MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE FERN BLUFF MUNICIPAL UTILITY DISTRICT

June 11, 2013

THE STATE OF TEXAS

WILLIAMSON COUNTY

The Board of Directors of the Fern Bluff Municipal Utility District convened in a regular meeting open to the public at 6:03 p.m. on June 11, 2013 at the Fern Bluff Municipal Utility District Community Center, 7320 Wyoming Springs Drive, Round Rock, Texas, pursuant to notice duly given in accordance with the law.

The roll was called of the following members of the Board of Directors:

Patrick Savarese	President
Joseph Teiber	Vice President
Dave Quillman	Secretary
George Sabatino	Treasurer
Jessica Stempko	Assistant Secretary/Treasurer

All Directors were present with the exception of Dave Quillman, thus constituting a quorum. Also present were District General Manager, Janey Miller; Kristi Hester and Mark Stillman with Severn Trent Environmental Services, Melisa Leal of McGinnis Lochridge & Kilgore LLP; Community Center Manager, Cindy Alvarado; Brian Schmidt of Ecosystems, Williamson County representatives Connie Watson, Teron Everetson, Mary Clark, and several District residents.

1. Immediately upon calling the meeting to order, Director Teiber led the Pledge of Allegiance.

2. There were no citizens present for communications to the Board.

3. President Savarese moved down agenda number 8 to discuss the update from Williamson County representatives on resurfacing the cul-de-sacs in the District - Williamson County Fog Seal Project. Mr. Everetson explained that the County had a contractor selected from San Antonio – Clark Construction. The County staff planned to meet with them to set up schedule for the project. He then explained that the product to be used is tire rubber modified surface sealant, which is modified asphalt that would be sprayed in fine mist over the road surface. He also provided the Board with sample of core sample of cul-de-sac with the fog seal applied. Mr. Everetson described the process for the fog seal in certain portions of the District. They confirmed that residents would be provided written notice prior to the fog seal crews working on their neighborhood. The County started the public outreach process including an open house on June 18 at Brushy Creek from 6-8 pm, provided information to all homeowners' association and other political subdivisions included in this project. They plan to hang door hangers and will maintain website on the project. The website will include the schedule outlining the timing for each area. Director Teiber asked about the life expectancy of the fog seal, which Mr. Evertson explained was 2-3 years. Mr. Everetson explained that the fog seal is used in the cul-de-sac to withstand the turning that occurs. Director Teiber asked about the duration of the fog seal versus other traditional methods for resealing or maintaining streets. Mr. Everetson explained that this process was the most efficient from cost perspective: three primary treatments i) fog-seal is the cheapest; ii) seal coat – 3 x more expensive than fog seal, and iii) hot mix pavement – which is 6 x

more than the seal coat or 18x more than fog seal. The fog seal process would preclude residents from driving on the surface for 2-3 hours after application. The contractor has been instructed to limit number of cul-de-sacs per day and limit the hours of work on the streets from 9 am – 2 pm. Mr. Everetson passed out the informational door hangers to be used to inform the residents. They will be using barricades and cones along driveways with person monitoring traffic. Director Sabatino asked about how to help avoid a lot of cars parked along the perpendicular streets. Mr. Everetson said that they are working with the contractors to go in orderly fashion, avoiding trash pick-up day. They plan to have flashing message board, will use static board for each cul-de-sac, use green door hangar two weeks in advance and orange door hanger two days in advance. Mr. Everetson suggested that the process would occur July-August, with a 30 day process and that they intended to complete the project prior to school starting in the Fall.

4. President Savarese then moved down to Agenda item 10 (a) for report from Mr. Brian Schmidt, Landscape Contractor. He reported that replacement flowers for the community center would be planted within the week; he also reported that the leaky valve at Olson meadows was fixed, that the maintenance crews were cutting back perennials, and that they treated for ants last week. The mulching of the berm at Friendly Oaks was completed. Ms. Miller raised the issue of aeration for the fields in parks and Mr. Schmidt agreed to check into the process and follow up with Ms. Miller. Director Sabatino asked about Brightwater park and concern about grass growth. Mr. Schmidt agreed to bring information back to the Board for proposals for ground cover in the green belt across from Brightwater park.

5. President Savarese then announced that the Board of Directors would adjourn to Executive Session and the read the appropriate notice language in accordance with state law for the benefit of the public. He instructed Ms. Miller to stay and then asked all present outside the board to leave the room. The board executive session commenced at 6:35. After the Board adjourned executive session, the Board re-convened in regular session at 7:03 pm and President Savarese noted no action was taken during executive session.

6. The Board moved onto the next item of business, which was approval of the monthly consent agenda. The Board determined there were no items subject to removal and upon a motion by Director Teiber and seconded by Director Sabatino the Board unanimously approved the consent agenda containing the minutes of the May regular meeting; payment of bills and invoices and transfers for operation expenses, pay requests, change orders and customer charge write offs.

7. The next item on the agenda was discussion on the Creekbend extension. President Savarese explained that the only substantive update for the Board was that the City has right of entry to conduct a survey. There was nothing further to report on the project.

8. Director Savarese turned to Ms. Miller to discuss the agenda item regarding the mandatory sewer inspection. She explained that this process was required of the District every five years and explained that she would be working with Jennifer Waits on the drafting of proposal and collecting bid information. Ms. Miller will bring back the bid proposal to the board at the next meeting.

9. The Board then received reports from district consultants and committees.

Landscape Contractor – Noted above.

General Manager – Ms. Miller presented her General Manager's Report. She began with announcement that City of Round Rock has notified the District of wholesale water rate increase over three year period from $2.18 to $2.55 in the first year. It would subsequently be raised to $2.63 and $2.71 in 2015 and 2016. She explained her concern around the drastic increase, which should be based on the cost of service. Ms. Miller also pointed out that all wholesale water customers would be charged the same even though they have different system infrastructure that would warrant more or less cost in certain districts. Ms. Miller recommended, after discussion with Mr. Haag, hiring a rate consultant to review the City's rate study in order to be prepared to dispute and negotiate the increase with the City. She acknowledged that several other communities were also affected and expressed interest in a joint approach to the study. However, Ms. Miller and the Board discussed the option of an independent rate study. Director Teiber suggested asking the City about the study and why all the Districts would be treated the same. Ms. Miller stated that she had two informal discussions with the City and they referred to their study for basis of rates. She also sent written communication to them noting her concern about lack of time to address the rate increase. Director Stempko, Director Savarese and Director Teiber all agreed and felt that the District would be better off hiring the consultant directly and engaging in independent rate study. Director Teiber suggested a formal letter be sent to the City from its attorney or general manager explaining concerns and how Fern Bluff was treated with regard to its particular assets. Ms. Leal offered that the legal team would work with Ms. Miller to facilitate formal or informal communication with the City and move forward accordingly. And, Ms. Miller would communicate with the rate consultant to be prepared for following meeting. Ms. Miller then reported on vandalism on the bathrooms at the park.

Operations Manager – Ms. Hester introduced herself to the board members and explained that the prior lead, Hector Alanis for the District, had resigned from Severn Trent. Ms. Hester introduced Mr. Mark Stillman at ST overseeing the transition from the internal billing process into new billing system. Mr. Stillman is available to address any questions. Ms. Miller explained that billing would now allow for payment with Visa and for total electronic billing. Mr. Stillman responded to Ms. Miller's question regarding the differences between applications on iPhone versus android systems. He noted that they are working on app for the phone systems. Mr. Stillman explained that there would be dual service process until AVR was fully in place and assured the Board that the transition would be seamless and residents should not experience any changes to their billing. ST will retain auditors to help with the process and follow up on billing matters. AVR is software and company acting as platform for the new billing system. After discussion on the billing system, Ms. Hester reviewed the operations report for the Board.

Budget. The committee will meet this week.

Roads – There was no further information to report in addition to the matters previously discussed.

Parks & Recreation – Director Teiber commented on the marked increase in vandalism and suggested maintaining patrols and working with the Sheriff's Office. He also mentioned fisherman on the ponds and communicating with the Sheriff's Office to

provide friendly reminders that there are no fishing areas. Ms. Miller advised that they were considering using motion, game cameras to help with the vandalism issues.

Community Center - Director Stempko reported that they are renewing efforts to get T.V. screens and address weather related maintenance issues including door frames, but overall doing very well.

Deed Restrictions – Director Stempko noted that the committee met. The violations have been lower and that they are working with new employees handling the reports. There was no report on deed restrictions.

Security - No further comments from Director Teiber.

Environmental – President Savarese mentioned that Jessica Woods, city representative, performed a water inspection and presented information to the committee. She offered suggestions for improvements and recommended reputable firms for rain water collection systems. President Savarese would research further and report back to the Board.

Legal - Ms. Leal presented a report on pending legislation for the Board's review and mentioned that the legal team would provide a more detailed report.

Communications – Ms. Miller explained that she still had some issues with website and use of applications on android phones.

President Savarese mentioned the timing of the next meeting and suggested pushing to different date. The Board agreed to meet on July 11th. There being no further business to come before the Board, the meeting adjourned at 7:52 p.m.

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Secretary
Fern Bluff MUD Board of Directors