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

July 14, 2015

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 July 14, 2015 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, except Directors Quillman and Stempko, thus constituting a quorum. Also present were District General Manager, Janey Miller; Operations Manager, Hector Alanis; Phil Haag and Suzanne McCalla of McGinnis Lochridge; and Cindi Alvarado, Community Center Manager.

President Savarese called the meeting to order, after which, Director Teiber led those present in the Pledge of Allegiance.

Next, President Savarese noted that there were no residents present who wished to address the Board.

The next item of business was approval of the monthly consent agenda. Upon a motion duly made by Director Teiber and seconded by Director Sabatino, the Board voted unanimously to approve the Consent Agenda containing the minutes from the June 9, 2015 Board meeting, payment of bills and invoices, payment of transfers for operation expenses, pay requests, change orders and customer charge write-offs. Information regarding the District's financial information is included in the Board Packet, a copy of which is attached hereto and shall be considered an exhibit to these minutes.

Ms. Miller then updated the Board on the status of the District's participation in the Texas County & District Retirement System ("TCDRS"). She noted that she was meeting with a representative from the TCDRS on July 28, 2015, to obtain a recommendation for the District. She added that she would present the information at a future Board meeting.

Next, the Board considered a revised rate structure. Ms. Miller reminded the Board that the City of Round Rock (the "City") planned to increase the base rate and volumetric rate charged to the District by 9.1%. She reported that the District's rates were comparable with other districts with the exception of the base rate charged by the District to its customers for the first 2,000 gallons of usage. She recalled that at the June 9, 2015, Board meeting the Board had approved restructuring its rates to more closely resemble the City's rate structure.

Ms. McCalla then reviewed with the Board the draft Rate Order with proposed changes highlighted, a copy of which is included in the Board Packet. She explained that the majority of changes to the Rate Order involved the penalties associated with a violation of the City of Round Rock's Drought Contingency Plan (the "DCP"), adopted by the District. Director Teiber requested a change in the wording of the draft Rate Order, clarifying the notices given for violating the DCP. Ms. McCalla confirmed that she would make the requested changes for review by the Board at the District's August Board of Directors meeting.

Ms. Miller stated that the Budget Committee would be meeting within the next two weeks to discuss increasing the District's rates to reflect the City's increase in rates charged to the District, and she added that after a determination was made, the new rates would be incorporated into the Rate Order for final approval by the Board at a future Board meeting. Director Savarese suggested that a letter be sent to the District's customers notifying them of the City's rate increases and the subsequent proposed increase in rates charged by the District, and the Board concurred. After review, the Board tabled any further discussion on the Rate Order until after the District's Budget Committee meeting.

The Board then considered an ORDER RE-ESTABLISHING A DROUGHT CONTINGENCY AND WATER EMERGENCY PLAN AND WATER CONSERVATION PLAN. Ms. McCalla explained that the Water Supply Agreement between the City and District requires the District to comply with the City's Water Conservation Plan (the "WCP") and its DCP. She further stated that the District had previously adopted the City's DCP but that the City's DCP had recently been updated. She told the Board that the Order confirms the District's adoption of the City's DCP and WCP with the exception of Section 44-240 of the City's DCP, entitled "Enforcement and Penalty." She added that, as discussed earlier in the meeting, the District's Rate Order would address the enforcement and penalties for violations of the DCP. After review and discussion, upon a motion duly made by Director Teiber and seconded by Director Savarese, the Board voted unanimously to approve the Order Re-establishing a Drought Contingency and Water Emergency and Water Conservation Plan. A copy of the Order is attached hereto and shall be considered an exhibit to these minutes.

Next, the Board discussed engaging an Auditor for fiscal year ending September 30, 2015. Ms. Miller reported that she had not yet received a copy of the Engagement Letter from Don Allman, CPA, PC. After a brief discussion, upon a motion duly made by Director Savarese and seconded by Director Teiber, the Board voted

unanimously to engage Don Allman as the District's Auditor in an amount not to exceed 10% of last year's cost. A copy of the Engagement Letter, thus approved, is attached hereto as an exhibit.

The Board then received reports from District consultants and committees.

Landscape Contractor – Ms. Miller reported that a tree had fallen in the area of Oak Brook and was in the process of being removed. She noted that the District would be increasing irrigation of the sports fields and new plantings in the parks of the District to three times per week until the landscaping in those areas was established. Ms. Miller added that mowing of the Greenbelt would be this week, which mowing included the drainage ditches.

General Manager – Ms. Miller presented the General Manager's report, a copy of which is included in the Board Packet. First, Ms. Miller updated the Board on the status of the design of the office space at the Community Center. She reviewed sound board options with the Board. Director Savarese suggested that a sound study could be conducted by an expert to determine the best option for the Community Center, and the Board agreed. Ms. Miller also discussed with the Board the proposed updates to the interior of the Community Center, including the new flooring and painting options.

Next, Mr. Alanis reported on the renovation project at the District's Elevated Storage Tank (the "Project'). He stated that the project was divided into three phases: Phase 1 - installation of concrete floor; Phase 2 - erection of the primary structure; and Phase 3 - construction of the restroom facilities. Mr. Alanis informed the Board that Phase 1 was complete, Phase 2 was 60% complete, and that construction of Phase 3 would likely begin within the next week. He stated his belief that the Project would be complete by the District's August Board of Directors meeting.

Operations Report. Mr. Alanis next reviewed the District's water loss report as included in the Board Packet. He noted that the District's water accountability for the month of June was at 89% of water pumped versus water distributed. Mr. Alanis added that he continued to actively seek leaks and replace water meters as needed. Ms. Miller added that her office was continuing to learn about the District's new software program and that the data would be updated as needed.

Mr. Alanis reported that the District had received a few calls regarding an unusual color in the District's water. He explained that the District's water had been tested as required, and that the color issue was likely iron in the water. He emphasized it was merely an aesthetic problem and that the District's water was safe to drink. He pointed out that the District gets is water from the City and that the City had also tested the water and determined that the water was safe to drink. He noted that the recent heavy rain events likely stirred up the lakes in the area and contributed to the color issues with the water.

Budget Committee. There was no report.

Roads Committee. Ms. Miller reported that her office had met with the Creekbend Road Project construction personnel regarding the District's decision to change out the current compound meter to a smaller, more accurate meter, requiring a smaller footprint and vault. She added that her office would continue to work with Creekbend personnel on the change-out timeline for the next few months and that the change out might require the shutdown of the 30-inch pipeline to the District.

Parks and Recreation Committee. Director Teiber emphasized that with the recent rain events, areas of the District would require additional mowing and trimming of the grassy areas and bushes. Ms. Miller confirmed that she would notify ECO Systems Landscaping Services, the District's Landscaper.

Security Committee. Director Teiber next reported on the District's request that the Williamson County Sheriff's Office (the "Sheriff's Office") enforce the ban on fishing in the District's ponds. He stated that he had spoken the Sheriff's Office regarding the issue and that the Sheriff's Office did not have an issue with enforcement of the "No Trespassing" signs at the ponds but would not arrest people unless the situation escalated. Director Teiber explained that the Sheriff's Office had informed him that they would prepare a memorandum detailing their responsibilities with respect to enforcement of the "No Trespassing" signs at the District's ponds for review by the Board. Director Teiber suggested that the placement of "No Trespassing" signs be determined after receipt and review of the Sheriff's Office memorandum, and the Board concurred.

Environmental Committee. Director Savarese updated the Board on the status of the Rainwater Collection System. He reported that the Rainwater Collection System Committee had met and were determining the criteria for the construction of the System. He stated that after a decision was made on the criteria, the project would go out for bids. Director Savarese added that the costs for the System would need to be considered when preparing the budget of the fiscal year ending September 30, 2016.

Engineer. There was no report.

Attorney. Mr. Haag reviewed with the Board a memorandum prepared by McGinnis Lochridge summarizing the water district-related bills passed during the 84th Legislative Session. A copy of the memorandum is attached hereto as an exhibit to these minutes.

Communications. Ms. Miller reported that changes would be made to the District's web site to make the information on the web site more "tablet and cellular phone -friendly."

There being no further business to come before the Board, a tentative special meeting to discuss the District's budget for the fiscal year ending September 30, 2015 was

scheduled for August 4, 2015, and the next regular meeting was scheduled for August 18, 2015. The meeting adjourned at 7:22 p.m.

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Secretary
Fern Bluff MUD Board of Directors

Attachments to the Minutes of the
Fern Bluff Municipal Utility District
July 14, 2015 Board of Directors Meeting

1. Board Packet ;
2. Order Re-establishing a Drought Contingency and Water Emergency and Water Conservation Plan;
3. Letter of Engagement for the preparation of the District's Audit for the fiscal year ended September 30, 2015 and
4. 84th Texas Legislative Summary memorandum prepared by McGinnis Lochridge.