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

February 13, 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 February 13, 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, except Directors Sabatino and Quillman, 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; Don Allman, CPA, PC, the District's Auditor; and Morgan Johnson and Suzanne McCalla 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 there were no residents present at the meeting who wished to address the Board.

Mr. Allman then submitted the draft of the audit report for the District for the fiscal year ended September 30, 2016. He reviewed the Statement of Net Position and Revenues and Expenses, Expenditures, and Changes in Fund Balances. Mr. Allman reviewed the supporting data included in the audit report, including information required by the Texas Commission on Environmental Quality (the "Commission").

Mr. Allman then called the Board's attention to the form of the Management Representation Letter from the District's General Manager, attached to the Governance Letter. Mr. Allman reported that he was issuing an unmodified opinion, which was the highest opinion the District can receive.

After consideration, upon a motion duly made by Director Savarese and seconded by Director Teiber, the Board voted unanimously to approve the audit report and to authorize the District's Attorney to file the audit report with the Commission, in the District's office, with the Texas Comptroller, and with all other governmental agencies as required. A copy of the audit report, thus approved, is filed in the permanent records of the District.

Next, Ms. Brereton reported on the landscaping work in the District. She stated that ECO had repaired a leak to the District's irrigation system located along Brightwater Boulevard and that the irrigation system was working efficiently. She pointed out that the District's water usage for irrigation would increase with the warmer months. She stated that she would keep the Board informed as to when the District's irrigation watering times are increased. Ms. Brereton continued that broadleaf weeds would be declining with the warmer weather. Ms. Miller questioned what could be done to combat the amount of ball moss located in the trees at the front of Veterans Park in the District. Ms. Brereton stated that although ECO could spray for the ball moss, it was expensive and not very effective, and she did not recommend that the District spray for ball moss at this time. The Board concurred.

The next item of business was approval of the monthly consent agenda. Upon motions duly made and seconded, the Board voted unanimously to approve the Consent Agenda containing the minutes of the January 10, 2017, regular Board of Directors meeting; payment of bills and invoices; payment of transfers for operation expenses, including the authorization of a transfer of $1,500,000 from the District's Reserve Fund to the District's Operating Fund; pay requests, including Pay Applications Nos. 1 and 2 in the total amount of $162,365.38 to Fazzone Construction Co., Inc.; change orders; and customer charge write-offs.

Next, the Board discussed revising the District's Registration Form in order to update the Board member's addresses listed. After a brief discussion, upon a motion duly made by Director Stempko and seconded by Director Savarese, the Board voted unanimously to revise the District's Registration Form and to authorize the District's Attorney to file the form with the Commission, as required.

The Board then considered a RESOLUTION OF THE BOARD OF DIRECTORS OF FERN BLUFF MUNICIPAL UTILITY DISTRICT AMENDING STATEMENT OF POLICIES ON ETHICS, TRAVEL, FINANCIAL, AND MANAGEMENT PRACTICES (the "Resolution"). After discussion, upon a motion duly made by Director Teiber and seconded by Director Savarese, the Board voted unanimously to approve the Resolution as presented. A copy of the Resolution is attached hereto and shall be considered a part of these minutes.

The next item of business before the Board was a Notice of Enforcement from the Commission regarding the District's compliance with the requirements for small municipal separate storm sewer systems (MS4) under the TPDES (Texas Pollutant Discharge Elimination System) Phase II MS4 General Permit (the "MS4 Permit"). Ms. Miller

explained that during a recent document review by the Commission, it was determined that the District had failed to renew their coverage under the MS4 Permit, as required. Ms. Miller continued that the District has since resolved the deficiency and submitted a Notice of Intent for the MS4 Permit to the Commission. She stated that the Commission forwarded a proposed Agreed Order to the District, assessing an administrative penalty amount of $11,000 to the District for failure to comply with the MS4 Permit. Ms. Miller explained that the Board had three options at this time: (1) sign the Agreed Order and pay the $11,000 within the designated time frame; (2) protest the Order, thus forfeiting any settlement terms listed in the proposed Agreed Order; or (3) agree to pay no less than the $11,000 penalty amount towards an approved custom Supplemental Environmental Project ("SEP"). Ms. Miller stated that she had contacted the Commission regarding several SEP options, but had not yet heard back from the Commission regarding if the proposed SEPs would be approved. After discussion, upon a motion duly made by Director Savarese and seconded by Director Stempko, the Board voted unanimously to authorize the District's General Manager to sign the Agreed Order and to authorize payment of the penalty amount of $11,000 toward an approved SEP; and in the alternative, if a SEP was not approved, to submit the $11,000 penalty amount directly to the Commission within the required time frame. A copy of the Notice of Enforcement and proposed Agreed Order is attached hereto as an exhibit to these minutes.

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") continued to be progress. She stated that the installation of exterior rock would begin in the near future and that kitchen cabinets were scheduled to be installed in the Community Center kitchen the week of February 20, 2017.

Continuing her report, Ms. Miller told the Board that AVR, the District's billing and collection company, would be launching a new web payment portal for the online payment of District bills. She explained that the new portal would be much easier to navigate on cellular phones and tables. Ms. Miller added that a flyer would be included in customer billing to inform District customers of the new website.

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.

Director Savarese then stated that he had spoken with the mayor of Round Rock regarding the Creek Bend Boulevard extension. He explained that the mayor was interested in the impact of the extension on local residents. Director Savarese added that

he had discussed the issue of adequate signage and current traffic flows in area with the mayor.

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. Ms. Miller noted that Robert Chody had been elected as the new sheriff of Williamson County (the "County") as of January 1, 2017, and that the County was requesting an updated Security Services Agreement with the District reflecting the newly-elected sheriff. Ms. Miller stated that all other terms in the agreement would remain unchanged. After a brief discussion, upon a motion duly made by Director Savarese and seconded by Director Teiber, the Board voted unanimously to authorize the District's General Manager to re-execute the District's Security Agreement to reflect the election of Sheriff Robert Chody.

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
February 13, 2017, Board of Directors Meeting

1. District Packet;
2. Resolution amending the District's Ethics Policy;
3. Pay Application Nos 1 and 2 from Fazzone Construction Co., Inc.; and
4. Notice of Enforcement and proposed Agreed Order from the Texas Commission on Environmental Quality.