

**Chisholm Trail Special Utility District
Of Williamson, Bell, and Burnet Counties, Texas
Minutes of Meeting of the Board of Directors
August 15, 2013**

The Board of Directors of Chisholm Trail Special Utility District of Williamson, Bell, and Burnet Counties, Texas convened in a meeting at a designated meeting place for the District, Georgetown Chamber of Commerce, 100 Stadium Drive, Georgetown, Williamson County, Texas beginning at 6:00 p.m. on the 15th day of August, 2013. Notices of the time, place, and subject of the meeting were posted at the places and for the time required by law.

The meeting was called to order at 6:03 p.m.

Pat Gower led those present in the Pledge of Allegiance to the American flag.

Pat Gower, President, announced that all Board members were present, thus constituting a quorum. Also present were Leonard Dougal, Harry Randall, Keith Walker, Linda White, Noah Shaffer (Halff Associates), Danielle Ellis, and those listed on the sign-in sheets.

Ed Pastor reseated on the Board of Directors

Pat Gower explained that during the August 14, 2013 Board meeting, Ed Pastor was reseated on the Board of Directors. Mr. Gower explained that the process for a Board member to resign his/her position is that the member must submit a written letter of resignation to the Board President and the Board would need to approve/reject the resignation. Mr. Gower stated that a letter of resignation was not submitted; therefore, the Board took no action.

Customer Request

- A. Discussion and possible action regarding Account No. 35-5585-01 easement issue. Pat Gower announced that this item had been resolved previous to the Board meeting and therefore has been dropped from the agenda.

Consent Agenda

- A. Approve minutes from the July 9, 2013, July 11, 2013, July 12, 2013, July 15, 2013, July 18, 2013, July 30, 2013 and August 1, 2013 Board of Directors meetings. David Ciabrone made a motion to accept the minutes as written. Mike Sweeney seconded the motion, which the Board approved unanimously.

Action Items

- A. Discussion and possible action to finalize an Asset Transfer Agreement between Chisholm Trail Special Utility District and the City of Georgetown, authorizing the transfer of substantially all of the District's property and assets, including water system assets, to the City of Georgetown, the payment or defeasance of all outstanding debt of the District, authorizing such related matters in connection with the Asset Transfer Agreement as needed to finalize the Agreement, and adoption of a resolution authorizing execution of

such contracts and documents as necessary to consummate the transaction. Pat Gower stated that the District's revised Asset Transfer Agreement is on the District's web site. Mr. Gower opened the meeting to a 15-minute session for public comments related to the agreement. Several members of the audience spoke. The Public Comment session ended. Pat Gower gave each Board member the opportunity to comment.

- Ed Pastor

"Over the last four months the CTSUD negotiating Team (Delton, Mike, and I) worked with Tony Corbett and Leonard Dougal to craft a document that the city team of Jim Briggs and Glen Dishong and others could review. Tonight we are voting on that document – The Asset Transfer and Utility System Consolidation Agreement. The Agreement is not four inches thick with curves, projections, charts and calculations. What it is is 26 pages with eleven exhibits. It is simple, functional, down to earth, rational, and fair. It is a business document. The exhibits are more detailed than the agreement. Georgetown is not the enemy. The out-of-city rates for my last bill would drop approximately 20% under this agreement as would most of yours. Now is the right time to fulfill our responsibility as Board Members to secure safe, reliable water at reasonable rates. Now is the time to vote YES for this agreement. So I do – yes is my vote."

- Mike Sweeney

"I want to start by first recognizing Dave Sigman who passed away last week. Dave believed in the proposition that a regional water system would benefit all of the people of our larger community. Dave was a leader and a visionary in looking at the future of Texas and recognizing the need to manage and conserve water as a strategic resource. Dave was a member of the Greater Ad Hoc Water Committee, a political supporter, a good friend and a Texas Gentleman thru and thru. Our community has lost a very good man.

I will vote for the Consolidation Agreement with Georgetown because it significantly benefits the CTSUD Customers on a number of levels. The consolidation provides:

- * Economies of scale – 33,000 versus 7,000 rate payers will be sharing the burdens of growth along with the benefits of that growth.
- * Efficiencies in the allocation of resources – Optimized infrastructure development will reduce costs borne by the rate payers.
- * Substantial Rate Reductions – CTSUD customers in Tier 2 and lower will see a 20% - 27% monthly rate reduction.
- * Rate Stability – The Georgetown "Out of city" rates are stable for the foreseeable future versus CTSUD rates that are projected to have a 50% rate increase."

- Delton Robinson

"First, as we viewed a number of alternative approaches and considered the options for our future, we found that a complete merger provides strategic planning, is the most cost effective and represents the best use of the precious water resources available. After three public hearings and based on your questions and comments, we reached the decision to scrap the section 4 rural CTSUD and to merge the entire District. The GUS Board reviewed the rates following the return of \$5.6 Million set

aside for Section 4. This resulted in an additional reduction of the base and first two tier rates. Those 560 customers in section 4 will see about a 25% decrease in their rates upon closing of the merger. All CTSUD rate payers will see a decrease except those using above 60,000 gallons during a month. The rate increase above 60,000 gallons from \$7.50 to \$8.50 per 1,000 gallons should encourage conservation to the super users.

Finally Customer protections in the contract:

1. A number of Customer, Contract and Board protections are inclusive:

Section 4.4 Assumption of Liabilities Strengthened to assure all costs is assumed by the City.

Section 7.2 Added

A. GUS Board Representation;

B. Customer Classes, Initial Allocated Overhead;

C. Debt and Financing;

D. Restriction on Transfer of Water Systems;

E. Uses of Fund Balances; and

F. Customer Comments and Rate Appeals Rates

Section 8.5 Dall costs and expenses defending CTSUD and Board post Dissolution.

Section 13.14 Added Enforceability language to the Contract.

While I respect everyone's perspective and some remain opposed to a merger with Georgetown, if you were sitting in this seat with all the information available, I believe you would reach the same conclusion. I vote yes for the Asset Transfer Agreement."

- David Ciambrone

"My job is to look at the District in its entirety and consider what is best for all customers. Previously I was concerned about the rates, but with the current agreement, I feel this agreement satisfies most of my concerns. I feel better with the Asset Transfer Agreement. I vote yes for the agreement."

- Marcus Canipe

"This District is in excellent financial condition, with a healthy cash flow and retained earnings needed for District operation. It had a AAA rating on our last bond issue, so it's credit rating is good. The financial analysis made by West View Financial Consulting firm dated April 7, 2013, projecting growth, revenue, infrastructure needed, etc., for the next 10 years indicates our rate structure is sound with no apparent need for an increase for the next 4-5 years, and with potential water sources we need no outside help from Georgetown. CTSUD can very well meet the needs to develop services for the 28,000 customer based projected. We do need the Board to recruit professional management, which the Board failed to do, but instead has promoted a give-away of CTSUD assets for which existing customers have paid, with no real advantages. With Georgetown control, customers will have no way of holding decision makers accountable to the customers since Georgetown City Council will be the decision makers. I see no justification or advantages for CTSUD in a 'merger' with Georgetown, so I vote no for the Transfer Agreement."

- Gary Goodman
“I do not live in Georgetown’s ETJ. I have been very skeptical of a possible merge. I understand about the overall area needing to obtain additional water; therefore, I feel Georgetown and the District need each other. I vote yes for the Asset Transfer Agreement.”
- Pat Gower
“The Texas Water Code authorizes the transfer of District property to a municipality on terms and conditions deemed necessary or advantageous to the District. With all the studies, plans and analysis that have been performed over the last two years, I feel the Board has a good view of what the future would look like for an independent Chisholm Trail. When I look at the proposed Asset Transfer and Utility Consolidation Agreement, I see a better future for our customers. When I go back to the Texas Water Code, what I see is that it is advantageous for our customers, for us to transfer these assets into a municipality. So when we vote, you are going to hear me vote for that because that is what I believe is truly in the interest of the majority of the customers.”

Ed Pastor made a motion to approve Resolution No. 2013-0815-01, approving an Asset Transfer and Utility Consolidation Agreement. David Ciambrone seconded the motion. All FOR except Marcus Canipe AGAINST.

Recess

The Board recessed the meeting at 6:35 p.m.

Reconvened

The Board reconvened at 6:45 p.m. with all Directors present.

Action Items

- B. Discussion and possible action to approve revisions to the Water Oak North, Section 2 and Section 3 Agreement for Construction of Water System Improvements and Provision of Water Service.** Keith Walker explained that no water system expansion was necessary for the project and the developer has asked that the 50% prepayment of impact fees be reconsidered. Mr. Walker asked going forward that staff be allowed to negotiate on a case by case basis specifically to determine when to require prepayment or to defer payment to when meters are installed. **David Ciambrone made a motion to allow staff to negotiate on a case by case basis to determine when to require prepayment or to defer payment to when meters are installed. Ed Pastor seconded the motion, which the Board approved unanimously.** Mr. Walker asked that staff be allowed to alter the language of the Water Oaks contract for the impact fees. **David Ciambrone made a motion to allow staff to alter the language of the Water Oaks contract for the impact fees. Ed Pastor seconded the motion, which the Board approved unanimously.**

- C. Discussion and possible action to approve Change Order #2 for the CR 250, RM 2338, and Cherokee Trail Waterline Upgrades. Tabled
- D. Discussion and possible action to approve Halff Associates proposal for the installation of Pump #4 at the North Lake Georgetown Water Treatment Facility. David Ciambone made a motion to approve Halff Associates proposal for the installation of Pump #4 at the North Lake Georgetown Water Treatment Facility. Gary Goodman seconded the motion, which the Board approved unanimously.
- E. Discussion and possible action to approve matters related to November 5, 2013 Board of Directors Election:
1. Adopt Order #13-0815-01, calling the November 5, 2013 Directors Election
 2. Approve Notice of Appointment of Agent
 3. Discussion and action regarding form of election notice
 4. Approve Joint Election Agreement and Contract for Election Services between CTSUD and Bell County, Burnet County, and Williamson County
 5. Approve such other items as may be necessary or convenient to proceed with November 5, 2013 Directors Election

Delton Robinson made a motion to approve all matters related to November 5, 2013 Board of Directors Election. David Ciambone seconded the motion, which the Board approved unanimously.

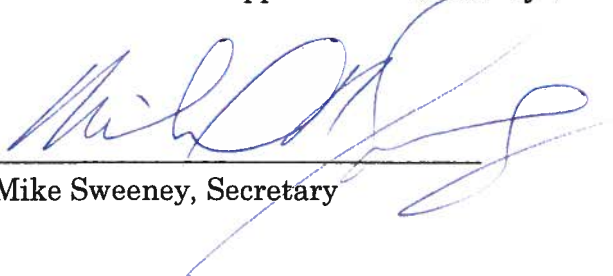
Interim General Manager's Report

Keith Walker presented the Interim General Manager's Report including the following information:

- A. Operational Status Report & Water Loss Report
- B. Monthly Financial Reports
- C. Project Status Report

Adjournment

The meeting adjourned at 7:20 p.m. on a motion by Ed Pastor and seconded by David Ciambone, which the Board approved unanimously.


Mike Sweeney, Secretary