

AUTHORIZE CONSULTANTS TO PREPARE ANNUAL REPORT IN ACCORDANCE WITH THE DISTRICT'S CONTINUING DISCLOSURE OF INFORMATION AGREEMENT AND AS REQUIRED BY SEC RULE 15C2-12

Mr. Muller explained disclosure requirements and the necessity to provide updated financial information relating to the issuance of the District's bonds. The Board then considered authorizing consultants to prepare the annual report in accordance with the District's Continuing Disclosure of Information Agreement for the Series 1998, 2000, 2000A, 2000B, 2001, 2002, 2003 and 2004 Bonds pursuant to SEC Rule 15c2-12. After discussion, Director Luke moved to authorize consultants to prepare the annual report in accordance with the District's Continuing Disclosure of Information Agreement with the Series 1998, 2000, 2000A, 2000B, 2001, 2002, 2003, 2004 and 2005 Bonds pursuant to SEC Rule 15c2-12. Director Zwang seconded the motion, which carried by unanimous vote.

BOOKKEEPER'S REPORT

Ms. McLennan reviewed with the Board the bookkeeper's report and the investment report, and the Board considered bills for payment.

The Board then discussed moving available funds from the capital projects fund to the special projects fund. Mr. Muller stated that, because funds are for maintenance project, he will check on requirements from Texas Commission on Environmental Quality ("TCEQ") to determine if transfer of funds from one fund to the other will require the filing of an application with the TCEQ or if notification is sufficient.

Following review and discussion, Director Luke moved that the Board approve the bookkeeper's report, investment report, and payment of bills. Director Zwang seconded the motion, which passed unanimously. A copy of the bookkeeper's report is attached.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Saunders reviewed the monthly tax assessor/collector's report, a copy of which is attached. She also reported that current collection rate for 2006 is 3.82%. After review and discussion, Director Luke moved to approve the tax assessor/collector's report and payment of bills from the District's tax account. Director Zwang seconded the motion, which passed unanimously.

REPORT FROM TOMMY HAYNES

Mr. Haynes reviewed his report and updated the Board on calls received from residents regarding project status. He reported that one particular resident expressed strong concerns regarding construction in a drainage easement. He explained the parameters and necessity for the design of such construction and was able to alleviate the resident's concerns.

Mr. Haynes also reported that he is working with the contractor to clean up the construction sites and streets to be presentable and safe for the holidays.

He then explained that his contract will expire prior to completion of Phase II and requested the Board's consideration. Following discussion, Director Luke moved to approve Mr. Haynes report and authorize the extension of his contract through completion of the ditch rehabilitation project. Director Zwang seconded the motion, which passed by unanimous vote.

ENGINEER'S REPORT

Mr. Wertz presented the engineer's report, a copy of which is attached, and discussed with the Board the items more particularly described hereafter.

Mr. Wertz next presented and recommended approval of 1) Pay Estimate No. 3 in the amount of \$242,357.20 to Huff & Mitchell, Inc. for construction of the Steep Bank Village Ditch Project, Phase I; 2) Change Order No. 3 in the amount of \$24,652.50 to Huff & Mitchell, Inc. for redesign of South Fitzgerald north ditch to eliminate potential conflicts to driveway elevations, ditch flow lines and existing driveway culvert flow lines related to the construction of the Steep Bank Village Ditch Project, Phase I; and 3) Pay Estimate No. 1 in the amount of \$124,654.59 to Jimerson Underground, Inc. for construction of the Steep Bank Village Ditch Project, Phase II.

Mr. Wertz then reviewed the construction schedules and noted that Huff & Mitchell is 47 days past due on Phase I and stated that estimated completion is anticipated by mid-February. He also stated that Huff & Mitchell will not work December 21, 2006 through January 1, 2007. The Board discussed concerns about the delay in the construction schedule and ability to complete Phase I in a timely manner. Following discussion, the Board concurred to authorize Klotz to withhold costs for engineering services and Tommy Haynes services from each month's pay estimate, after December 24th, until project is complete.

Mr. Wertz then discussed the issues regarding excavation of a trench between two residents' homes on Schindler's Court and explained the necessity to lay pipe by excavation rather than bore and the cost associated with each. Mr. Haynes reported that he has discussed this matter with the homeowners and each understands the decision to carry out the procedure by excavation. The Board then discussed cost, liability and responsibility for replacing landscaping and determined that the contractor will subcontract a landscaper to restore the grounds to their previous condition.

The Board then discussed the progress of scope and design of Phase III and Phase IV, along with potential design of a Phase V. Discussion then ensued regarding available sources of funding for Phase III, as well as financing options for completion of the ditch rehabilitation project and re-phasing the remainder of the project and affects of increasing construction costs on the project. The Board inquired and discussed issuance of Tax Anticipation or Revenue Anticipation Notes as a financing vehicle to complete the ditch

project. Mr. Muller stated that he would coordinate with the District's financial advisor to obtain financing options to fund the remainder of the ditch rehabilitation project.

After review and discussion, Director Zwang moved to approve the engineer's report, all pay estimates and change orders presented, and re-design of Phase III and IV. Director Daniel seconded the motion, which passed unanimously.

Mr. Muller then updated the Board on the District's joint contribution with Sienna Plantation Municipal Utility District No. 3 ("SPMUD 3") for construction of a shade structure for the playground at Scanlan Oaks Elementary School. He then reviewed the terms of the Agreement and stated that both the District and SPMUD 3 have the right to terminate the contract if construction is not started six months following the effective date of the contract, which is April 10, 2006. Following discussion, Director Daniel moved to authorize ABHR to prepare a letter notifying FBISD that they have sixty (60) days from the date of the letter to provide approval by the Sienna Plantation Residential Association, Inc. ("SPRAI") Architectural Review Committee and ninety (90) days to being construction or the contract would be terminated. Director Zwang seconded the motion, which passed by unanimous vote.

RECEIVE REPORT ON FLUORIDE FILTRATION SYSTEM AND AUTHORIZE APPROPRIATE ACTION

Mr. Muller reported that a proposal has been received by the Master District for fluoride treatment, which will cost approximately \$1.2 million. He then stated that the Master District will make a cash call to each of the Sienna Plantation Municipal Utility Districts and the District's portion is about \$216,338.78 and will probably be expected in January, 2007. No action was taken or required of the Board at this time.

OPERATOR'S REPORT

Mr. Wilson presented and discussed the operator's report, a copy of which is attached. He stated there are 1,752 connections in the District, with 3 new taps installed for the month and an overall accountability for a twelve-month period of 96%. He then reviewed the management report which describes maintenance and repair items performed within the District since the last meeting and the District backcharge list. Following review and discussion, Director Daniel moved to approve the operator's report and authorize the insertion of a line in the water bill requesting residents to notify the Tax Assessor/Collector of non-receipt of tax bill. Director Zwang seconded the motion, which passed unanimously.

CONDUCT HEARING ON TERMINATION OF WATER SERVICE TO DELINQUENT CUSTOMERS

Mr. Wilson next presented a list of delinquent customers this month. The Board conducted a hearing regarding water and sewer service terminations. He informed the Board that the residents on the termination list were delinquent in payment of their water

and sewer bills and were given written notification in accordance with the District's Rate Order prior to the meeting of the opportunity to appear before the Board of Directors to explain, contest, or correct their bills and to show why utility service should not be terminated for reason of non-payment. After discussion, Director Daniel moved that, because the residents on the termination list were either not present at the meeting or had not requested to speak regarding their delinquency nor had they presented any written statement on the matter to the Board, utility service for such residents should be terminated in accordance with the District's Rate Order. The motion was seconded by Director Zwang and passed unanimously. A copy of the termination list is attached.

ADOPT AMENDED RATE ORDER

Mr. Muller reviewed a chart, distributed to the Board, comparing current rates in the Rate Order with ECO's proposed increased fees to determine if the District's Rate Order will require amending. Following review and discussion, the Board concurred that no amendments to the District's Rate Order are required.

DISCUSS FENCING UPGRADE AT LIFT STATION NO. 5, AND AUTHORIZE APPROPRIATE ACTION

Mr. Laughter distributed photos of the lift station for the Board's review. The Board then discussed options to improve the aesthetics of the fencing area around lift station no. 5, including painting and replacement of fence and addition of landscaping. Discussion also included cost sharing and coordination with the SPRAI. Mr. Muller stated that he will request approved color palettes from SPRAI and discuss coordination efforts for landscaping with SPRAI. The Board then requested Mr. Wilson to obtain cost estimates for fence replacement at the lift station no. 5 site.

DISCUSS PROPOSED JOINT PARK PLAN WITH SIENNA PLANTATION MUNICIPAL UTILITY DISTRICT NO. 3 AND AUTHORIZE APPROPRIATE ACTION

Mr. Muller reported that SPMUD 3 discussed and agreed to participate in a joint park plan with the District to address funding requests for addressing improvements to both Districts' recreational facilities. He then reported that SPMUD 3 is in the process of determining user groups, such as aquatics, soccer, baseball, football and girls' softball and requesting feedback from the identified user groups to determine the desired improvements and then make a list of planned improvements, attach a cost breakdown, and prioritize projects in phases. He also stated that it was suggested that each District appoint two representatives to form a Parks Committee to discuss details and bring reports and action items back to the Board for consideration. Following discussion, the Board appointed Larry Zwang and Rick Luke to represent the District on the Joint Park Committee.

REPORTS FROM DIRECTORS AND CONSULTANTS

No additional reports were received by the Board.

DISCUSS EXPANSION OF ALLIED WASTE LANDFILL AND AUTHORIZE APPROPRIATE ACTION

Mr. Muller reported that correspondence has been received from a concerned resident regarding expansion of the Allied Waste landfill and the potential contamination of the District's water. The Board then discussed the possibility of contamination, depth of the District's water wells in comparison to the landfill, along with the distance of the landfill from the District. Following discussion, the Board asked the engineer if the District at risk to having its water contaminated by the expansion of the Allied Waste landfill and the engineer reported there is no potential contamination of the District's water resulting from Allied Waste's expansion of their landfill.

OTHER MATTERS

There being no further business to come before the Board, the Board concurred to adjourn the meeting.

Secretary, Board of Directors

(SEAL)

ACTION LIST

1. Mr. Muller to research to determine if application or notification to TCEQ is required for transfer of funds from capital projects fund to special projects fund.
2. ABHR to prepare amendment to extend Tommy Haynes' contract through completion of ditch rehabilitation project.
3. ABHR to coordinate with financial advisor to obtain finance packages/options for funding completion of ditch rehabilitation project.
4. ABHR to obtain approved Sienna Plantation paint colors and coordinate with Sienna Plantation Residential Homeowner's Association, Inc. to provide landscaping around lift station.
5. ECO to obtain cost estimate to replace fence at lift station.
6. ABHR to prepare letter to Scanlan Oaks regarding construction of shade structure.

LIST OF ATTACHMENTS TO MINUTES

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