

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

STATE OF TEXAS §
 §
COUNTY OF HAYS §

A regular meeting of the Board of Directors of Reunion Ranch Water Control and Improvement District, open to the public, was held at 2:00 p.m. on August 15, 2017 at Willatt & Flickinger, PLLC, 12912 Hill Country Blvd., Ste. F-232, Austin, Texas 78738, 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:

Vince Terracina – Vice President
George “Bubba” Sykes – Assistant Secretary
Dan Pawlik – Assistant Secretary

thus, constituting a quorum. President Nathan Neese and Secretary Tom Rogers were absent.

Also, present at the meeting were Bill Flickinger, Matt McPhail, Jeniffer Concienne and Sarah Watts with Willatt & Flickinger, PLLC, Dennis Lozano with Murfee Engineering, Allen Douthitt with Bott & Douthitt, Jason Tyler with ST, Michael Slack with Taylor Morrison and Garry Kimball with Specialized Public Finance Inc.

3. CITIZEN COMMENTS

No citizens were present.

4. MINUTES OF PRIOR MEETINGS

Jeniffer Concienne stated that the Minutes were included in the agenda package for consideration. Motion was made by Vince Terracina and seconded by Dan Pawlik to approve the July 18, 2017 meeting Minutes as presented. The motion carried unanimously.

5. ORDER APPROVING BUDGET FOR 2017/2018

Bookkeeper Allen Douthitt presented the proposed budget. The District's assessed valuation came in at \$97,645,704. Mr. Douthitt reported that he was informed that the PUA would not be increasing its water rates this year. He prefers to leave in a conservative line item for the PUA monthly charge. The budget is based on the same overall tax rate of \$0.875. The proposed budget will provide a \$142,836 surplus. Financial Advisor Garry Kimball commented that this is a good budget for the District. The current bond issue will be the first one for the District that has an investment grade rating. A budget with surplus provides a good bond rating and better percentage rate. After discussion, motion was made by Vince Terracina and seconded by Bubba Sykes to approve the Order Adopting Budget as presented. The motion carried unanimously.

6. ORDER SETTING THE DISTRICT'S PROPOSED TAX RATE FOR 2017 AND PROVIDING FOR PUBLICATION OF NOTICE THEREOF

Attorney Bill Flickinger discussed the procedures for setting the proposed tax rate and providing for publication of the notice. The District will hold a public hearing at its next board meeting on September 19th. As discussed above, it is proposed that the overall tax rate remain the same as last years at \$0.875, with O&M at \$0.3250 and debt service at \$0.5500. After discussion, motion was made by Bubba Sykes and seconded by Vince Terracina to adopt the Order Setting the District's Proposed Tax Rate for 2017 and Providing for Publication of Notice Thereof in accordance with the District's budget. The motion carried unanimously.

7. DEVELOPER'S REPORT ON STATUS OF CONSTRUCTION WITHIN THE DISTRICT, DEVELOPMENT ENTITLEMENTS, PROVISION OF WATER, WASTEWATER AND DRAINAGE SERVICE 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

Developer Michael Slack reported that 243 homes have been sold to date. The average appraised value of residents within the District is \$503,217. The breakdown of sales are as follows: 50 60' lots, 104 70' lots, 38 80' lots and 51 90' lots.

Both Phase 2, Section 5 and Phase 3, Section 1 are nearing completion. The contractor is reveging those areas. At the next meeting, retainage will be released on those projects.

Mr. Slack reported that he is about to advertise for the next three sections. Those sections will contain 60', 70' and 80' lots. Construction should begin in October.

There was discussion as to what is left in the District to buildout. Taylor Morrison has a total of 485 home and Frank Krasovec has about 30 custom lots. Taylor Morrison is about half way done with buildout. The south section of the District has about 60 lots left.

8. 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 discussed his report as included in the agenda package. As stated above by Michael Slack, Phases 2-5 and 3-1 are nearly complete. There are minor punch list items remaining.

Mr. Lozano discussed the current bond issue. The TCEQ technical review deadline was August 1st and he still has not received the final approval. Mr. Lozano called the TCEQ and was informed that they are working on the application and the deadline was extended until August 31st. However, they are hopeful to get the approval done before that time. The target is to get through the bond issue and have it funded by the end of the year. Mr. Lozano and Financial Advisor Garry Kimball believe the District is in good shape and it will be fine. Mr. Lozano reiterated that the TCEQ pre-purchase inspection has been requested and will need to be completed prior to bond closing.

Mr. Lozano discussed the wastewater flow projections as included in his report. According to the projected flows, the need for the wastewater treatment plant expansion will be in 2022.

Mr. Lozano is still working on gathering data to complete the major permit amendment. The nitrogen levels are still low. Once the data has been collected for a year, the TCEQ should not have a problem with the information.

9. ANY ACTIONS AND DOCUMENTS NECESSARY OR CONVENIENT, OR BOTH, FOR THE DISTRICT'S 3RD BOND ISSUE

Developer Michael Slack just wants to be sure that the bond issue is completed and funded by the end of the year. Financial Advisor Garry Kimball indicated that should not be a problem.

10. UTILITY CONSTRUCTION AGREEMENT BETWEEN REUNION RANCH WATER CONTROL AND IMPROVEMENT DISTRICT AND TAYLOR MORRISON OF TEXAS, INC.

Attorney Matt McPhail presented the draft Utility Conveyance Agreement between the District and Taylor Morrison. This provides for conveyance of the facilities in Phase 1C from Taylor Morrison to the District. Those facilities were reimbursed from the last bond issue. After each bond issue, the facilities that were reimbursed will be conveyed to the District. After discussion, motion was made by Bubba Sykes and seconded by Dan Pawlik to approve the Utility Conveyance Agreement as presented. The motion carried unanimously.

11. OPERATIONS AND MAINTENANCE REPORT

- A. Administrative
- B. Wastewater Treatment Plant
- C. Wastewater Grinder Stations
- D. Effluent Irrigation System & Fields
- E. Distribution and Collection System
- F. Billing Adjustments
- G. Delinquencies
- H. Customer Meter Issues
- I. Customer Complaints

Jason Tyler discussed the manger's report with the Board. The recently installed misting system is compliant and 100% completed. Attorney Bill Flickinger asked about correspondence to the residents regarding the installation of the misters and the need to get with his office on that correspondence prior to it being sent out. Mr. Tyler will check with Manager Kristi Hester.

In regard to the billing summary, there were 238 accounts billed in July. The monthly average for residential water consumption is 21,035 gallons. The collections report showed that three delinquent letters were sent and there were no disconnects in July for non-payment.

Bubba Sykes inquired about the maintenance reports that were not included in the agenda package.

12. BOOKKEEPER'S REPORT ON THE FINANCIAL AFFAIRS OF THE DISTRICT, INCLUDING AUTHORIZATION OF PAYMENT OF BILLS

Bookkeeper Allen Douthitt presented and discussed the financials with the Board, including an updated Cash Activity Report. The per diems for Nathan Neese and Tom Rogers will be voided due to their absence. The District is currently ahead of budget due to the additional connections. Michael Slack discussed the ST invoices in connection with the plant. Bubba Sykes expressed his concern that the expenses are high for such a new plant. Engineering Dennis Lozano discussed the maintenance issues with all plants, being new or old. He believes the maintenance items are in line. The maintenance items include water, wastewater and the lift station. Mr. Slack said that this is even more of a reason to just have one plant versus two. Today's consideration will include the invoices, per diems and fund transfer to the bookkeeper's account. After discussion, motion was made by Vince Terracina and seconded by Dan Pawlik to approve the payment of the invoices, per diems and fund transfer as presented. The motion carried unanimously.

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

Developer Michael Slack presented and recommended approval of the following pay estimates:

Pay Estimate No. 9 in the amount of \$239,759.10 in connection with Reunion Ranch Phase 3, Section 1 submitted by Joe Bland Construction, LP; and

Pay Estimate No. 7 in the amount of \$6,519.78 in connection with Reunion Ranch Phase 2, Section 5 submitted by Cornerstone Site Services.

After discussion, motion was made by Vince Terracina and seconded by Bubba Sykes to approve payment of the foregoing pay estimates as presented. The motion carried unanimously.

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

Developer Michael Slack advised that the next sections will be advertised next week. The bid opening will be September 21st and the award will be brought to the October meeting for consideration.

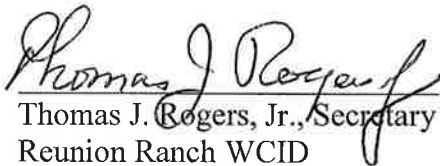
15. ADJOURN

Vice President Vince Terracina adjourned the meeting.



Nathan Neese, President
Reunion Ranch WCID

ATTEST:


Thomas J. Rogers, Jr., Secretary
Reunion Ranch WCID

