

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

August 12, 2019

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 12, 2019, 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
Heath Reed-Green	-	Vice President
_____	-	Secretary
Leslie Alger	-	Assistant Secretary
Jacob Matto	-	Assistant Secretary

and all of the Directors were present, thus constituting a quorum. Also present at the meeting were Lisa Torres of Crossroads Utility Services LLC, the District’s general manager and utility operator; Joey Gallegos of Gray Engineering, Inc., the District’s engineer; Allen Douthitt of Bott & Douthitt, PLLC, the District’s bookkeeper; Chris Lane of Samco Capital Markets, Inc., the District’s financial advisor; Denise Gordon and Steve Garcia, residents of the District; and Jenn Scholl of Armbrust & Brown, PLLC, the District’s general counsel.

Director Asbury called the meeting to order at 12:07 p.m. and stated that the Board would first receive citizens’ communications and Board member announcements. There being none, Director Asbury stated that the Board would consider candidates for appointment to the Board and conduct any related interviews. Ms. Gordon introduced herself to the Board and stated that she had lived in the District for four and a half years and had attended the last four Board meetings. She stated that she was a community volunteer and that her goal was to facilitate communication between the District and the residents so that the residents were up-to-date on what the District was doing. Mr. Garcia then introduced himself to the Board and stated that he had lived in the District since 2007. He stated that he had been on the Board of Directors of the Vista Oaks Owners’ Association (the “HOA”) and was re-elected to office but opted to resign when the Board of the HOA transitioned from 9 to 5 members. Mr. Garcia stated that he owned a website design business, worked in branding since 2005, and managed the HOA’s website and a separate website that was aimed at providing general communications to the residents. He noted that he had also created the “Save 1431” campaign to re-route the LCRA’s transmission lines away from the neighborhood and was interviewed by news and media throughout the process. Director Asbury asked each candidate to briefly state their familiarity with the Board and what they would like to accomplish if appointed. Ms. Gordon stated that her goal was to increase communication with the residents and that she was relatively unfamiliar with the District but had been reviewing all of the information that was available to her. Mr. Garcia stated that he had been exposed to the District while serving on the HOA Board and by things he had learned about the District through HOA meetings. Director Asbury

reviewed his experience with the Board and stated that it was the Board's goal to provide the best services possible for residents. He stated that, based on Ms. Gordon's attendance at past Board meetings and Mr. Garcia's continued community involvement throughout his residency in the District, it appeared that both candidates had an interest in the Board. Director Alger asked each candidate to confirm their availability for Board meetings. Ms. Gordon stated that she was retired and would be able to attend all of the meetings. Mr. Garcia stated that he was self-employed and was available to attend all meetings as well. Director Matto asked if either of the candidates had any intent to move out of the neighborhood any time soon. Ms. Gordon and Mr. Garcia both confirmed that they did not have any plans to move. Director Alger then asked both candidates which side of the neighborhood they lived on. Ms. Gordon stated that she lived on the east side of the neighborhood and Mr. Garcia stated that he lived on the west side. After discussion, the Board decided that additional interviews would be necessary in order to determine the best candidate for appointment to the Board and directed Director Asbury and Director Reed-Green to conduct additional interviews with each candidate prior to the next Board meeting so that a decision could be made at the September Board meeting.

Director Asbury stated that the Board would consider approving the following consent items: (i) the minutes of the July 8, 2019 Board meeting; and (ii) the Amended and Restated Resolution Establishing Offices and Meeting Places of the Board of Directors of Vista Oaks Municipal Utility District and Establishing Locations for the Posting of Notice of Meetings of the Board, attached as **Exhibit "B"**. Upon motion by Director Reed-Green and second by Director Matto, the Board voted 4-0 to approve the consent items.

Director Asbury stated that the Board would consider matters relating to the District's 2019-2020 budget and 2019 tax rate. Ms. Lane presented the Tax Rate Summary report, attached as **Exhibit "C"**, and reviewed it with the Board. She stated that the District's net taxable value for 2019 was \$283,762,443, which was a change from \$286,641,554 in 2018, but she noted that property with a taxable value of \$2,928,810 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 \$286,691,253 net taxable value for 2019 for the District. She stated that the average home value in the District was \$305,583.52, which was up from \$302,481.54 in 2018. Ms. Lane then recommended that the District maintain the existing tax rate of \$0.33 per \$100 assessed valuation, with an allocation of \$0.15 to debt service and \$0.18 to operations and maintenance. 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. She stated that this tax rate structure would require the District to use \$120,895 of cash on hand for debt service requirements and would result with an ending fund balance of \$82,852, which she noted was 32% of next year's debt service requirements. Ms. Lane pointed out that the District's last debt service payment was next year and that the debt service rate for next year could drop to as low as \$0.06 cents, depending on the appraised values. Ms. Lane then stated that it was important for the District to maintain healthy reserves for the future and the District's consultants were working to develop a plan to address this, noting that the District's engineer would be presenting a memorandum later in the meeting.

Mr. Douthitt then reviewed a draft budget with the Board and pointed out that it was based on the operations and maintenance tax rate of \$0.33 recommended by Ms. Lane. He reviewed the various costs that had been included in the draft budget, pointed out that the budget was expected to result in an operating deficit of \$290,888, and stated that the proposed budget would generate about \$516,044 in property tax revenue. Mr. Douthitt stated that he would continue to work with the District's consultants to finalize the budget. He noted that the consultants would re-evaluate service fees once the City of Round Rock rate appeal was resolved.

Ms. Scholl stated that the Board would need to establish a proposed tax rate by record vote at this meeting, schedule a public hearing at which the adoption of the tax rate would be considered, and authorize publication of a notice of the public hearing on the tax rate. Ms. Scholl advised the Board that it could adopt a lower tax rate than the rate contained in the notice, but could not adopt a higher rate. Upon motion by Director Alger and second by Director Reed-Green, the Board voted to adopt a proposed tax rate of \$0.33 per \$100 assessed valuation, to schedule a public hearing on the tax rate for September 9, 2019 at noon, and to authorize Ms. Scholl to give notice of the public hearing with Directors Asbury, Reed-Green, Alger, and Matto present and voting “yes”.

Director Asbury then stated that the Board would next discuss the wholesale water and wastewater service, including update on City of Round Rock wholesale rate increases and rate appeal. Ms. Scholl recommended that the Board convene in executive session in order to receive legal advice on the matter and recommended that the executive session take place at the end of the meeting in order to allow consultants to give their reports and leave before the Board went into executive session.

Director Asbury stated that the Board would next consider arbitrage rebate and yield restriction compliance for the District’s outstanding bond issues. Mr. Douthitt presented the engagement letter for arbitrage compliance services from BLX Group, attached as **Exhibit “D”**, and recommended approval. After discussion, upon motion by Director Reed-Green and second by Director Matto, the Board voted 4-0 to approve the engagement letter.

Director Asbury stated that the Board would receive the security report and consider taking related action. Ms. Torres stated that the security report for the month was not ready in time for the meeting and she would present it at the next Board meeting.

Director Asbury then stated that the Board would receive a report from the District’s engineer and recognized Mr. Gallegos. Mr. Gallegos presented his report, attached as **Exhibit “E”**, and reviewed it with the Board. He stated that the Williamson County License Agreement, attached as **Exhibit “F”**, had been executed, so the beautification project could commence. He reported that a pre-construction meeting would be held within the next week and work would commence shortly after that. Mr. Gallegos stated that the District’s consultants had been working to determine the District’s future capital reserve budget needs. He presented the memorandum, attached as **Exhibit “G”**, and stated that it outlined estimated costs for his firm to conduct a system inventory, prepare a capital reserve budget, and prepare an engineering summary report. He stated that the memorandum provided a rough estimate and general outline of the tasks that would be involved and, if the Board approved of the work, he requested authorization to prepare a more formal proposal for consideration at the next Board meeting. After discussion, upon motion by Director Reed-Green and second by Director Matto, the Board voted 4-0 to authorize the District’s engineer to prepare a more formal proposal for the next Board meeting.

Director Asbury next recognized Mr. Douthitt for purposes of receiving the bookkeeper’s report. Mr. Douthitt presented the accounting report and updated cash activity report, attached collectively as **Exhibit “H”**, and reviewed them with the Board. He requested approval of a transfer in the amount of \$8,150.03 from the District’s operating account to the District’s bookkeeper’s account, a transfer in the amount of \$75,000 from the District’s TexPool Operating account to the District’s operating account, and a transfer in the amount of \$9,963.96 from the TexPool Tax Account to the TexPool Operating Account, as indicated on the first page of his report. He then requested approval of the bond payments for the District’s Series 2010 and 2012 bond issuances, as indicated on the first page of his report. He reviewed the financial

statements, tax collection report, budget comparison, checks that had been written out of the bookkeeper's account since the last Board meeting, and the disbursements being presented for approval. He pointed out that the District had a positive budget variance of \$6,264.09 and about 99.35% of the District's 2018 taxes had been collected. Upon motion by Director Alger and second by Director Matto, the Board voted 4-0 to approve the transfers, bond payments, and payment of the bills and invoices, as presented.

Director Asbury then stated that the Board would receive a report from the District's general manager and utility operator. Ms. Torres presented the operations report, attached as **Exhibit "I"**. She reviewed her directives from the prior Board meeting. She reported that a claim had been filed with the District's insurance company for approximately \$4,530 in damage that was caused to the District's lift station when it was struck by lightning and she pointed out that the District's deductible was \$1,000. She stated that Crossroads had incurred additional costs of about \$950 but the insurance company refused to cover these costs because the work was completed during normal working hours, not after hours, so the insurance company claimed that the District did not incur additional expenses for work done during normal business hours. **The Board discussed this exclusion from the District's insurance coverage and requested that Ms. Torres investigate what it would cost to remove this exclusion from the District's current policy and if there were other insurance carriers that offered policies that did not contain this same exclusion.** Ms. Torres then reported that water loss was at $\pm 7.30\%$ for the month of June. She confirmed that all lab results were satisfactory, there were no issues with water quality, and the utility facilities were generally operating well. Ms. Torres reported that the District was under voluntary watering restrictions, she did not have any write-offs to present, and she had notified the solid waste service provider of several missed pick-ups. Ms. Torres noted that she was working with the solid waste service provider to add additional collection days for leaf bags, noting that there was currently only one designated leaf collection week and there had been issues with not all of the bags being collected.

Director Asbury then stated that the Board would receive the attorney's report and recognized Ms. Scholl. Ms. Scholl reviewed the consultant directives report and noted that all prior directives were either complete or in process.

At 1:09 p.m., Director Asbury stated that the Board would next consider matters related to wholesale water and wastewater service and would convene in executive session in order to receive legal advice regarding the City of Round Rock's wholesale rate increases and possible rate appeal, as permitted by Section 551.071 of the Texas Government Code. At 1:38 p.m., the Board reconvened in open session and Director Asbury announced that no action had been taken in executive session.

There being no further business to come before the Board, the meeting was adjourned at 1:39 p.m.

Date: 9/9/19

(SEAL)





Jacob Matto, Secretary
Board of Directors