

MINUTES OF MEETING
OF
SENNA HILLS MUNICIPAL UTILITY DISTRICT

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

A meeting of the Board of Directors of Senna Hills Municipal Utility District, open to the public, was held at 7:30 p.m. on September 24, 2015, the CE-Bar Fire Department, 353 South Commons Ford Road, Austin, Texas 78733, pursuant to notice duly given in accordance with law.

1. CALL TO ORDER

The meeting was called to order.

2. ROLL CALL OF DIRECTORS

At the start of the meeting the Directors present were Chet A. Palesko, David I. Perl, Lisa McKenzie, Corey Newhouse and Joe Szoo, thus constituting a quorum. No Director was absent.

Also present at the meeting were Robert Ferguson, Allen Douthitt, Kristi Hester, Bill Flickinger, Jason Tyler, Ron Preston, Addi Mistry, Shirley Mistry, Jehoda Rafaeli, Betty Zhang, Adrian Diazgonsen and Bill Marsh.

3. CITIZEN COMMENTS

Resident Bill Marsh had a question regarding high water pressure and the blowout of individual pressure regulators. He understands that the PUA recently changed out a meter which may have caused this problem. President Chet A. Palesko explained that the PUA's changing a master meter created an outage but that he was not aware of high pressure issues associated with it. Bill Marsh explained that after his trip he discovered that a main line had burst and that pressure in his house was 150 psi. He explained he knows that the TCEQ has a minimum pressure but was not sure of a required high pressure. President Chet A. Palesko indicated that the District takes water at the pressure provided by the PUA, and the District previously alerted persons in high pressure areas. He explained the Board will inquire into this situation. Bill Marsh asked if the District had a pressure regulator. Engineer Robert Ferguson explained that the minimum pressure in the District lines is 35 psi and that there is no maximum pressure rule. Bill Marsh explained he is concerned with liability with high pressure. Robert Ferguson discussed pressure reducing valves for residential customers. Bill Marsh asked if the pressure in the District's system could have been as high as 400 psi. Robert Ferguson was confident it would not have been that high. President Chet A. Palesko reiterated that the District will check into this with the PUA and the high pressure situation.

4. PUBLIC HEARING ON TAX RATE

President Chet A. Palesko opened the public hearing on the District's proposed tax rate for 2015.

Comments were made by the following persons:

President Chet A. Palesko discussed the proposed tax rate and described what the Board reviewed in connection with that determination. Some of those funds will be used to expand the wastewater treatment plant to avoid outages and sewage hauling costs. He further explained that there is only \$1,000,000 left in bond authority, and there is concern that the treatment plant expansion may cost more than that amount.

Director Corey Newhouse explained that the Board is balancing fiscal responsibility and the cost to customers.

Resident Jehoda Rafaeli commented on values provided by TCAD and whether they include new construction.

President Chet A. Palesko explained that the tax rate has been kept the same, but more taxes will be collected since the values in the District have increased. He further explained that last year and the year before, the Board kept the tax rate lower since the Board had surplus bond proceeds it could use. However, those funds have been spent.

Director Lisa McKenzie commented that TCAD certifies to the District the dollar value and the rates are applied to those dollar values.

Resident Jehoda Rafaeli asked if the appraised value included current construction.

President Chet A. Palesko explained that the value is based on what is existing on January 1.

Resident Ron Preston asked what the total dollar change is regarding revenue from taxes.

The District's bookkeeper, Allen Douthitt, answered that additional dollars are allocated to debt service this year, and so there is \$100,000 less to the operating fund this year.

Resident Ron Preston commented that the tax revenue would be \$120,000 more than last year.

Directors Joe Szoo and Lisa McKenzie commented on the budget and how the change in revenue was allocated.

Resident Ron Preston asked questions regarding the plant capacity and the last time the District had sufficient plant capacity.

President Chet A. Palesko explained that the plant has not lived up to expectations and that there have been problems with the design, and that the District has since changed the engineers.

Resident Bill Marsh asked about potential liability.

President Chet A. Palesko responded that an old-style treatment plant may have been a better idea, but that was not the decision that was made in the past. He further explained that the new plant expansion will have performance guarantees.

Resident Jehoda Rafaeli asked about the sprinkler systems.

President Chet A. Palesko responded on the capacity of the irrigated greenbelt and that treated water was not used there.

Resident Adrian Diazgonsen asked questions regarding the debt service increase, and bookkeeper Allen Douthitt replied.

Resident Bill Marsh asked questions comparing the District to Barton Creek West and commented that they had paid off their bonds and dissolved their district. He asked if there is a plan like that in place for Senna Hills.

President Chet A. Palesko responded that the situation is not similar and that upon annexation, the City of Austin would tax the residents instead of the MUD.

Resident Bill Marsh asked additional questions regarding reduction of debt of the District, and Director Joe Szoo responded to those issues.

Resident Bill Marsh commented that he thought the operating expenses were being paid out of monthly revenues and that tax only went to debt service. He inquired how the Board decides the mix of including higher water rates.

Director Joe Szoo stated that money paid for water rates is not tax deductible.

President Chet A. Palesko responded that the water rates are intended to cover variable expenses and that the taxes traditionally have covered fixed expenses.

Resident Bill Marsh commented on the sewer rates and winter averaging, and President Chet A. Palesko responded to those issues.

President Chet A. Palesko commented that the District is in a better financial situation than it was two years ago.

Having received comments from all those persons present and wishing to speak, President Chet A. Palesko closed the public hearing.

5. ORDER APPROVING THE DISTRICT'S APPRAISAL ROLL AND SETTING THE DISTRICT'S TAX RATE FOR 2015

After discussion, motion was made by David I. Perl and seconded by Joe Szoo to approve the Order Approving the District's Appraisal Roll and Setting the District's Tax Rate for 2015 as presented with the debt service rate at \$0.35/\$100, the O&M rate at \$0.1911/\$100 for a total tax rate of \$0.5411/\$100. The motion carried unanimously.

President Chet A. Palesko moved to Item No. 16.

16. THE DISTRICT'S WATER AND SEWER RATES

Director Corey Newhouse presented a spreadsheet comparing rates expanding on what President Chet A. Palesko had prepared. The Board discussed revenue from increased water usage. Manager Kristi Hester reviewed expenses and revenues and increased usage last year. Director Corey Newhouse asked if the increased revenue would continue and how that should be used to set rates. President Chet A. Palesko commented on the fact that the rates have a built-in expectation of an increase by the PUA. He also commented that he thought the current rates were a little high.

Resident Jehoda Rafaeli asked if the District was considering automated meters. Kristi Hester explained that there is an additional expense associated with those meters.

Director Lisa McKenzie asked questions regarding the number of customers in the lower tier and second and third tiers.

Director David I. Perl commented that even in August, one-half of the customers were in the lower tier.

President Chet A. Palesko commented that the base rate should cover the PUA base rate, but thought that the first tier rates were too high. Bookkeeper Allen Douthitt and Manager Kristi Hester also provided their comments on the current rates.

Director Corey Newhouse suggested that removing the surcharge would be a good first step in addressing the rates.

Resident Betty Zhang stated that she had concerns with possible errors by her meter. She also asked if we could notify the homeowner when the meter is read so that it can be rechecked. President Chet A. Palesko commented that the meters are read around the 15th of the month, and that would be the time to read it as well by yourself. Manager Kristi Hester commented that when you look at the meter, you should also check the spin leak indicator to see if there is a possible leak. Kristi Hester also explained the meter reading process.

Resident Bill Marsh stated that his leak was not discovered for quite a while since he was gone for an entire month. He also inquired if the MUD gets all of its water from the same source.

Resident Jehoda Rafaeli commented regarding the District 18 water rates and indicated they were lower than Senna Hills.

Motion was made by Corey Newhouse and seconded by Lisa McKenzie to approve the District's amended rate order which eliminates the prior 11% surcharge due to drought conditions. The motion carried unanimously.

****President Chet A. Palesko moved to Item No. 6.****

6. MINUTES OF PRIOR MEETINGS

The Board reviewed the minutes from the prior Board meeting on August 31, 2015. Motion was made by David I. Perl and seconded by Lisa McKenzie to approve the minutes as presented. The motion carried unanimously.

7. ALL MATTERS RELATED TO WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY

President Chet A. Palesko discussed the recent outage created by the PUA. He indicated that the PUA had not checked with Severn Trent and did not notify the District because they did not believe that changing out the master meter would impact Senna Hills. The PUA manager, Don Rauschuber agreed that he would provide notices to Senna Hills in the future. The Board also discussed obtaining operational data from the PUA to address possible high pressure issues in the District.

8. ENGINEER'S REPORT ON SOME OR ALL OF THE AGENDA ITEMS

Robert Ferguson presented the Engineer's Report.

1. In connection with the wastewater treatment plant, the construction plans are in final review before submission to the TCEQ. He will also meet with ST on the plans. Also, the contract documents and specifications are in review and preparation of the minor amendment to add a 100,000 gpd phase is underway.
2. The bond application initial draft is in process. He is accumulating documents from different sources, and this is being done in parallel with the amendment to the permit.

Director Lisa McKenzie expressed concern that the 100,000 gpd phase may not be enough and asked if it should be higher. Robert Ferguson explained that the capacity numbers are average flows and that the maximum rates are higher. He further explained the plants are designed to accommodate high flow rates above the average flows.

Director Lisa McKenzie asked if the goal was to use the existing footprint of the plant and whether that was a design constraint. Robert Ferguson addressed the design issues with the Board. Director David I. Perl asked if the design of the plant included diversion. Robert Ferguson

responded yes, that a basin was going to be converted to an equalization basin. Director Joe Szoo asked questions regarding the average flows to the plant in August and inquired as to the maximum of the new design. These questions were addressed by Robert Ferguson and Jason Tyler. Robert Ferguson also explained that the improvements to the plant will include improvements to the bar screen and headworks of the plant to help protect the membranes.

9. BOOKKEEPER'S REPORT, INCLUDING AUTHORIZATION OF PAYMENT OF BILLS

Allen Douthitt presented the bookkeeper's report. Motion was made by Lisa McKenzie and seconded by Corey Newhouse to authorize payment of the bills and the fund transfers as presented. The motion carried unanimously.

10. DISTRICT MANAGER'S REPORT ON OPERATIONS

Kristi Hester provided the Manager's Report.

Water usage has more than doubled in the last few months - from 6,000,000 gallons purchased in June to 12,734,000 in August. September meter reads show 10,000,000 gallons. Six delinquent notices were hung, but all accounts were paid current prior to the disconnect date. There are no past due accounts at present.

In connection with the meter change-out program, approximately 18 meters are registering over 1.5 million gallons. The Board directed Severn Trent to change out those 18 meters.

On September 7, 2015, ST received an alarm call for high level at the wastewater plant and on arrival found that the membrane Basin 1 had lost prime. It was necessary to call a tanker to keep from overflow. ST pulled Basin 1 down and replaced the bad membranes.

The annual preventive maintenance program was completed on all mechanical parts at the plant, including the blower's pumps and motors.

On September 2, 2015, ST received several low or no water calls. It was determined that the PUA was replacing the eastside master meter.

ST replaced the battery for the generator at the lift station on Senna Hills.

The chlorinator pump was replaced on the irrigation system, and the annual preventive maintenance on the irrigation system was completed, including repair of wiring and labeling of control panels. Also, the irrigation field leak on the 4-inch main line tee was repaired.

Kristi Hester reported 97% water accountability and that the wastewater treatment plant was at 83% capacity with no compliance issues.

Kristi Hester also presented the water usage detail to the Board indicating residents' usage. Director David I. Perl commented that many lots quadrupled their use from July to August. Kristi Hester explained that there were several billing adjustment requests due to leaks.

11. TAYLOR LAKE EFFLUENT POND AND THE DISTRICT'S EFFLUENT DISPOSAL SYSTEM

This item was discussed as part of the District Manager's Report on Operations in Item 10 above.

12. THE DISTRICT'S WASTEWATER TREATMENT PLANT

This item was discussed as part of Item 10 regarding District Manager's Report on Operations.

13. BILLING ADJUSTMENTS

Kristi Hester presented three billing adjustments being \$562.81 for 1316 Milagro, \$209.62 for 1609 Milagro and \$603.45 for 10401 Peonia Court. Motion was made by David I. Perl and seconded by Joe Szoo to approve these three billing adjustments. The motion carried unanimously.

14. CONSTRUCTION PROJECTS WITHIN THE DISTRICT, INCLUDING CHANGE ORDERS, PAY ESTIMATES, ACCEPTANCES AND AWARD OF CONTRACTS

This item was not discussed.

15. THE DISTRICT'S WATER AND WASTEWATER SYSTEMS AND RULES PERTAINING THERETO

This item was not discussed.

17. DROUGHT CONTINGENCY PLAN

No action was taken on this item.

18. ALL ACTIONS AND DOCUMENTS NECESSARY OR CONVENIENT, OR BOTH, FOR THE DISTRICT'S CURRENT BOND ISSUE

No action was taken on this item.

19. RESOLUTION REGARDING ANNUAL REVIEW OF DISTRICT INVESTMENT POLICY AND INVESTMENT STRATEGIES

After discussion, motion was made by President Chet A. Palesko and seconded by Lisa McKenzie to approve the resolution on annual review of the District's investment policy and investment strategies as presented stating no changes are needed. The motion carried unanimously.

20. REVISED MUD LAND USE PLAN AND CONSENT AGREEMENT WITH SENNA HILLS, LTD. AND THE CITY OF AUSTIN; INCLUDING PROPOSED OFFICE BUILDING AND LITIGATION WITH SENNA HILLS, LTD. OVER THE FOREGOING AND THE WEAVER SEWER LINE PROJECT

The Board President announced that the Board of Directors will now go into closed session for consultation with the District's attorney pursuant to Section 551.071 of the Texas Government Code regarding matters related to Agenda Item No. 20. The Board went into closed session at 9:54 p.m.

At 10:38 p.m., the Board President announced that the Board of Directors has concluded its closed session and is returning to open meeting, and that no action was taken during the closed session.

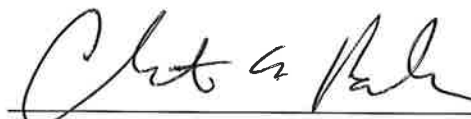
21. TRAVIS CENTRAL APPRAISAL DISTRICT PROCEDURES

This item was not discussed.

The next Board meeting will be held at 7:00 a.m. on October 30, 2015. Robert Ferguson indicated he would be absent but would send someone from his firm on behalf of Murfee Engineering.

22. ADJOURN

The meeting was adjourned.



President, Board of Directors
Senna Hills MUD

ATTEST:



Secretary, Board of Directors
Senna Hills MUD

[SEAL]

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