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

August 9, 2016

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 August 9, 2016, 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:

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

All Directors were present, thus constituting a quorum. Also present were Janey Miller, the District's General Manager; Hector Alanis, the District's Operation's Manager; Nickie Brereton of ECO Systems Landscaping Services ("ECO"), the District's Landscaper; and Morgan Johnson and Suzanne McCalla of McGinnis Lochridge, the District's Attorney.

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

Director Savarese noted that there were no citizen communications.

The next item of business was approval of the monthly consent agenda. Ms. Miller reported that Check No. 9092 to ARS in the amount of $6,799.00 was incorrect and was voided. She requested approval of a new check to ARS in the amount of $6114.10. After a brief discussion, upon a motion duly made by Director Teiber and seconded by Director Savarese, the Board voted unanimously to approve the Consent Agenda containing the minutes from the July 12, 2016, Board meeting, payment of bills and invoices, including approval of a new check to ARS in the amount of $6114.10; 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 informed the Board that the District's irrigation system had been tested and that it was working well. She told the Board that Eco had replaced the valve lids on the irrigation system, but that because they did not make valve lids that fit the District's system due to the age of the system, the replaced lids did not seal. She continued that all the valve boxes would be replaced in the near future to resolve this issue. Ms. Brereton stated that new

decomposed granite was place on all the District's trails. After a question from Ms. Miller, Ms. Brereton confirmed that the District's irrigation system would be turned off by 7:00 a.m. to allow for children walking to school. After completion of her report, Ms. Brereton thanked the Board and departed the meeting.

The Board then reviewed a draft of the District's budget for fiscal year ending September 30, 2017, and the budget committee reported on the items considered in preparation of the budget. Ms. Miller recalled that the Board had approved restructuring the District's rates due to the City of Round Rock's (the "City") plan to increase the base rate and volumetric rate charged to the District by the City. She reported that the District's rates were comparable with other districts with the exception of the base rate charged by the District to its customers for the first 2,000 gallons of usage. She stated that at the Board's September Board meeting the Board would consider approving restructuring the District's rates to more closely resemble the City's rate structure. After discussion, upon a motion duly made by Director Sabatino and seconded by Director Teiber, the Board voted unanimously to adopt the District's budget for the fiscal year ending September 30, 2017. A copy of the budget as approved is attached hereto and shall be considered a part of these minutes.

Next, the Board considered the tax rate summary and discussed a proposed tax rate for 2016. After discussion, upon a motion by duly made by Director Sabatino and seconded by Director Teiber, the Board voted unanimously to: (1) approve the proposed tax rate of $0.2445 per $100 of assessed valuation for the purpose of operations and maintenance; and (2) approve the proposed tax rate of $0.2000 per $100 of assessed valuation for the purpose of debt service, for a total proposed tax rate of $0.4445 per $100 of assessed valuation. Director Stempko then motioned to call the District's public hearing on the 2016 proposed tax rate for September 12, 2016, and to authorize publication of the public notice of the tax hearing in The Round Rock Leader, as in previous years. Director Savarese seconded the motion, and the motion passed with all Directors voting in favor of the motion.

The next item of business before the Board was consideration of the First Amendment to the Water and Wastewater Service Agreement between the City and the District (the "Agreement"). Director Savarese explained that the City had refinanced its bonds, which would allow the City and the District to save significant money in interest payments. After discussion and a motion duly made by Director Stempko and seconded by Director Teiber, the Board voted unanimously to approve the Agreement as presented. A copy of the Agreement thus approved is attached hereto as an exhibit to these minutes.

Next, Director Savarese asked for a report on the Williamson County Road and Bridge plan and Improvements and/or widening of Brushy Creek Road and Hairy Man Road (the "Project"). Ms. Miller stated that the County Road & Bridge staff hosted an open house on July 14, 2016, to explain their two proposals for the improvements and additions to the Great Oaks/Hairy Man intersection and the new bridge construction. She added that the open house was well attended and that lots of persons present submitted comments Williamson County (the "County") regarding the Project. She emphasized that

she would stay in contact with the County to keep "up-to-date" on the progress of the Project. Director Stempko expressed her appreciation to the Board and the District's residents for their interest and active participation in the Project.

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. She recalled that the District had filed a Motion to Intervene with the Public Utility Commission as well as a Request for a Hearing on the Merits and a Request for Referral to the State Office of Administrative Hearing (SOAH). After a question from Director Savarese regarding the proposed route, Ms. Johnson answered that although the proposed route is not the original route considered by the LCRA and discussed with the Board, the current proposed route would have very little impact on the District. She added that her office would file a statement on behalf of the District by the deadline date of September 12, 2016.

Ms. Miller then presented the General Manager's Report in its entirety, a copy of which is attached hereto as an exhibit to these minutes. She stated that the construction bid documents for the office addition at the District's Community Center (the "Community Center Project") were reviewed by the District's Attorney and that publication of the notice to solicit bids for the project would run in the Austin American Statesman on August 8, and 15, 2016. She added that bid proposals would be due September 1, 2016. She noted that the proposed date to begin construction of the Community Center Project was October 1, 2016.

Ms. Miller next reported the District continued to have issues with certain residents encroaching on the District's green spaces. She told the Board that the encroachments ranged from cutting down District trees to planting gardens in the District's green belts located behind resident's homes. She pointed out that the encroachments created fire hazards and were a liability for the District. After discussion, the Board confirmed that it was within the authority of the District's General Manager to remove the encroachments. Director Teiber emphasized that after the first verbal warning, written notices should be provided to those residents encroaching on District's property, and the Board concurred. Ms. Miller confirmed that she documented all interactions with District residents regarding this issue.

Ms. Miller then 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, Mr. Alanis 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 July was at 98% of water pumped versus water distributed. He added that the District's water accountability for the past 12 months was at 113% of water pumped versus water distributed.

Director Quillman noted that there were several accounts listed on the Operations Report that used over 50,000 gallons of water, and he questioned if the District notified those accounts that their water usage was higher than average. Ms. Miller confirmed that if an account has a higher than normal water reading after the second reading of the water meter, then her office notifies the account holder.

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. Director Teiber stated that the officers patrolling the District continued to patrol the District's ponds for persons fishing and/or swimming in the ponds, but that no violations were reported. Director Quillman told the Board that he had noticed beer cans on the ground at Olson Meadows Park recently, and he questioned how often the officers patrolled the District's parks. Director Teiber responded that the officers were scheduled to patrol the parks every shift. Ms. Miller pointed out that funds for additional security measures at the District's parks were included in the District's budget. She stated her belief that the majority of persons using the District's parks were not District residents.

Lastly Ms. Miller reported that the City would be holding another Household Hazardous Waste disposal day on a Saturday in the near future. She added that she would confirm the date and provide the information to the Board and District's residents.

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 9, 2016, Board of Directors Meeting

1. Budget;
2. Amendment to Wastewater Service Agreement between the City and the District; and
3. General Manager's Report