibit "BB"**, noting that no changes were recommended other than the update of the list of qualified brokers contained in the District's financial policies. Ms. Littlefield then called the Board's attention to the Telecommunications Lease Agreement attached as **Exhibit "CC"**, noting that this lease agreement had been finalized after approval by Director Slowbe, as previously authorized. After discussion, upon motion by Director Slowbe and second by Director Goldman, the Board voted 4-0 to approve the Resolutions and Agreement.

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



Date: January 20, 2020

Darrell Goldman  
Secretary, Board of Directors