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

February 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 February 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, except Director Quillman, thus constituting a quorum. Also present were District General Manager, Janey Miller; Operations Manager, Hector Alanis; Don Allman, CPA, PC, the District's Auditor; Charles Evans of ECO Systems Landscaping Services ("ECO"), the District's Landscaper; Keith Hickman of KAHickman Architects and Interior Designers ("KAH"); and Phil Haag and Suzanne McCalla of McGinnis Lochridge, the District's Attorney.

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

President Savarese noted that there were no residents of the District present who wished to address the Board.

The next item of business was approval of the monthly consent agenda. After a brief discussion, upon a motion duly made by Director Teiber and seconded by Director Sabatino, the Board voted unanimously to approve the Consent Agenda containing the minutes from the January 12, 2016, Board meeting, as written; payment of bills and invoices; payment of transfers for operation expenses; pay requests; change orders; and customer charge write-offs. The District's financial information is included in the Board Packet, a copy of which is attached hereto and shall be considered an exhibit to these minutes.

Mr. Allman then submitted the draft of the audit report for the District for the fiscal year ended September 30, 2015. He reviewed with the Board the Statement of Activities

and Governmental Funds Revenues, Expenditures and Changes in Fund Balance detailed in the audit report. Mr. Allman reviewed the supporting data included in the audit report, including information required by the Texas Commission on Environmental Quality (the "Commission"). He noted that the District's property tax revenues had increased and that the District had reduced its debt liability by $1,015,000 during the fiscal year.

Mr. Allman then called the Board's attention to the form of the Management Representation Letter from the District, attached to his Governance Letter. He 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 Stempko, 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, and with all other governmental agencies as required. A copy of the Management Representation Letter from the District is attached hereto and shall be considered to be a part of these minutes. A copy of the audit report, thus approved, is filed in the permanent records of the District.

Next, Mr. Evans reported that ECO was in the process of applying pre-emergent herbicides to certain areas of the District. He added that ECO planned to have the trees in the District trimmed by March 1, 2016. Mr. Evans told the Board that the District's sports fields should be aerated and have top dressing applied at this time. After a question from the Board, Mr. Evans responded that persons would need to stay off the fields after application of the top dressing for approximately three days. After discussion and a motion duly made by Director Savarese and seconded by Director Teiber, the Board voted unanimously to authorize ECO to aerate and apply top dressing to the District's sports fields in an amount not to exceed $20,000. Mr. Haag noted that ECO would need to submit a Texas Ethics Commission Form 1295 along with the proposal, as required by House Bill 1295 passed during the 84th Texas Legislative Session.

Next, Mr. Hickman updated the Board on the status of the design of the new office addition at the District's Community Center (the "Project"). He reported that he had been in contact with Terry Hagood, P.E., the Engineer for the Project, and that although the plans had been completed, additional items should be added to the Project. He explained that an asphalt parking lot would erode quickly if water were allowed to remain standing on the parking lot. He suggested that a concrete trickle channel be installed to allow water to run off the parking lot without causing significant erosion to the asphalt. He reviewed with the Board other proposed changes to ensure that the District has adequate parking spaces. Mr. Hickman estimated the cost of the Project to be $100,000, which amount includes contingencies. He also noted that the Board was considering a rainwater collection system, and he stated his belief that the Board should consider using the condensation from the air conditioner. Director Savarese stated that the Board would be obtaining additional proposals for the rainwater system in the near future. He questioned if Mr. Hickman would work together with other companies on the design of the rainwater collection system, and Mr. Hickman responded in the affirmative.

The Board then discussed the permitting requirements for the Project. Mr. Hickman noted that the District would need to determine if the District was required to adhere to the City of Round Rock's (the "City") permitting requirements. He added that approval of the Project from the Commission would take approximately 90 days. Ms. Miller stated that she would confirm the City's permitting requirements, if any, for the Project. After a lengthy discussion, upon a motion duly made by Director Savarese and seconded by Director Stempko, the Board voted unanimously to authorize KAH to solicit bids for the Project for presentation to the Board at future Board meeting.

The Board next discussed the Lower Colorado River Authority's (the "LCRA") proposed routes for the Leander-Round Rock 138-kV Transmission Line Project (the " LCRA Project"). Mr. Haag recalled that the District had sent a letter to the LCRA objecting the LCRA Project. Director Savarese stated that he had attended a meeting of the "Save Brushy Creek Trail" group ("Brushy Creek") with Ms. Miller. He stated that the meeting was informative and that there were a solid group of residents who were against the LCRA Project, as proposed. He reported that Texas Representative Larry Gonzales was in attendance at the meeting and that Representative Gonzales had stated that his office planned to contact the Public Utility Commission to obtain an explanation of their current plan for the LCRA Project. Director Savarese told the Board that Brushy Creek was encouraging all interested persons to contact their representatives about their concerns regarding the LCRA Project.

Next, the Board discussed the committee formed by Texas Speaker of the House, Joe Strauss to take a comprehensive look at recently proposed or finalized rules from the U.S. Environmental Protection Agency, including the Clean Power Plan, the National Ambient Air Quality Standards, and the "Waters of the United States." Director Savarese noted that the issue was discussed at the recent Association of Water Board Director's winter conference. He opined that it appeared that the rules could impact the economy of Texas and might directly affect the District. Mr. Haag stated that he would investigate the issue and its possible effects on the District.

The Board then reviewed a Joint Election Agreement and Contract for Election Services Agreement for the District's May 7,2016 Directors Election (the "Joint Election Agreement") with Williamson County (the "County"). Ms. McCalla reminded the Board that with a joint election, the County would essentially be conducting the Directors Election for the District. Ms. McCalla further explained that when a registered voter of the District went to vote in the joint election, the ballot would be coded to recognize that the voter was allowed to vote in the election and the ballot would automatically show on the screen of the electronic voting equipment. After discussion, upon a motion duly made by Director Stempko and seconded by Director Sabatino, the Board voted unanimously to approve the Joint Election Agreement as presented. A copy of the Joint Election Agreement is attached hereto and made a part of these minutes.

Next, Mr. Haag distributed an ORDER CALLING DIRECTORS ELECTION (the "Election Order") for May 7, 2016 (the "Directors Election"). Mr. Haag explained that the Board was required to adopt the Election Order prior to February 19, 2016 pursuant to the requirements of the Texas Election Code, as amended. Mr. Haag then told the Board that the deadline for submission of an application for a position on the District's ballot was also 5:00 p.m. on February 19, 2016. Ms. McCalla noted that the District had received three applications for a position on the District's ballot to date. After review, upon a motion duly made by Director Stempko and seconded by Director Sabatino, the Board voted unanimously to adopt the Election Order, subject to any revisions to the polling locations made by Williamson County. A copy of the Election Order is attached to these minutes as an exhibit.

Ms. Miller then presented the General Manager's Report, a copy of which is included in the Board Packet. She first reported that the City's interlocal agreement with the District for participation in the City's Household Hazardous Waste Program would expire in April, and she questioned if the Board wanted to continue to participate in the program. After a brief discussion, the Board requested that an item be placed on the District's March agenda for consideration.

Ms. Miller next reported that new chairs were needed for the Community Center. She pointed out that the amount allocated for the purchase of the chairs in the District's current budget was $20,000. She suggested that vinyl chairs be obtained rather than cloth chairs, as previously purchased. After discussion, the Board authorized the Community Center Committee to meet and make a decision regarding the chairs.

Continuing her report, Ms. Miller stated that AT&T was installing a 100% fiber-optic network cable in areas of Stone Canyon and Fern Bluff. She continued that there were two construction crews in the neighborhood, with the possibility of four crews combined and that the installation was requiring many areas of excavation into resident's yards and would also entail many cuts into the roads of the District. Ms. Miller reported that AT&T was also requesting that the District allow their crews to dispose onto District property the muddy water resulting from the boring machines. She stated that AT&T claimed that the project would take significantly more time to complete if they were required to haul the water off-site. She emphasized that her office was monitoring the dumping of the water and would ensure that the area remained free of debris and not left in an unsightly condition. Mr. Haag suggested that an agreement between the District and AT&T be in place, and the Board concurred. Director Stempko suggested that the District's Engineer review the plan, and Ms. Miller agreed to submit AT&T's plans to the District's Engineer.

The Board next considered the purchase of a park and utility vehicle for the District. Ms. Miller explained that four-wheel access to the District would allow her office to get to hard to access areas of the District in a timelier manner. After discussion, upon a motion duly made by Director Savarese and seconded by Director Sabatino, the Board voted unanimously to authorize Ms. Miller to solicit bids for the park and utility vehicle for presentation to the Board at a future meeting.

Mr. Alanis then 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 93% 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.

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 Office (the "County"). He stated that he had received the patrol reports from the County, and that the reports were considerably more detailed than before. Director Savarese commented that the officers were visible throughout the District.

There being no further business to come before the Board, the Directors scheduled the next meeting for March 8, 2016, and 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
March 8 2016 Board of Directors Meeting

1. Board Packet;
2. Audit for the Fiscal Year Ended 9/30/2015; and
3. Order Calling the District's 2016 Directors Election.