

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

August 11, 2014

THE STATE OF TEXAS §
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COUNTY OF WILLIAMSON §

A meeting of the Board of Directors of Vista Oaks Municipal Utility District was held on August 11, 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 except Director Alger, who arrived later, and Director Douthitt, 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; Rhett Dawson of RMD Holdings, LP; Chris Lane of SAMCO Capital Markets, Inc., the District's financial advisor; and John Bartram of Armbrust & Brown, PLLC, the District's general counsel.

Director Mink called the meeting to order at 12:00 p.m. and stated that the Board would first receive citizens' communications and Board member announcements. Mr. Hunt stated that he had received a few comments on the fence project, which he would cover under his report.

Director Mink stated that the Board would next consider approving the minutes of the July 14, 2014 Board meeting. Upon motion by Director Mink and second by Director Asbury, the Board voted unanimously to approve the minutes.

Director Mink next noted that Ms. Gonzalez needed to step out for a few minutes to make copies of materials related to her report and that, therefore, the Board would skip ahead on the agenda and receive a report from the District's attorney. Mr. Bartram reviewed the consultant directives, which he noted were all complete or in process.

Because Ms. Gonzalez had not yet returned, Director Mink stated that the Board would next receive a report from the District's general manager and utility operator.

Mr. Hunt first presented the operations report attached as **Exhibit “B”** and reviewed his directives. He next reported on water accountability, noting that water loss was under control at $\pm 2\%$. He stated that all water samples were satisfactory. He then reviewed the District’s billing report and stated that there were no write-offs this month. Mr. Hunt next reported that he had received both positive and negative feedback on the Phase 2 of the wall project. He indicated that the negative feedback related to damage to an adjoining gate. He then reported that he was still working on the options for additional street lighting on Artesia Bend. He stated that the contractor that had installed the street lights for the District on previous occasions was not interested in this work and that he was in the process of contacting a different contractor. Director Young asked if the District would be able to install a regular fixture instead of the more costly LED fixtures. Mr. Hunt indicated that a regular fixture would most likely be installed. He next reported on solid waste and recycling collection. He stated that no complaints had been received and pointed out that he had not yet received the latest monthly recycling rebate report. Mr. Hunt then concluded by alerting the Board to pending changes to the Texas Commission on Environmental Quality’s lead and copper sampling, as detailed in the letter attached as **Exhibit “C”**.

Director Mink 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 “D”**. She noted that the District’s net taxable value for 2014 was \$221,778,832, which was up from $\pm \$202,682,554$ in 2013, and that the average home value in the District was \$263,062. She 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 2014 of \$0.7157, comprised of a \$0.43 debt service tax rate and a \$0.2857 operations and maintenance tax rate. She stated that this tax rate structure would require the District to use \$11,438 of cash on hand for debt service requirements. At this time, Director Alger arrived at the meeting. Mr. Hunt stated that the real question was the operations and maintenance tax needed for future special projects, like the wall project. He stated that he had conferred with Director Douthitt and that they were comfortable publishing a rate of \$0.7157 and fine-tuning that over the next month. Ms. Lane noted that the District could always adopt a lower tax rate, but could not go higher than the proposed rate set at this meeting. Ms. Gonzalez then reviewed the draft budget for the 2014-2015 fiscal year attached as **Exhibit “E”**, which she stated assumed a 98% collection rate. She stated that the District currently had a $\pm \$1.4$ million fund balance and that the proposed budget would use up about \$470,000 of that. Director Mink then questioned what, if anything, the Board was required to accomplish with respect to the budget and tax rate at this time. Mr. Bartram advised that the Board needed to do three things at this meeting: (i) establish a proposed 2014 tax rate by record vote; (ii) schedule a public hearing at which the adoption of the 2014 tax rate would be considered; and (iii) authorize notice of the public hearing on the 2014 tax rate to be published in the newspaper. After discussion, upon motion by Director Asbury and second by Director Alger, the Board voted to (i) establish a proposed 2014 tax rate of \$0.7157 per \$100 valuation; (ii) schedule a public hearing at noon on Monday, September 8, 2014 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 Mink, Asbury, Alger, and Young all voting “aye”. Director Douthitt was not in attendance for the vote.

Director Mink next announced that the Board would consider taking action regarding RMD Holdings, LP's request for pass-through service to a ±38 acre tract north of and adjacent to the District commonly referred to as the Palmer tract. Mr. Dawson presented the Memorandum of Understanding attached as **Exhibit "F"**, which he stated he had prepared to summarize the structure of the latest discussions with the Palmer family, the City of Round Rock, and Williamson County regarding development of the Palmer tract. He stated that it was his understanding that the City and the County were both on board with this structure and that he had been told by Joe England, the County's engineer, that it would be on the Commissioner's Court agenda later in the week. Director Mink asked what "it" meant specifically. Mr. Dawson stated that he did not know for sure. He stated that development of the Palmer tract was dependent on pass-through service from the District, and he confirmed that he had met with the HOA to review his proposed development of the Palmer tract in more detail. Mr. Dawson stated that he felt like his presentation had been received well by the HOA and that he had provided additional information on his project for the HOA to include in its next newsletter. Mr. Dawson next reported that it was his understanding that Murfee Engineering had been engaged to conduct an independent review of Gray Engineering's prior engineering study of pass-through service to the Palmer tract. Mr. Bartram asked who had engaged Murfee Engineering. Mr. Hines stated that his firm was coordinating that as subcontract work under Gray Engineering's contract at the direction of the subcommittee. Mr. Dawson acknowledged that the expense of this review would be his responsibility. Director Mink stated that he would prefer that Murfee Engineering contract directly with the District, and he suggested that the Board receive legal advice regarding this agenda item in executive session at the end of the meeting. The Board concurred. Mr. Dawson alerted the Board that he had certain contractual deadlines approaching and would need to know soon whether or not the District could provide pass-through service. Director Mink stated that Arterial H would negatively affect the District and that the Board was trying to balance the request for pass-through service against the interests of the District's constituents. Mr. Dawson stated that it was his understanding that Arterial H was moving forward regardless of what happened with the Palmer tract. He stated that pass-through service was an opportunity for the District to be involved in how the Palmer tract was developed. Director Mink stated that he was also concerned about the commercial uses of the Palmer's retained property. Mr. Dawson stated that, as the potential owner of the adjoining residential area, he shared these concerns. He indicated that the Palmer's commercial property would be zoned C1-A. He stated that, if any of the uses permitted by C1-A zoning was problematic for the District, the Board should let him know so that the objectionable use could be restricted in some way. Director Mink stated that the Board would receive legal advice regarding the issue before taking any action. Mr. Dawson thanked the Board for its time and then left the meeting.

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 "G"**. She noted that the report had not made the packet and that, therefore, she had circulated it via email prior to the meeting. She asked whether, under such circumstances, she should bring hard copies of the emailed report to the Board meeting. The Board generally agreed that Ms. Gonzalez should bring hard copies of emailed bookkeeping reports to the Board meetings. Ms. Gonzalez

then continued with her report. 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 noted that the check for the fee of office to Director Douthitt would need to be voided due to his absence. Director Alger raised a question about the check to Director Mink for fees of office. Director Mink stated that he only attended one Board meeting in March and that, therefore, the check should be reduced accordingly. Ms. Gonzalez stated that she would void the original check and issue a replacement in the corrected amount. Mr. Hines noted that Beacon Construction Co., Inc. was still wrapping up the crack repairs in Phase 1 of the wall project, and he, therefore, recommended that this check be held pending completion of that work. Ms. Gonzalez next reported that one operating fund CD and three debt service fund CDs were scheduled to mature this month, and she recommended that these funds be transferred to the District's TexPool account in order to fund the District's September 1st bond payments. She then reported on recycling rebates and noted that 98.87% of the District's 2013 tax year levy had been collected. She concluded by reviewing the monthly transfers and the latest quarterly investment report. After discussion, upon motion by Director Asbury and second by Director Young, the Board voted unanimously to approve the bills, invoices, transfers, and investment recommendations as presented, with the directive that Ms. Gonzalez hold the check to Beacon Construction Co., Inc. until Mr. Hines confirmed that the crack repair work in Phase 1 of the wall project had been completed in a satisfactory manner.

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 "H"**. He reported that the repairs to the hair-line cracks in Phase 1 of the wall project should be completed this week and that he would let Ms. Gonzalez know when everything was done. Mr. Hunt then directed the Board's attention to the email from the resident at 3512 Flora Vista Loop regarding damage to his sprinkler system during construction of Phase 1 of the wall project. Mr. Hunt stated that the contractor had apparently capped an irrigation line in this resident's back yard, which had eliminated one sprinkler head. He stated that Phase 1 of the wall project was out of warranty, and he recommended that the District have its landscape contractor replace the missing head, the expense for which would be minimal. Upon motion by Director Young and second by Director Asbury, the Board voted unanimously to approve the repair.

At Mr. Hines' request, Mr. Edmonson then updated the Board with respect to Phase 2 of the wall project. Mr. Edmonson reported that construction was progressing well. He stated that a concrete truck had had been forced to drive up onto the sidewalk in the area where the Vista Isle road right-of-way narrows. He reported that no damage had been discovered to date but that he had made it clear to the contractor that any damage would be the contractor's responsibility. Mr. Edmonson further reported that he had also fussed at the contractor about the condition of the job site and had asked the contractor to expedite cleaning up the sidewalks. He stated that the project should be complete by the end of the following week with the exception of the Pfeiffer lot, the owner of which had not yet granted the District an easement. Mr. Hunt stated that the

Pfeiffers were now ready to execute their easement and that he was coordinating signatures. Mr. Edmonson expressed a concern about re-mobilization costs if the easement was not in place before the rest of the project was complete. Mr. Bartram stated that the easement would need to be secured; however, in the interest of time and to avoid any re-mobilization costs, he suggested that Mr. Hunt attempt to obtain some sort of written permission from the Pfeiffers to proceed with the fencing with the understanding that the executed easement would follow. The Board generally concurred with this approach and directed Mr. Hunt to proceed accordingly. Mr. Edmonson then concluded the report on Phase 2 of the wall project by presenting and recommending approval of (i) change order no. 1 in the amount \$4,000 adding 80 feet of spare fencing panels, a copy of which is attached as **Exhibit "I"**; and (ii) pay estimate no. 1 in the amount of \$43,490.92, a copy of which is attached as **Exhibit "J"**. Upon motion by Director Young and second by Director Asbury, the Board voted unanimously to approve the change order. Director Young then moved that the Board approve pay estimate no. 1. Upon second by Director Alger, the pay estimate was approved unanimously.

Mr. Edmonson next reported on Phase 3 of the wall project. He stated that he had met with the subcommittee on the design and that the bid materials should be ready by the end of the week. Director Asbury asked Mr. Edmonson to confirm that the logo for the column designs was consistent with the final logo selected for Phase 1. Mr. Bartram asked if AT&T had been consulted about the gate in front of its substation on Vista Hills Boulevard and the possible encroachments along Royal Vista Boulevard. Mr. Hines stated that his contact at AT&T had been on vacation but that he planned to meet him on site on Wednesday. He stated that he should know what AT&T would require in terms of paperwork for the substation gate soon. With respect to the possible Royal Vista encroachments, Mr. Hines suggested that the Phase 1 Encroachment Agreement form be used. Mr. Hines also noted that an additional easement would be required from the HOA on the Recreation Center lot in order to fence around the AT&T substation. Mr. Bartram confirmed that the easement had been drafted and had been provided to Mr. Hunt to coordinate with the HOA. Mr. Hunt reported that the HOA had agreed to put the easement on its next meeting agenda. Director Mink questioned whether the fencing on the Recreation Center lot should be extended further back. Mr. Bartram stated that the HOA easement, as drafted, was only 50 feet deep and that this legal description would need to be revised if the Board wanted to extend the fencing in this area. The Board generally agreed that extending the easement area would be prudent. Director Asbury stated that he would look at the area in person in more detail that evening to determine the feasibility of extending the fencing and that, if it was doable, the run of fencing could be included in the bid materials as an alternate. The Board generally agreed. Mr. Bartram asked Mr. Hines to update the legal description for the HOA easement. Director Asbury stated that the re-vegetation requirements for the project also needed to be confirmed. Mr. Edmonson stated that re-vegetation of all disturbed areas would be a requirement and that re-sodding of the District's entire landscape easement would be included as an add-alternate. Mr. Hunt stated that, now that the design was nearing completion, he would look in to scheduling a meeting with the affected residents later in the month. Mr. Bartram stated that the title work for the temporary easements needed from these residents was in process. After discussion, the

Board generally agreed to postpone bidding the project until the HOA, AT&T, and resident easement issues were finalized.

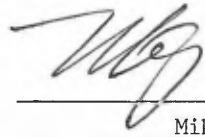
Director Mink then stated that the Board would receive the security report and consider taking related action. Mr. Hunt first directed the Board's attention to the security report attached as **Exhibit "K"**. He then noted that Williamson County was apparently doing a "180" on patrol services. He explained that the latest update was that the County was going to allow districts to engage patrol deputies as independent contractors pursuant to a "simplified" interlocal agreement. At this time, Director Alger left the meeting.

At 1:45 p.m., Director Mink announced that the Board would convene in executive session in order to receive legal advice regarding the pass-through service requested for the Palmer tract, as permitted under Section 551.071 of the Texas Government Code. The Board reconvened in open session at 2:45 p.m., at which time Director Mink confirmed that no action was taken in executive session. Director Mink then moved as follows: (i) that Director Young contact Murfee Engineering for a proposal to review on the District's behalf the engineering feasibility of providing both water and wastewater pass-through service to the Palmer tract at RMD Holdings' expense under the developer escrow deposit; and (ii) that the Services Subcommittee schedule a meeting with Bob Daigh, Williamson County's infrastructure director, to better understand the County's plans for Arterial H and discuss the impact on the District and its residents. Director Asbury seconded the motion, which then passed unanimously.

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

(Signature page follows.)

(SEAL)



Mike Asbury, Secretary
Board of Directors

Date: September 8, 2014