

MINUTES OF REGULAR MEETING
OF
REUNION RANCH WATER CONTROL AND IMPROVEMENT DISTRICT

STATE OF TEXAS §
 §
COUNTY OF HAYS §

The regular meeting of the Board of Directors of Reunion Ranch Water Control and Improvement District, open to the public, was held on January 19, 2016, at 2001 North Lamar, Austin, Texas 78705, pursuant to notice duly given in accordance with law.

1. CALL TO ORDER

The meeting was called to order.

2. ROLL CALL OF DIRECTORS

A roll call of the Directors was taken. The Directors present were Nathan Neese, Bubba Sykes and Joel DeSpain, constituting a quorum. Vice President Vince Terracina and Secretary David Bosco were absent.

Also present at the meeting were Michael Slack, Dennis Lozano, Scott Krschnak, Bill Flickinger, Allen Douthitt, Kristi Hester, Frank Krasovec and Jeniffer Concienne.

3. CITIZEN COMMENTS

No citizens were present.

4. MINUTES OF PRIOR MEETING

The minutes of the prior meeting were included in the agenda package for consideration. Motion was made by Bubba Sykes and seconded by President Neese to approve the minutes of the December 15, 2015 meeting as presented. The motion carried unanimously.

5. DISTRICT'S ANNUAL AUDIT SUBMITTED BY MAXWELL LOCKE & RITTER

Scott Krschnak discussed the audit with the Board. The audit was an unmodified/clean opinion, which is the best given. Mr. Krschnak discussed the developer's advances and the bonds that were issued in December. Bubba Sykes asked when does the plant and capital assets hit the District's financials. Mr. Krschnak stated it would be in 2016. There was discussion of the letters of representation signed by Bott & Douthitt and the required communications. Mr. Krschnak reported that he found no mis-statements and had no difficulties nor disagreements with the management in performing the audit. President Nathan Neese entertained a motion for approval.

Motion was made by Bubba Sykes and seconded by Joel DeSpain to approve the audit and authorize the President to sign the Annual Filing Affidavit for filing with the TCEQ and Texas Comptroller. The motion carried unanimously.

6. DEVELOPER'S REPORT ON STATUS OF CONSTRUCTION WITHIN THE DISTRICT, DEVELOPMENT ENTITLEMENTS, PROVISION OF WATER, WASTEWATER AND DRAINAGE SERVICES WITHIN THE DISTRICT, SALES OF LOTS TO BUILDERS, HOMEBUILDING WITHIN THE DISTRICT, STATUS OF DEVELOPMENT LOANS AND ACTIONS OF THIRD PARTIES OPPOSING OR SUPPORTING DEVELOPMENT WITHIN THE DISTRICT

Michael Slack reported on the sales within the District. There have been 138 homes sold to date and the average sales price of homes within the District is \$495,104.

They are at the end of the last few phases in Phase 2, Section 2, the 140 lot section and it has been accepted by the County as well as the 39 custom lots. All that is left in those Phases is the reveg and clean-up. Mr. Slack reported that they started the engineering on Phase 3, Section 1 which is hoped to be submitted the 3rd weeks of February. This section will contain about 40 lots. Construction will begin in June, but could possibly start sooner. Bubba Sykes asked how many empty lots are left within the District. Mr. Slack said about 130 or so.

7. ENGINEER'S REPORT ON STATUS OF CONSTRUCTION WITHIN THE DISTRICT, DEVELOPMENT ENTITLEMENTS, PROVISION OF WATER, WASTEWATER AND DRAINAGE SERVICES WITHIN THE DISTRICT, SALES OF LOTS TO BUILDERS, HOMEBUILDING WITHIN THE DISTRICT AND PAST, PRESENT AND FUTURE BOND ISSUES

Engineer Dennis Lozano reported on construction of the District facilities and the wastewater permit major amendment. Construction of Phases 2-2 and 2-3 is complete and homebuilding is active in Section 2-2. There is some closeout documentation that is still needed. The lift station is complete and could be running if need be. Excel also has a few items left on the punch list. Mr. Lozano hopes to get this project accepted at the next meeting. Mr. Lozano stated that the first notice on the major amendment was published and he has not yet received any comments. There was a call from the Tech Review Team regarding the concentration of nitrogen measured in the existing plant effluent and allowable loading rates to the drip fields. Mr. Lozano will meet with them to determine what needs to be done to address this issue. Michael Slack asked that is next after technical completeness. Mr. Lozano discussed the second notice that goes out with the draft permit.

Mr. Lozano also mentioned that the District's next bond issue might get started in a couple of months.

8. OPERATIONS AND MAINTENANCE REPORT

- A. Administrative
- B. Wastewater Treatment Plant
- C. Wastewater Grinder Stations
- D. Effluent Irrigation System & Fields
- E. Distribution and Collection System

Manager Kristi Hester reported that there was a 2% water loss in December. There were 122 water connections and 118 wastewater connections. The wastewater treatment plant is running at 24% capacity. There was discussion of the maintenance items and the related costs. Bubba Sykes is concerned that the costs are high for such a new plant. Mrs. Hester discussed what all items are included in the maintenance of the wastewater plant. Engineer Dennis Lozano said the costs are typical with other plants this size. Mrs. Hester stated that she would separate the items so as to show the costs clearer. Mrs. Hester also reported that the annual fire hydrant and water valves will be done this month as well as the annual TCEQ soil testing. The average water usage in the District is 11,853 gallons.

Mrs. Hester stated that operations has a request for the Board. At the District's lift station, inside the building is a toilet that sits out in the open. The operations crew is requesting that a wall be put up around the toilet. The estimated cost will be about \$800. After discussion, motion was made by President Nathan Neese and seconded by Joel DeSpain to approve a solution for installing a wall and authorize ST to spend up to \$800. The motion carried unanimously.

9. ENGAGEMENT LETTER WITH BOTT & DOUTHITT

The District's Bookkeeper, Allen Douthitt discussed the current contract with the Board and the newly required executed engagement letter from CPA firms before they can issue its financials. Attorney Bill Flickinger discussed same with the Board and the need for the new Form 1295 filing with the Texas Ethics Commission, which Mr. Douthitt has submitted. Mr. Flickinger stated that Bott & Douthitt are just needing to be in compliance with the new rules for CPA firms. After discussion, President Nathan Neese entertained a motion for approval. Motion was made by Bubba Sykes and seconded by Joel DeSpain to approve the engagement letter as submitted and authorize its execution by the Board President. The motion carried unanimously.

10. BOOKKEEPER'S REPORT ON THE FINANCIAL AFFAIRS OF THE DISTRICT, INCLUDING AUTHORIZATION OF PAYMENTS OF BILLS

Allen Douthitt discussed the financials with the Board and presented an updated cash activity report. Mr. Douthitt will the per diems for David Bosco and Vince Terracina. There was discussion of the items to be considered today. Three transfers being the bookkeeper's account, tax collection funds and reimburse the operations account with capital projects due to the bond reimbursement audit. Mr. Douthitt noted that the balance sheet/income statement shows two new fund items due to the District's first bond issue. After discussion, motion was made by President Nathan Neese and

seconded by Joel DeSpain to approve payment of the per diems, invoices and three transfers as presented. The motion carried unanimously.

11. APPROVAL OF CONSTRUCTION PLANS AND PAY ESTIMATES, CHANGE ORDERS AND ACCEPTANCES OF COMPLETION WITH RESPECT TO CONSTRUCTION CONTRACTS

Michael Slack discussed and recommended approval of the following pay estimates and change order:

Pay Estimate No. 2 in the amount of \$51,210.00 in connection with Reunion Ranch Lift Station No. 1 submitted by Excel Construction Services, LLC; and

Pay Estimate No. 3 in the amount of \$59,013.49 in connection with Reunion Ranch Lift Station No. 1 submitted by Excel Construction Services, LLC; and

Change Order No. 3 in a deduction amount of (\$19,703.93) in connection with Reunion Ranch Phase 2, Section 1 Water, Wastewater and Drainage Improvements submitted by Taylor Morrison.

After discussion, motion was made by Joel DeSpain and seconded by President Nathan Neese to approve payment of the foregoing pay estimates and change order as presented. The motion carried unanimously.

12. ADVERTISEMENT FOR BIDS AND APPROVAL, AWARD, RECOMMENDATION AND ADMINISTRATION OF CONSTRUCTION CONTRACTS

This is a standing item and there was no discussion.

13. UTILITY CONVEYANCE AGREEMENT BETWEEN THE DISTRICT AND TAYLOR MORRISON OF TEXAS, INC.

Michael Slack discussed the Utility Conveyance Agreement as included in the agenda package. The contract is between Taylor Morrison and Nelson Lewis, Inc. for construction of water, wastewater and drainage facilities for Phase 1A. President Nathan Neese entertained a motion for approval. Motion was made by Joel DeSpain and seconded by Bubba Sykes to approve the Utility Conveyance Agreement as presented. The motion carried unanimously.

14. AMENDED INFORMATION FORM

Attorney Bill Flickinger discussed the Amended Information Form. Jeniffer Conciene stated that the form was updated due to the District's bond issue. Mr. Flickinger stated this is a

statutory requirement and will be filed with the TCEQ and Hays County Clerk. The form will need to be executed by the entire Board. After discussion, motion was made by Joel DeSpain and seconded by Bubba Sykes to approve the Amended Information Form and authorize its execution by the Board and filing with the TCEQ and Hays County Clerk as presented. The motion carried unanimously.

15. LEGISLATIVE UPDATE

16. ANNUAL REPORT TO COMPTROLLER REGARDING EMINENT DOMAIN

Attorney Bill Flickinger discussed the legislative update with the Board. The agenda package included a memorandum and the corresponding bills.

HB 1295 requires disclosure of interested parties for all contracts with the District. This disclosure will be handled through the Texas Ethics Commission. Mr. Flickinger stated that this is a bad law. If the District wishes, it can designate its Manager, ST or others to approve certain contracts under certain amounts. Joel DeSpain asked why this law was in place and what was the idea behind it. Mr. Flickinger stated it was a transparency issue.

HB 23 addresses disclosure of relationships with local government officers and vendors. If the Board needs more information on this topic, Mr. Flickinger said to please call his office and he will work through it with them.

HB 1378 requires the District to file its annual audit with the Comptroller each year beginning January 1, 2016.

HB 3357 allows for posting of the notice of a public meeting of the Directors on the District's website in lieu of providing notice to the County Clerk. Mr. Flickinger is not recommending this type of posting.

HB 2354 changes the date of the uniform election in May to the first Saturday in May.

SB 1812 requires annual reports to the Comptroller regarding eminent domain authority. The District must file its first annual report with the Comptroller no later than February 1, 2016. Mr. Flickinger reported that our office will handle this filing on behalf of the District.

HB 2049 limits the ability for the District to require engineers and architects to indemnify the District.

SB 1760 requires that at least 60% of the Directors must approve a tax rate that exceeds the effective tax rate and provides for additional notices in that circumstance. Mr. Flickinger reported that this will not be an issue for the District because 3 of 5 directors must approve any action.


Mr. Flickinger also reported that the District's creation legislation has been codified as Chapter 8485 of the Special District Local Laws Code, effective April 1, 2017.

17. DISTRICT'S RATE ORDER

Attorney Bill Flickinger discussed the rate order. Back in the summer, the Board approved removing the surcharge and it was noted that the surcharge was actually noted in rate order. After discussion, motion was made by Joel DeSpain and seconded by President Nathan Neese to ratify and approve the revised rate order, removing the surcharge from the rates. The motion carried unanimously.

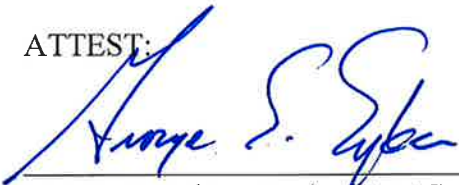
18. ADJOURN

President Nathan Neese adjourned the meeting.



Nathan Neese, President
Reunion Ranch WCID

ATTEST:



George S. Sykes, Jr., Assistant Secretary
Reunion Ranch WCID

[SEAL]