

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

October 13, 2014

THE STATE OF TEXAS           §  
  §  
COUNTY OF WILLIAMSON       §

A meeting of the Board of Directors of Vista Oaks Municipal Utility District was held on October 13, 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
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 Young, thus constituting a quorum. Also present at times during the meeting were Andrew Hunt and Dennis Hendrix of Crossroads Utility Services LLC, the District's general manager and utility operator; Don Bayes 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; and John Bartram of Armbrust & Brown, PLLC, the District's general counsel.

Director Mink called the meeting to order at 12:02 p.m. and stated that the Board would first receive citizens' communications and Board member announcements. Mr. Hunt reported that he had received a compliment on Phase 2 of the wall project through the HOA.

Director Mink then stated that the Board would consider approving the following items on the consent agenda: (i) the minutes of the September 8, 2014 special Board meeting; and (ii) the minutes of the September 8, 2014 regular Board meeting. Upon motion by Director Asbury and second by Director Alger, the Board voted unanimously to approve both sets of minutes.

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. Hunt stated that the agreement for the updated capacity study by Murfee Engineering Company had been finalized and executed. He indicated that George Murfee had advised that he was still waiting on certain plans from Gray Engineering necessary to complete the study. Mr. Dawson stated that he was working with the City of Round Rock and Williamson County to initiate drafts of the various agreements necessary to memorialize the pass-through service. Mr. Bartram stated that the City's attorney had confirmed that he was prepared to begin drafting the agreements once the updated capacity study was complete. Mr. Dawson further stated that he was working with the County on various environmental studies and that, thus far, everything was clean. He added that he was finishing work on the zoning application, which the City was going to allow to be filed prior to formal

annexation. He concluded by stating that he was optimistic that the capacity study would come back favorable. Director Mink asked if Mr. Dawson had secured the necessary feasibility extensions from the Palmer family. Mr. Dawson stated that his feasibility period was scheduled to expire in early November. He admitted that all parties were waiting for the dominoes to start to fall but confirmed that he had not heard anything negative from the Palmers.

Director Mink then stated that the Board would receive the security report and consider taking related action. Mr. Bartram reminded the Board that Williamson County had recently revised its off-duty patrol structure to require the contracting entities to pay the patrol deputies directly and that, after various iterations of the documents, the County's new structure was memorialized in the Standard Agreement with Local Governmental Entity Regarding Off-Duty Services of County Deputies and the Memorandum of Understanding attached collectively as **Exhibit "B"**. He stated that Mr. Hunt had confirmed that both worker's compensation and law enforcement liability coverages for the deputies could be added to the District's insurance. In addition he recommended that the compensation of deputies performing services under this structure be reported as employee wages instead of the deputies being "1099'd" as independent contractors based on a recent IRS payroll audit of another local municipal utility district. Mr. Bartram stated that this would likely involve an additional bookkeeping charge. Mr. Hunt stated that Ms. Phillips of Municipal Accounts & Consulting had indicated that the additional reporting for the deputies' compensation would be in the \$150 to \$200 range. Mr. Hunt then reviewed the comparison of security patrol options attached as **Exhibit "C"**, noting that the HOA was willing to take over the contract assuming that the District reimbursed the HOA. Mr. Bartram noted that working through the HOA created additional issues and concerns, and he recommended that the District keep the contract for security patrols. Mr. Hunt stated that, although the deputies had agreed to \$46 per patrol hour, overall patrol time would need to be scaled back to 60 hours. He stated that, if the HOA desired additional patrol services, the HOA could contract separately for that work. Director Asbury stated that 60 hours seemed adequate if scheduled appropriately. The Board generally agreed. Mr. Bartram suggested that, if the Board wanted to move forward, the \$46 per hour compensation be referenced in the Memorandum of Understanding. After further discussion, upon motion by Director Asbury and second by Director Mink, the Board voted unanimously to approve the Standard Agreement with Local Governmental Entity Regarding Off-Duty Services of County Deputies and the Memorandum of Understanding, as presented with the addition of a reference to the deputies' hourly compensation, and to authorize Mr. Hunt to put the additional worker's compensation and law enforcement liability insurance coverage in place. Mr. Bartram stated that he would prepare a simple amendment to the District's bookkeeping services agreement to add the additional charge for reporting the deputies' compensation.

Director Mink stated that the Board would next receive a report from the District's engineer and recognized Mr. Bayes. Mr. Bayes first directed the Board's attention to the engineering report attached as **Exhibit "D"**. Mr. Edmonson then updated the Board with respect to Phase 2 of the wall project. Mr. Edmonson reported that the contractor had attempted to age the coloration of the columns by applying an acid wash in an attempt to match the color of the Phase 1 columns. He stated that the color appeared to be a reasonable match to him, and he requested Board concurrence. He further noted that the logo on the monumentation would need to be redone because it was a different font than the Phase 1 logo. Director Asbury stated that the acid aging looked ok; but he stated that he was concerned about longevity. He suggested that he view the columns in person. Upon motion by Director Alger and second by Director Wells, the Board voted unanimously to authorize Director Asbury to look at the columns in person and approve them or express any concerns to Mr. Edmonson. Director Wells noted that there were spaces between the fencing and columns in several areas. Mr. Edmonson stated that the openings would need to be closed up and secured. Director Mink asked what the options were to fill these gaps. Mr. Edmonson stated that he would need to meet

with the contractor to understand the options in more detail because some of the gaps were just too big. Director Mink then asked if Mr. Edmonson had done the final walk-through to confirm that there was no damage to the HOA's irrigation system. Mr. Edmonson stated that the HOA's irrigation well was not working and that the final walk-through had been postponed pending repairs to the well pump. Director Alger asked if there was a warranty for the Phase 2 wall. Mr. Edmonson stated that there was a one-year contractual warranty plus whatever manufacturer's warranty might apply. Director Mink asked if the spare wall panels had been delivered yet. Mr. Edmonson stated that the spare panels would be delivered upon completion of the project. Director Mink asked if the District had room to store the spare panels at the lift station. Mr. Hunt stated that he thought so, but he suggested that the Board may want to discuss a longer-term option with the HOA. Mr. Edmonson then concluded the report on Phase 2 of the wall project by presenting and recommending approval of pay estimate no. 3 in the amount of \$9,274.96, a copy of which is attached as **Exhibit "E"**, which he stated reflected work through September 30<sup>th</sup> and 89% completion. Upon motion by Director Asbury and second by Director Alger, the Board voted unanimously to approve the pay estimate. Mr. Edmonson stated that Phase 2 should be close to final next month.

Director Mink then asked if there was an update on Phase 3 of the wall project. Mr. Hunt reported that he had secured ±45% of the easements. He stated that the Board's prior directive was to hold off on bidding the project until 75% of the easements were place; however, he asked whether the Board wanted to accelerate that process in order to complete the bidding prior to the holidays. Director Alger asked if it would be better to wait. Mr. Bayes acknowledged that it probably helped to have everything in place. After further discussion, the Board determined to postpone bidding Phase 3 until after the holidays when all of the easements were in place. Mr. Edmonson then reported that AT&T did not want to gate access to its substation on Vista Hills Boulevard due to line-of-sight and security concerns. He asked if the Board desired to delete the fencing around the AT&T substation entirely or proceed with the fencing without the gate. After discussion, the Board generally agreed to include the fencing around the substation without a gate as an alternate in the Phase 3 bid documents.

Director Mink then stated that the Board would receive a report from the District's bookkeeper. Ms. Gonzalez first reported that there had been one instance of additional fraud activity connected to the District's bank account on the day of the Board's last meeting, but none since. She confirmed that the District had not suffered any loss of funds, that new accounts had been opened, and that the automatic sweeps from the lock box account had resumed. Director Alger asked if anyone was investigating the fraud. Mr. Hunt stated that he had contacted the Williamson County Sheriff's Department and had been advised that there was probably not much that the Sheriff's Department could do at this time due to the fact that there was no actual loss and that most of the activity had occurred out of state. Mr. Bartram suspected that the bank might be doing its own investigation, and he asked if Ms. Gonzalez could check into that. Ms. Gonzalez stated that she would. Director Alger then noted that, although the District had not lost any funds, it had incurred additional charges from the bookkeeper in connection with addressing the fraudulent account activity, and she asked if the District had any insurance that might compensate for these additional charges. Mr. Bartram stated that the District did have commercial crime insurance; however, he noted that there was probably a deductible. He asked Ms. Gonzalez to email the total amount of additional charges incurred in dealing with the fraud activity to Mr. Hunt and to him so that they could discuss a possible claim with TML. Ms. Gonzalez stated that she would do so. Mr. Hunt stated that, in connection with addressing the fraudulent account activity, it was discovered that customer payments made by credit card, debit card, and e-checks were being deposited into the District's operating account instead of the lock box account with other customer payments. He confirmed that this issue had since been resolved.

Ms. Gonzalez then presented the bookkeeper's report attached as **Exhibit "F"** 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 Palmer tract escrow deposit report; and the monthly transfers. She noted that the check for the fee of office to Director Young would need to be voided due to his absence. Ms. Gonzalez next reported that one investment CD had matured on October 6<sup>th</sup> and that those funds had been transferred to the District's TexPool account. After discussion, upon motion by Director Wells and second by Director Alger, the Board voted unanimously to approve the bills, invoices, transfers, and investment recommendations as presented.

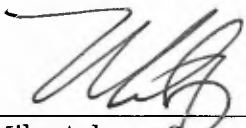
Director Mink next recognized Mr. Hunt for purposes of receiving a report from the District's general manager and utility operator. Mr. Hunt reviewed the report attached as **Exhibit "G"**. He stated that water loss was 1.27% for the month and 2.74% on the year. He confirmed that there had been no water quality complaints and that all test results were satisfactory. He then reviewed the billing and delinquent accounts reports and recommended approval of three write-offs. He noted that, in order to avoid inadvertent publication of customer confidential information, the write-off list would be handed out at Board meetings instead of included in the meeting packets. Upon motion by Director Asbury and second by Director Wells, the Board voted unanimously to approve the recommended write-offs. Mr. Hunt next reported that no complaints regarding solid waste collection had been received and that the District's website had been updated with information on the community garage sale. He reported that the dialer battery at the lift station had been replaced and that the alternator on pump no. 3 at the lift station had failed and had been replaced. Mr. Hunt next reported that he had left door tags at the houses on Artesia Bend regarding the proposed additional street light but had not heard from the residents. After discussion, upon motion by Director Alger and second by Director Asbury, the Board voted unanimously to direct Mr. Hunt to leave another door tag regarding the project and, if no objections were received within one week, to proceed with installation of the additional street light per the proposal from Sun\*Tech Electrical Contractors, Inc. attached as **Exhibit "H"**. Mr. Hunt then concluded his report by advising the Board that he was beginning to compile a list of possible long-term capital improvement projects. Director Asbury stated that he would like to understand the plans for the future widening of FM 1431. Mr. Hunt stated that this could be evaluated in connection with Phase 4 of the wall project.

Director Mink then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram reviewed his directives from the previous Board meeting, which he stated were either complete or in process.

Director Mink then asked if there was any further business to come before the Board. Ms. Gonzalez asked if Mr. Douthitt should continue to be copied on the District's financial statements. Director Asbury stated that he would confirm to what extent Mr. Douthitt wanted to remain involved in the District's financial matters. Mr. Bartram stated that he would also check in with the auditor to determine if Mr. Douthitt's resignation from the Board would affect review of the District's year-end financials in connection with the audit.

There being no further business to come before the Board, the meeting was adjourned at 1:43 p.m.

*(Signature page follows.)*



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Mike Asbury, Secretary  
Board of Directors

Date: November 10, 2014