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

January 12, 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 January 12, 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, Director Stempko, thus constituting a quorum. Also present were District General Manager, Janey Miller; Operations Manager, Hector Alanis; Brian Wilson with Save Brushy Creek Trail; and Phil Haag and Suzanne McCalla of McGinnis Lochridge, the District's Attorney.

President Savarese called the meeting to order, after which, Director Teiber 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 December 8, 2015, 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.

The Board next discussed the possible adverse effects on the District's residents caused by the Lower Colorado River Authority's (the "LCRA") proposed routes for the Leander-Round Rock 138-kV Transmission Line Project (the "Project"). Mr. Haag reported that a letter had been drafted by his office as requested by the Board. Ms.

Miller stated that the letter was signed by Director Saverese and sent to the LCRA. Director Sabatino suggested that the letter should be posted on the District's website and sent to District residents due to the high interest in the Project by District residents, and the Board concurred. Ms. Miller confirmed that she would post the letter on the District's website and include a copy in the District's billing, as requested by the Board.

Mr. Haag next reported that House Bill 1295, 84th Texas Legislative Session ("HB 1295"), became effective September 1, 2015, and applies to a contract of a governmental entity entered into after December 31, 2015, that either requires an action by the Board or has a value of at least $1,000,000. He continued that under the terms of HB 1295, set forth in the Government Code, Section 2252.908, the District may not enter into any contract that requires an action by the Board unless the business entity submits a disclosure document listing any interested parties to the contract. He explained that the form of the disclosure document has been prescribed by the Texas Ethics Commission (the "TEC") as Form 1295. Mr. Haag continued that the business entity must electronically enter required information onto the Form 1295 and print a copy of the completed form, which will include a certification of filing containing a unique certification number. An authorized agent of the business entity must then sign the Form 1295 and have it notarized, he said. Mr. Haag explained that the signed and notarized Form 1295 must then be filed with the District at the time the business entity enters into a contract. Mr. Haag stated that not later than 30 days after the District has received the Form 1295, the District, or an agent of the District, must submit a copy to the TEC electronically, after receipt of which, the TEC will post the completed Form 1295 to its website within seven business days. Mr. Haag told the Board that the TEC was holding a seminar on January 29, 2016, during which HB 1295 would be discussed. He confirmed that someone from his office would be in attendance at the seminar.

The Board next considered the RESOLUTION OF THE BOARD OF DIRECTORS OF FERN BLUFF MUNICIPAL UTILITY DISTRICT REESTABLISHING A STATEMENT OF POLICIES ON ETHICS, TRAVEL, FINANCIAL AND MANAGEMENT PRACTICES (the "Ethics Policy"). Ms. McCalla explained that the Resolution amended the District's Statement of Policies to account for recent legislative changes by the 84th Texas Legislature. She also pointed out that the Sections in the Ethics Policy titled Travel and Reimbursement of Expenses by Directors and Directors Fees had been revised. She also questioned if the Board wanted to amend the amount that the General Manager was authorized to spend out of the General Manager's checking account. After discussion, the Board requested that the Ethics Policy be revised to: (1) reflect a $10,000 limit on the General Manager's checking account; (2) remove the requirement that a report must be provided after attendance at a conference; and (3) remove the description listing non-substantive performance of District business. After a motion duly made by Director Sabatino and seconded by Director Quillman, the Board voted unanimously to approve the Resolution amending the District's Statement of Policies as discussed above. A copy of the Resolution is attached hereto as an exhibit to these minutes.

Next, Mr. Haag reminded the Board that Senate Bill 1812 had also passed during the 84th Texas Legislative Session. He explained that it was a transparency bill that requires the Comptroller of Public Accounts (the "Comptroller") to create an online eminent domain database. He continued that any entity with eminent domain authority was now required to log on to the Comptroller's website annually to report specific information to the Comptroller for posting. Mr. Haag stated that information required to be submitted by the District for posting on the Comptroller's website includes the name, address, and public contact information for the District; the name and contact information for the person representing District; the provision of law that grants the District eminent domain authority; the focus or scope of the authority; the earliest date on which the District had eminent domain authority; the District's tax identification number, and whether the District has exercised its eminent domain authority in the preceding calendar year. Mr. Haag informed the Board that the District would be required to submit this information by February 1 of each year and that failure to comply with these requirements may result in a penalty of $1,000 for each notification from the Comptroller and will result in the entity being listed on a list of non-complying entities. He pointed out that failure to comply would not affect the District's authority to exercise its eminent domain authority. After a brief discussion, upon a motion duly made by Director Sabatino and seconded by Director Quillman, the Board voted unanimously to authorize the District's Attorney to submit the District's annual eminent domain report to the Comptroller, as required. A copy of the Report, thus submitted to the Comptroller, is attached hereto as an exhibit.

Next, the Board considered the need to adopt an updated investment policy and investment strategies, pursuant to the requirements of the Texas Public Funds Investment Act (the "ACT"). Ms. McCalla presented an 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. Mr. Haag summarized the requirements pursuant to the Act. He stated that the Investment Policy, including the investment strategies, were fairly general but conservative and complied to include the requirements of the Act. Ms. McCalla explained that the Investment Policy listed the District's General Manager as the District's Investment Officer. After review and discussion, upon a motion duly made by Director Sabatino and seconded by Director Quillman, the Board voted unanimously to approve the Investment Policy as presented. A copy of the Investment Policy is attached hereto and shall be considered an exhibit to these minutes.

Ms. McCalla then reviewed with the Board the memorandum of Key Dates for the District's May 7, 2016, Directors Election. She noted that Directors Saverese, Teiber, and Sabatino were up for reelection. A copy of the memorandum is attached to these minutes as an exhibit.

Next, the Board considered the RESOLUTION AMENDING THE DESIGNATED MEETING PLACES FOR THE BOARD OF DIRECTORS OF FERN BLUFF MUNICIPAL

UTILITY DISTRICT, DIRECTING THE FILING OF A COPY OF THIS RESOLUTION WITH THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY AND PUBLICATION OF NOTICE OF RESOLUTION. Ms. McCalla noted that the Resolution was being amended to include the new office spaces at the District's water tower (the "Water Tower") as a meeting location for possible future meetings of the District. After a motion duly made by Director Quillman and seconded by Director Sabatino, the Board voted unanimously to approve the Resolution as presented. A copy of Resolution amending the District's meeting places is attached hereto as an exhibit to these minutes.

The Board then received reports from District consultants and committees. Copies of the reports are included in the Board Packet, which packet is attached as an exhibit hereto.

General Manager: Ms. Miller then reviewed with the Board her report as included in the Board Packet. She noted that if had been a relatively quiet month. She added that mice or squirrels had caused extensive damage to the District's Nissan truck, which has since been repaired. Ms. Miller opined that the mice likely came from the fields close to the District's office.

Operations Report. 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 December was at 88% of water pumped versus water distributed. He noted that the low water accountability was likely due to software issues and not actual water loss. He added that the District's water accountability for the past 12 months was at 96% of water pumped versus water distributed. He then reported that the hydropneumatic tank at the District's pump station in Oak Brook had developed some issues. He explained that a temporary repair was performed at the time the leak was discovered and that a permanent repair has since been completed. He noted that the District's water pressure was never below 35 psi, the minimum operating pressure requirement.

Mr. Alanis then reported that he had been invited to attend the Drinking Water Advisory Work Group ("DWAWG"). He explained that DWAWG provides the Texas Commission on Environmental Quality with resources to help with existing and future drinking water issues. He added that he planned to attend.

Parks and Recreation Committee. Director Savarese then reported to the Board that Mr. Wilson had been in attendance encourage attendance at a Steering Committee meeting for the Save Brushy Creek. He stated that Mr. Wilson had explained that the meeting would not be extensive but would focus on how the communities affected by the Project could work together.

Director Teiber noted that there was a piece of metal sticking out of the ground by the steps into the greenbelt at Morgan and O'Conner in the District. Ms. Miller stated

her belief that that area was the responsibility of the Homeowners Association, but that she would ensure that the matter was addressed.

Community Center Committee. Ms. Miller reported that the renovation of the Community Center (the "Renovation") by TBC Services, LLC, continued to be in progress.

Security Committee. Director Teiber stated that patrols of the District by off-duty officers had begun last week pursuant to the Independent Contractor Agreement for Off-Duty Security and Patrol Services between the District and the Williamson County Sheriff's Office (the "Agreement"). He expressed his appreciation to the Security Committee and Mr. Haag for the time spent negotiating the contract.

Roads Committee. There was no report.

Environmental Committee. Director Savarese stated that information on the rainwater collection system would be discussed at the District's next meeting.

Engineer. There was no report.

Attorney. Mr. Haag had nothing additional to report.

Communications. There was no report.

With no further business to come before the Board, the Directors scheduled the next meeting for February 9, 2016, and the meeting was adjourned.

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Secretary, Fern Bluff MUD Board of Directors

(SEAL)

Attachments to the Minutes of the
Fern Bluff Municipal Utility District
January 12, 2016 Board of Directors Meeting

1. Board Packet;
2. Ethics Policy;
3. Eminent Domain Filing;
4. Investment Policy;
5. Memorandum of Key Dates for the District's Directors Election; and
6. Resolution amending meeting place locations for the District.