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

May 8, 2018

THE STATE OF TEXAS
WILLIAMSON COUNTY

The Board of Directors (the "**Board**") of the Fern Bluff Municipal Utility District (the "**District**") convened in a **regular** meeting open to the public at 6:00 p.m. on May 8, 2018, 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:

George Sabatino	President
Joseph Teiber	Vice President
Jessica Stempko	Secretary
Kevin Barnes	Treasurer
Marc Smith	Assistant Secretary/Treasurer

and all Directors were present, with the exception of Director Smith, thus constituting a quorum.

Also in attendance, were Janey Miller, the District's General Manager; Hector Alanis, the District's Operations Manager; Jack Gardner of Texas Lawn and Garden, LLC, the District's Landscaper ("**Texas Lawn**"); and Morgan Johnson and Suzanne McCalla of McGinnis Lochridge, the District's Attorney ("**McGinnis**").

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

Director Sabatino noted that there were no persons present who wished to address the Board.

The Board then considered approval of the monthly consent agenda containing the minutes of the April 10, 2018, 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. After a brief discussion, upon a motion duly made by Director Barnes and seconded by Director Teiber, the Board voted unanimously to approve the Consent Agenda, including the minutes of the April 10, 2018, regular Board of Directors meeting.

Mr. Gardner next presented the Landscaping Report. He stated that Texas Lawn had completed the first three phases of landscaping at the Fern Bluff Community Center and planned to move to Veterans Park next. He stated that maintenance remained on track throughout the District and that Texas Lawn would continue to spot treat for ants within the

District's Parks. Director Teiber noted that he had received several comments from residents on how well the District's landscaping looked, and he commended Texas Lawn on their work.

At this point Director Stempko entered the meeting.

Ms. McCalla then provided the Statements of Elected Officer and the Oaths of Office for the Directors whose new terms of office commenced as of May 5, 2018. She reminded the Board that the blanket bond covering the five persons who are serving as Directors of the District remained in effect.

The Directors next considered the need to reconstitute the Board of Directors, pursuant to the requirements of Section 49.054(b) of the Texas Water Code. After discussion, upon a motion duly made by Director Barnes and seconded by Director Teiber, the Board voted unanimously to elect the Directors to the offices indicated:

George Sabatino	President
Joseph Teiber	Vice President
Jessica Stempko	Secretary
Kevin Barnes	Treasurer
Marc Smith	Assistant Secretary/Treasurer

Next, upon a motion duly made by Director Sabatino and seconded by Director Teiber, the Board voted unanimously to authorize the District's Attorney to file a revised District Registration Form with the Texas Commission on Environmental Quality, as required.

The Board then considered the need to amend its investment policy and investment strategies, pursuant to the requirements of the Texas Public Funds Investment Act (the "**Act**"). Ms. McCalla presented a FIRST AMENDED ORDER DESIGNATING INVESTMENT OFFICER AND ESTABLISHING RULES AND POLICIES FOR THE INVESTMENT OF DISTRICT FUNDS AND REVIEW OF INVESTMENTS (the "**Investment Policy**") for the Board's review. Ms. Johnson stated that there had been several changes during the past legislative session, which changes were incorporated into the Investment Policy. She stated that the Investment Policy, including the investment strategies, were fairly general but conservative and complied with the requirements of the Act. Ms. Johnson explained that the Investment Policy listed the District's General Manager as the District's Investment Officer, and that the District's General Manager would be responsible for obtaining new certifications from dealers and brokers used by the District. After review and discussion, upon a motion duly made by Director Sabatino and seconded by Director Teiber, the Board voted unanimously to approve the Investment Policy as presented. A copy of the Investment Policy is included in the Board Packet

The Board also reviewed the RESOLUTION ADOPTING BROKERS LIST FOR FERN BLUFF MUNICIPAL UTILITY DISTRICT (the "**Resolution**") adopting the updated list of brokers authorized to handle investments of the District. After further review, upon a motion duly made by Director Sabatino and seconded by Director Stempko, the Board voted

unanimously to adopt the Resolution, as presented. A copy of the Resolution thus approved is included in the Board Packet, attached hereto.

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.

Next, the Board reviewed a proposed ORDER AMENDING WATER AND WASTEWATER SERVICE RATES AND CHARGES AND RE-ESTABLISHING WATER AND WASTEWATER TAP FEES AND CAPITAL RECOVERY FEES AND ADOPTING CERTAIN GENERAL POLICIES WITH RESPECT TO THE DISTRICT'S WATER, WASTEWATER AND DRAINAGE SYSTEMS AND PROVIDING PENALTIES FOR VIOLATION THEREOF (the "**Rate Order**"). Ms. Miller stated that the Rate Order was being revised to include a provision regarding damages to the District's storm water drainage system. After review and discussion, upon a motion duly made by Director Sabatino and seconded by Director Teiber, the Board voted unanimously to approve the Rate Order as presented and authorize publication in a newspaper of general circulation, as required. A copy of the Rate Order, thus approved, is filed among the District's records.

Ms. Miller next updated the Board on the status of the improvements and/or the widening by Williamson County (the "**County**") of Brushy Creek Road and Hairy Man Road (the "**Project**"). She stated that her office had discussed with the County the need for the County to put in a bypass around the District's water line located in Olson Meadows. She also noted that the County would need additional right of ways for the Project. She reviewed a map of the Project and noted for the Board the location of the District's facilities and the possible utility conflicts. She stated her understanding that the Project was slated to begin in 2019.

Ms. Miller then suggested that her office contact Brushy Creek Municipal Utility District regarding an emergency water interconnect, and the Board concurred.

Next, Ms. Miller 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 noted that the rental of a wood chipper was a tremendous help during the recent trail/green belt clean-up within and along the Fern Bluff Trail, and she suggested that the Board might want to consider the purchase of a 6-inch chipper for future projects. She pointed out that the rental of a wood chipper had been approximately $750 per week and the cost to purchase a used wood chipper would be approximately $12,000. She also stated that the purchase of a backhoe for future District projects would be a cost savings over the reoccurring costs to rent a backhoe. The Board agreed that these items should be considered during the District's upcoming budget discussions.

Mr. Alanis reported on the operations of the District. He stated that the Texas Rural Water Association (the "**TWRA**") offers contracted assistance at no charge for systems needing help to solve financial managerial and technical operational problems. He continued that he planned to contact the TWRA to assist in implementing a backflow prevention program for the District in order to comply with updated regulations. Mr. Alanis stated that the new regulations might require additional changes to the District's Rate Order.

Director Teiber next reported on the patrols of the District by off-duty officers pursuant to the Independent Contractor Agreement for Off-Duty Security and Patrol Services between the District and the Williamson County Sheriff's (the "**Sheriff's Office**"). He stated the Sheriff's Office was performing a significant amount of traffic control regarding speeders and persons ignoring stop signs within the District. He also noted that the Sheriff's Office had informed a person fishing at the District's pond of the District's No-fishing policy.

Ms. Johnson then updated the Board on the status of the following lawsuits: Fern Bluff Municipal Utility District v Ganesh Padmanabhan and Fern Bluff Municipal Utility District v Demetria Castillo-Woolf, Gregory Esquivel, and Samantha Castillo. No action was taken on either item.

The Board then discussed the date of the District's next regular Board of Directors meeting. After discussion, the Board decided that the District's next regular meeting would be held at 6:00 p.m. on June 12, 2018.

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
May 8, 2018, Board of Directors Meeting

1. District Packet;