

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

February 17, 2020

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held on February 17, 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"**.

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.; Dennis Hendrix of Crossroads Utility Services, Inc. ("*Crossroads*"); Garry Kimball of Specialized Public Finance; Taylor Kolmodin of Municipal Accounts and Consulting ("*MAC*"); Bart Fowler of McCall Parkhurst & Horton, PLLC; Edward Castro of Landscape Design and Lawn LLC; Antonio Lopez of Inglesia de Miserardia; Robin Barfield of Jarrell Community Library; Robert Holloway, a resident of the District; and Sue Brooks Littlefield and Carter Dean 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 stated that the Board would receive Board member remarks and citizens communications. Director Faske then recognized Ms. Barfield, who stated that she was the President of the Board of the Jarrell Community Library (the "*Library*"). She thanked the Board of Directors for allowing her the opportunity to update it on the Library and noted that it had gone a long way since its opening in May 2019 and could not have achieved what it did without the Board of Directors' support and the use of the building. She called the Board's attention to the library statistics attached as **Exhibit "B"** and reviewed them with the Board. She pointed out that the Friends of the Library has raised over \$18,000 in donations and added that this amount did not include grant money that had been received from the Tocker Foundation. Ms. Barfield reported that the Library provided services to a wide age range of residents and that over 200 individuals had attended a story time with Mrs. Claus that had been held during the holidays, which was the biggest event the Library had sponsored. She then reviewed the Library's needs set out on the last page of the attachment and explained that the Library Board was petitioning the City of Jarrell ("*Jarrell*") to provide a steady income to the Library to fund, among other things, a part time library director and seeking accreditation for the Library.

Director Faske stated that he would next recognize Mr. Lopez. Mr. Bilger stated that he would relay Mr. Lopez's request and explained that Mr. Lopez was a pastor and was requesting use of the Board meeting space for his church three days a week. He added that he had advised Mr. Lopez that the Board probably was not going to make a decision this evening. Ms. Littlefield recommended that the Board consider this request in executive session so that she could

provide legal advice on the considerations. Director Slowbe asked how many people would be expected to attend and Mr. Bilger responded that Mr. Lopez had indicated that six to 20 people usually attended. He also advised the Board that Mr. Lopez was requesting the use to begin in March.

Director Faske then stated that the Board would consider approving the minutes of the January 20, 2020 and February 3, 2020 Board meetings. Upon motion by Director Slowbe and second by Director Reynolds, the Board voted unanimously to approve the minutes.

Director Faske stated that the Board would next consider the bond-related items on the Board's supplemental meeting agenda related to the District's \$14,450,000 Unlimited Tax and Revenue Bonds, Series 2020 (the "Bonds"). He recognized Mr. Kimball, who stated that the District had received the Texas Commission on Environmental Quality ("TCEQ") staff memorandum and draft Order Approving an Engineering Project and the Issuance of \$14,450,000 in Unlimited Tax and Revenue Bonds, attached as **Exhibit "C"**. He stated that he had not yet received the signed order from the TCEQ, and explained that the Bonds could not be sold until 30 days after the date of the Order and so the proposed timetable for the issuance of the Bonds that had been included in the meeting packet would not be feasible. Mr. Kimball asked if the Board could move its regular March meeting back a week or so, so the Bonds could be sold in March. Ms. Littlefield reminded the Board that it normally met downtown at noon for the District's bond sales, as Mr. Kimball had indicated this was the best practice to obtain the best bids and to allow him to coordinate with the bidders. After discussion, Mr. Kimball suggested that a special meeting to award the sale of the Bonds be scheduled for March 25 or 26. He stated that there was still a very successful bond market with bonds similar to the Bonds selling in the the 2 1/2% range. Mr. Kimball added that he would like to sell the Bonds ahead of the bonds that he was expecting to hit the market in April due to the high number of refinancings that were on the horizon. After discussion, the Board agreed to schedule a special meeting at the offices of Armbrust & Brown, PLLC at noon but to leave the meeting date open until the District received the signed order from the TCEQ.

Mr. Kimball then called the Board's attention to the draft preliminary official statement ("POS") for the Bonds and explained that the POS was still being reviewed by the District's consultants and would be updated to reflect the date of the signed order from the TCEQ. He added that additional changes could be made up to the time the document was posted. He explained that the Bonds would be sold by competitive sale as with the District's prior bond issues. Mr. Kimball requested that the Board approve the POS subject to any additional changes recommended by the Board or the District's consultants. Mr. Kimball recommended that the Board approve Bank of Texas as paying agent registrar for the Bonds and also recommended approval of the payment of the Attorney General bond review fee. Mr. Kimball called the Board's attention to the Resolution Approving Preliminary Official Statement; Authorizing Distribution of Preliminary Official Statement and Publication of a Notice of Sale of Bonds; and Approving Other Related Matters attached as **Exhibit "D"**. Mr. Fowler noted that the Resolution would be updated to reflect the date of the meeting to proceed with the bond sale and that he would coordinate with the District's general counsel on this date.

Mr. Kimball then requested approval of the Resolution Requesting Updated Appraised Value attached as **Exhibit "E"**. He stated that this would allow him to obtain an updated appraised valuation as of January 1, 2020 and added that, even with conservative values, he estimated that the District probably had about \$9.5 Million in additional bonding capacity. After discussion, upon motion by Director Slowbe and second by Director Faske, the Board voted unanimously to approve the Resolution Approving Preliminary Official Statement; Authorizing Distribution of Preliminary Official Statement and Publication of a Notice of Sale of Bonds; and Approving Other Related Matters; the Resolution Requesting Updated Appraised Value; designation of Bank of Texas as the paying agent/registrar for the Bonds; and payment of the Attorney General bond review fee.

Director Faske then stated that the Board would receive the manager's report and recognized Mr. Bilger. Mr. Bilger stated that it was really rewarding to see the building's parking lot full of cars and the building full of kids and noted that the Library was making a big change in the community. He then reported that the annual Clean-Up Day was planned for May 2nd and suggested holding it at the pool instead of the District office. Director Slowbe stated that this made sense because of the kids using the Library. Director Slowbe added that the event would be held rain or shine and didn't need to be coordinated with Jarrell. Mr. Bilger noted that the prior trash haul-off had caused \$5,000 or \$6,000 in damage to the office parking lot. He stated that he didn't think this was the hauler's fault, because the asphalt had been thin and inadequate, and the parking lots had now been repaved, but the District still might be looking at some repair. Director Faske stated that plywood needed to be placed under the containers to avoid causing damage to the asphalt and explained how this should be done. After discussion, the Board directed Mr. Bilger to ensure that plywood was placed under the containers as recommended by Director Faske. The Board also agreed that pool would be a much better site for the event. Director Slowbe stated that using the pool would work since the pool would not be open. Mr. Bilger agreed to contact some homebuilders and try to arrange the donation of the necessary plywood.

Mr. Bilger then reviewed his directives with the Board, noting that it appeared the Heritage Internet, the proposed internet provider, was no longer on board because of issues regarding the installation. He added that he had been talking to Director Slowbe about getting some electrical drops along Sonterra Boulevard and, if the Board did that, it should be able to get internet of some sort on the poles. He added that they might need to get some meters installed so they could bring electric down the Boulevard and that this could be a substantial job. Director Slowbe stated that this issue had come up at the Parks Committee (the "Committee") meeting, in discussing the overall look of the community, and that the Committee had expressed an interest in seeing some decorations put up during the holidays. Director Faske asked if this would be done by the Sonterra Homeowners' Association (the "HOA") and Mr. Bilger responded that the HOA did not have funds for this. The Board agreed that it needed more information, including pricing, before proceeding. Director Slowbe stated that there were some alternative wireless internet providers. Director Reynolds stated that the idea was that the commercial businesses could sponsor lighting displays and the District could ask Bartlett Electric to donate the power.

Director Faske stated that the Board would next discuss District security and noted that citations had decreased, but the Sheriff's Department still had a good presence.

Director Faske then stated that the Board would discuss park and recreational facilities. Director Slowbe stated that the agreement with Hitchcock Design Group had been signed and he would follow up with Mr. Rush. Mr. Bilger stated that the sidewalks listed on his directives were finished and the final pay estimate was being presented for approval later in the meeting. He added that he thought the sidewalks looked very nice. Mr. Bilger reported that all landscape maintenance was being performed and asked that the pool renovation work be tabled until March.

Director Faske stated that the Board would next receive the District operator's report. Mr. Hendrix presented Crossroads' report, attached as Exhibit "F" and reviewed it with the Board. He advised the Board that, as of the end of January, the District had 2,213 occupied single-family connections, an estimated population of 6,639, and a total of 2,761 accounts and that there had been 43 new taps sold in January and a total of 189 for the fiscal year to date. Mr. Hendrix reported that there had been a water loss of 5.68% during the prior reporting period. He stated that he had no write-offs to present. Mr. Hendrix reported that Pump Station No. 2 had been started up the previous Friday and the elevated storage tank was being disinfected. He explained that Crossroads would have to pull three consecutive samples and had pulled the first one. He added that, if all went well, the District should be able to deliver surface water by the

end of the month or early March. Ms. Littlefield reminded the Board that the notice on the change to chloramines had to be sent out before the surface water began being delivered. Mr. Jones agreed, and explained that the District could not provide the notice until he had a firm date on which the surface water facilities would be in service. Director Faske asked if everything was in line from the District's perspective and Mr. Jones responded that the fiberglass building that was needed to mix ammonia with chlorine in order to produce chloramines had not been delivered, due to a delay by the supplier, and this affected the timing of delivery of the surface water. Director Faske asked if the notice would address the taste difference between ground water and surface water. Mr. Bilger stated that the surface water would have a distinctively different taste. Mr. Hendrix stated that the notice included TCEQ-required language but would include some additional, educational information for the residents, including that the surface water was more of a reliable water supply. Mr. Jones explained that the original notice he had presented to the Board had been determined to be a little wordy and so it had been revised at the Board's direction. He stated that it was important that the TCEQ-required notice be concise, since it was primarily intended to ensure that any dialysis patients were aware of the change as otherwise it could present a health issue. After discussion, the Board agreed that the TCEQ notice should be sent by a separate mailing, and that another, more detailed explanation that included the history and benefits of the additional supply should be put on the District's website and on social media and mailed out with the District's bills. After discussion, the Board directed Mr. Jones, Mr. Bilger and Ms. Littlefield to prepare a supplemental notice, provide copies to the Board members and to place the notice on the website and include it with the bills. Mr. Hendrix then stated that there had been no problem with the reverse osmosis ("RO") station and it was still getting usage. He added that Crossroads had just done the required maintenance to it. After discussion, the Board directed Mr. Hendrix to bring a summary of the historical costs for the RO station to the next meeting so the Board could review them. In response to a question from Ms. Littlefield, Mr. Hendrix stated that he could not determine usage of the RO Station because the water supply was not separately metered.

Mr. Hendrix confirmed that he had had communication with the apartments to obtain flushing information. He then called the Board's attention to the Addendum to Service Agreement by and between Sonterra Municipal Utility District of Williamson County, Texas and T-Tech, LLC attached as Exhibit "G", and stated that this was part of the packet of documents needed to move forward with the new billing system. He stated that this had been worked out between Crossroads and Ms. Littlefield's office. After discussion, upon motion by Director Faske and second by Director Goldman, the Board voted unanimously to approve the Addendum.

Mr. Hendrix then stated that he was working on getting pricing for a payment drop box but needed input from the Board on what the Board wanted, design-wise. He added that Crossroads usually picked up payments twice a week, plus the day before cut-off, and estimated that Crossroads' fee for doing this was about \$250 per \$300 per month. After discussion, the Board directed Mr. Hendrix to bring pricing for the two alternative drop box designs, and the monthly maintenance costs for Crossroads to the next regular Board meeting for review and action.

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 "H" and the supplemental check register attached as Exhibit "I". She stated that she would void the check to Attorney General listed on the check register, Check No. 11615, since the amount of the Bonds had changed. She pointed out that she had added an additional check, No. 11614, to Vecindario Management for \$4,351.73, and would reissue the check to the Attorney General, No. 11616, in the amount of \$9,500 per the Board's prior approval. Ms. Kolmodin then reviewed the District's upcoming bond payments. Upon motion by Director Slowbe and second by Director Akiva, the Board voted unanimously to approve the bookkeeper's report and the payments as presented.

Ms. Kolmodin then advised the Board that MAC had submitted an Amended and Restated Agreement for Bookkeeping Services for the Board's approval. Ms. Littlefield stated that she had not completed her review of the agreement drafted by MAC. After discussion, the Board tabled consideration of the agreement until the March Board meeting.

Ms. Littlefield then reminded the Board that the District's rate consultant, Jay Joyce, was working on an updated budget template and stated that Ms. Kolmodin was willing to participate in the meeting. She asked if the Board wanted to hold a special meeting to review the rate and budget information Mr. Joyce had prepared or delegate this to the District's consultants. Directors Faske, Slowbe and Reynolds indicated they wished to attend the work session and Ms. Littlefield agreed to coordinate scheduling a special meeting of the Board to include her, Ms. Kolmodin, Mr. Joyce and Mr. Bilger.

Director Faske then recognized Mr. Jones for the purpose of receiving the engineer's report. Mr. Jones reported that the LSRWA was holding a water summit in Round Rock later in the month and explained that several water marketers had come into the market in response to a Request For Proposals from the City of Round Rock. Mr. Jones then updated the Board on the wholesale wastewater treatment and capacity matters, noting that Jarrell's new one MGD wastewater treatment expansion was now on line and operating. He reminded the Board that it was anticipated that capacity in the additional plant was already 60 to 70% committed. Mr. Jones stated that the contractor was wrapping up some loose ends, but he believed the District could now get confirmation of the availability of treatment capacity from Jarrell if needed.

Mr. Jones then called the Board's attention to his report, attached as **Exhibit "J"**. He asked that a proposal for the report for the District's next bond issue be included on the next Board meeting agenda. Mr. Bilger stated that moving forward was in the best interest of the District due to the historically low interest rates. The Board concurred and directed that the proposal be placed on the next Board meeting agenda, regardless of whether it was for a regular or special meeting. Mr. Jones estimated that the issue would be in the \$5 or \$6 Million range.

Mr. Jones then presented Pay Estimate No. 6 in the amount of \$163,446.30 for the Water Treatment Plant Nos. 1 and 2 upgrade, attached as **Exhibit "K"**, and recommended approval. He also presented Change Order No. 4 in the amount of \$179,500, attached as **Exhibit "L"**, for interior coatings for the pressure tank and reminded the Board that this work had been included in the original bid documents but pulled because of concerns about the thickness of the tank. He stated that, now that the tank had been tested, he recommended proceeding and added that this was a very good price. Mr. Jones also stated that he had confirmed with Ms. Kolmodin that there were sufficient surplus funds remaining from Bond Issue No. 8 to cover this work, which was a qualified maintenance expense without additional TCEQ approval. Upon motion by Director Faske and second by Director Goldman, the Board voted unanimously to approve the Pay Estimate and Change Order.

Mr. Jones next presented Pay Estimate No. 6 in the amount of \$63,888.30, attached as **Exhibit "M"**, for Sonterra West Section 13 and recommended approval. Mr. Jones also presented Pay Estimate No. 2 in the amount of \$631,368.45, attached as **Exhibit "N"**, for Sonterra West Bailey Park Phases II and III and recommended approval. Upon motion by Director Faske and second by Director Goldman the Board voted unanimously to approve the Pay Estimates.

Mr. Jones stated that he had no update on easement acquisition for the Jarrell Schwertner Water Supply Corporation waterline relocation project.

Director Faske stated that the Board would next discuss park and utility projects and financing. Ms. Littlefield reminded the Board that it had asked her to carry the related items forward so the Board could consider them at such time as it was prepared to move forward. Director Slowbe asked if it was too late to call a May bond election and Ms. Littlefield confirmed that it was. She added that any utility bond proposition was required to be separated from any park bond proposition.

Director Faske then recognized Ms. Littlefield for purposes of receiving the attorney's report. Ms. Littlefield updated the Board on her pending directives. She then presented the Board members with information on cybersecurity training program options that were available to meet the training requirements applicable to the Board members and explained that the necessary training had to be completed by June 14th. Ms. Littlefield reported that BLX Group had confirmed that there had been no yield restriction violations in connection with the District's 2014 bond issue. Ms. Littlefield then called the Board's attention to the most recent Texas Municipal League Intergovernmental Risk Pool Summary of Claim Experience Report.

At 7:05 p.m., Director Faske stated that the Board would convene in executive session in order to receive legal advice regarding the request for use of the District office for church services and regarding the protest that had been received from the owner of 11840 N. IH 35 relating to the payment in lieu of taxes that had been imposed under the terms of the District's rate order and related notice of termination of services for non-payment.

At 7:18 p.m., the Board reconvened in open session and Director Faske announced that no action had been taken in executive session. Director Faske then asked for the Board's decision on the request for use of the District's office. Upon motion by Director Slowbe and second by Director Faske, the Board voted unanimously to decline to approve the requested use due to concerns about the separation of church and state and the fact that, if the requested use was permitted, it would have the effect of giving the church special privileges, especially as the request was to use the building three days per week, and could result in the appearance that the District was supporting or endorsing this particular church.

Director Faske then requested the Board's decision in response to the request for a hearing on the customer dispute over the payment in lieu of taxes provided for under the District's rate order. Upon motion by Director Faske and second by Director Reynolds, the Board voted unanimously to direct Mr. Bilger and the District's general counsel to schedule a time to hear from the customer and its legal counsel as soon as reasonably possible and to proceed with termination of service in accordance with the District's rate order if an agreement was not reached or the payment was not made.

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

(SEAL)



Darrell Goldman
Secretary, Board of Directors

Date: March 16, 2020