



MUD Management Services

14905 Mistletoe Heights Dr.
Austin, Texas 78717
(512) 461-9726
hector@mudmanagement.com

April 8, 2008

Members of the Board of Directors
Fern Bluff Municipal Utility District
7320 Wyoming Springs Road
Round Rock, Texas 78681

Dear Members of the Board:

MUD Management Services is pleased to present this proposal for services to Fern Bluff Municipal Utility District. If the scope of services and terms of this proposal are acceptable to the District, this letter can serve as a Letter of Agreement between MUD Management Services and Fern Bluff MUD.

Overview

Fern Bluff Municipal Utility District is the owner of a 1,898 connection water distribution and collection system. The system is supplied by two master meters utilizing the City of Round Rock for its water supply. The Board is considering retaining a consultant to review alternative approaches to operation and management of the utility and parks system and present alternative models to the Board, making it possible for the Board to make an informed decision as to the most suitable approach that will best serve the community of Fern Bluff MUD.

Fern Bluff MUD is fully established, so any growth or expansion is unlikely. The District is composed of three separate developments: Fern Bluff, Stone Canyon, and Oak Brook. Of the three developments, Oak Brook is not contiguous with the other two, being separated by land belonging to Brushy Creek MUD. It is located within the extraterritorial jurisdiction (ETJ) of the City of Round Rock. The District owns a 1.5 million gallon elevated water storage tank, a pump station with a 50,000 gallon ground storage tank and a hydro-pneumatic pressure tank. It is almost exclusively residential with one elementary school and six District owned parks.

Scope of the Project

MUD Management Services will conduct the engagement in three phases as set forth on the following pages.

Phase I – Assessment. MUD Management Services will create alternative models for the District's operation using the following methodology.

1. Gather information and data on current model
 - a. Review current contracts
 - b. Operation and staffing requirements
 - c. Costs to operate the District
 - i. Operating costs (utilities, supplies, equipment, contractors, etc.)
 - ii. Reserve for repairs, equipment, and potential future projects
 - d. Review options for separating functions
2. Compare Fern Bluff MUD's facility operation and pricing to similar utilities in the Austin area
 - a. Types of facilities
 - b. Water rates, taxes and amenities
 - c. Operational cost
3. Offer assistance in preparation, delivery and compilation of a District-wide survey
4. Analyze the results of the data gathering process

Phase II – Presentation of Results. MUD Management Services will prepare and present to the Board of Directors alternative models for operation of the District, showing the impact on the District of each alternative.

1. Prepare and submit a written report, including supporting documentation for each alternative model
2. Prepare and submit including supporting documentation of the survey results
3. Assist the Board in coming to a renewed consensus on a vision, mission, and goals and objectives for Fern Bluff Municipal Utility District
 - a. Conduct a SWOT analysis (strengths, weaknesses, opportunities, and threats)
 - b. Come to consensus on vision and mission statement
 - c. Develop goals and objectives for achieving the vision and mission

Phase III – Development of a Transition Plan. Contingent upon the decision and direction of the Board of Directors to pursue changes, MUD Management Services will develop a transition plan that recognizes the need to operate reliably and consistently, without interruption of services to the residents.

The plan that MUD Management Services will develop with Fern Bluff Municipal Utility District will set forth the Board's vision, mission statement, goals and objectives developed in the strategic planning process and will contain the following details about future operations:

1. Securing and storing all District operational records
2. Inventory of facility preventive/corrective maintenance issues
3. Development of an in-district office
4. Water system technology overview and refinement
5. Options for online pay, bank draft and credit card options
6. Budget Development
 - a. Operating costs (utilities, supplies, equipment, contractors)
 - b. Reserve for repairs, equipment, and potential expansion
7. Security plan

Special Notes –

- In the unlikely event of a short notice separation by current consultant(s), MUD Management Services will provide transitory, full operation, maintenance and parks services for the District. This will allow the District ample time to make a well informed decision without the pressure of an "emergency" situation. The fee for this service is negotiable; however, will not exceed the amounts currently paid by the District.
- Plan implementation of the Municipal Separate Storm Sewer System (MS4) program is necessary to maintain the schedules set forth in the plan. This service is also available and can be incorporated into a services agreement should the Board of Directors desire to do as such.

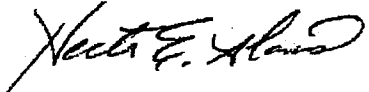
Cost

Project Component		Cost
<i>Phase I.</i>	Gather and analyze information and data on current operation	\$ 4,480.00
<i>Phase II.</i>	Prepare and present results and alternative models to Board of Directors and facilitate Board strategic planning process	\$ 5,760.00
<i>Phase III.</i>	Develop and submit transition plan in accordance with decisions of the Board of Directors	\$ 6,400.00
Total, Phases I – III		\$16,640.00*
<i>* Includes all professional service hours and related expenses.</i>		

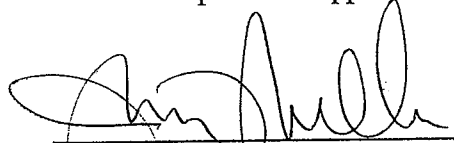
All work on the three phases of this project will be completed within 60 days of acceptance.

Thank you for allowing us the opportunity to present this proposal and Letter of Agreement to the District. If the scope and terms of this agreement are acceptable to the Fern Bluff MUD, please sign below to authorize MUD Management Services, Inc. to initiate the project.


Sincerely,


Hector E. Alanis
MUD Management Services, Inc.

Accepted and Approved:

 4-14-2008

Janey Miller, Fern Bluff MUD



Patrick Savarese, Fern Bluff MUD

4-14-2008

Date Approved by Fern Bluff MUD