

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

March 24, 2020

THE STATE OF TEXAS §
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COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Sonterra Municipal Utility District was held via telephone conference call pursuant to Section 551.025, Texas Government Code, as modified temporarily by Governor Greg Abbott, and pursuant to the related guidance from the office of the Texas Attorney General in connection with the Governor’s COVID-19 Disaster Proclamation. Notice of the meeting 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 meeting was open to the public via the toll-free dial-in telephone number provided in the meeting notice. An electronic agenda packet for the meeting was provided on-line via the link included in the meeting notice and the meeting was recorded and made available at the same link.

The telephone conference meeting was called to order at 12:02 p.m. and the roll of the members of the Board of Directors was called, as follows:

John Faske	-	President
Tom Slowbe	-	Vice President
Darrell Goldman	-	Secretary
Camy Lenn Reynolds	-	Assistant Secretary
Menashe “Manny” Akiva	-	Assistant Secretary

All of the Directors were present. Also present at the meeting were Andy Bilger of Vecindario Management, LLC; Jason Jones of Jones-Heroy & Associates, Inc.; Nur Lamburdini of Municipal Accounts and Consulting (“MAC”); Garry Kimball of Special Public Finance; Bart Fowler and Clayton Chandler of McCall Parkhurst & Horton; Ashley Martin of McCall Gibson Swedlund Barfoot, PLLC; and Sue Brooks Littlefield and Carter Dean of Armbrust & Brown, PLLC.

Director Faske stated that the Board would first consider the items on the meeting agenda related to the District’s \$14,450,000 Unlimited Tax and Revenue Bonds, Series 2020 (the “Bonds”). Mr. Kimball reported that the negotiated bond market was currently locked up due to the public health emergency but the competitive sales market—which included bonds used to reimburse costs expended by the developer—continued to function although bids were fewer and rates had increased by over 1%. He explained that the customary bidders were banding together in syndicates due to market volatility and, as a result, the District had received only one bid from a syndicate of nine firms and that the bid was at an interest rate of 4.29%. He noted that this rate was over 1% higher than bids that had been received two weeks previously, but still compared favorably to the interest rate approved by the Texas Commission on Environmental Quality (“TCEQ”) of 4.7%. He added that the interest rate was well within the rate that had been used for budgeting for purposes of forecasting a level tax rate and approved by the TCEQ. Mr. Kimball added that, put another way, the District would do \$986,000 better over the term of the bonds compared to the budgeted interest rate. He stated that, while he would have preferred to have received five or six bids, the District had beat the budget rate and he was not comfortable there would be any market in the coming weeks and so recommended award of the sale to the bidder. Mr. Kimball pointed out that the Bonds included a five-year call option so the District could refinance the Bonds in year five, if the market conditions improved.

He noted that a difference of 100 basis points equated to \$140,000 per year of additional interest expense, but again, as compared to budgeted numbers, the District would do about \$1,000,000 better over the life of the Bonds. He confirmed that the bidder was Samco Capital Markets. Upon motion by Director Slowbe and second by Director Goldman, the Board voted 5-0 to approve the award of the sale of the Bonds as recommended. Mr. Fowler then reviewed the proposed Order Authorizing the Issuance of \$14,450,000 Sonterra Municipal Utility District Unlimited Tax and Revenue Bonds, Series 2020; Levying an Ad Valorem Tax and a Pledge of Net Revenues of the District's Waterworks and Sanitary Sewer System in Support of the Bonds; Approving Official Statement; Authorizing the Execution of a Paying Agent/Registrar Agreement; Awarding the Sale of Bonds; and Authorizing Other Matters Related to the Issuance of Bonds (the "Order"). He explained that the Order would be completed with the information from the winning bid and that the Order was substantially the same as the orders approved by the Board in connection with its prior bond sales. He requested that the Board also authorize him to complete the pricing information in the Order, and explained that the necessary bond documents were being circulated for signature. Upon motion by Director Faske and second by Director Slowbe, the Board voted 5-0 to authorize Mr. Fowler to complete the draft Order with the necessary information and to adopt the Order as completed, a copy of which is attached as **Exhibit "B"**. Ms. Martin then explained that Statement on Auditing Standards No. 133 required her firm to obtain the updated Official Statement Management Representation Letter attached as **Exhibit "C"** because the audit report previously prepared by her firm had been used in the offering documents for the Bonds. She confirmed that she had done her firm's due diligence by reviewing the District's recent minutes and bookkeeping reports and did not believe the financial statements contained any material misstatements. She explained that the Official Statement on Auditing Standards No. 133 required a supporting representation from the Board. After discussion, upon motion by Director Faske and second by Director Goldman, the Board voted 5-0 to approve the representation letter.

Mr. Fowler then explained that the Texas Attorney General required the payment of a fee of 1/10 of 1% of the amount of the Bonds, up to a maximum amount of \$9,500, for review of the transcript for the Bonds. He requested approval of the payment of the fee. Upon motion by Director Slowbe and second by Director Reynolds, the Board voted 5-0 to approve the payment of the Attorney General bond review fee.

Director Faske requested that Ms. Littlefield preside over the remainder of the meeting. She agreed to do so and stated that the Board would next consider the items on the meeting agenda related to the District's proposed Unlimited Tax Refunding Bonds, Series 2020 (the "Refunding Bonds"). Mr. Kimball explained that, while a refunding was not something that could be done immediately, he requested authorization to move forward with a refunding if the market improved within the next 180 days. He stated that the District currently had two series of bonds that would become callable in August, with interest rates well over 4%, and so, in terms of savings, if bond interest rates in the negotiated market recovered in the next six months, to a rate of 3.5%, it would result in a savings of over \$100,000 and that this would satisfy the net present value saving benchmark of a savings over 3%. He added that this authorization would allow the District to move quickly to take advantage of any potential savings. Mr. Kimball requested that the Board designate a pricing officer and alternate pricing officer and proposed that the President and Vice President be designated. After discussion, Mr. Fowler agreed to revise the draft Order Authorizing the Issuance of Sonterra Municipal Utility District Unlimited Tax Refunding Bonds; Levying an Ad Valorem Tax in Support of the Bonds; Approving an Official Statement; Authorizing Execution of a Bond Purchase Agreement, a Paying Agent/Registrar Agreement and an Escrow Agreement; Establishing Procedures for Selling and Delivering the Bonds; and Authorizing Other Matters Related to the Issuance of the Bonds (the "Refunding Order") included in the meeting packet to reflect this designation. Mr. Kimball then recommended that Samco Capital Markets, as the successful bidder on the District's new money bond issue, be designated as the underwriter for the refunding bonds, if the refunding bond

market recovered. Mr. Kimball also requested permission to apply for a municipal bond rating and bond insurance and authorization to pay the Attorney General bond review fee, again 1/10 of 1% or \$4,000, in connection with the proposed refunding. Mr. Fowler then explained that, since the refunding was a delegation, it required that the Board establish certain parameters. He stated that the maximum amount of refunding bonds under the draft order was \$4,000,000, the delegation was good for six months and, if the market did not come back by September 24th, the matter would come back to the Board. He also explained that the maximum maturity was 2036 and that the minimum savings threshold was 3%, which was fairly standard in the industry. Mr. Kimball stated that he was comfortable with this minimum savings and added that the proposed final maturity was the same as the bonds being refinanced, and that the term of the bonds was not being extended. After discussion, upon motion by Director Goldman and second by Director Slowbe, the Board voted by a vote of 5-0 to designate Directors Faske and Slowbe as pricing officer and alternate pricing officer, respectively; designate Samco Capital Markets as the underwriter; approve the Order attached as **Exhibit “D”**, authorize Mr. Kimball to apply for a municipal bond rating and bond insurance; and approve the payment of the Attorney General bond review fee of 1/10th of 1% of the principal amount of the Refunding Bonds.

Ms. Littlefield stated that the Board would next consider approving the consent items on the Board’s meeting agenda: the Amended and Restated Information Form attached as **Exhibit “E”** and the engagement letter with McCall Gibson Swedlund Barfoot PLLC for the report on reimbursable costs for the Bonds attached as **Exhibit “F”**. Upon motion by Director Reynolds and second by Director Goldman, the Board voted 5-0 to approve the consent items.

Ms. Littlefield then stated that the Board would discuss the District utility and services rates and presented the rate summary attached as **Exhibit “G”**. She explained that Mr. Joyce had recommended that this rate increase be implemented with the April billing cycle. She asked Mr. Jones to confirm this and he responded that he would defer to Crossroads, as the District’s utility operator, since he was not sure when the billing cycles began and ended. Ms. Littlefield noted that the Board had previously agreed to implement the increase in April, assuming that the surface water supply, which would be more expensive, would begin being received at that time and so recommended that the increase set forth on **Exhibit “G”** be approved with the April billing cycle as proposed by Mr. Joyce. Upon motion by Director Goldman and second by Director Akiva, the Board voted 5-0 to do so.

Ms. Littlefield stated that the Board would next receive an update on the delivery of surface water supply and Lone Star Regional Water Authority (“*LSRWA*”) matters and noted that this item included the Notice of Change in Water Supply Disinfectant from Free Chlorine to Chloramines attached as **Exhibit “H”** (the “*TCEQ Notice*”) and proposed general public information notice attached as **Exhibit “I”** (the “*Public Information Notice*”). Mr. Jones reported that the LSRWA surface water facilities had been tested and approved and the LSRWA was ready to start delivering water. He stated that he expected the LSRWA Board to accept the facilities and approve the final pay estimate at its next meeting, which he expected would also be held by telephone conference call. Mr. Jones noted that, as the Board was aware, there were additional facilities required on the District’s side to blend the surface water supply with the District’s ground water, which would allow the District to achieve a substantial savings on the cost of water. He noted that some of these facilities were not complete, including the SCADA system, and that there would likely be some construction delays, although these facilities constituted essential infrastructure under any relevant emergency order. Mr. Jones added that the District could still take surface water without blending and so the notices needed to go out. He reviewed the two notices and explained that the TCEQ Notice would also need to be published. Ms. Littlefield asked if Mr. Jones had confirmed that the two notices could be sent out together. Mr. Jones responded that he had confirmed that this would not violate any TCEQ rules, but recommended that the TCEQ Notice be placed on top of the Public Information

Notice. He stated that the TCEQ Notice included critical information that could affect anyone utilizing a dialysis machine. Mr. Jones confirmed that the District would also post the notice prominently on the District's website and the TCEQ Notice would be published in the Williamson County Sun. Ms. Littlefield asked if Mr. Jones was handling publication of the TCEQ Notice and he stated that he was coordinating the publication with Crossroads.

Ms. Littlefield stated that the Board would next discuss Coronavirus/COVID-19 protocol. Ms. Littlefield stated that, as the Board was aware, required Board meetings would be held by telephone conference during the public emergency presented by the Coronavirus. She recommended that the Board approve the Resolution Authorizing Transfers of District Funds During Emergency or Public Necessity attached as **Exhibit "J"**, and explained that this would allow checks to be signed by two of the authorized individuals listed in the Resolution during the continuance of the public health emergency. Ms. Littlefield also recommended that the Board designate a representative who would be authorized to take any essential actions on behalf of the District during the continuation of the public health emergency. After discussion, the Board generally agreed that Director Faske and Mr. Bilger, with Director Goldman and Director Faske as their alternates if either were unavailable, be designated as such representatives, with the agreement of two representatives required for any action. Director Slowbe inquired about the continuation of this authority and Ms. Littlefield stated that it could be reconsidered at the next Board meeting, which she assumed would also be by telephone conference. Director Goldman asked if the next meeting could be scheduled earlier in the day, and Director Faske responded that he preferred the meeting be after 5:00 p.m. and requested that the meeting time remain at 6:00 p.m. After further discussion, upon motion by Director Faske and second by Director Goldman, the Board voted 5-0 to approve the Resolution and authorize the designated individuals take any essential actions on behalf of the Board that were necessary during the continuation of the Coronavirus public health emergency.

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

(SEAL)



Darrell Goldman
Secretary, Board of Directors

Date: April 20, 2020