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

August 18, 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 6:00 p.m. on August 18, 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, thus constituting a quorum. Also present were District General Manager, Janey Miller; Operations Manager, Hector Alanis; and Phil Haag and Suzanne McCalla of McGinnis Lochridge.

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 of the District 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 Savarese, the Board voted unanimously to approve the Consent Agenda containing the minutes from the July 14, 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 presented the various options provided in the TCDRS plan, and the Board discussed the provisions at length. Upon a motion duly made by Director Sabatino and seconded by Director Teiber, the Board voted unanimously to approve an employee contribution amount of 4% with a five-year vesting period.

The Board then considered the age at which an employee would be eligible to begin receiving retirement benefits from the TCDRS plan. Ms. Miller explained that an employee's age plus his years of service would be totaled and that the total could equal either 75 or 80 (the "Rule of 75" or the "Rule of 80") to determine the retirement age. After discussion, upon a motion duly made by Director Sabatino and seconded by Director Savarese, the Board voted to approve the Rule of 80. The motion passed with Directors Sabatino, Teiber, Savarese, and Stempko voting in favor, and Director Quillman voting against the motion.

Next, the Board discussed the length of time an employee would be required to work for the District before becoming eligible to retire. Ms. Miller pointed out that the options available, pursuant to the terms of the TCDRS plan, were either 20 or 30 years. Director Quillman made a motion to approve 20 years, and Director Stempko seconded the motion. Mr. Haag pointed out that if the City of Round Rock (the "City") opted to annex the District in the future, the City would not be required to adopt the provisions of the TCDRS plan and/or the District's employees may not elect to go to work for the City. He questioned the options available to the District and its employees if the City annexed the District. A lengthy discussion then ensued, after which Director Quillman withdrew his motion, and the issue was tabled until further information was obtained on the TCDRS plan.

The Board then reviewed a draft of the District's budget for fiscal year ending September 30, 2016, and the budget committee reported on the items considered in preparation of the budget. After discussion, upon a motion duly made by Director Savarese and seconded by Director Teiber, the Board voted unanimously to adopt the District's budget for the fiscal year ending September 30, 2016. A copy of the budget as approved is attached hereto and shall be considered a part of these minutes.

Next, the Board entered into an executive session at 6:46 p.m., pursuant to V.T.C.A. Governmental Code, Chapter 551, to receive legal advice from the District's Attorney regarding possible litigation. The Board reconvened in open session at 7:00 p.m. No action was taken on any items discussed in executive session.

The Board then reviewed its tax rate summary and discussed a proposed tax rate for 2015. After discussion, upon a motion by duly made by Director Sabatino and seconded by Director Savarese, the Board voted unanimously to: (1) approve the proposed tax rate of $0.2445 per $100 of assessed valuation for the purpose of operations and maintenance; (2) approve a proposed tax rate of $0.2200 per $100 of assessed valuation for the purpose of debt service, for a total proposed tax rate of $0.4945 per $100 of assessed valuation; (3) call the District's public hearing on the 2015 proposed tax rate for September 8, 2015, the District's regular meeting date; and (4) authorize publication of the public notice of the tax hearing in The Round Rock Leader, as in previous years.

Next, the Board reviewed the draft Rate Order, a copy of which is included in the Board Packet. Ms. Miller recalled that the Board had approved restructuring its rates

due to the City's plan to increase the base rate and volumetric rate charged to the District by 9.1%. Ms. Miller stated that additional changes to the Rate Order included modification of the penalty amounts assessed by the District for violation of the District's rules. Ms. McCalla pointed out the penalties included in the Rate Order that were associated with a violation of the City's Drought Contingency Plan (the "DCP"), adopted by the District. She noted that Director Teiber's request for clarification of the wording in the draft Rate Order regarding the timeline for receipt of DCP violation notices was incorporated into the document. The Board then discussed at length the penalty amounts to be included in the Rate Order for violation of the DCP as well as the penalties for violation of the District's rules. Ms. McCalla stated that the Rate Order would be revised as discussed and presented for final approval of the Board at the District's September 8, 2015, Board of Directors meeting.

The Board then received reports from District consultants and committees.

Landscape Contractor – Ms. Miller reported that the irrigation controller at the Fern Bluff Park in the District had failed and would be replaced. She added that she planned to meet with ECO Systems Landscaping Services, the District's Landscape Contractor, to discuss drainage options for the patio at the back of the Community Center.

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 stated that she had met with the engineer and the architect for the project during the past week. Ms. Miller continued that she would meet with the Community Center Committee regarding the results of the meeting, and she added that she planned to solicit bids on the project in the near future.

Ms. Miller then reported that a repair of a water leak on Pagosa Springs was complete. Ms. Miller pointed out that the District's recently purchased acoustical sounding device had significantly increased the District's ability to accurately determine the location of the leak and thus significantly reduced the costs of repair of the leak.

Next, Mr. Alanis reported on the renovation project at the District's Elevated Storage Tank (the "Project'). He stated his belief that the project should be complete within the next two weeks.

Operations Report. Mr. Alanis 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 July was at 93% of water pumped versus water distributed. He then reported that the Texas Commission on Environmental Quality (the "Commission") had implemented new rules to the drinking water standards governing drinking water quality and reporting requirements for public water systems. He explained that the new rules required water system operators to test the water more frequently and for more constituents than before. He explained that the purpose of the new rules was to assure the safety of public water supplies.

Budget Committee. President Savarese congratulated the District's Budget Committee on their hard work in preparing the District's budget for the fiscal year ending September 30, 2016, in a timely manner.

Roads Committee. There was no report.

Parks and Recreation Committee. There was no report.

Security Committee. Director Teiber 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 recalled that after previous conversations with representatives of the Sheriff's Office, the Sheriff's Office had agreed to prepare a memorandum of understanding detailing their responsibilities with respect to enforcement of the "No Trespassing" signs at the District's ponds (the "MOU") for review by the Board. Director Teiber stated that he had recently spoken with a Lieutenant at the Sheriff's Office regarding the issue and that according to the Lieutenant, the Sheriff's Office's planned to include the renewal of the District's securities services agreement as part of the MOU. Director Teiber emphasized that the District's security services agreement should be negotiated separately from the issue of enforcement of laws of the State and the District's rules, and the Board concurred. He added that a meeting would be scheduled for later in the week among the Security Committee, the District's Attorney, and the Sheriff's Office to discuss the issue.

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 in the process of determining the companies to solicit bids from for the construction of the System.

Engineer. There was no report.

Attorney. There was no additional report.

Communications. There was no report.

There being no further business to come before the Board, a meeting was scheduled for September 8, 2015. The meeting adjourned at 7:52 p.m.

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Secretary
Fern Bluff MUD Board of Directors

Attachments to the Minutes of the
Fern Bluff Municipal Utility District
August 18, 2015 Board of Directors Meeting

1. Board Packet; and
2. Budget for the fiscal year ending September 30, 2016.