

**MINUTES OF MEETING OF
THE BOARD OF DIRECTORS OF THE
WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY**

March 17, 2016

Present:

Larry Fox, President
Mike Murphy, Vice President
Ray Whisenant, Secretary/Treasurer
Bill Goodwin, Director
Scott Roberts, Director

Staff and Consultants:

Don Rauschuber, Agency General Manager
Curtis Wilson, District Engineer
Jennifer Riechers, Agency Program Manager
Keith Parkan, Senior Engineer
Jennifer Smith, Agency Controller
Stefanie Albright (Lloyd Gosselink Rochelle & Townsend, P.C.), Agency General Counsel
David Klein (Lloyd Gosselink Rochelle & Townsend, P.C.), Agency General Counsel
Dennis Lozano (Murfee Engineering Company, Inc.), Agency Engineer
Autumn Phillips (Municipal Accounts & Consulting), Agency Bookkeeper

I. CALL TO ORDER

Director Murphy called the meeting to order at 9:10 a.m.

II. ESTABLISH QUORUM

A quorum was established. All directors were present except for Director Fox. Also present were the above-referenced staff and consultants.

III. PUBLIC COMMENT

No public comment was received.

IV. CONSENT AGENDA

- A. Approve bookkeepers report, payment of outstanding invoices and other related bookkeeping matters.**

- B. Approve minutes of the February 18, 2016 regular Board meeting and the February 25, 2016 and March 8, 2016 Special Called Board meetings.**
- C. Approve Pay Application No. 1 for the SH71 1280 Elevated Storage Tank Project.**
- D. Approve Pay Application No. 9 for the SH71 West 20” Transmission Main Project**
- E. Approve the following service requests:**
 - 1. NSSA Lot 2A, 2B, 2C, Sawyer Ranch Estates (3 Water LUEs);**
 - 2. NSSA Lot 1, Block A, Madrone Ranch (1 Water LUE);**
 - 3. NSSA Primrose School of Dripping Springs (10 Water LUEs).**

Mr. Rauschuber presented on this item, included as Exhibits A – E, and suggested an edit to the February 25 special meeting minutes, clarifying that at the top of page 2 Director Goodwin was referencing “LCRA” rates versus “WTCPUA” Rates.

MOTION: A motion was made by Director Roberts and seconded by Director Whisenant to approve the Consent Agenda items as presented.

The vote was taken with the following result:

Voting Aye: Directors Goodwin, Whisenant, Roberts and Murphy
 Voting Nay: None
 Absent: Director Fox

V. AUDITOR’S REPORT

- A. Discuss, consider and take action on Financial Statements and Supplemental Information as of and for the Year Ended September 30, 2015 and Independent Auditor’s Report**

Nancy Olson presented the Fiscal Year 2015 audit report, provided as **Exhibit F**. Ms. Olson went through the audit and thanked the WTCPUA and staff for their assistance in putting together the audit. Ms. Olson stated that the WTCPUA received an unmodified, clean opinion which is the best possible rating.

MOTION: A motion was made by Director Goodwin and seconded by Director Whisenant to approve the Financial Statements and Supplemental Information as of and for the Year Ended September 30, 2015 as presented.

The vote was taken with the following result:

Voting Aye: Directors Goodwin, Whisenant, Roberts and Murphy
Voting Nay: None
Absent: Director Fox

VI. CONTROLLER'S REPORT

A. Discuss, consider and take action on report from Agency Controller, including discussion of the following items:

- 1. Financial Status**
- 2. FY 2016 Budget Status**
- 3. Target Fund Balances**

Ms. Jennifer Smith presented on this item, provided as **Exhibit G**. She discussed the fund balance analysis, discussing the transfer of funds to the various required accounts. Director Murphy stated his frustration regarding the Rate Stabilization Fund. He confirmed that the Agency is in good shape and once the PUA is through its fifth year of operations, the Board will have more discretion regarding some of these funds.

VII. OPERATOR'S REPORT

A. Discuss, consider and take action on report from US Water Utility Group regarding water and wastewater system operations, maintenance and billing.

Mr. Chisum presented this item, provided as **Exhibit H**, stating that water loss is still running 10-11% and asked for any questions from the Board. Mr. Chisum confirmed that there are no major problems relating to operations.

Mr. Darryl Faykus presented the billing report. Director Goodwin asked if the pages in the report could be numbered in the future. He also asked about the total retail customer count report which stated that 500 customers were noted as being "lost". Mr. Faykus stated that this may be an issue regarding the formula in the spreadsheet and would confirm the numbers. Mr. Goodwin confirmed that a "contact" for the purposes of the report includes when a customer walks into the customer service office.

VIII. TARIFF/POLICIES AND SERVICE REQUESTS

A. Discuss, consider and take action concerning an amendment to the Agency's Water and Sewer Development Policy including:

- 1. Regional Water Treatment Plant and Water Service Area buildout target capacities;**
- 2. Wastewater Service Area target buildout capacity;**
- 3. Retail and Wholesale customer notification procedures**

Mr. Rauschuber presented on this item, provided as **Exhibit I**. Mr. Rauschuber addressed the policy request that the General Manager have authority to approve Nonstandard Service Agreements for less than 50 LUEs. Mr. Wilson confirmed that only those NSSAs that don't require the transfer of facilities would be allowed to be executed by the General Manager. Director Whisenant stated that 50 LUEs may be too many, but a lower number may be more appropriate. Mr. Rauschuber confirmed that paragraph 5 should delete reference to NSSAs. Mr. Wilson confirmed that there are typically some conveyances involved, but intended in the edits that no off-site approach facilities would be involved in these delegated NSSAs.

Mr. Rauschuber stated that the redlines in Paragraph 5 and 6 can be withdrawn.

Director Fox arrived at 10:08 a.m.

Director Goodwin stated that he doesn't recall the discussion of 7.5 MGD of alternative water supplies. Director Whisenant stated that the overall service requirements have already been set, so the Board needs to discuss the possibility of future water supply.

Director Roberts stated that he understood from the previous meetings that there were concerns regarding facilities costs over 32.5 MGD.

Director Roberts is concerned that the language relating to water would allow for other facilities or options for water supply. Director Murphy stated that the capabilities for water capacity at this time are 32.5 MGD, but has no concerns with leaving the door open to other future options.

Mr. Rauschuber confirmed the staff's understanding that the total buildout of commitments is approximately 40 MGD. Director Murphy stated that the "real" buildout is based on how much water the PUA can possibly produce.

Discussion ensued regarding buildout capacity and service capabilities. Director Murphy stated that the CCN is required to be served, and the service area is based on capability to provide service. Director Goodwin stated that he's not barring the door to groundwater supplies, but in the future he would be a "hard sell" on this type of water supply.

Director Roberts stated that there should be a new service table to keep track of all the new service commitments coming in.

Mr. Rauschuber confirmed that the max day capacity for water is 32.5 MGD for the entire service area.

Director Murphy confirmed that additional limits need to be put on the General Manager's authority to approve NSSAs. Director Roberts confirmed that Murfee Engineering was proceeding with a proposal on direct potable reuse.

The Board directed Mr. Rauschuber to bring the changes back to the Board.

B. Discuss, consider and take action regarding a Tariff amendment concerning Water Leak Adjustments.

Mr. Rauschuber presented Tariff language consistent with the PUA's recently adopted Leak Adjustment Policy, provided as **Exhibit J**. Mr. Rauschuber recommended one typo correction to item (c)(3) to change "quality" to "qualified". Ms. Albright confirmed that these suggested Tariff edits are consistent with the adopted Leak Adjustment Policy.

MOTION: A motion was made by Director Goodwin and seconded by Director Roberts to approve the Tariff amendment concerning Water Leak Adjustments.

The vote was taken with the following result:

Voting Aye: Directors Fox, Goodwin, Whisenant, Roberts and Murphy
Voting Nay: None
Absent: None

C. Discuss, consider and take action on the following service requests:

1. NSSA Spillman Ranch Phase 1 Section 10 (46 Water and Wastewater LUEs)

Mr. Don Walden addressed the Board, stating that this is a request related to an LCRA commitment letter. He stated that 46 LUEs are allocated to the project, but he is unsure whether the City of Bee Cave will approve the plan. He requested that this item be postponed until April as his attorney could not be in attendance at the March meeting, and that he had some objections to the agreement.

MOTION: A motion was made by Director Murphy and seconded by Director Roberts to approve an extension for the NSSA for Spillman Ranch Phase 1, Section 10 until April 30, 2016.

The vote was taken with the following result:

Voting Aye: Directors Fox, Goodwin, Whisenant, Roberts and Murphy
Voting Nay: None
Absent: None

D. Discuss, consider and take action concerning the following items:

1. Order appointing Investment Officers;

Mr. Rauschuber presented this item, provided as **Exhibit K**. Mr. Rauschuber explained that this order was being amended to name the PUA Controller as an Investment Officer.

MOTION: A motion was made by Director Goodwin and seconded by Director Roberts to approve the Order appointing Investment Officers.

The vote was taken with the following result:

Voting Aye: Directors Fox, Goodwin, Whisenant, Roberts and Murphy
Voting Nay: None
Absent: None

2. **Resolution regarding authorization of expenditures by the General Manager and execution of payments by the Controller.**

Mr. Rauschuber presented this item, provided as **Exhibit L**. Mr. Rauschuber explained that this resolution was to authorize the PUA Controller to sign checks on the General Managers Fund.

MOTION: A motion was made by Director Murphy and seconded by Director Whisenant to approve the resolution regarding authorization of expenditures by the General Manager and execution of payments by the Controller.

The vote was taken with the following result:

Voting Aye: Directors Fox, Goodwin, Whisenant, Roberts and Murphy
Voting Nay: None
Absent: None

IX. GENERAL MANAGER'S REPORT

A. Discuss, consider and take action on report from General Manager's Agency Administrative and Operations Report including discussion of the following items:

- 1. Donald Rauschuber Resignation and Proposed Transition Plan;**
- 2. Previous board meeting action items;**
- 3. Masonwood West/Hatchett Tract;**
- 4. TCMUD 12 Wholesale Rate Case Appeal;**
- 5. Dripping Springs WSC;**
- 6. Lake Pointe Odor Complaints;**
- 7. Customer Service;**
- 8. Outside Payment Vendors;**
- 9. Staff Updates.**

Mr. Rauschuber presented the General Manager's report, provided as **Exhibit M**.

Mr. Goodwin asked what the notice period to modify the USWUG contract is. Discussion ensued regarding billing procedures and rate code issues. Ms. Albright stated that David Klein would have additional information relating to the notice period for contract changes.

Director Roberts stated that he would like an item placed on the next agenda regarding transitioning customer service and billing in-house.

Mr. Rauschuber stated that the third contract amendment is being prepared, and he would like a penalty for billing inaccuracies to be included. Director Goodwin stated that such a penalty should be negotiated as a component of the contract, but if, in the opinion of staff, it is not time-efficient to discuss such a penalty, if Board elects to move forward with bringing billing functions in-house, staff does not have to pursue such a penalty provision.

Director Goodwin stated that he has not heard from AVR that there is a fundamental problem with the billing codes that the PUA maintains.

Director Goodwin asked when feedback was needed regarding the suggested outreach to customers. Discussion ensued regarding a website redesign, but Director Murphy stated that the focus of the PUA should be to get the Agency operating without issues such as billing errors. Director Goodwin stated that he is not sure that any additional outreach other than an updated website should be considered.

Mr. Rauschuber stated that the PUA is maturing and better communications with customers and an improved billing system will be helpful as the PUA moves forward.

Ariel Axelrod addressed the Board regarding his concerns that Masonwood West has not paid reservation fees. Discussion ensued with the Board regarding the relationship between reservation fees and contract termination, and whether a contract would automatically terminate for nonpayment of reservation fees. Mr. Axelrod suggested that the Board confirm with the General Manager that if payment of reservation fees is not made within thirty days of the due date, the contract does terminate.

Ms. Albright confirmed that the Masonwood West NSSA states that the reservation expires if payment of reservation fees is not received within thirty days, and such nonpayment is a condition default. The Board then has the authority to consider whether to terminate the NSSA. She stated that this is standard termination language in the PUA's contracts, and that termination is at the discretion of the Board.

The Board requested that an item be place on the April meeting agenda concerning the issue of reservation fees and how they are handled if not paid timely.

B. Discuss, consider and take action concerning unresolved high water use/high bills customer accounts

X. ENGINEER'S REPORT

A. Discuss, consider and take action on reports from Agency Engineering Representatives, including:

- 1. Spillman Pond Liner Replacement Project;**
- 2. Work Order from Murfee Engineering Company to provide design and permitting for the WTCPUA Beneficial Water Recycling Facility.**

Dennis Lozano presented this item, included as **Exhibit N**. He stated that this is a project that would stand in the place of existing CIP projects, and would be expenditures currently in place in the CIP. This project is not a CIP project currently, but is growth related and eligible for inclusion in a future CIP. Mr. Lozano confirmed that permitting is included in the Work Order. Mr. Rauschuber proposed that the Board authorize the first phase of the Work Order, the preliminary engineering phase which is approximately 10-15% of the budget, and will give the Board the opportunity to discuss cost. Discussion ensued regarding the cost of the facilities. Director Roberts stated that the PUA could request this facility as a permit exception.

MOTION: A motion was made by Director Roberts and seconded by Director Goodwin to approve the Work Order from Murfee Engineering Company to provide design and permitting for the WTCPUA Beneficial Water Recycling Facility as presented by Mr. Lozano.

The vote was taken with the following result:

Voting Aye: Directors Fox, Goodwin, Whisenant, Roberts and Murphy
Voting Nay: None
Absent: None

Mr. Lozano stated that he would recommend editing the major amendment application to include this facility. Director Goodwin stated that this would put the PUA more in control of its destiny, and could lower raw water costs. In response to a question from Director Whisenant, Mr. Lozano stated that the easiest thing to treat in water is disinfection, then after that dissolved solids and TDS.

Director Fox confirmed that this addresses the issue of disposing of wastewater effluent.

At 12:56 p.m., Director Fox announced that the Board would move into Executive Session pursuant to Section 551.071, Texas Government Code – Consultation with Attorney, regarding the following items:

Item IX. B.
Items XI A-H
Items XII. C, D, E

At 2:23 p.m., President Fox announced that the Board of Directors was coming out of Executive Session and that no action had been taken in Executive Session. President Fox also stated that Director Roberts had to leave the meeting for an appointment.

VI. OLD BUSINESS

- A. **Discuss, consider and take action regarding *Petition of Travis County Municipal Utility District No. 12 Appealing Change of Wholesale Water Rates Implemented by West Travis County Public Utility Agency, City of Bee Cave, Texas, Hays County, Texas and West Travis County Municipal Utility District No. 5; SOAH Docket No. 473-14-5144; PUC Docket No. 42866.***

David Klein provided an update regarding this item, reporting that the WTCPUA had filed its motion to intervene in this case.

- B. **Discuss, consider and take action regarding the Raw Water and Effluent Agreement, as amended, between Fire Phoenix, LLC, and WTCPUA concerning Fire Phoenix, LLC's delinquent account balance for treated effluent and raw water.**

No update was provided.

- C. **Discuss, consider and take action regarding *Plaintiff's First Amended Petition and Application for Temporary Restraining Order and Request for Temporary and Permanent Injunction by West Travis County Public Utility Agency, Fire Phoenix, L.L.C. and Austin Falconhead, L.P.; in the 98th Judicial District Court, Travis County, Texas; Cause No. D-1-GN-15-000601.***

No update was provided.

- D. **Discuss, consider and take action regarding Cause No. D-I-GN-15-002149; *West Travis County Public Utility Agency v. Severn Trent Environmental Services, Inc.*, in the 98th District Court of Travis County, Texas and Cause No. D-I-GN-15-002169; *Severn Trent Environmental Services, Inc. v. West Travis County Public Utility Agency*, in the 98th District Court of Travis County, Texas.**

No update was provided.

- E. **Discuss, consider and take action on Settlement Agreement with Lower Colorado River Authority, CCNG Development Co., L.P., CCNG Real Estate Investors II, L.P., CCNG Properties, L.P., Synchro Realty, L.L.C., CCNG Golf, LLC, Daniel Porter, and West Travis County Municipal Utility District No. 16.**

No update was provided.

- F. Discuss, consider and take action regarding *CCNG Development Co., L.P. v. West Travis County Public Utility Agency and Lower Colorado River Authority; in the 345th Judicial District Court, Travis County, Texas; Cause No. D-1-GN-14-000163.***

No update was provided.

- G. Discuss, consider and take action on Public Utility Commission Docket No. 44582 Request by West Travis County Public Utility Agency to Place Deer Creek Ranch Water Company Under Temporary Management or Supervision.**

No update was provided.

- H. Discuss, consider and take action concerning the West Travis County Public Utility Agency's application to renew Texas Land Application Permit No. WQ0013594001, pending at the Texas Commission on Environmental Quality.**

Mr. Klein provided an update for this matter. Mr. Klein announced that on Monday, March 14, 2016, the WTCPUA had filed its response to the requests for a contested case hearing concerning the WTCPUA's pending application to renew its Texas Land Application Permit. He also noted that the Commissioners of the Texas Commission on Environmental Quality will be holding a regular meeting on Wednesday, April 6th to make a decision concerning these hearing requests.

XII. NEW BUSINESS

- A. Discuss, consider and take action concerning annual reimbursement to Lazy Nine MUD related to the West Highway 71 Water Transmission Main.**

Mr. Rauschuber presented this item. Mr. Rauschuber explained the reimbursements for this project, attached hereto as **Exhibit O**, and recommended approval.

MOTION: A motion was made by Director Murphy and seconded by Director Whisenant to approve the reimbursements as recommended by the General Manager.

The vote was taken with the following result:

Voting Aye: Directors Fox, Goodwin, Whisenant, and Murphy
Voting Nay: None
Absent: Director Roberts

B. Discuss, consider and take action concerning annual reimbursement to Bee Cave Oaks Development related to the Seven Oaks Subdivision.

Mr. Rauschuber presented this item. Mr. Rauschuber explained the reimbursements for this project, attached hereto as **Exhibit P**, and recommended approval.

MOTION: A motion was made by Director Murphy and seconded by Director Goodwin to approve the reimbursements as recommended by Staff.

The vote was taken with the following result:

Voting Aye: Directors Fox, Goodwin, Whisenant, and Murphy
Voting Nay: None
Absent: Director Roberts

C. Discuss, consider and take action on engaging an executive search firm to conduct a search for a General Manager.

Mr. Klein presented this item. Mr. Klein reported that the WTCPUA posted the Request for Qualifications for executive search services on the WTCPUA's website and the Texas AWWA website last week but that the WTCPUA had received only two responses. Director Goodwin asked if everyone thought that there would be more responses if there had been more time to respond. Discussion ensued regarding the response time and re-opening the RFQ period.

MOTION: A motion was made by Director Goodwin to reopen the response period for the RFQ for executive search services until 5:00 p.m. on March 25, 2016, and to authorize the WTCPUA Hiring Committee to select a services provider and to enter into an agreement with such services provider. The motion was seconded by President Fox.

The vote was taken with the following result:

Voting Aye: Directors Fox, Goodwin, Whisenant, and Murphy
Voting Nay: None
Absent: Director Roberts

D. Discuss, consider and take action on authorizing a Request for Qualifications for a General Manager

Mr. Klein presented this item. Mr. Klein reported that the WTCPUA has prepared a Request for Qualifications for a General Manager, attached hereto as **Exhibit Q**. Mr. Klein indicated that this RFQ contained a robust job description and that the compensation amount and

benefits were listed as terms to be negotiated. Mr. Klein also noted that this RFQ was very similar to the RFQ previously used by the WTCPUA a few years ago.

MOTION: A motion was made by Director Murphy to authorize issuing the Request for Qualifications for a General Manager. The motion was seconded by Director Whisenant.

The vote was taken with the following result:

Voting Aye: Directors Fox, Goodwin, Whisenant, and Murphy
Voting Nay: None
Absent: Director Roberts

E. Discuss, consider and take action concerning agreement for temporary General Manager services

Mr. Klein presented this item. Mr. Klein reported that the current General Manager's contract expires in April, 2016, and requested guidance as to whether the WTCPUA should extend the current General Manager's contract until a new General Manager is selected. Mr. Klein noted that the WTCPUA had received a letter from the current General Manager, attached hereto as **Exhibit R**, offering to (i) extend his contract until April 30, 2016, (ii) further extend his contract on a month-to-month basis until the earlier of July 31, 2016 or when the WTCPUA hires a new General Manager, and (iii) enter into a Professional Services Agreement thereafter, on an hourly basis, as needed by the WTCPUA.

MOTION: A motion was made by Director Goodwin agreeing to (i) extend the General Manager's contract until April 30, 2016, (ii) further extend the General Manager's contract on a month-to-month basis until the earlier of July 31, 2016 or when the WTCPUA hires a new General Manager, and (iii) enter into a Professional Services Agreement thereafter, on an hourly basis, as needed by the WTCPUA. The motion was seconded by Director Murphy.

The vote was taken with the following result:

Voting Aye: Directors Fox, Goodwin, Whisenant, and Murphy
Voting Nay: None
Absent: Director Roberts

MOTION: A motion was made by Director Murphy to move the WTCPUA's regular meeting from April 21, 2016 to April 14, 2016 at 9:00 a.m. The motion was seconded by Director Whisenant.

The vote was taken with the following result:

Voting Aye: Directors Fox, Goodwin, Whisenant, and Murphy
Voting Nay: None
Absent: Director Roberts

XIII. ADJOURNMENT

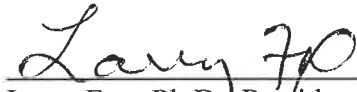
MOTION: A motion was made by Director Murphy to adjourn. The motion was seconded by Director Whisenant.

The vote was taken with the following result:

Voting Aye: Directors Fox, Goodwin, Whisenant, and Murphy
Voting Nay: None
Absent: Director Roberts

The meeting adjourned at 3:01 p.m.

PASSED AND APPROVED this 14th day of April 2016.



Larry Fox, Ph.D., President
Board of Directors

ATTEST:



Ray Whisenant, Jr., Secretary/Treasurer