

**MINUTES OF MEETING OF
THE BOARD OF DIRECTORS OF
VISTA OAKS MUNICIPAL UTILITY DISTRICT**

February 9, 2015

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Vista Oaks Municipal Utility District was held on February 9, 2015, at the offices of Gray Engineering, Inc., 8834 N. Capital of Texas Highway, Suite 140, 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”**.

The roll was called of the members of the Board:

Douglas Mink	-	President
Leslie Alger	-	Vice President
Mike Asbury	-	Secretary
Keith E. Young	-	Assistant Secretary
Robert Wells	-	Assistant Secretary

and all of the Directors were present, thus constituting a quorum. Also present at times during the meeting were Andrew Hunt of Crossroads Utility Services LLC, the District’s general manager and utility operator; Don Bayes and Herb Edmonson of Gray Engineering, Inc., the District’s engineer; Keli Kirkley of Municipal Accounts & Consulting, L.P., the District’s bookkeeper; and John Bartram of Armbrust & Brown, PLLC, the District’s general counsel.

Director Mink called the meeting to order at 12:03 p.m. and stated that the Board would first receive citizens’ communications and Board member announcements. Mr. Hunt directed the Board’s attention to the email from a resident, a copy of which is attached as **Exhibit “B”**, asking about the District’s plans to install new fencing along Sam Bass Road. Mr. Hunt stated that he had advised the resident that the Board was developing its future fence phasing plan. Director Asbury asked if there had been any follow-up regarding possible cost-sharing opportunities for a fence along Arterial H. Mr. Hunt reported that, at a recent HOA meeting, County Commissioner Valerie Covey had suggested a willingness to work with all interested parties on a solution for fencing along Arterial H. He stated that the approved PUD plan for the Palmer Tract required the developer to install a fence along the rear of the southeastern commercial tract and that Commissioner Covey was likely thinking of fencing from the commercial tract to the intersection with Sam Bass Road. He stated that he had been trying to follow-up with Commissioner Covey on the specifics but had been playing phone tag. Mr. Hunt added that he had learned at the HOA meeting that the northern two lanes of Arterial H would be constructed first, which was contrary to what the District had been advised previously, but would be better for the District in any event.

There being no further citizens’ communications or Board member announcements, Director Mink stated that the Board would next consider approving the minutes of the January 12, 2015 Board meeting. Upon motion by Director Asbury and second by Director Alger, the Board voted unanimously to approve the minutes.

Director Mink then stated that the Board would consider the annual review items on the

agenda. Mr. Bartram first stated that it was time for the Board to conduct its annual review of the District's code of ethics and financial management policies. The Board reviewed the District's current code of ethics and financial management policies, and Mr. Bartram stated that he had no updates or revisions to recommend at this time. After discussion, upon motion by Director Wells and second by Director Young, the Board voted unanimously to approve the Resolution Confirming Annual Review of Certain Financial Management Policies; Adopting Code of Ethics and Financial Investment, Travel, and Professional Services Policy; Adopting Investment Strategies; Designating Investment Officers; and Adopting List of Qualified Brokers attached as **Exhibit "C"**. Mr. Bartram next stated that it was time for the Board to conduct its annual review of the District's water conservation and drought contingency plan. He reviewed the District's current plan with the Board. He stated that the plan had been updated the previous year as part of the five-year regulatory review process, and he stated that he was not aware of any further changes or updates at this time. After discussion, upon motion by Director Young and second by Director Alger, the Board voted unanimously to approve the Resolution Confirming Annual Review of Water Conservation and Drought Contingency Plan attached as **Exhibit "D"**. Mr. Bartram next stated that it was time for the Board to conduct an annual review of the District's written procedures for post bond issuance federal tax compliance. He reviewed the District's current procedures and highlighted the arbitrage, private use, and record retention requirements. He stated that these procedures would likely evolve over time to keep up with underlying regulatory changes but that the District's bond counsel was not recommending any revisions at this time. After discussion, upon motion by Director Mink and second by Director Wells, the Board voted unanimously to approve the Resolution Confirming Annual Review of Written Procedures for Post Bond Issuance Federal Tax Compliance attached as **Exhibit "E"**. Mr. Hunt then stated that it was time to conduct an annual review of the District's identity theft prevention program under the federal government's "red flag rules" and directed the Board's attention to the Resolution Confirming Annual Review of Identity Theft Prevention Program attached as **Exhibit "F"**. He reported that the plan had proved effective and that he had no recommended updates to the program at this time. Upon motion by Director Mink and second by Director Young, the Board voted unanimously to approve the Resolution Confirming Annual Review of Identity Theft Prevention Program, as presented.

Director Mink then stated that the Board would consider taking action regarding pass-through utility service to the Palmer tract. Mr. Bartram reported that drafts of the agreements, copies of which are attached collectively as **Exhibit "G"**, had been sent to the developer and the City of Round Rock. He requested that the Board review the Palmer tract agreement in detail and let him or Mr. Hunt know of any specific concerns or use limitations that should be addressed. Director Mink stated that it was his understanding that the PUD zoning would permit an automotive service center and a car wash. He stated that he was not opposed to such uses in the commercial area along Sam Bass Road but would not want to see them within the interior of the project. Mr. Hunt stated that the zoning for the interior commercial tract had been changed to "C-2" and that he would circulate the specifics for that zoning classification for further review by the Board. Director Mink then inquired whether the PUD zoning could be changed in the future. Mr. Bartram stated that his initial draft provided that neither the developer nor the City could change the zoning without the District's consent; however, he suspected that there would be push-back on that. Director Mink then asked if the agreement for the Palmer Tract would survive the District's annexation by the City. Mr. Bartram stated that, upon annexation, the City would inherit the District's property and that service to the Palmer tract would no longer be on a pass-through basis. He suggested that any important issues that the Board wanted to survive be incorporated into the restrictive covenant contemplated in the pass-through agreement, which would be a covenant running with the land. Mr. Bartram reiterated his request that any feedback on the proposed agreement be forwarded to him or to Mr. Hunt.

Director Mink then stated that the Board would receive the security report and consider taking related action. Mr. Hunt first reviewed the security report attached as **Exhibit "H"**. He stated that, because the Board meets relatively early in the month, he was not receiving the reports for the immediately preceding month in time for inclusion in the meeting packets. He stated that, therefore, he would include the written reports in the meeting packet for the following month and update the Board verbally on any problems the prior month. Mr. Bartram then reported that Williamson County had accepted the District's requested revisions to the revised interlocal agreement implemented by the County and that the final agreement was ready for approval by the Board. Upon motion by Director Asbury and second by Director Wells, the Board voted unanimously to approve the revised Standard Agreement with Local Governmental Entity Regarding Off-Duty Contracting of County Sheriff Deputies attached as **Exhibit "I"**.

Director Mink stated that the Board would next receive a report from the District's engineer and recognized Mr. Bayes who directed the Board's attention to the engineering report attached as **Exhibit "J"**. Mr. Bayes first reported that, unless the Board objected, he planned to proceed with bidding Phase 3 of the fence project and have the bid tabulation ready for consideration at the Board's March meeting. He next reported that, after reviewing the AT&T Encroachment Agreement obtained for Phase 1, he felt that the language might be broad enough to cover Phase 3 as well and that, therefore, a separate encroachment agreement may not be necessary for Phase 3. Mr. Bartram stated that the crux of the issue was whether the AT&T facilities that back-serve lots in Phase 3 of the project were in an easement. He stated that, based on the initial reports from Messrs. Hines and Edmonson, it had been his understanding that the AT&T facilities were not in any easement. However, he stated that Mr. Edmonson had advised him prior to the meeting that the AT&T facilities in Phase 3 were in fact within PUEs, in which case they were not encroachments. Mr. Bartram stated that, if this was the case, then the District might need to consider AT&T's form of encroachment agreement. Mr. Bayes stated that any conflict with AT&T's utilities could be addressed by installing a piece of conduit under the fence footer in the applicable crossing locations. The Board generally agreed to proceed in such a manner and consider AT&T's form of encroachment agreement if necessary. Mr. Hunt then updated the Board on the status of easement acquisition for Phase 3. He stated that there were only three outstanding, one of which was in the process of being executed. He stated that the two others were from owners who were under contract to sell their homes. Mr. Hunt stated that he would get with the new owners after closing, noting that he was fairly confident that all of the easements would be in place by the time ground breaks on the project. Director Mink asked how many contractors were expected to bid on Phase 3. Mr. Bayes indicated that it was realistic to expect three bids. Director Mink asked if the contractor that had installed Phase 1 was one of those. Mr. Bayes stated that he had not heard from that contractor since the crack repair work was completed. Director Mink then asked if any action was necessary on Phase 4 of the fence project at this time. Mr. Hunt stated that he would begin to evaluate Phase 4 once the Phase 3 costs were firmed up. Discussion regarding the height of the proposed Phase 4 fence and related sound-barrier characteristics ensued. Director Mink stated that it was his understanding that Texas A&M University published or maintained a list of viable sound-barrier fencing for Texas Department of Transportation projects, and he suggested that Mr. Bayes pull this information for consideration as part of Phase 4 planning. Mr. Bayes stated that he would do so.

Director Mink then stated that the Board would receive a report from the District's bookkeeper. Ms. Kirkley first presented the bookkeeper's report attached as **Exhibit "K"** and reviewed the bills and invoices and account activity for the District's operating, manager's, and lock box accounts; the account balances; the pledged securities reports; the budget comparison; the debt service payment schedule; the balance sheet; the tax collection report; the recycling rebate report; the monthly transfers; and the latest quarterly investment report. She noted that a supplemental check to Lunar Pages had been cut due to an error on the original invoice. She also noted that the District's old operating account that was subject to the recent fraud activity

could now be closed as all outstanding checks on that account had cleared. Director Asbury noted that the District usually kept more money invested in CDs than in TexPool, and he wondered why that was not the case in the current reporting period. Ms. Kirkley explained that the TexPool balance had grown due to recent tax collections and that she would have investment recommendations to ladder those funds into CDs at the Board's next meeting. After discussion, upon motion by Director Alger and second by Director Wells, the Board voted unanimously to approve the bills, invoices, and transfers as presented.

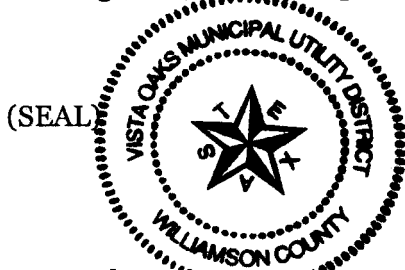
Director Mink next recognized Mr. Hunt for purposes of receiving a report from the District's general manager and utility operator attached as **Exhibit "L"**. Mr. Hunt first addressed water accountability, noting that water loss was 1.9% for the month and averaging ±1.4% for the year. He confirmed that all test results were satisfactory. He then reviewed the billing and delinquent accounts reports and stated that there were no write-offs to consider this month. Mr. Hunt next reported on the District's website and indicated that the new interactive tool for reporting street light issues was still in process. He next reported on maintenance and repair projects, noting that the lift station paving project was complete, that the wet well had been cleaned, and that there had been a few issues with root intrusions, one of which affected a District service lateral. Director Alger asked if the spare Phase 2 fence panels had been stored at the lift station. Mr. Hunt confirmed that they were but, due to space limitations, were located outside of the fence.

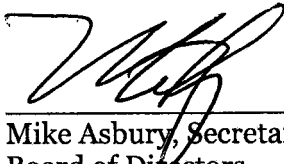
Director Mink then stated that the Board would receive a report from the Community Projects Subcommittee on long range planning for capital improvement projects. Mr. Hunt stated that there was no update on this agenda item at this time. He stated that he would coordinate review of Phase 4 options with the subcommittee as that information developed.

Director Mink then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram reviewed the directives from the previous Board meeting, which he stated were either complete or in process.

Director Mink next announced that the Board would consider taking action regarding wholesale water and wastewater service. Mr. Hunt reported that Jay Joyce of Expergy was completing his analysis and planned to meet with City staff in March with a follow-up meeting with the districts participating in rate review in April. He stated that, coincidentally, City staff and the City's new rate consultant were presenting on wholesale rate making at an upcoming American Water Works Association conference. Mr. Hunt stated that he planned to attend the conference and was interested to learn what the City had to say.

Director Mink then asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 12:59 p.m.




Mike Asbury, Secretary
Board of Directors

Date: March 9, 2015