

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

September 12, 2016

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 September 12, 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
Carl R. Black	-	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; 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 John Bartram of Armbrust & Brown, PLLC, the District's general counsel.

Director Asbury called the meeting to order at 12:08 p.m. and stated that the Board would first receive citizens' communications and Board member announcements. Mr. Hunt advised that there had been a few complaints regarding Phase 4 of the fence project that could be addressed later under that agenda item.

Director Asbury then stated that the Board would consider approving the minutes of the August 8, 2016 Board meeting. Upon motion by Director Reed-Green and second by Director Alger, the minutes were approved unanimously.

Director Asbury next announced that the Board would consider a proposal from McCall Gibson Swedlund Barfoot PLLC ("MGSB") for the audit of the District's financial statements for the fiscal year ending September 30, 2016. Mr. Bartram directed the Board's attention to the proposal attached as **Exhibit "B"**. He noted that the proposed fee for this year's audit was between \$14,000 and \$16,000, which was the same as last year's fee range. Mr. Bartram also reviewed the fraud questionnaire attached as **Exhibit "C"**, which he stated was provided by the auditor under Statement on Auditing Standard No. 99 as part of the auditor's audit planning process to document material misstatements caused by fraud, and he advised anyone with questions or concerns about fraud to contact the auditor. After discussion, upon motion by Director Alger and second by Director Wells, the Board voted unanimously to engage MGSB for the audit of the District's financial statements for the fiscal year ending September 30, 2016.

Director Asbury next announced that the Board would consider the budget and tax items

on the agenda and stated that the Board would first conduct a public hearing on the District's 2016 tax rate. He opened the public hearing and inquired whether there was anyone present wishing to address the Board regarding the District's tax rate. There being no public comment, Director Asbury closed the public hearing and then recognized Ms. Lane for purposes of receiving a recommendation regarding the District's 2016 tax rate. Ms. Lane reminded the Board that the District had published a proposed tax rate of \$0.56. She noted that the Board could adopt a lower tax rate but could not go higher. Ms. Lane then reviewed the Tax Rate Summary attached as **Exhibit "D"** and stated that the budget subcommittee had met and was recommending a tax rate of \$0.5450, comprised of a \$0.2150 operations and maintenance tax and a \$0.3300 debt service tax. She stated that reducing the tax rate to \$0.5450 would reduce the average tax bill by \$38.56, or approximately 2.49%.

Mr. Hunt and Ms. Kirkley then reviewed the proposed budget attached as **Exhibit "E"** which Ms. Kirkley explained was based on the \$0.2150 operations and maintenance tax rate. Mr. Hunt stated that the budget also included a plug for wastewater line repairs identified during the upcoming five-year televising project and a reduction in legal fees consistent with this year's run rate. He pointed out that the budget projected a year-end deficit of ±\$301,000, which would be absorbed by the general fund balance. Director Alger asked what effect this would have on the reserve, and Mr. Hunt stated that the District currently had a 12-plus month reserve and that covering the budget shortfall would still leave the District with a healthy fund balance. After further discussion, upon motion by Director Wells and second by Director Alger, the Board voted unanimously to approve the budget presented by Mr. Hunt and Ms. Kirkley and the Resolution Adopting Budget attached as **Exhibit "F"**. Director Asbury then stated that the Board would consider establishing the District's 2016 tax rate. Upon motion by Director Alger and second by Director Black, the Board voted unanimously to establish a tax rate of \$0.5450, allocated as recommended by Ms. Lane, and to adopt the Order Levying Taxes attached as **Exhibit "G"**, with Directors Asbury, Wells, Alger, Reed-Green, and Black all present and voting "aye".

Director Asbury then stated that the Board would consider approving an Amended and Restated Information Form. Mr. Bartram explained that the form needed to be updated to reflect the change in the District's tax rate. Upon motion by Director Wells and second by Director Black, the Board voted unanimously to approve the Amended and Restated Information Form attached as **Exhibit "H"** and its filing. Ms. Lane then departed, announcing that she had another meeting to attend.

Director Asbury then stated that the Board would next consider an amendment to the District's rate order. Mr. Hunt directed the Board's attention to 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 "I"** and explained that the purpose of the amendment was to pass through to customers the increase in wholesale rates taking effect on October 1st. Mr. Bartram noted that the approval and effective dates would need to be updated accordingly. Upon motion by Director Wells and second by Director Alger, the Board voted unanimously to approve the amended rate order with the new rates effective October 1st.

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 the contractor expected to receive the materials the following week and that construction should commence shortly thereafter. He next reported that he had obtained three proposals for the clearing work along the Arterial H segment, the lowest of which was the \$10,000 not-to-exceed amount, and that he had proceeded with that proposal. He stated that, although the clearing work was on the Arterial H side of the fence, there had been a couple of

complaints from residents. Mr. Hunt stated that the existing fence did not appear to be exactly on the property line, and he, therefore, recommended that the District have the property line surveyed and lot corners staked in order to avoid any further confusion. He estimated that the survey work could be completed for less than \$2,500. Director Wells asked how long the surveying work would take and whether that would delay the project. Mr. Edmonson stated that it would only take a couple of days to do the actual survey work on the ground, but noted that the bigger challenge was getting the work scheduled. He estimated that it would take about two weeks to get a survey crew on site, but he indicated that this would not delay the overall project because the fence construction was planned to start along the Sam Bass Road segment. Director Asbury asked if residents would be notified when their fences were being removed, and Mr. Edmonson confirmed that the fence contractor was required to give the residents advance notice. After further discussion, upon motion by Director Reed-Green and second by Director Wells, the Board voted unanimously to authorize the Arterial H fence segment property line to be surveyed at a cost not to exceed \$2,500. Mr. Edmonson then concluded the fence report with an update on Arterial H road construction, noting that the water line was currently being installed.

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 requested but had not yet received any update from TXDOT.

Director Asbury then stated that the Board would receive an update on the Round Rock-Leander 138-kV transmission line. Mr. Hunt stated that updated information regarding the project was available on the LCRA's website.

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 attached as **Exhibit "J"** and stated that there were no major items to report. He added that he planned to invite Sgt. Breder to the Board's next meeting because it had been awhile since he last attended, and he requested Mr. Bartram to make the security report the first item on the October agenda. Director Reed-Green stated that there had been concerns at the HOA level regarding traffic tickets being issued for using the shoulder to make right turns on to Vista Oaks Boulevard off of RM 1431. Director Asbury confessed that he had recently been pulled over for doing so and had been issued a warning. The Board generally agreed that an actual deceleration / turn lane was needed at that intersection, and Director Asbury stated that this might be something to have a conversation about with TXDOT.

Director Asbury then stated that the Board would receive a report from the District's engineer and recognized Mr. Edmonson. Mr. Edmonson reported that Mr. Hunt had reminded him that the District's five-year regulatory wastewater collection system televising and cleaning requirement was due and had requested that Gray Engineering prepare a proposal for the preparation of bid specifications for the project. At this time, Mr. Edmonson handed out the proposal attached as **Exhibit "K"**, noting that the proposal, which included preparation of the bid documents, advertising, contract administration, and final certification to the State, was in the not-to-exceed amount of \$21,000. Director Asbury asked when the project would need to be completed. Mr. Hunt stated that this Fall would be ideal but that it would be ok if it spilled over into next Spring. Director Alger asked if the District would need to advertise for bids. Mr. Edmonson confirmed that was required if the project cost was over \$75,000. Mr. Hunt stated that, if the estimated cost of the project was under \$75,000, then the District would be required to solicit at least three proposals. Director Reed-Green asked if the District was responsible for televising any of the wastewater lines upstream of the District's system. Mr. Hunt stated that the City of Round Rock was responsible for those lines, noting with envy that the City had its

own Hydrocon 3000 televising equipment. Director Wells asked if the cost of the project was in the budget, and Mr. Hunt confirmed that the cost had been included in the budget for the 2016-2017 fiscal year. After further discussion, upon motion by Director Wells and second by Director Black, the Board voted unanimously to approve the proposal from Gray Engineering, as presented.

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 "L"** 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 pointed out that approximately 99.51% of the District's 2015 tax levy had been collected. Upon motion by Director Alger and second by Director Wells, 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 "M"**. He reported that water loss was 1.9% for the month and 2.5% for the year, that water quality was satisfactory, and that things had been very quiet with respect to system operation and maintenance. He then reviewed the District's billing report recommended that one write-off in the amount of \$73.81 be referred to collections. Upon motion by Director Wells and second by Director Black, the write-off was approved unanimously.

Director Asbury then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram stated that there were no outstanding consultant directives and that he did not have anything further to report at this time.

Director Asbury then stated that the Board would consider the election items on the Supplemental Agenda. Mr. Bartram reported that the District's 2016 director election was uncontested and that the election could, therefore, be canceled. After discussion, upon motion by Director Alger and second by Director Wells, the Board voted unanimously to approve the Order Declaring Election of Unopposed Candidates and Canceling November 8, 2016 Director Election attached as **Exhibit "N"**.

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 October 10, 2016.

There being no further business to come before the Board, the meeting was adjourned at 12:50 p.m.

(Signature page follows.)



Leslie Alger, Secretary
Board of Directors

Date: October 10, 2016