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

January 10, 2017

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 January 10, 2017, 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, to -wit:

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

and all Directors were present, thus constituting a quorum. Also in attendance were Janey Miller, the District's General Manager; Hector Alanis, the District's Operations Manager; Nickie Brereton of ECO Systems Landscaping Services ("ECO"), the District's Landscaper; Marc Smith, president of the Williamson County Oak Brook Owners Association, Inc. (the "HOA"); and Morgan Johnson of McGinnis Lochridge, the District's Attorney.

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

Director Savarese noted that Mr. Smith was present at the meeting and wished to address the Board.

Mr. Smith next introduced himself and updated the Board on the activities of the HOA completed within the last quarter. He pointed out that the HOA had completed renovations to the pool in Oak Brook and to the sidewalks throughout Oak Brook. Mr. Smith stated that the HOA also drafted and sent out a newsletter notifying area residents about activities throughout Oak Brook. After discussion, the Board thank Mr. Smith for keeping the Board informed about the HOA's activities.

The next item of business was approval of the monthly consent agenda. Upon a motion duly made by Director Sabatino and seconded by Director Stempko, the Board voted unanimously to approve the Consent Agenda containing the minutes of the December 13, 2016, regular Board of Directors meeting; payment of bills and invoices; payment of transfers for operation expenses; pay requests; change orders; and customer charge write-offs.

Next, Ms. Brereton reported on the landscaping work in the District. She stated that the District's ponds had been cleaned and weeds removed from around the areas. She stated that the District's landscaping was cut back to ensure better growth during the spring months. Ms. Brereton added that ECO was monitoring the use of water to ensure that there were no leaks in the District's irrigation system.

Next, Ms. Johnson reminded the Board that Senate Bill 1812 [passed during the 84th Texas Legislative Session] requires any entity with eminent domain authority to log on to the Comptroller's website annually to report specific information to the Comptroller for posting. Ms. Johnson continued that the District is required to submit this information by February 1 of each year and that failure to comply with these requirements may result in a penalty of $1,000 for each notification from the Comptroller and would result in the entity being listed on a list of non-complying entities. She pointed out that failure to comply would not affect the District's authority to exercise its eminent domain authority. After a brief discussion, the Board directed the District's Attorney to submit the District's annual eminent domain report to the Comptroller, as required.

Next, the Board considered the need to conduct the annual review of the District's Investment Policy and Investment Strategies pursuant to the requirements of the Texas Public Funds Investment Act. Ms. Johnson summarized the requirement for the annual review of the Investment Policy and Investment Strategies. She said that the District's Investment Policy and Investment Strategies were fairly general but very conservative and complied with the requirements of the Texas Public Funds Investment Act. Ms. Johnson noted that the Investment Policy listed the District's General Manager as the District's investment officer. Ms. Miller stated that she was not recommending any changes to the Investment Policy at this time. The Board also reviewed the updated list of brokers authorized to handle investments of the District. After further review, the Board decided that no changes were required in the District's Investment Policy and Investment Strategies at this time. Therefore, upon a motion duly made by Director Teiber and seconded by Director Stempko, the Board voted unanimously to adopt the RESOLUTION EVIDENCING REVIEW OF INVESTMENT POLICY AND INVESTMENT STRATEGIES (the "Investment Resolution"). A copy of the Investment Resolution thus approved is attached hereto and shall be considered to be a part of these minutes.

The Board then discussed the District's Identity Theft Prevention Program (the "Program") that was first adopted April 13, 2009 and became effective on 1 May 2009. Ms. Miller recalled that the Program was revised in 2016 to list the District as the Program Administrator and the District's General Manager as the person responsible for carrying out the program and taking responsive steps when a "red flag" is detected. She added that the Program was required to be reviewed annually by the Board. Ms. Miller reported that her office had implemented procedures and controls that provide the security of accounts as required under the Program and under the Identity Theft Rules adopted by the Federal Trade Commission pursuant to the Fair and Accurate Credit Transactions Act of 2003. She continued that no "red flags" had been raised during the past year and that all of the procedures were working smoothly.

The Board next considered the need to formally approve the amended budget for the fiscal year ending September 30, 2017, as detailed at the District's December Board of Directors meeting. After discussion, upon a motion duly made by Director Sabatino and

seconded by Director Savarese, the Board voted unanimously to formally approve the amended budget as presented at the December Board of Directors meeting.

Ms. Miller then reported that the City of Round Rock had moved the traffic sign along Wyoming Springs in front of the Fern Bluff Community Center that was hidden by the trees and was unable to be seen by cars traveling down the street. She added that there were now signs indicating four separate speed limits in the area at this time. She stated that traffic appeared to be backing up during school hours, and that the District was receiving requests to open up the District's parking lot. A lengthy discussion ensued regarding the resolution of the issue. No action was taken on this matter.

Next, Ms. Johnson updated the Board on the status of the Lower Colorado River Authority's (the "LCRA") application to amend its certificate of convenience and necessity for the Round Rock-Leander 138-kV Transmission Line.

Ms. Miller then presented the General Manager's Report in its entirety, a copy of which is included in the Board Packet and attached hereto as an exhibit to these minutes. She reported that construction and renovation on the District's office building addition (the "Project") was in progress. She stated that beginning January 24, 2017, construction will begin on the kitchen and bathrooms in the Community Center. She stated that the Board may have to hold future meetings at the District's Water Tower.

Ms. Miller next reported on the payment of bills and invoices to the District as detailed on the District's Payment and Transfers Report. She detailed the bills to the District and the checks in payment thereof. She then reviewed with the Board the status of the District's profit and loss budget performance for the fiscal year to date.

Next, Director Teiber gave the Security Committee Report. He stated that there were no issues reported regarding the security services provided by the Williamson County Sheriff's Office.

There being no further business to come before the Board, the meeting was adjourned.

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Secretary, Board of Directors
Fern Bluff Municipal Utility District

(SEAL)

Attachments to the Minutes of the
Fern Bluff Municipal Utility District
January 10, 2017, Board of Directors Meeting

1. District Packet;
2. Resolution Evidencing Review of Investment Policy and Investment Strategies.