

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

August 10, 2015

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Vista Oaks Municipal Utility District was held on August 10, 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 except Director Alger, who arrived later, thus constituting a quorum. Also present at times during the meeting were Heath Reed-Green, a resident of the District; Andrew Hunt of Crossroads Utility Services LLC, the District’s general manager and utility operator; Donald Bayes and Herb Edmonson of Gray Engineering, Inc., the District’s engineer; Keli Kirkley of Municipal Accounts & Consulting, L.P., the District’s bookkeeper; Chris Lane of SAMCO Capital Markets, Inc., the District’s financial advisor; and Jennifer Scholl of Armbrust & Brown, PLLC, the District’s general counsel.

Director Mink called the meeting to order at 12:01 p.m. and stated that the Board would first receive citizens’ communications and Board member announcements. At this time, Mr. Hunt reported that Douglas Mink and Keith E. Young were resigning from the Board. He then presented awards to Directors Mink and Young for their distinguished service on the Board. Director Alger arrived at this time.

Director Mink stated that the Board would next consider the Director items on the agenda. Ms. Scholl presented the resignation letters of Douglas Mink and Keith E. Young attached as **Exhibits “B”** and **“C”**. Upon motion by Director Wells and second by Director Asbury, the Board voted unanimously to accept the resignations with regret.

Director Asbury assumed the role of presiding officer and announced that the Board would consider filling the vacancies on the Board of Directors created by the resignations. At this time, Ms. Scholl introduced Mr. Reed-Green, who she stated had presented himself as a qualified candidate for service. She then referred the Board to a copy of Mr. Reed-Green’s resume attached as **Exhibit “D”**. Upon motion by Director Asbury and second by Director Wells, the Board voted unanimously to appoint Mr. Heath Reed-Green to Place 2 on the Board.

Director Asbury then stated that the Board would consider the Sworn Statement, Oath of Office, and bond for Director Reed-Green. Upon motion by Director Wells and second by

Director Asbury, the Board voted unanimously to approve the Sworn Statement, Oath of Office, and director's bond for Director Reed-Green.

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 Reed-Green, 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 Reed-Green's attention to the memorandum attached as **Exhibit "E"** for additional information. She next reviewed the Public Access Option Form attached as **Exhibit "F"**, 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 Asbury 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 |
| Vacancy | - | Assistant Secretary |

Upon second by Director Wells, the motion passed unanimously.

Director Asbury then stated that the Board would consider taking action regarding budget and tax items because Ms. Lane needed to leave early to attend another meeting. Ms. Lane reviewed the Tax Rate Summary report attached as **Exhibit "G"**. She stated that the District's net taxable value for 2015 was \$239,612,955, which was up from ±\$221,778,832 in 2014, but she noted that property with a taxable value of \$2,252,564 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 \$240,964,493 net taxable value for 2015 for the District. She stated that the average home value in the District was \$254,069, which was up from \$236,038 in 2014. Director Alger asked what caused the change in home values, and Ms. Lane explained that the increase in value was due to the number of people filing for homestead exemptions. 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 2015 of \$0.6186, comprised of a \$0.38 debt service tax rate and a \$0.2386 operations and maintenance tax rate. She stated that this tax rate structure would require the District to use \$50,865.92 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. Lane then reviewed the draft budget for the 2015-2016 fiscal year attached as **Exhibit "H"**, which she stated assumed a 98% collection rate. She stated that the District currently had a ±\$1.3 million debt service fund balance, and that the proposed budget would use up about \$966,531 of that. Ms. Lane estimated that the District should end the fiscal year 2015-2016 with a debt service fund balance of \$349,534, which would be 36% of next year's debt service requirements.

Ms. Scholl then advised that the Board needed to do three things at this meeting: (i) establish a proposed 2015 tax rate by record vote; (ii) schedule a public hearing at which the adoption of the 2015 tax rate would be considered; and (iii) authorize notice of the public hearing on the 2015 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 2015

tax rate of \$0.6186 per \$100 valuation; (ii) schedule a public hearing at noon on Monday, September 14, 2015 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, and Reed-Green all voting “aye.”

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 “I”**. The Board reviewed the subcommittee assignments, and Mr. Hunt suggested that the Board form a Governmental Relations subcommittee to address the Texas Department of Transportation (“*TXDOT*”) proposed sound wall for the RM 1431 roadway widening project. After discussion, Director Wells moved to have the following subcommittees and subcommittee assignments:

| <u>Subcommittee</u> | <u>Members</u> |
|-----------------------------|--|
| Budget/Invoice Review/Audit | Director Alger |
| Community Projects | Director Asbury Director Wells |
| Services | Director Reed-Green Director Asbury |
| Public Relations | Director Wells Andrew Hunt |
| Governmental Relations | Director Reed-Green Andrew Hunt |

Upon second by Director Alger, the motion passed unanimously.

Director Asbury then stated that the Board would consider the revised account resolutions. Ms. Scholl directed the Board’s attention to the 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 as **Exhibits “J”, “K” and “L”**, respectively, which had been updated to reflect the resignations of Douglass Mink and Keith E. Young and the appointment of Director Reed-Green. Ms. Kirley stated that she had also updated the signature cards and would need each Board member to sign. Upon motion by Director Alger and second by Director Wells, the Board voted unanimously to approve the revised Secretary’s Certificate and Resolutions Regarding Operating Account, Secretary’s Certificate and Resolutions Regarding Manager’s Account, Secretary’s Certificate and Resolutions Regarding Lock Box Clearing Account, and updated signature cards.

Director Asbury then stated that the Board would consider the revised District Registration Form. Ms. Scholl presented the revised District Registration Form attached as **Exhibit “M”** and stated that this would need to be filed with the Texas Commission on Environmental Quality (the “*TCEQ*”) to reflect the resignations and appointment. Upon motion by Director Wells and second by Director Alger, the Board voted unanimously to approve the revised District Registration Form.

Director Asbury stated that the Board would next consider approving the minutes of the July 13, 2015 Board meeting. Upon motion by Director Wells and second by Director Alger, the

Board voted unanimously to approve the minutes.

Director Asbury stated that the Board would next consider renewal of Landscape Maintenance Agreement with Sunscape Landscaping, LLC, and recognized Mr. Hunt. Mr. Hunt stated that the current agreement with Sunscape Landscaping, LLC would expire on September 30, 2015, and that he had already negotiated an agreement with identical terms that would expire on September 30, 2016. He then presented the Landscape Maintenance Agreement attached as **Exhibit "N"**, and recommended that the Board approve execution of this agreement. After discussion, upon motion by Director Alger and second by Director Wells, the Board voted unanimously to approve execution of the Landscape Maintenance Agreement.

Director Asbury stated that the Board would next consider taking action on the amended Order Establishing Water and Wastewater Service Rates and Tap Fees and Adopting Certain General Policies with Respect to the District's Water, Wastewater, and Drainage Systems. Mr. Hunt presented the report attached as **Exhibit "O"** and reviewed the final wholesale rates adopted by the City of Round Rock that would take effect October 1, 2015. He stated that he had evaluated the effect of the rate increases on the District's retail rates and recommended that adjustments be made to the retail rates beginning October 1, 2015, in order to account for the wholesale rate increases. Mr. Hunt stated that he would include a written explanation in each October water bill explaining the reason for the increase. Mr. Hunt also noted that he thought the rates for the Vista Oaks Homeowner's Association (the "**HOA**") would increase from \$2.79 to \$2.95. Upon motion by Director Alger and second by Director Wells, the Board voted unanimously to approve the Amended Order Establishing Water and Wastewater Service Rates and Tap Fees and Adopting Certain General Policies with Respect to the District's Water, Wastewater, and Drainage Systems attached as **Exhibit "P"**, and to set the HOA's rate at \$2.95.

Director Asbury then stated that the Board would consider the Wall and fence projects, and recognized Mr. Edmonson. Mr. Edmonson reported that Phase 3 of the wall project was complete at the AT&T site, and stated that he anticipated fences on the left hand side of RM 1431 and Royal Vista Boulevard to start coming down later this week. Mr. Mink asked if a meeting with nearby residents had taken place. Mr. Edmonson responded that there was a meeting and about 12 of the 30 affected residents attended. He stated that the residents were presented with three different wall samples at the meeting. Mr. Edmonson then concluded his report on Phase 3 of the wall project by stating that there were no pay estimates or change orders to present at this time, but noted that the Board could expect invoices at the next Board meeting. He reported on Phase 4 of the wall project and stated that the new fence would be constructed exactly where the old fence stood and predicted that the survey would be limited to the existing fence line and right-of-way, but noted that he was still working with Crossroad on obtaining the resident authorizations to access the affected backyards if needed to conduct the survey. Director Asbury inquired why the authorizations were required if the survey wouldn't cause any relocations and Mr. Edmonson responded that he wanted to make sure to obtain the authorizations just in case the survey had to relocate and shift around due to things like telephone poles, manholes, and other obstructions. Director Wells asked if there was any sort of time frame for completion of the survey. Mr. Edmonson responded that the survey would take 30-45 days to complete after work has started, but noted that it would be about three weeks before crews could begin the survey work.

Director Asbury then stated that the Board would receive an update on the status of the RM 1431 roadway widening project. Ms. Scholl presented the Noise Re-evaluation Analysis Memorandum attached as **Exhibit "Q"** and stated that TXDOT had concluded that it would be both feasible and reasonable to construct a noise barrier at the edge of the TXDOT right-of-way. She stated, however, that TXDOT recently discovered that this proposed location might conflict with existing utilities, so another re-evaluation would be conducted in order to evaluate

alternative locations within the right-of-way. Mr. Hunt stated that he had expressed to TXDOT that he could help obtain an easement from the HOA if one was required and that he would continue to remain in contact regarding this matter. Mr. Mink inquired about the boundaries of the right-of-way and the exact location of the existing wall in relation to the right-of-way. Mr. Hunt stated that he did not think the right-of-way ran all of the way up to the Vista Oaks properties, and Mr. Edmonson stated that the current fence seemed to abut the existing residential lot lines. The Board expressed concern that moving the TXDOT noise barrier closer to RM 1431 would result in a gap or alleyway between the noise barrier and exiting fences.

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 May 2015 and June 2015 security reports attached as **Exhibits "R"** and **"S"**, respectively. He stated that there was nothing alarming to report, but noted that there had been a large number of fraudulent calls from the Sheriff's Office and reminded the Board of the garage doors report discussed at the previous Board meeting.

Director Asbury then stated that the Board would receive a report from the District's engineer and recognized Mr. Edmonson. Mr. Edmonson directed the Board's attention to the engineering report attached **Exhibit "T"**. He stated that he had nothing further to report at this time.

Director Asbury then stated that he Board would receive a report from the District's bookkeeper and recognized Ms. Kirkley. Ms. Kirkley first presented the bookkeeper's report attached as **Exhibit "U"**. 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 asked the Board whether or not they would like to have the recycling rebate revenue report included in future meeting packets and the Board responded that they did not. Ms. Kirkley stated that she had also cut a supplemental per diem for Director Reed-Green and a supplemental check for Director Well's CASE conference reimbursement, noting that all Directors had been reimbursed for the CASE conference at that point. She then recommended approval of the bills and invoices. Upon motion by Director Alger and second by Director Wells, the Board voted unanimously to approve the bills, invoices, and transfers as presented.

Ms. Kirkley then briefly reviewed the draft budget for the 2015-2016 fiscal year that was previously discussed by Ms. Lane. Mr. Hunt stated that the only big change to the budget was a change in water service revenue and water expense items in order to account for the City of Round Rock's wholesale rate increases, but noted that he and Ms. Kirkley had built those increases into the budget.

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 "V"** and reviewed his directives. He addressed water accountability, noting that water loss was just under -1% for the year. Mr. Hunt confirmed that all test results were satisfactory, and he stated that there were no billing issues or write-offs to consider this month. He then stated that the seams of the manholes needed to be re-grouted and needed new coating, and that the Board should make the necessary improvements before the Palmer Tract connected for pass-through service. Mr. Hunt stated that he had received two proposals to coat and spray-line water transmission line manholes, and that he was recommending award of the contract to the low bidder, Lewis Concrete Restoration, for a bid amount of \$38,755.00. Upon motion by Director Reed-Green and second by Director Wells, the Board unanimously voted to approve the award of the contract to the low bidder, Lewis Concrete Restoration, as recommended.

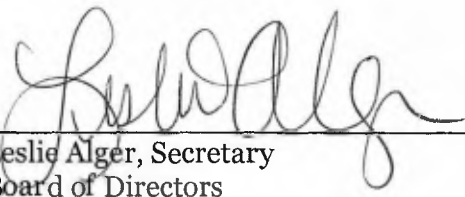
Director Asbury then recognized Ms. Scholl for purposes of receiving a report from the District's attorney. Ms. Scholl reviewed all the consultant directives from the previous Board meeting, which she stated were either complete or in process.

Director Asbury then asked if there was any further business to come before the Board. There being none, the meeting was adjourned.

(Signature page follows.)



Date: September 14, 2015



Leslie Alger, Secretary
Board of Directors