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

February 12, 2019

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 February 12, 2019, 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, except Director Barnes, thus constituting a quorum.

Also in attendance, were Janey Miller, the District's General Manager; Hector Alanis, the District's Operations Manager; Don Allman, CPA, PC, the District's Auditor; Jack Gardner of Texas Lawn and Garden, LLC, the District's Landscaper ("**Texas Lawn**"); and Zac Evans 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 residents present who wished to address the Board.

Mr. Gardner next presented the Landscaping Report. He stated that all the grasses within the District have been cut back and that the rose bushes would be pruned starting next week. He continued that Texas Lawn was in the process of cleaning up a lot of the areas within the District, including areas of Friendly Oaks Park. Mr. Gardner opined that there would be an early spring which could result in additional weeds during the spring and summer seasons. He told the Board that the work at Friendly Oaks Park was 95% complete with the patio remaining to be completed this week. He added that the total project should be complete by the end of February.

Continuing his report, Mr. Gardner told the Board that Stone Canyon was redoing the landscaping along its medians, which may result in a temporary rerouting of traffic in the area. He then presented a proposal for a butterfly and hummingbird garden along the Nature Trail (the "**Butterfly Garden**"). He detailed the specifics of the proposal with the Board. Ms. Miller pointed out that the area proposed for the Butterfly Garden was an area currently being used by dog owners as an "off leash" area. After a question from the Board regarding educational signage for the plants located within the Butterfly Garden, Mr. Gardner confirmed that educational signage would be installed detailing the types of plants in the garden. Action on this proposal was deferred until later in the meeting. Director Sabatino emphasized the positive responses received from District residents regarding the recent improvements within the District's parks. The Board thanked Mr. Gardner for his time, and he departed the meeting.

The Board then considered approval of the monthly consent agenda containing the minutes of the January 15, 2019, 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 Stempko, the Board voted unanimously to approve the Consent Agenda, including the minutes of the January 15, 2019, regular Board of Directors meeting, as written.

Next, Mr. Allman submitted the draft of the audit report for the District for the fiscal year ended September 30, 2018. 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 Smith and seconded by Director Stempko, the Board voted unanimously to approve the audit report. A copy of the audit report, thus approved, is filed in the permanent records of the District.

Mr. Evans then explained the requirement for the District to file the audit report with the Commission and with the Texas Comptroller, as well as certain other governmental agencies. After discussion, upon a motion duly made by Director Smith and seconded by Director Teiber, the Board voted unanimously to authorize the District's Attorney to file the audit report in the District's office and with all governmental agencies 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. Mr. Evans summarized the requirement for the annual review of the Investment Policy and Investment Strategies. He 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. Mr. Evans 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 Sabatino and seconded by Director Teiber, 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 considered an ORDER UPDATING FERN BLUFF MUNICIPAL UTILITY DISTRICT DROUGHT CONTINGENCY PLAN; FINDINGS OF FACT; PROVIDING A SAVINGS CLAUSE; PROVIDING FOR REPEAL OF CONFLICTING PROVISIONS; PROVIDING FOR OPEN MEETING (the "**Order**"). Ms. McCalla explained that the Water Supply Agreement between the City and District requires the District to comply with the City's Water Conservation Plan (the "**WCP**") and it's Drought Contingency Plan (the "**DCP**"). She further stated that pursuant to the Texas Water Code and the Texas Administrative Code, the District was required to review and update its DCP every five years. She told the Board that the Order confirms the District's adoption of the City's DCP and WCP with the exception of Section 44-240 of the City's DCP, entitled "Enforcement and Penalty." She added that, the District's Rate Order would address the enforcement and penalties for violations of the DCP. After review and discussion, upon a motion duly made by Director Teiber and seconded by Director Sabatino, the Board voted unanimously to approve the Order, as presented. A copy of the Order is attached hereto and shall be considered an exhibit to 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. After discussion, upon a motion duly made by Director Sabatino and seconded by Director Teiber, the Board voted unanimously to approve the report on the Program, as presented.

Ms. Miller next updated the Board on the status of the improvements and/or the widening by Williamson County of Brushy Creek Road and Hairy Man Road (the

"**Project**"). Ms. Miller stated that the Project was moving forward and that she would keep the Board updated on the progress.

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 reported that the District had received a payment from the City of Round Rock (the "**City**") for the District's portion of the amounts realized from the City's refunding of bonds issued to pay for the regional sewer system, which allowed the City and the District to save significant amounts in interest payments.

Continuing her report, Ms. Miller stated that she had met with representatives from Brushy Creek Municipal Utility District ("**BCMUD**") regarding its plans for a new maintenance yard at the intersection of Great Oaks and Hairy Man Road. She stated that BCMUD was requesting permission to access and clean up areas of the District's property which was adjacent to the proposed maintenance yard as part of a joint project. Director Smith questioned the costs involved, and Ms. Miller responded that the only costs would be to haul off debris.

Mr. Alanis then presented the Operations Report. He 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 January was at 94% of water pumped versus water distributed. He added that the District's water accountability for the past 12 months was at 96% of water pumped versus water distributed. He then stated that the backhoe approved at the January Board meeting was ordered and should be available by Friday. Mr. Alanis continued that the District had purchased a drone for the purpose of facilitating stormwater drainage and water tower inspections.

Mr. Alanis next reported that the Commission had recently inspected 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**"). In addition, he reported that the Commission recently renewed the Permit, which expired on December 13, 2018. He explained that the District will have 180 days to submit a Notice of Intent with an updated Stormwater Management Program to the Commission in order to renew the District's MS4 Permit, as required.

Next, Ms. Miller stated that her office planned to talk with BCMUD regarding an emergency water interconnect between the District and BCMUD.

The Board again took up the issue of the Butterfly Garden. Director Teiber stated that he was impressed with the work that Texas Lawn was doing within the District's parks, and the Board concurred. After a brief discussion, upon a motion duly made by Director Teiber and seconded by Director Smith, the Board voted unanimously to approve the proposal from Texas Lawn for the Butterfly Garden at a total cost to the District of $49,495.00. A copy of the proposal from Texas Lawn for the Butterfly Garden is attached hereto as an exhibit to these minutes.

The Board then discussed the deed violations at 8307 Priest River Drive. Mr. Evans reported that he had spoken with the homeowner who stated that the renovations to his home would be complete within three months. After discussion, the Board directed the District's Attorney to follow up the phone call with a letter confirming the homeowner's representations to the Board regarding a completion date.

Mr. Evans then updated the Board on the status of the Fern Bluff Municipal Utility District v Demetria Castillo-Woolf, Gregory Esquivel, and Samantha Castillo. He stated that an ad litem attorney was appointed by the court and that his office would move forward with the default judgement hearing.

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 Office (the "**Sheriff's Office**"). He noted that several speeders were stopped during the month and that the Sheriff's Office was focusing on these areas of concern. He also reported that there was an ongoing investigation into the shooting incident that occurred at Great Oaks and Hairy Man Road.

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 March 12, 2019.

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 12, 2019, Board of Directors Meeting

1. Board Packet; and

2. Proposal for Butterfly Garden.