

**Minutes of Meeting
Board of Directors
Denton County Fresh Water Supply District No. 10**

May 15, 2014

The Board of Directors (“Board”) of Denton County Fresh Water Supply District No. 10 (“District”), met in regular session, open to the public, on Thursday, May 15, 2014, at 6:00 p.m., at the Savannah Clubhouse, 701 Savannah Boulevard, Savannah, Texas, inside the District, for which notice was given as required by Chapter 551, Government Code, as amended, and Chapter 49, Texas Water Code, as amended.

The roll was called of the duly appointed members of the Board, to wit:

Rob Adams	President
Robert Tague	Vice President
Jon TenBroeck	Secretary
Kurt W. Moore	Asst. Secretary
Kris Russell	Director

All members of the Board were present. Also attending the meeting were the following: Mr. Barry Jameson of Huffines Communities; Mr. Todd Madison of Texas Water Company; Mr. David McCarver, P.E. of Graham Associates, Inc.; Ms. Lisa Bloomfield of Dye & Bloomfield, LLC; Chief Greg Wilkerson of Blue Line Services; Mr. Andre Ayala of FirstSouthwest Company; Mr. Will Walton of Corona Artesia; Mr. David Blom of Terra Verde Group; Mr. Jayson Melcher; Mr. Clay Crawford of Crawford & Jordan LLP; and various other members of the public, including District residents.

1. The President called the meeting to order, after determining that a quorum was present at 6:10 p.m.
2. Consideration was first given to public comments. The President opened the meeting to public comment. After noting that there were no members of the public present and desiring to come before the Board, upon motion made by Director Russell, seconded by Director Tague and unanimously carried, the President closed the public comment session of the meeting.
3. Consideration was next given to acceptance of Statements of Elected/Appointed Officer, Oaths of Office, and Affidavits of Current Director for Directors declared elected. Mr. Crawford reported that the Oaths would be filed with the Secretary of State in a timely manner. Directors Adams and Tague took their respective Oath and executed the aforementioned documents. After discussion on the matter, Director TenBroeck moved that the Board accept such Statement of Elected/Appointed Officer, Oath of Office, and Affidavit of Current Director for Directors Adams and Tague. Director Moore seconded said motion, which carried unanimously. Directors Adams and Tague participated in the remainder of the meeting.

4. Consideration was next given to reorganization of the Board of Directors. Director TenBroeck moved that the Board elect Director Adams to serve as President. Director Tague seconded said motion, which carried unanimously. Director Adams moved that the Board elect Director TenBroeck to serve as Vice President. Director Russell seconded said motion, which carried unanimously. Director Moore moved that the Board elect Director Tague to serve as Secretary. Director TenBroeck seconded said motion, which carried unanimously. Director Adams moved that the Board elect Director Russell to serve as Assistant Secretary. Director TenBroeck seconded said motion, which carried unanimously.
5. Consideration was next given to appointments to District Committees. Director TenBroeck moved that the Board create an Intergovernment Exchange Committee that will include all five directors. Director Adams seconded said motion, which carried unanimously. Director Adams moved that the Board appoint Directors Tague and TenBroeck to the Media/Website Committee. Director Moore seconded said motion, which carried unanimously. Director Tague moved that the Board appoint Directors Adams and Tague to the Law Enforcement Committee. Such motion failed for lack of a second. Director Moore moved that the Board appoint Directors Adams and TenBroeck to the Law Enforcement Committee. Director TenBroeck seconded said motion, which carried with four directors voting in favor of such motion, and one director voting against such motion. Director Adams moved that the Board appoint Directors Russell and Moore to the Water Resource Committee. Director TenBroeck seconded said motion, which carried unanimously. Director Tague moved that the Board appoint Directors Adams and Tague to the Sports Committee and dissolve the HOA Committee. Director Russell seconded said motion, which carried unanimously.
6. Consideration was next given to the (a) review and approval of the Minutes of the April 17, and May 6, 2014, Board of Directors Meetings; (b) review and approval of the Tax Assessor/Collector's report, a copy of such report is attached hereto as **Exhibit "A"**; (c) review and acceptance of the Developer's Report, a copy of such Report is attached hereto as **Exhibit "B"**; and (d) review and approval of the Bookkeeper's Report, a copy of which is attached hereto as **Exhibit "C"**. After discussion on the matter, Director Russell moved that the Board approve items all items appearing under the Consent Agenda. Director Moore seconded said motion, which carried unanimously.
7. Consideration was next given to report by FirstSouthwest Company regarding refunding of District unlimited tax utility bonds and unlimited tax road bonds. The President recognized Mr. Ayala, who advised that since May 2013, the bond market has stabilized and interest rates have come down; and there was little supply of municipal bonds coming to market. Mr. Ayala next presented an analysis concerning the refunding of approximately \$7,000,000 of outstanding road bonds and \$12,500,000 of outstanding road bonds. Such analysis indicated a possible net present value savings of 4.5% and 3.5%, respectively, for such refundings. Mr. Ayala and Mr. Crawford reviewed the fees and costs of issuance for the refundings and possible range of

underwriter's discount. Mr. Ayala presented a list of financial firms that served as underwriters for such refundings. Due to the size of the refundings and the fact that each series of refunding bonds was unrated and uninsured, he recommended to the Board that it select RBC Capital Markets, LLC to serve as underwriter for each refunding with a discount not to exceed 2% of the principal amount of each refunding. Mr. Ayala also proposed a sale during the week of June 9. After discussion on the matter, Director Adams moved that the Board proceed with refunding of District unlimited tax utility bonds and unlimited tax road bonds as recommended by FirstSouthwest Company. Director Russell seconded said motion, which carried unanimously.

8. Consideration was next given to approval and execution of Order Authorizing the Issuance of Denton County Fresh Water Supply District No. 10 Unlimited Tax Refunding Bonds, Series 2014; Levying an Ad Valorem Tax in Support of the Bonds; Approving an Official Statement; Authorizing the Execution of a Bond Purchase Agreement, a Paying Agent/Registrar Agreement and an Escrow Agreement; Establishing the Procedures of Selling and Delivering the Bonds; and Authorizing Other Matters Related to the Issuance of the Bonds. The President recognized Mr. Ayala, who presented a financial analysis of the effect of the proposed issuance of the Series 2014 Refunding Bonds, a copy of such analysis is attached hereto as **Exhibit "D"**. Mr. Ayala presented and reviewed with the Board the Preliminary Official Statement, a copy of which is attached hereto as **Exhibit "E"**. Mr. Ayala presented and reviewed with the Board a list of underwriters, a copy of which is attached hereto as **Exhibit "F"**. After discussion on the matter, Director Adams moved that the Board select RBC Capital Markets, LLC as underwriter for the proposed transaction and to establish the requirement for a net present savings of not less than four and a half (4.5%) percent. Mr. Crawford presented and reviewed with the Board an Order Authorizing the Issuance of Denton County Fresh Water Supply District No. 10 Unlimited Tax Refunding Bonds, Series 2014; Levying an Ad Valorem Tax in Support of the Bonds; Approving an Official Statement; Authorizing the Execution of a Bond Purchase Agreement, a Paying Agent/Registrar Agreement and an Escrow Agreement; Establishing the Procedures of Selling and Delivering the Bonds; and Authorizing Other Matters Related to the Issuance of the Bonds, a copy of which is attached hereto as **Exhibit "G"**. After additional discussion, Director Adams moved that the Board approve such Order and authorize execution of same. Director Russell seconded said motions, which unanimously carried.
9. Consideration was next given to approval and execution of Order Authorizing the Issuance of Denton County Fresh Water Supply District No. 10 Unlimited Tax Road Refunding Bonds, Series 2014; Levying an Ad Valorem Tax in Support of the Bonds; Approving an Official Statement; Authorizing the Execution of a Bond Purchase Agreement, a Paying Agent/Registrar Agreement and an Escrow Agreement; Establishing the Procedures of Selling and Delivering the Bonds; and Authorizing Other Matters Related to the Issuance of the Bonds. The President recognized Mr. Ayala, who presented a financial analysis of the effect of the proposed issuance of the Series 2014 Refunding Bonds, a copy of such analysis is attached hereto as **Exhibit**

- “H”**. Mr. Ayala presented and reviewed with the Board the Preliminary Official Statement, a copy of which is attached hereto as **Exhibit “I”**. Mr. Ayala presented and reviewed with the Board a list of underwriters, a copy of which is attached hereto as **Exhibit “F”**. After discussion on the matter, Director Adams moved that the Board select RBC Capital Markets, LLC as underwriter for the proposed transaction and to establish the requirement for a net present savings of not less than three and a half (3.5%) percent. Mr. Crawford presented and reviewed with the Board an Order Authorizing the Issuance of Denton County Fresh Water Supply District No. 10 Unlimited Tax Road Refunding Bonds, Series 2014; Levying an Ad Valorem Tax in Support of the Bonds; Approving an Official Statement; Authorizing the Execution of a Bond Purchase Agreement, a Paying Agent/Registrar Agreement and an Escrow Agreement; Establishing the Procedures of Selling and Delivering the Bonds; and Authorizing Other Matters Related to the Issuance of the Bonds, a copy of which is attached hereto as **Exhibit “J”**. After additional discussion, Director Adams moved that the Board approve such Order and authorize execution of same. Director Russell seconded said motions, which unanimously carried.
10. Consideration was next given to report by Bookkeeper regarding Upper Trinity Regional Water District (“UTRWD”) billings for wholesale water and wastewater service and authorizing the taking of actions necessary in connection therewith. The President recognized Ms. Bloomfield, who presented the report and suggested that the Board authorize its consultants to contact UTRWD regarding billings issues. Mr. Jameson provided input on the matter. After discussion, Director Adams moved that the Board authorize its consultants to contact UTRWD to resolve billing issues. Director Russell seconded said motion, which carried unanimously.
 11. Consideration was next given to a report from Texas Water Company (“TWC”) on the Artesia system operations, and authorizing expenditure of funds for operation and maintenance of water facilities, a copy of which is attached hereto as **Exhibit “K”**. The President recognized Mr. Madison, who reported relative to minor maintenance and repair items handled over the course of the previous month. He noted that 15 meters were set during April. The Board then discussed raising the monthly base rate for TWC to \$1,850. After discussion on the matter, Director Russell moved that the Board raise the base rate for TWC to \$1,850 retroactive to cover the period from March 2014 to June 2014, and authorized payment in the amount of \$2,600 by check no. 6485 to TWC. Director TenBroeck seconded said motion, which carried unanimously. After further discussion, Director Russell moved that the Board approve the report and expenditure of funds as presented. Director Tague seconded said motion, which carried unanimously.
 12. Consideration was next given to Public Safety Committee Report; public safety and nuisance issues; approval and execution of independent contractor agreements for patrol services; and authorizing actions and expenditures as necessary in connection therewith. The President recognized Chief Wilkerson, who presented an activity/incident report for April. He noted that there was an increase in complaints regarding activity at the Savannah basketball court. However, there were no serious

criminal incidents during the month, with 172 hours of patrol services provided at the elementary school. Chief Wilkerson noted reduced time spent to patrol builder sites. After discussion, Director Tague moved that the Board accept the activity/incident report as presented. Director TenBroeck seconded said motion, which carried unanimously. Director TenBroeck moved that the Board authorize an additional 18 hours of patrol services each week for the month of June. Director Adams seconded said motion, which carried unanimously. Director Tague then moved that the Board hold a meeting with the Savannah HOA regarding the problems at the basketball court. Director TenBroeck seconded said motion, which carried unanimously.

13. Consideration was next given to Homeowners Association Committees Report, and the taking of any action necessary or appropriate in connection therewith. The President recognized Director Tague and Mr. Jameson, who reported relative to the Savannah HOA regarding the safety issues at the basketball court. The President then recognized Director Russell and Mr. Walton, who reported that they had nothing new to report relative to the Artesia HOA. The President determined that no action was required at this time.
14. Consideration was next given to review and acceptance of the Engineer's Report, as presented by Mr. McCarver, a copy of which is attached hereto as **Exhibit "L"**. The Board then considered the status of construction projects within the District. In that regard, Mr. McCarver discussed with the Board the following projects: Artesia Pavement Repair, Artesia Elevated Water Storage Tank; Artesia Teel Boulevard, Savannah Paving Repairs Tiers 2 and 4, and Georgia Village II at Savannah Phase 7.

The Board next considered authorizing preparation of construction plans and specifications for improvement projects, including plans and specifications for grading water, sewer, drainage facilities and paving for Artesia North Phase 1. After discussion, Director Adams moved that the Board authorize preparation of construction plans and specifications for grading, water, sewer, drainage facilities and paving for Artesia North Phase 1, at the developer's own risk. Director Tague seconded said motion, which carried unanimously.

The Board next considered approval of construction plans and specifications and advertising for bids for contract(s) for improvement projects, including grading for Azalea Village at Savannah Phase 11A. After discussion, Director Adams moved that the Board table the matter until the next meeting. Director Russell seconded said motion, which carried unanimously.

The Board next considered a request for variance to pavement widths proposed by Corona-Artesia for Artesia North. Mr. McCarver discussed such matter with the Board, noting that Denton County has no objection to the variance. After a brief discussion, the Board requested additional information be provided prior to the Board taking action on such matter.

The Board next considered the status of construction plans for extension of Teel Parkway and advertising for bids for such work, and authorizing advertising for bids for Savannah Tier 3 pavement repairs. After a brief discussion, it was noted that the Board previously approved such plans and that no action was required at this time.

The Board then considered approval of construction pay application(s) and change order(s) to construction contracts, including pay applications and change orders to current construction contracts. Mr. McCarver reviewed invoices to be approved by the Board and paid by Corona Artesia as follows: Landtec Engineering (Geotechnical Work) \$6,444.00; 2L Construction, LLC (Pavement Repair) \$70,761.60; and Dunham Engineering (Artesia Water Tower) \$1,500.00. After discussion, Director Russell moved that the Board approve these pay applications as presented. Director Moore seconded said motion, which carried unanimously.

The Board next considered the approval/status of engineering Task Order(s), including execution of agreement to prepare infrastructure plans for trunk sanitary sewer, water metering station and project water line pressure analysis related to Comanche Ridge. After discussion on the matter, it was noted that the agreement was approved at the last meeting and that no additional action was required.

The Board next considered approval of final plat sand amendments to plats, including final plat and amendment to final plat for Northshore Communities (Fossil Creek Liquor Store) and amendment of plat for Lot 22R, Block 32, of Artesia Phase 4C. After discussion on the matter, Director Tague moved that the Board approve the amendment to plat for Lot 22R, Block 22, of Artesia Phase 4C. Director Russell seconded said motion, which carried unanimously.

15. Consideration was next given to request from Huitt-Zollars to place a Fiber Optic cable in the Fishtrap Water Line Easement from FM 1385 to Sanitary Sewer junction with UTRWD. After a brief discussion on the matter, Director Adams moved that the Board table the matter until a future meeting. Director Russell seconded said motion, which carried unanimously.
16. Consideration was next given to approval of consent to encroachment upon District 20-foot utility easement located on Fishtrap Road; approval of the relocation of District 20-foot utility easement and waterline along Fishtrap Road and Windsong Parkway, and cost participation with Terra Verde Group relating thereto; and authorize approval, execution, and delivery of agreements regarding same. As indicated in paragraph no. 21 below, the Board convened into executive session to consult with its attorney and consider real estate matters, and subsequently reconvened into regular session.

After reconvening into regular session, Director Adams moved that the Board approve: the encroachment upon District 20-foot utility easement located on Fishtrap Road; the relocation of District 20-foot utility easement and waterline along Fishtrap Road and Windsong Parkway; and cost participation with Terra Verde Group relating thereto in the amount of \$25,000 to be paid in two (2) equal payments of \$12,500 on July 1, 2014,

and September 1, 2014. Director TenBroeck seconded said motion, which carried unanimously. After further discussion, Director Adams moved that the Board approve \$400 for the issuance of written notice to the Artesia residents regarding the temporary interruption of water service required for the relocation of the water line. Director Moore seconded said motion, which carried unanimously.

17. Consideration was next given to Wastewater Analysis by Halff Associates, and establishment of policy regarding the funding and allocation of wastewater capacity, and the taking of action necessary and appropriate to effect such policy. The President recognized Mr. Melcher, who presented a Wastewater Analysis prepared by Halff Associates. There was a question and answer period with the Board regarding the analysis. As indicated in paragraph no. 21 below, the Board convened into executive session to consult with its attorney and subsequently reconvened into regular session.

After reconvening into regular session, Director Russell moved that the Board table the matter until a future meeting. Director Tague seconded said motion, which carried unanimously.

18. Consideration was next given to customer utility service and billing complaints/requests. Mr. Crawford noted that no customer utility service and billing complaints/requests had been received.
19. Consideration was next given to review of draft Consumer Confidence Report and authorizing distribution to consumers. Mr. Crawford presented and reviewed with the Board a draft Consumer Confidence Report, which must be distributed to consumers prior to July 1, 2014. After discussion on the matter, Director Tague moved that the Board approve the Consumer Confidence Report, in substantially the form presented, with possible future clarification by Mustang Special Utility District and Texas Water Company and authorize distribution the final Consumer Confidence Report to the Board of Directors and consumers prior to July 1, 2014. Director TenBroeck seconded said motion, which carried unanimously.
20. Consideration was next given to approval and execution of Professional Services Agreement for operational and billing and collection services for Artesia. Following a brief discussion, Director Russell moved that the Board table the matter until a future meeting. Director Moore seconded said motion, which carried unanimously.
21. Consideration was next given to Executive Session pursuant to Sections 551.071(1)(A) and (B), 551.072, and 551.076, Texas Government Code, as amended, to consult with District Counsel, consider litigation, real estate matters, and deliberate regarding security. Upon motion by Director Adams, seconded by Director Russell, the Board voted unanimously to convene into Executive Session at 8:37 p.m. pursuant to Sections 551.071 and 551.072, Texas Government Code, to consult with District Counsel regarding potential litigation and real estate matters.

Upon motion by Director Adams, seconded by Director Russell, the Board voted unanimously to reconvene the meeting in open session at 8:58 p.m.

22. After noting that no further business was to come before the Board, upon motion duly made by Director Tague, seconded by Director Moore and unanimously carried, the meeting was adjourned at 9:50 p.m.

Jon TenBroeck
Secretary