

**Minutes of Meeting
Board of Directors
Denton County Fresh Water Supply
District No. 10, of Denton County, Texas
November 18, 2010**

The Board of Directors ("Board") of Denton County Fresh Water Supply District No. 10, of Denton County, Texas ("District"), met in regular session, open to the public, on Thursday, November 18, 2010 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:

Robert Tague	President
Rob Adams	Vice President
Tammy Fritz	Secretary
Mary Lehto	Asst. Secretary
Michael Ryan	Director

All members of the Board were present, with the exception of Director Tague who entered later as noted below. Also attending the meeting were the following: Mr. Barry Jameson of Huffines Communities; Mr. Todd Madison of Texas Water Company; Ms. Lisa Bloomfield of Kathi Dye, CPA, P.C.; Mr. Brian Toldan of McCall Gibson Swedlund Barfoot PLLC; Mr. Will Walton of Corona Artesia; Ms. Kris Russell and Mr. Jon TenBroeck, District residents; Mr. Clay E. Crawford of Crawford & Jordan LLP; and additional District residents and other members of the general public.

1. The Vice President called the meeting to order at 6:11 p.m., after determining that a quorum was present.
2. Consideration was first given to public comments. The Vice 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 duly made by Director Lehto, seconded by Director Fritz and unanimously carried, the Vice President closed the public comment session of the meeting.
3. Consideration was next given to the review and approval of the Minutes of the October 21, 2010, Board of Directors Meeting. After discussion on the matter, Director Ryan moved that the Board approve the Minutes of the October 21, 2010, Board of Directors meeting as presented, and that the Secretary be authorized to execute the minutes on behalf of the Board and District. Director Fritz seconded said motion, which carried unanimously.
4. Consideration was next given to approval of an audit report for the fiscal year ended July 31, 2010, and filing of audit report and annual filing affidavit with the Texas Commission on Environmental Quality. Mr. Toldan presented and reviewed with the Board the draft audit report for the fiscal year ended July 31, 2010. After discussion

on the report presented, Director Fritz moved that the Board approve the audit report as presented, authorize execution of the annual filing affidavit, and authorize the filing of the audit report and filing affidavit with the Texas Commission on Environmental Quality. Director Lehto seconded said motion, which carried unanimously.

5. Consideration was next given to a report from Texas Water Company on the Artesia water system operations, including status of Artesia water quality issues, authorizing expenditure of funds for operation and maintenance of water facilities; and implementation of drought contingency plan. Mr. Madison reported that the water quality is well within all permitted parameters. He noted that the Reverse Osmosis system has been operating without problems. Mr. Madison discussed the ongoing preparations for conversion to surface water. He further noted that one water quality complaint received during the month. The Board requested that Mr. Madison check on the generator motor acquisition with buy back fee. The Board then requested that Mr. Barraza determine purchasers for the Reverse Osmosis System after the District has discontinued its use. After discussion on the matter, Director Lehto moved that the Board accept the report presented by Mr. Madison. Director Ryan seconded said motion, which carried unanimously.

Director Tague entered and participated in the remainder of the meeting.

6. Consideration was next given to discussion on constructing Fishtrap trail connector, and the taking of any action necessary or appropriate in connection therewith. Mr. Barraza reported that the project will be completed within a week. After discussion on the matter, Director Tague moved that the Board table the matter until a future meeting. Director Adams seconded said motion, which carried unanimously.
7. Consideration was next given to discussion on fire hydrant maintenance, and the taking of any action necessary or appropriate in connection therewith. After discussion, Director Ryan moved that the Board table the discussion until a local Boy Scout Troop presents a proposal to perform such work as a public service project at a future meeting. Director Fritz seconded said motion, which carried unanimously.
8. Consideration was next given to Homeowners Association Subcommittee report, and the taking of any action necessary or appropriate in connection therewith. It was noted that the Savannah HOA has expressed concern regarding unauthorized motor vehicles (i.e., motorcycles, golf carts, and ATV's) on HOA and District parks and open spaces and needed repair of the shower in the men's locker room. After discussion on the matter, upon motion made by Director Adams, seconded by Director Tague and unanimously carried, the Board accepted the Homeowners Association Subcommittee report.
9. Consideration was next given to Law Enforcement Committee Report, including status of Interlocal Cooperation Agreement for Peace Officer Services with the Town of Little Elm and authorize proposal for (a) peace officer/law enforcement patrol services; and (b) acquisition of surplus police vehicle from Town of Flower Mound. Director Adams reported that the Law Enforcement Committee recommends

contracting with Blue Line Services for coordination of supplemental patrol services by use of off-duty peace officers. After discussion on the matter, Director Adams moved that the Board contract with Blue Line Services for coordination of supplemental patrol services of eight (8) hours per day for seven (7) days per week, subject to additional negotiation of written contract. Director Tague seconded said motion, which carried with Directors Tague, Adams, Ryan, and Fritz voting in favor of such motion and Director Lehto voting against such motion. The Board then discussed the acquisition of a surplus police vehicle from the Town of Flower Mound. After discussion on the matter, Director Adams moved that the Board authorize the purchase of a surplus police vehicle from the Town of Flower Mound at a cost not to exceed \$6,500 and two cell phones by December 1, 2010. Director Tague seconded said motion, which carried with Directors Tague, Adams, and Fritz voting in favor of such motion; Director Lehto voting against such motion; and Director Ryan abstaining from such vote.

10. Consideration was next given to review and acceptance of 2010-2011 Aubrey Fire Department Budget and other expenditures. Mr. Crawford presented and reviewed with the Board the 2010-2011 Aubrey Fire Department Budget, a copy of which is attached hereto as **Exhibit "A"**. After discussion on the matter, Director Fritz moved that the Board accept the Budget as presented. Director Lehto seconded said motion, which carried unanimously.
11. Consideration was next given to discussion on establishing and holding an annual Board of Directors strategic planning retreat to identify and address long-term District priorities, including law enforcement, a commercial tax increment reinvestment and maintenance zone, sales tax collection opportunities, etc. After discussion on the matter, upon motion made by Director Fritz, seconded by Director Lehto and unanimously carried, the Board determined to schedule the retreat for Sunday, January 9, 2011, from 1:00 p.m. to 5:00 p.m. at the Prairie House in the back conference room.
12. Consideration was next given to review and acceptance of the Engineer's Report, as presented by Mr. Barraza. A copy of the report is attached hereto as **Exhibit "B"**. The Board then considered necessary non-routine maintenance and repair of District streets and facilities. Mr. Barraza reported that (i) the Magnolia and Sea Pines Village weir and bridge clean up was completed by Double L Environmental; (ii) the valve stems were adjusted at seven locations throughout Savannah by Double L Environmental; (iii) the HOA requested permission to core the curb and install a PVC pipe to drain water standing by the sidewalk and permission was granted; (iv) an irrigation line along Fishtrap Road was needs to be uncovered and Lawns of Dallas has estimated the cost to be approximately \$300; and (v) an estimate is provided relative to traffic control marking maintenance. After discussion, upon motion by Director Ryan, seconded by Director Lehto and unanimously carried, the Board approved HOC permission to core the curb and install a PVD pipe to drain water standing by the sidewalk. After discussion, Director Lehto moved that the Board authorize Lawns of Dallas to uncover the irrigation line along Fishtrap Road at an estimated cost to the District of \$300. Director Ryan seconded said motion, which carried unanimously. After discussion, Director Lehto moved that the Board table the

matter of the traffic control marking maintenance until a future meeting. Director Ryan seconded said motion, which carried unanimously. The Board then considered status of construction of Artesia water line. Mr. Barraza reported that the project is 90% complete and proceeding within budget and on schedule; and should be completed by December 31, 2010. He noted that one pending approval from the Texas Commission on Environmental Quality is anticipated by December 15, 2010. After discussion on the matter, upon motion duly made, seconded and unanimously carried, the Board determined that no action was required on the matter at this time.

The Board then considered approval of pay estimates for: (i) pay request no. 2 for Artesia Water Line to W.R. Hodgson, Inc. in the amount of \$283,034.16; (ii) pay request no. 1 for air gap to Texas Tank Services in the amount of \$7,594.00; (iii) ratify change order for Artesia Water Line in the amount of \$34,707.40; (iv) pay request for SWPPP management in the amount of \$2,005.00; (v) pay request for material testing in the amount of \$1,165.84; (vi) pay request for change order to repair landscaping and irrigation due to Artesia water line construction in the amount of \$2,500.00; (vii) pay request for change order to repair sidewalk due to Artesia water line to W.R. Hodgson in the amount of \$3,500.00; and (viii) pay request for change order to repair silt fence in the amount of \$1,500.00. After discussion on the pay requests presented, Director Fritz moved that the Board approve all payments as presented. Director Tague seconded said motion, which carried unanimously.

13. Consideration was next given to approval of payment of cost estimates for construction of roads and landscaping to serve Town Center development. After considerable discussion on the matter, Director Adams moved that, in light of the lack of information available regarding the proposed land use and lack of information regarding the public nature of the roads and landscaping; that the Board not approve reimbursement of these expenses at this time. Director Ryan seconded said motion, which carried unanimously.
14. Consideration was next given to review and approval of Encroachment on Easement with Atmos Energy Corporation. Mr. Barraza presented and reviewed with the Board the Encroachment on Easement with Atmos Energy Corporation, a copy of which is attached hereto as **Exhibit "C"**. After discussion on the matter, Director Ryan moved that the Board approve the Encroachment on Easement with Atmos Energy Corporation and authorize execution of same. Director Adams seconded said motion, which carried unanimously.
15. Consideration was next given to plan for location of "No Trespassing" signs on District property and establishing penalties. Mr. Barraza presented and reviewed with the Board three (3) proposals which are attached to the Engineer's report. After considerable discussion on the matter, Director Ryan moved that the Board engage Brandon Industries to prepare 22 signs as discussed. Director Adams seconded said motion, which carried unanimously.
16. Consideration was next given to establishment of "director on call" protocol and policy. After considerable discussion, Director Tague moved that the Board approve a "director on call" protocol where: (i) directors will serve a two (2) week shift of

being on call for 24 hours per day/seven (7) days a week; (ii) such "director on call" will field all law enforcement, HOA, consultant calls, and deputy calls; (iii) "director on call" will rotate between Directors Tague, Adams, Ryan, and Lehto, when available; (iv) no per diem will be paid for such "director on call" duties; (v) "director on call" must keep a log of all calls received; and (vi) "director on call" will use a special phone to be passed from director to director with the passing of the "director on call" shift. Director Adams seconded said motion, which carried unanimously.

17. Consideration was next given to authorizing approval of conveyance of park sites and open space to Savannah HOA. After discussion on the matter, Director Tague moved that the Board reach a maintenance agreement with the HOA, where HOA to assume maintenance expense and provide insurance for park sites and open space, with District named as additional insured. Director Adams seconded said motion, which carried unanimously.

Director Fritz exited the meeting.

18. Consideration was next given to authorizing actions necessary to acquire easements for Artesia water line, including approval of Interim Water Supply Agreement with Red Fish Blue Fish, Ltd. And Town of Prosper. Mr. Crawford presented and reviewed with the Board such Agreement, a copy of which is attached hereto as **Exhibit "D"**. After discussion on the matter, Director Ryan moved that the Board approve such Agreement in substantially the form presented and authorize execution of same, subject to final non-substantive revisions by the District's Counsel. Director Adams seconded said motion, which carried unanimously.

Director Lehto exited the meeting.

19. Consideration was next given to review and approval of Upper Trinity Regional Water District Northeast Regional Water Reclamation System Amendment to Participating Customer Contract with District. Mr. Crawford presented and reviewed with the Board the Amendment, a copy of which is attached hereto as **Exhibit "E"**. After discussion on the matter, Director Adams moved that the Board approve such Amendment in substantially the form presented and authorize execution of same, subject to final non-substantive revisions by the District's Counsel. Director Tague seconded said motion, which carried unanimously.
20. Consideration was next given to the review and approval of the Tax Assessor/Collector's report, and the taking of any action necessary or appropriate in connection therewith. Ms. Bloomfield presented and reviewed with the Board a report, a copy of which is attached hereto as **Exhibit "F"**. She noted that as of October 31, 2010, the District's 2010 tax levy was approximately .35% collected. After discussion on the matter, Director Adams moved that the Board approve the Tax Assessor/Collector's report. Director Ryan seconded said motion, which carried unanimously.
21. Consideration was next given to review and acceptance of the Developer's Report, as presented by Mr. Jameson. A copy of such Report is attached hereto as **Exhibit "G"**.

Mr. Jameson reported that, as of October 31S, 2010, in Savannah 1,401 lots have been prepared for construction; 1,250 lots have been conveyed to builders; 1,240 construction permits have been issued; and 1,198 homes were occupied. He noted that there have been 12 home starts in 2010. After discussion on the matter, Director Adams moved that the Board accept the Developer's Report as presented. Director Ryan seconded said motion, which carried unanimously.

22. Consideration was next given to the review and approval of the Bookkeeper's Report presented by Ms. Bloomfield, a copy of which is attached hereto as **Exhibit "H"**. After discussion on the matter, and thorough review of the checks presented, Director Tague moved that the Board approve the Bookkeeper's Report and payment of the checks as listed in such Bookkeeper's Report and investments per bookkeeper's recommendation. Director Adams seconded said motion, which carried unanimously.
23. Consideration was next given to customer utility service and billing complaints/requests. It was noted there were no additional requests to consider at this time.
24. Consideration was next given to proposals for design of District website. After a brief discussion on the matter, Director Tague moved that the Board table the matter until a future meeting. Director Adams seconded said motion, which carried unanimously.
25. Consideration was next given to annual review of District consultants. After a brief discussion on the matter, upon motion duly made by Director Ryan, seconded by Director Adams and unanimously carried, the Board tabled the matter until a future meeting.
26. Consideration was next given to Executive Session pursuant to Section 551.071 (1)(A) and (B), Section 551.072, and Section 551.074, Texas Government Code, as amended, to consult with District Counsel and consider personnel matters. After a brief discussion, it was noted that Executive Session was not required.
27. After noting that no further business was to come before the Board, upon motion duly made by Director Adams, seconded by Director Ryan and unanimously carried, the meeting was adjourned.



Tammy Fritz
Secretary