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

August 14, 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 August 14, 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, thus constituting a quorum.

Also in attendance, were Janey Miller, the District's General Manager; Hector Alanis, the District's Operations Manager; Brian Schmidt 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 Smith led those present in the Pledge of Allegiance.

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

Mr. Schmidt next presented the Landscaping Report. He reported that because of the heat, plants within the District were growing at a slower rate. He stated that Texas Lawn did not plan to fertilize within the District again until September when they would also aerate and top dress the fields. Mr. Schmidt told the Board that Texas Lawn would be repairing areas of turf damaged by the equipment renovating the District's trails. He then presented a proposal for the installation of a wildflower program within the District (the "**Wildflower Project**"). Ms. Miller stated that she had solicited bids from three other landscapers, but that two declined to submit a bid and the third landscaper was not able to install this type of project. After discussion, upon a motion duly made by Director Barnes and seconded by Director Smith, the Board voted unanimously to approve the

proposal from Texas Lawn for the Wildflower Project. Mr. Schmidt added that Texas Lawn would begin installation of the Wildflower Project in October or November of 2018. The proposal for the Wildflower Project from Texas Lawn is included in the Board Packet, a copy of which is attached to these minutes as an exhibit.

The Board then considered approval of the monthly consent agenda containing the minutes of the July 17, 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 Teiber and seconded by Director Barnes, the Board voted unanimously to approve the Consent Agenda, including the minutes of the July 17, 2018, regular Board of Directors meeting.

The next item of business was the engagement of an auditor for the District's financial audit for the fiscal year ending September 30, 2018. The Board reviewed the proposal from Donald L. Allman. Ms. Miller noted that Mr. Allman's costs to prepare the 2018 audit report were the same as last year's costs. Upon motion duly made by Director Sabatino and seconded by Director Teiber, the Board voted unanimously to retain Mr. Allman's services for the 2018 audit.

The Board then reviewed a draft of the District's budget for fiscal year ending September 30, 2019. Ms. Miller reported that Budget Committee had met to review items considered in preparation of the budget. She pointed out the District's expected revenues versus expenditures and noted the water and sewer connection fees. Ms. Miller recalled that the Board had previously approved restructuring the District's rates due to the City of Round Rock's (the "**City**") increase in the base volumetric rates charged to the District by the City. She added that at the District's September meeting she would be recommending that the Board amend its rate order to: (1) increase the District's base water rate from $15.50 to $16.25; (2) maintain the volumetric rate for usage up to 15,000 gallons of water at $3.50 per 1,000 gallons of water; and (3) increase the volumetric charge for 15,001 gallons of water and over from $3.90 to $3.95 per 1,000 gallons of water. She explained that the budget reflected a 3.4% increase in the District's water base and volumetric rates as well as increases for garbage, and landscaping of 3%. After discussion, the Board agreed on the amounts included in the proposed draft budget. Ms. Miller noted that the final budget would be approved at the District's September Board of Directors meeting.

Mr. Alanis then updated the Board on his research regarding the possible purchase of smart meters for the District. He suggested scheduling a Board workshop to allow the Board to thoroughly review the options, and the Board concurred.

Next, the Board considered the tax rate summary and discussed a proposed tax rate for 2018. Ms. Miller explained that the District's bond debt would be paid off at the end of 2019 and that no debt service tax would be required in 2020. She recommended an overall tax rate reduction of $0.0145. After discussion, upon a motion duly made by Director Barnes and seconded by Director Smith, the Board voted unanimously to: (1) approve the proposed tax rate of $0.2400 per $100 of assessed valuation for the purpose

of operations and maintenance; and (2) approve the proposed tax rate of $0.1800 per $100 of assessed valuation for the purpose of debt service, for a total proposed tax rate of $0.4200 per $100 of assessed valuation. Director Sabatino then motioned to call the District's public hearing on the 2018 proposed tax rate for September 11, 2018. Director Barnes seconded the motion, and the motion passed with all Directors voting in favor of the motion. The Board then discussed the publication of the notice of hearing on the proposed 2018 tax rate and upon a motion duly made by Director Sabatino and seconded by Director Teiber, the Board voted unanimously to authorize publication of the public notice of the tax hearing in The Round Rock Leader, as in previous years.

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**"). Ms. Miller reviewed a letter from the County regarding the County's proposed purchase of 7 parcels of property, totaling approximately 1.255 acres, owned by the District. She stated that the County had hired a real estate appraiser to determine the estimated value of the property to be acquired from the District. She added that she expected to receive a copy of the appraisal for the 7 parcels along with an offer letter from the County in the near future.

Next, Ms. Miller presented the General Manager's Report in its entirety, a copy of which is included in the Board Packet attached hereto as an exhibit to these minutes. She stated that her office was working on renovations to Brightwater Park, and she noted areas of sidewalk in the park that would be replaced due to "cracking" and "heaving" of the sidewalk. Ms. Miller reported that the large rock park sign at the park had developed several cracks because the sign was installed without a concrete base. She stated a new sign has been ordered and would be installed correctly to increase stability of the sign.

Mr. Alanis next reviewed the Operations Reports included in the Board Packet with Board. He noted that the District's water accountability for the month of July was 98%.

Director Teiber then 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 noted that resident comments regarding the patrols by the Sheriff's Office remained favorable.

Director Smith then reported to the Board on District Communications. He questioned if "doggie bag waste stations" should be installed along the nature trail. Ms. Miller pointed out that the District would need to hire a service company to empty the waste containers on a regular basis. She added that she would look into the costs associated with installing the waste stations and report her findings to the Board.

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

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 September 11, 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
August 14, 2018, Board of Directors Meeting

1. District Packet; and

2. Letter from Williamson County regarding the proposed acquisition of District property for the Hairy Man Road Project.