

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

June 9, 2014

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Vista Oaks Municipal Utility District was held on June 9, 2014, 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
Allen Douthitt	-	Vice President
Mike Asbury	-	Secretary
Leslie Alger	-	Assistant Secretary/Treasurer
Keith E. Young	-	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; John Hines and Herb Edmonson of Gray Engineering, Inc., the District's engineer; Holly Gonzalez 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 12:05 p.m. and stated that the Board would first receive citizens' communications and Board member announcements. Mr. Hunt stated that he was not aware of any citizens' communications. Director Mink stated that he had been contacted by a resident complaining about security patrols. He stated that the resident had indicated that he felt unsafe by the increased patrol presence and was upset about traffic enforcement. Director Mink pointed out that, according to the latest security report, there had been only seven traffic stops, all of which had resulted in warnings only.

Director Mink stated that the Board would next consider approving the minutes of the May 12, 2014 Board meeting. Upon motion by Director Douthitt and second by Director Alger, the Board voted unanimously to approve the minutes.

Director Mink stated that the Board would next receive a report from the District's engineer and recognized Mr. Hines. Mr. Hines first directed the Board's attention to the engineering report attached as **Exhibit "B"**. He reported that the replacement brick required to repair the hair-line cracks in Phase 1 of the wall project had been ordered and that there was an eight-week delivery time. At Mr. Hines' request, Mr. Edmonson then updated the Board with respect to Phase 2 of the wall project. Mr. Edmonson reported that the contractor had started the manufacturing process, which was expected to be completed by mid-July. He stated that the contractor planned to line up its crews to begin construction at that time, and that the project was anticipated to be complete by late October or early November. Mr. Hunt confirmed that he would re-approach Mr. Pfeiffer for an easement after construction commenced.

Mr. Hines next reported on Phase 3 of the wall project. He reminded the Board that his firm had been authorized to begin the design work, and he stated that he wanted to confirm a few preliminary matters before beginning work. He first questioned whether the Board wanted to remove the existing fence columns along Royal Vista Boulevard or work them into the new wall project. He stated that the existing columns were located on the property line, which would mean the District might need additional easements from the adjoining lot owners to construct and maintain the wall. After discussion, the Board generally agreed that the existing columns should be removed and that the new wall should be installed entirely within the District's easements on the HOA landscape lots. Mr. Hines next questioned whether the existing "Enclave" monumentation should be removed or left in place. He stated that it was his understanding that some residents were opposed to removal and wanted it preserved. Director Alger, concurred noting that some residents were fond of the separate "Enclave" designation. Mr. Hines stated that, if the "Enclave" wall was preserved, he would recommend against a direct connection with the District's new wall product because of construction unknowns and future warranty issues. After discussion, the Board generally agreed that the existing "Enclave" monumentation would be left in place and that the District's new wall would be constructed up to, but not directly connected with, such monumentation. Mr. Hunt noted that this decision avoided the need to investigate ownership of the "Enclave" wall in further detail.

Director Mink asked if fencing around the AT&T substation would be included in Phase 3 of the wall project. Mr. Hines confirmed that the current plan was to include the wall extension around the AT&T substation as part of Phase 3 with the understanding that the contractor would be responsible for any permitting requirements. Mr. Hunt stated that he did not mind checking back with the Matls, who owned the lot on which the AT&T substation was located, to see if their position on granting the District a wall easement had changed. Mr. Bartram stated that someone also needed to contact AT&T regarding permission to cross the AT&T easement and confirm what sort of gating would be required. Mr. Hines stated that he would reach out to his contact at AT&T on this issue. Mr. Bartram also stated that, if the wall around the AT&T substation was constructed on the HOA's adjoining amenity center lot, a legal description for an additional easement would be required. Mr. Hines stated that he thought that that had been done and would confirm.

Mr. Hines next asked the Board to confirm that the type, material, color, location, and column design of Phase 3 was to be consistent with Phase 1. The Board confirmed that was the case. Mr. Hines then stated that temporary construction and permanent maintenance easements would be required from the adjacent lot owners. He recalled that the Board had engaged Mr. Hunt to coordinate obtaining similar easements for Phase 2 of the wall project, and he asked if the Board desired to do so again for Phase 3. Mr. Hunt stated that the proposal approved for Phase 2 had included obtaining the easements for Phase 3, so everything should already be in place. Mr. Bartram pointed out that, per Mr. Gray's recommendation, the District had not obtained permanent maintenance easements from the lot owners adjacent to Phase 1. He requested Mr. Hines to let him know if something different for Phase 3 was planned so that the appropriate paperwork could be prepared.

Director Mink then stated that the Board would consider matters related to arbitrage rebate and yield restriction compliance for the District's outstanding bond issues. Mr. Bartram directed the Board's attention to the Annual Maintenance for Arbitrage Analysis Report from Municipal Risk Management Group, L.L.C. attached as **Exhibit "C"**. He stated that the report indicated that no further action was required at this time with respect to most of the prior bond issues; however, he pointed out that a fifth-year arbitrage rebate report was required in 2015 for the District's 2010 refunding bonds and in 2017 for the District's Series 2012 refunding bonds. He then presented the engagement letter with Arbitrage Compliance Specialists, Inc. for preparation of the five-year arbitrage rebate report for the 2010 refunding bonds attached as

Exhibit “D”. After discussion, upon motion by Director Douthitt and second by Director Young, the Board voted unanimously to approve the engagement letter with Arbitrage Compliance Specialists.

Director Mink then stated that the Board would receive a report from the District’s bookkeeper and recognized Ms. Gonzalez. Ms. Gonzalez first presented the bookkeeper’s report attached as **Exhibit “E”**. She 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; and the monthly transfers. She reported that one investment CD had matured since the last Board meeting and that these funds had been reinvested for 12 months with an additional \$5,000 to bring the total up to \$100,000. She then reported that the District’s next bond payments were due September 1st. She noted that recycling rebates were trending up. Ms. Gonzalez then reported that 98.26% of the District’s 2013 tax year levy had been collected. She next reviewed the CASE conference checklist and reminded the Directors about the District’s travel expense policy. Ms. Gonzalez then concluded by reviewing the latest quarterly investment report. After discussion, upon motion by Director Young and second by Director Douthitt, the Board voted unanimously to approve the bills, invoices, transfers, and investment recommendations as presented.

Director Mink then stated that the Board would receive a report from the District’s general manager and utility operator. Mr. Hunt first presented the operations report attached as **Exhibit “F”** and reviewed his directives, which he confirmed had all been completed or were in process. Director Douthitt stated that the HOA’s well near Sam Bass Road appeared to be leaking. Mr. Hunt stated that he would check it out. He next reported on water accountability, noting that water loss was holding steady at 2%. He then reviewed the District’s billing report and stated that there were no delinquent accounts or write-offs this month. He did point out, however, that a couple of customers were over-paying their bills each month, which was skewing the accounts receivable report. After discussion, the Board directed Mr. Hunt to send these customers a letter alerting them to the overpayments. Mr. Hunt next reported that there had been recent incidents of manhole vandalism in other districts that had resulted in repair costs in the \$20,000 to \$30,000 range. He stated that he had investigated the manholes along the creek in the District and had confirmed that they were not bolted shut, which made them susceptible to similar vandalism. He acknowledged that the District had not previously had a problem with manhole vandalism, but he recommended that the Board consider rehabilitating 18 manholes in the greenbelt to mitigate the risk of vandalism in the future. At this time, Mr. Hunt directed the Board’s attention to the proposal from his company attached as **Exhibit “G”**, which he stated covered securing the 18 greenbelt manholes with bolts, new covers, rings, and bringing them above grade at a cost of \$16,696.20. Director Douthitt stated that the cost of this proactive maintenance was less than the cost of addressing vandalism, and he, therefore, moved that the manhole rehabilitation work be approved. Upon second by Director Young, the Board voted unanimously to approve the proposal. Mr. Hunt next directed the Board’s attention to the memorandum attached as **Exhibit “H”** summarizing Pedernales Electric Cooperative’s plans to replace halide street light fixtures with LED fixtures. He noted that the District had recently replaced most of the street lights in Vista Oaks at the District’s expense and that he did not plan to pursue PEC’s proposal at this time. The Board agreed.

Mr. Hunt next reviewed the District’s annual Consumer Confidence Report, a copy of which is attached as **Exhibit “I”**, and confirmed that the report would be mailed to customers this month. He then announced that his company was in the process of rolling out the new U-Receivables program, which would speed up the time it takes for the District to receive payments initiated by customers on-line through their own banks. He confirmed that the cost of this program was being absorbed by Crossroads and was, therefore, free of charge to the District

and the District's customers. Director Douthitt suggested that the Board consider notifying residents of the on-line payment opportunities in order to drive customers to those alternatives and thereby reduce credit card transaction fees paid by the District. The Board concurred. Mr. Hunt next addressed solid waste and recycling collection services. He stated that the recycling rebates for the last two months had gone up and that he was having lunch with the contractor the following week to discuss the contract and trends in the recycling market. Mr. Hunt then concluded with a report on the District's website. He stated that he was going through the website page by page in order to confirm that the information was current and consistent.

Director Mink then stated that the Board would discuss and consider taking action regarding landscape maintenance services. Mr. Hunt stated that he had solicited proposals from three alternative companies, each of which had confirmed that the District's template contract and insurance requirements were acceptable. He directed the Board's attention to the memorandum attached as **Exhibit "J"** summarizing the proposals and noted that lowest fee, from Sunscape Landscaping, LLC, was over \$25,000 lower than the next lowest proposal. Mr. Hunt stated that he had followed up with the company three separate times to confirm that the proposal was accurate and had been assured that it was. He stated that Sunscape Landscaping was already the HOA's landscape maintenance contractor and that the company had explained that the low fee was attributable to the lack of mobilization costs because the District's service visits could be scheduled at times when the company was already in the community performing service for the HOA. Director Young asked what the HOA thought of Sunscape Landscaping, and Mr. Hunt stated that it was his understanding that the HOA was satisfied with the quality of the service. Mr. Hunt added that going with the lowest proposal would free up additional funds for MS4 permit compliance. Director Young asked Mr. Bartram what he thought. Mr. Bartram noted that the fees proposed by TexaScapes and Five Star Landscaping were close together and consistent with the fee being charged by ISS Grounds Control, the District's current landscape contractor. For this reason, he stated that it was difficult not to be suspicious of the fee proposed by Sunscape Landscaping; however, he pointed out that the contract template included a 30-day termination provision and that, if service was deficient, the District could pursue other alternatives. The Board generally agreed and, upon motion by Director Asbury and second by Director Mink, voted unanimously to (i) terminate the District's current contract with ISS Grounds Contract and give notice accordingly; and (ii) approve the engagement of Sunscape Landscaping, LLC per the proposal attached as **Exhibit "K"** and using the District's current contract template. Mr. Bartram stated that he would prepare the contract and get it to Mr. Hunt later in the day. Mr. Hunt stated that he would alert ISS Grounds Control and ask them not to perform any additional service for the District.

Director Mink next recognized Mr. Bartram for a report from the District's attorney. Mr. Bartram reviewed the consultant directives, which he noted were all complete or in process.

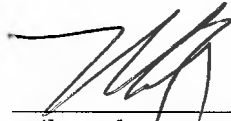
Director Mink then stated that the Board would receive the security report and consider taking related action. Mr. Hunt reviewed the security report attached as **Exhibit "L"**. He stated that he had asked Sgt. Breder to be reasonable about traffic enforcement in the District and to adjust the patrol hours now that school was out. He further reported that he was working with Mr. Bartram on the new contract with the County based on the increased hourly rate. He stated that one of the issues that he wanted to explore in more detail with the County was how to structure hourly patrol requirements, both on an overall monthly basis and in terms of how the monthly requirement was scheduled during the month. Director Douthitt noted that, during the month of May, no patrols were performed for an eight-day period and that on other days officers had logged 6 to 7 hours. He stated that it appeared that the patrol deputies were working only on their days off or when they wanted to and that additional controls needed to be implemented to get a handle on this process. The Board agreed. Director Young reiterated the position that

he had made at a prior Board meeting to the effect that the County should be patrolling in the District anyway, and he asked if contracting with a private security firm was an option. Mr. Hunt stated that there were private security contractors out there but that they did not have the same authority as official peace officers. The Board generally agreed not to pursue the private security option. Mr. Hunt stated that he would continue to work on the new contract with the County and keep the Board apprised.

Director Mink then asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 1:31 p.m.

(Signature page follows.)

(SEAL)



Mike Asbury, Secretary
Board of Directors

Date: July 14, 2014