

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

August 8, 2016

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Vista Oaks Municipal Utility District was held on August 8, 2016, 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:

Mike Asbury	-	President
Robert Wells	-	Vice President
Leslie Alger	-	Secretary
Heath Reed-Green	-	Assistant Secretary
Bowman Mires	-	Assistant Secretary

and all of the Directors were present, except for Director Mires, thus constituting a quorum. Also present at times during the meeting were Carl R. Black, a resident of the District; Andrew Hunt of Crossroads Utility Services LLC, the District's general manager and utility operator; Herb Edmonson of Gray Engineering, Inc., the District's engineer; Keli Kirkley of Municipal Accounts & Consulting, L.P., the District's bookkeeper; and Jennifer Scholl of Armbrust & Brown, PLLC, the District's general counsel.

Director Asbury called the meeting to order at 12:13 p.m. and stated that the Board would first receive citizens' communications and Board member announcements. Mr. Hunt reported that Director Mires was resigning from the Board. He then introduced Carl R. Black and stated that Mr. Black had contacted him and expressed an interest in being considered for appointment to the Board.

Accordingly, Director Asbury stated that the Board would move on to the Director items. Ms. Scholl presented the resignation letter of Director Mires attached as **Exhibit "B"**. Upon motion by Director Wells and second by Director Reed-Green, the Board voted unanimously to accept the resignation with regret.

Director Asbury announced that the Board would consider filling the vacancy on the Board of Directors created by the resignation. At this time, Ms. Scholl stated that Mr. Black had presented himself as a qualified candidate for service. Mr. Black reviewed his background, experience, and qualifications. He stated that he was a resident of the District and was interested in serving on the Board. Upon motion by Director Wells and second by Director Reed-Green, the Board voted unanimously to appoint Mr. Black to Place 4 on the Board.

Director Asbury then stated that the Board would consider the Sworn Statement, Oath of Office, and bond for Director Black. Upon motion by Director Wells and second by Director Alger, the Board voted unanimously to approve the Sworn Statement, Oath of Office, and director's bond for Director Black.

Director Asbury then stated that the Board would next discuss Open Meetings Act and Public Information Act issues related to the appointment of a new director. Ms. Scholl stated that Director Black, as a new Director, was required to undergo Open Meetings Act training within 90 days of taking office. She stated that a training video produced by the Texas Attorney General's office was available online or on compact disc, and she directed Director Black's attention to the memorandum attached as **Exhibit "C"** for additional information. She next reviewed the Public Access Option Form attached as **Exhibit "D"**, which she stated would need to be completed within 14 days.

Director Asbury then stated that the Board would consider the election of officers. After discussion, Director Wells moved that the Board elect the following slate of officers:

Mike Asbury	-	President
Robert Wells	-	Vice President
Leslie Alger	-	Secretary
Heath Reed-Green	-	Assistant Secretary
Carl R. Black	-	Assistant Secretary

Upon second by Director Reed-Green, the motion passed unanimously.

Director Asbury next announced that the Board would consider its subcommittee appointments and directed the Board's attention to the subcommittee list attached as **Exhibit "E"**. After discussion, Director Reed-Green moved that no changes be made to the subcommittee appointments at this time. Upon second by Director Alger, the motion passed unanimously.

Director Asbury then stated that the Board would consider the revised bank account resolutions. Ms. Scholl recommended that the District's existing account resolutions and signature cards be updated to reflect the appointment of Director Black. Upon motion by Director Wells and second by Director Alger, the Board voted unanimously to approve the updated Secretary's Certificate and Resolutions Regarding Operating Account, Secretary's Certificate and Resolutions Regarding Manager's Account, and Secretary's Certificate and Resolutions Regarding Lock Box Clearing Account, attached collectively as **Exhibit "F"**, and updated signature cards for such accounts.

Director Asbury then stated that the Board would consider taking action regarding budget and tax items. Ms. Lane reviewed the Tax Rate Summary report attached as **Exhibit "G"**. She stated that the District's net taxable value for 2016 was \$256,868,904, which was up from ±\$240,966,466 in 2015, but she noted that property with a taxable value of \$6,037,070 was still under review. Ms. Lane explained that 60% of the value under review would be certified if the protest was successful, which would result in \$260,491,146 net taxable value for 2016 for the District. She stated that the average home value in the District was \$276,887, which was up from \$253,704 in 2015. Ms. Lane stated that, because values had come up, the tax rate would need to come down slightly to stay below the 8% rollback rate and that she was, therefore, recommending that the District establish a total proposed tax rate for 2016 of \$0.5600, comprised of a \$0.3300 debt service tax rate and a \$0.2300 operations and maintenance tax rate. She stated that this tax rate structure would require the District to use \$118,106.21 of cash on hand for debt service requirements. Ms. Lane noted that the Board could always adopt a lower tax rate at the next meeting, but could not go higher than the proposed rate set at this meeting.

Ms. Kirkley then reviewed the draft budget for the 2016-2017 fiscal year attached as **Exhibit "H"**, which she stated assumed a 98% collection rate. Ms. Lane stated that the District

currently had a ±\$1.3 million debt service fund balance, and that the proposed budget would use up about \$977,727 of that. Ms. Lane estimated that the District should end the fiscal year 2016-2017 with a debt service fund balance of \$221,232, which would be 22% of next year's debt service requirements. Mr. Hunt stated that he included a \$0.50 adjustment to the District's base rate and recommended that the District make this adjustment to its rates because, effective in October, the City of Round Rock (the "City") water and base rates would be increased by 3%. He noted that the majority of the budget items were related to the fence and that some additional items may need to be added to the budget for repairs. He stated that, even though the Phase 4 fence contract was for \$199,000, he had budgeted \$225,000 for the fence and related items in order to account for the additional expenses that will need to be incurred in clearing the area.

Director Asbury asked about the impact that future special projects might have on the District's budget and tax rate. Ms. Lane stated that the District could adopt a \$0.5600 tax rate in September and then later decide if adjustments should be made to the allocation between the debt service tax and operations and maintenance tax. Mr. Hunt stated that the District could take \$0.0200 off of the debt service tax and allocate it to the operations and maintenance tax rate if needed when the overall tax rate is adopted. He stated that the Community Projects Subcommittee could work on preparing a list of special projects that the District could enter into, such as entering into a service contract with the Vista Oaks Homeowner's Association (the "HOA") to maintain the HOA's irrigation system, and recommended that the Subcommittee meet within the next couple of weeks to address this issue.

Ms. Scholl then advised that the Board needed to do three things at this meeting: (i) establish a proposed 2016 tax rate by record vote; (ii) schedule a public hearing at which the adoption of the 2016 tax rate would be considered; and (iii) authorize notice of the public hearing on the 2016 tax rate to be published in the newspaper. After discussion, upon motion by Director Alger and second by Director Wells, the Board voted to (i) establish a proposed 2016 tax rate of \$0.5600 per \$100 valuation; (ii) schedule a public hearing at noon on Monday, September 12, 2016 to consider the adoption of the tax rate; and (iii) authorize a notice of the public hearing to be published in the newspaper, with Directors Asbury, Wells, Alger, Reed-Green, and Black all voting "aye."

Director Asbury stated that the Board would next consider the following consent items on the meeting agenda: (i) the minutes of the July 11, 2016 Board meeting; (ii) renewal of Landscape Maintenance Agreement with Sunscape Landscaping, LLC; and (iii) the Revised District Registration Form attached as Exhibit "I". Mr. Hunt stated that the current agreement with Sunscape Landscaping, LLC was scheduled to expire on September 30, 2016 and would need to be renewed, and District's Registration Form would need to be updated to reflect the appointment of Director Black. Upon motion by Director Wells and second by Director Alger, the Board voted unanimously to approve the consent items.

Director Asbury then stated that the Board would consider fence enhancement projects, and recognized Mr. Edmonson. Mr. Edmonson first reported on the status of Phase 4. He stated that a preconstruction meeting had been held, the contract was executed by the contractor, and the material submittals had been reviewed and returned to the contractor, noting that it would take about three weeks for the fence panels to be ready for delivery. He stated that he would issue a notice to proceed later this week.

Mr. Edmonson then reported on the status of the Arterial H Phase 1 road construction. He presented the email update attached as Exhibit "J" and reviewed it with the Board. He reported that the contractor had hit a line in Brushy Creek MUD and that repairs would need to be made. Mr. Edmonson then stated that, due to the fact that the Arterial H contractor will not

be clearing the areas surrounding Arterial H, the District would need to hire a contractor to clear the area adjacent to the Phase 4 fence. Mr. Edmonson requested the board authorize him to obtain bids to clear the area and authorize him to accept a bid in an amount not to exceed \$10,000. He stated that he would verify that there was no overlap in work with the work being performed for Arterial H and that he would continue to keep the Board updated on anything related to Arterial H that would impact the District. Upon Motion by Director Wells and second by Director Reed-Green, the Board voted unanimously to authorize Mr. Edmonson to obtain bids and accept a bid in an amount not to exceed \$10,000.

Director Asbury then stated that the Board would receive an update on the RM 1431 roadway widening project, the Texas Department of Transportation ("TXDOT") noise attenuation study, and related matters. Mr. Hunt stated that he did not have anything to report at this time.

Director Asbury then stated that the Board would receive an update on the Round Rock-Leander 138-kV transmission line. Mr. Hunt stated that he did not have anything to report at this time.

Director Asbury then stated that the Board would receive the security report and consider taking related action. Mr. Hunt directed the Board's attention to the security report included in his operations report. He stated that there were no major items to report. Director Black stated that he was concerned that the trails within the District remained lit at night, while posted signs indicate that the trails close at dusk and the security guards continue to tell people that they are not allowed on the trails after dark. Mr. Hunt stated that the HOA monitors the park hours and posts the signs and he would contact them regarding this issue. Director Wells left the meeting at this time.

Director Asbury then stated that the Board would receive a report from the District's engineer and recognized Mr. Edmonson. Mr. Edmonson stated that there had been a few issues with the Gardens at Mayfield Ranch and reported that the contractor was installing the main lines for the drainage improvement and crews were still excavating the detention pond.

Director Asbury then stated that the Board would receive a report from the District's bookkeeper and recognized Ms. Kirkley. Ms. Kirkley 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 stated that she would void the per diem to Director Mires due to his absence and resignation and pointed out that approximately 98.79% of the District's 2015 tax levy had been collected. Upon motion by Director Alger and second by Director Reed-Green, the Board voted unanimously to approve the bills, invoices, and transfers as presented.

Director Asbury 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 "L". He stated that water loss had dropped to -2.19% and reported that there were no issues with water quality. He stated that Vista Oaks had used 27 million gallons of water, which he noted was the same amount of usage for this time during the prior year. He stated that during the prior year, customers that felt the usage was too high alleged corruption and felt that there were problems with the billing, and he recommended that the Board be prepared to receive complaints about this usage. He stated that he would have the meters read again to verify these values were correct. Director Black asked how the water use restrictions are set and Mr. Hunt responded that the City sets the restrictions and that, under the District's contract

with the City, the District is required to impose restrictions that are at least as restrictive as those set by the City. He noted that the District was currently under voluntary water use restrictions. He then reviewed the District's billing report recommended that one write-off be referred to collections. Mr. Hunt next reported that there had been no issues with solid waste or recycling collection and noted that the District received \$17 in recycling rebates.

Mr. Hunt then stated that it was time for the District to renew its annual coverage with TML. He explained that prior phases of the fence project were insured and recommended adding the two newly completed phases to the District's coverage. He then presented the insurance proposal from Texas Municipal League Intergovernmental Risk Pool ("TML") attached as **Exhibit "M"** and recommended that the District accept the proposal for a \$200 deductible to cover the full contract value of the fence. Upon motion by Director Reed-Green and second by Director Black, the Board voted unanimously to approve referring the write-off to collections and to accept the proposal from TML, with the deductible recommended.

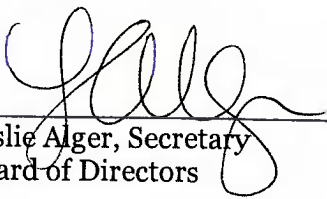
Director Asbury then recognized Ms. Scholl for purposes of receiving a report from the District's attorney. Ms. Scholl stated that she did not have any items to report at this time.

Director Asbury next announced that the Board would consider its future meeting schedule and agenda items. After discussion, the Board confirmed that the next meeting would be held as scheduled on September 12, 2016.

There being no further business to come before the Board, the meeting was adjourned at 1:22 p.m.

(Signature page follows.)





Leslie Alger, Secretary
Board of Directors

Date: September 12, 2016