

MINUTES
TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10

September 1, 2009

The Board of Directors (the "Board") of Travis County Municipal Utility District No. 10 (the "District") met in regular session, open to the public, on September 1, 2009, at 1405 Osprey Ridge Loop, Lago Vista, Texas, inside the boundaries of the District, and the roll was called of the members of the Board:

Harvey Reiter	President
Jerry McAhren	Vice President
John Henry McMahan, Jr.	Secretary
Robert Ernst	Assistant Vice President
Vance Taylor	Assistant Secretary

and all of the above were present.

Also present at the meeting were Greg Bourgeois of Jones & Carter, Inc. ("Jones & Carter"); Hal Lanham, Melanie Johnson and Matt Martin of AWR Services, Inc.; Roger Johnson of Waterford LT Partners, L.P.; Russ Baldwin, a resident of the District; and Sharon Covan of Allen Boone Humphries Robinson LLP ("ABHR") by conference call.

APPROVE MINUTES

The Board considered approving the minutes of the August 4, 2009, meeting. After review and discussion, Director McAhren moved to approve the minutes of the August 4, 2009, meeting. Director Ernst seconded the motion, which passed by unanimous vote.

GARBAGE SERVICES

Discussion ensued regarding garbage service to the Waterstone condominiums. Director Reiter said that at the March Board meeting it was agreed that IESI would provide the dumpsters to service the condominiums and that the District will bill the condominium association for the garbage service as part of their sewer service. He said that the August minutes do not accurately reflect the discussions at the March meeting. Director Reiter said per the Amended Rate Order, the condominium association sewer rate is \$97.00 per month, including garbage. Director McMahan noted that the IESI trucks have been arriving late. Director Reiter said that he would contact IESI regarding this matter. Ms. Covan discussed the Texas Commission on Environmental Quality (the "TCEQ") annual assessment for water and wastewater. Director Reiter said that this fee will be taken into consideration when the IESI rates are reviewed in December. Mr. Lanham said that AWR would notify IESI that a small garbage bin should be provided to the condominiums. Mr. Johnson said that he would consult with

the Waterstone Condominium management team to determine the location for the garbage bin.

FINANCIAL AND BOOKKEEPING

The Board reviewed the bookkeeper's report, a copy of which is attached, and the bills presented for payment. The Board then discussed the year-to-date budget comparison. Upon a motion made by Director Taylor and seconded by Director Ernst, the Board voted unanimously to approve the bookkeeper's report, and the checks presented for payment.

Discussion ensued regarding the budget for the fiscal year ending September 30, 2010. The Board discussed the 2009 maintenance tax revenue, barge and grinder pump expenses, and sewer revenues. Director Reiter said that Craig Rathmann will be making a recommendation for the 2009 debt service rate and that the maintenance tax rate may be increased to provide additional revenue for repairs and maintenance. Ms. Covan said that the Texas Water Code provides for the District to adopt its budget before the fiscal year end. After review and discussion, Director Taylor moved to approve the budget, as presented, for the fiscal year ending September 30, 2010, and to amend the budget at the next Board meeting when the tax rate recommendation is received and the estimated cost of repairs and maintenance of District facilities is known. Director Ernst seconded the motion, which passed by unanimous vote.

ENGAGE AUDITOR

Director Reiter said that proposals for preparation of the audit for the fiscal year ending September 30, 2009, have been received. He said that McCall Gibson, the District's current auditor, has estimated a fee of \$8,500 to \$9,000 and Mark McGrath has proposed a fee of \$8,000. After review and discussion, Director Ernst moved that the District engage McCall Gibson to prepare the District's audit. Director McMahon seconded the motion, which passed by a vote of three in favor and two against.

INVESTMENT POLICY AND LIST OF QUALIFIED BROKER DEALERS

Ms. Covan explained that the Texas Public Funds Investment Act requires the Board to annually review its Investment Policy and authorize any amendments. After discussion, Director Taylor moved to make no changes to the Investment Policy, adopt a Resolution Regarding Annual Review of Investment Policy, and direct that the Resolution be filed appropriately and retained in the District's official records. Director Ernst seconded the motion, which passed by unanimous vote.

The Board considered adopting a Resolution Designating the Authorized Depository Institutions and Adopting a List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions incorporating an updated list of broker/dealers provided by the District's bookkeeper. After review and discussion, Director Taylor moved to adopt the Resolution and direct that the Resolution be filed

appropriately and retained in the District's official records. Director Ernst seconded the motion, which passed by unanimous vote.

TAX ASSESSMENT AND COLLECTION

The Board received the tax assessor/collector's report, a copy of which is attached. The Board reviewed the delinquent tax report. Director Taylor moved to approve the tax assessor/collector's report. Director Reiter seconded the motion, which passed unanimously.

2009 TAX RATE, SET PUBLIC HEARING DATE AND AUTHORIZE NOTICE OF PUBLIC HEARING REGARDING ADOPTION OF TAX RATE

Discussion ensued regarding the 2009 tax rate including the debt service and the maintenance tax rate. The Board took no action to set the public hearing date regarding adoption of the tax rate, pending receipt of the tax recommendation from the financial advisor.

OPERATOR'S REPORT

The Board reviewed the operator's report, a copy of which is attached. Mr. Lanham said that pressure testing has been performed on the intake pumps. He said that the pumps are pumping below the designed capacity and a reason for this occurrence has not been found. Mr. Bourgeois said that it was thought that the cla-valves contributed to the problem or that there might be a clog in the raw water line. He said that it was determined that the water line was not clogged. Mr. Bourgeois said that the manufacturer of the cla-valves inspected the barge and found a wiring problem that has been corrected.

Mr. Lanham said that there was a water leak at the tap at 800 Watercliffe. He said that the tap has been repaired.

Mr. Lanham said that a notice has been received from the Lower Colorado River Authority (the "LCRA") requesting that the District enact mandatory water-use restrictions.

Ms. Johnson said that there were no delinquent accounts this month. After review and discussion, Director McMahon moved to approve the operator's report. Director Ernst seconded the motion, which passed by unanimous vote.

DROUGHT CONTINGENCY PLAN

Discussion ensued regarding the Drought Contingency Plan (the "DCP") including trigger conditions, drought stages and appropriate notification to property owners. Director Taylor discussed methods of communicating the need for water conservation to property owners, monitoring compliance and revising the existing DCP

to comply with Lower Colorado River Authority ("LCRA") requirements and to achieve consistency in the manner in which the District's DCP is enforced. Director Taylor said that many property owners do not live in the District and most have automatic sprinkler systems. He said that new street names need to be provided for in the DCP as well as the condominiums and public spaces.

Director Reiter said that the need to institute water conservation in the District can be caused by not only drought conditions, but equipment malfunction as well. Mr. Lanham said that the LCRA mandated water conservation due to the low level of Lake Travis and the LCRA goal includes achieving a 25% reduction in water consumption.

After further discussion, the Board members agreed to provide recommendations for revising the existing DCP to Ms. Covan and asked the operator and engineer to do the same within the next week. The Board asked Ms. Covan to compile the revisions and provide a revised DCP for the Board members and consultants to review before the next meeting.

CONDUCT HEARING REGARDING WATER AND SEWER SERVICE TERMINATIONS TO DELINQUENT ACCOUNTS AND AUTHORIZE TERMINATION, IF APPROPRIATE

There were no delinquent utility accounts.

AMENDED RATE ORDER

The Board took no action to amend the Rate Order.

ENGINEER'S REPORT

Mr. Bourgeois presented the engineering report, a copy of which is attached.

DEEDS AND EASEMENTS, UTILITY COMMITMENTS

Mr. Bourgeois said that he is working with the proposed purchaser of Waterford on Lake Travis, Section 5 on two easements.

WATERFORD ON LAKE TRAVIS, SECTION 4A AND LIFT STATION NO. 3

Mr. Bourgeois said that the final inspection was held on July 21, 2009, and the contractor is addressing the punch list items. He had no pay estimates to present to the Board.

WATER PLANT, PHASE 3 EXPANSION

Mr. Bourgeois said that the contract with Payton Construction was executed on August 19, 2009. He said that a pre-construction meeting was held and the Notice to Proceed was issued on August 31, 2009. Mr. Bourgeois discussed

several changes to the contract that are being considered due to the drop in the Lake Travis water level. He said that a second water intake line would provide greater resistance to abrasion and this would provide a degree of redundancy in the system that would avoid shutting the plant down if the primary line developed a major tear. He said that Mr. Lanham suggested adding a sonic meter to measure the flow of water to the plants. He said that the current metering system is subject to clogging caused by shells being carried along with the stream of water, but the current plans have a strainer that should reduce this. Mr. Bourgeois discussed adding cans and basket filters around the intake section of the pumps to filter out any large debris that could accumulate and damage the pumps. Mr. Bourgeois said that the TCEQ has rules for change orders that must be reviewed to ensure the proposed changes are in compliance.

Mr. Johnson asked the engineer to keep him informed and involved in these discussions as the contract for the water plant expansion moves forward and if any change orders are necessary.

WATERFORD ON LAKE TRAVIS, SECTION 5

Mr. Bourgeois said that an updated utility commitment letter has been provided to Bank of the Ozarks.

WATERFORD ON LAKE TRAVIS, SECTION 4B

Mr. Bourgeois said that Waterford on Lake Travis, Section 4B is on hold.

WASTEWATER TREATMENT PLANT PERMIT RENEWAL

Mr. Bourgeois said that the wastewater treatment plant permit renewal application was submitted to the TCEQ and that the application is in the technical review and public comment phase.

BOND APPLICATION

Mr. Bourgeois reported on the bond application. He said that the bond application report was filed with the TCEQ for expedited review on July 2, 2009. He said that the TCEQ has scheduled an inspection of the facilities on September 10, 2009.

OTHER ENGINEERING MATTERS

Mr. Bourgeois said that the one-year inspection of the water, wastewater and drainage facilities serving Waterford on Lake Travis, Section 6 and the offsite waterline and wastewater lift station serving Section 5 was conducted and the contractors are addressing the punch list items.

There were no further engineering matters for discussion. Director McMahon moved to approve the engineer's report. Director Ernst seconded the motion, which passed by unanimous vote.

REPORT ON DEVELOPMENT

Mr. Johnson reported on development in the District. He said that three lots were sold in Waterford on Lake Travis, Section 4 and ten slips at the marina have been leased. Mr. Johnson said that nine condominiums are sold and contracts are signed on two others. Mr. Johnson said that he wants to ensure that the terms of his financing agreement with the District are abided by and if a reduction in the 2009 debt service rate occurs, that does not affect his future reimbursement under the terms of the agreement.

MAINTENANCE AGREEMENT FOR WATERSTONE DETENTION PONDS

Ms. Covan said that the maintenance agreement for the Waterstone detention ponds will be forwarded to Mr. Johnson for review.

WEBSITE

The Board discussed the District's website. Director Taylor said that he is not able to view the water conservation notice on the home page of the District's website. Ms. Covan said that she will contact the web master.

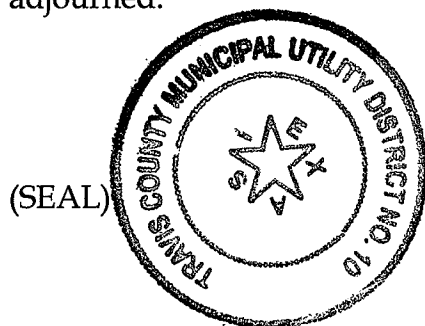
CONVENE IN EXECUTIVE SESSION PURSUANT TO CHAPTER 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION

At 1:25 p.m., Director Reiter announced that the Board would meet in Executive Session to discuss pending litigation.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING PENDING OR CONTEMPLATED LITIGATION

At 1:30 p.m., Director Reiter announced that the Board would re-convene in Open Session. No action was taken by the Board.

There being no further business to come before the Board, the meeting was adjourned.




Secretary, Board of Directors

ACTION LIST

1. ABHR will contact the webmaster regarding the website.
2. Director Reiter will contact IESI regarding late pickups.

ATTACHMENTS TO THE MINUTES

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