

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

April 20, 2017

Present:

Scott Roberts, President
Ray Whisenant, Secretary
Fred Goff, Vice President
Bill Goodwin, Assistant Secretary
Don Walden, Assistant Secretary

Staff and Consultants:

Robert Pugh, 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
George Murfee, (Murfee Engineering Company, Inc.) Agency Engineer
Dennis Lozano (Murfee Engineering Company, Inc.), Agency Engineer
Autumn Phillips (Municipal Accounts & Consulting), Agency Bookkeeper

I. CALL TO ORDER

Director Roberts called the meeting to order at 10:02 a.m.

II. ESTABLISH QUORUM

A quorum was established. Also present were the above-referenced staff and consultants.

III. PUBLIC COMMENT

No public comments were received.

IV. CONSENT AGENDA

- A. Approve minutes of March 16, 2017 Board Meeting.**
- B. Approve bookkeepers report, payment of outstanding invoices and other related bookkeeping matters.**

- C. Approve Contractor Pay Requests and Change Orders including:
 - 1. Pay Request No. 8 for Spillman Pond Liner Project.
 - 2. Pay Application No. 12 for SH71 1280 Elevated Storage Tank Project.
 - 3. Change Order No. 7 & 8 for Spillman Pond Liner Project.
- D. Approve Murfee Engineering Work Authorizations for:
 - 1. City of Austin Emergency Interconnect Engineering Support.
 - 2. Southwest Parkway Pump Station Expansion Ground Storage Tank Design, Approval and Construction Administration.
- E. Approve proposal from ACE Roofing for Water Treatment Plant roof repairs.
- F. Approve Service Extension Requests (SERs) for:
 - 1. Mason Subdivision (10 LUEs), water only.
 - 2. Animal Care Center of Bee Cave (8 LUEs), water and wastewater.
- G. Approve First Amendment to Hays MUD No. 5 Billing Agreement.

Director Walden requested that the bookkeeper's report be moved from the agenda for questions.

MOTION: A motion was made by Director Goodwin and seconded by Director Whisenant to approve the consent agenda items as presented, except for Item B, attached as **Exhibits A - F**.

The vote was taken with the following result:

Voting Aye: Directors Roberts, Whisenant, Goodwin, Goff, and Walden
Voting Nay: None
Absent: None

Director Walden addressed the Bookkeepers report, and asked about the line item related to Kubota equipment for \$146,000, and asked why this brand was selected. Mr. Parkan stated that this was a company selected after reviewing several companies.

Director Walden asked for the total charge for the Severn Trent litigation to which Ms. Albright stated that she would determine this information and provide to Director Walden.

Director Walden confirmed with Ms. Smith that the annual audit charge was \$50,000.

Director Walden asked about the review and safeguards that were in place relating to PUA credit cards. Ms. Smith stated that charges are made according to the PUA policy previously adopted. She stated that receipts are required for all charges to be approved by managers and supervisors, and that they ultimately are submitted to the General Manager. Director Goff asked how the

budget is implemented to control expenditures with credit cards, and Ms. Smith stated that the Operations Manager is charged with monitoring these expenses that are mostly operational in nature. She stated that staff will bring a budget amendment reflecting in-house operations that would break out budgeted line items for such expenditures. Director Goff asked how ongoing budget controls were implemented, to which Ms. Smith stated that this information would be reflected in her monthly reports and she is reviewing the information. Mr. Pugh stated that significant non-routine purchases are approved by the General Manager and would be confirmed with the Controller for budget reconciliation.

Director Walden confirmed with Ms. Smith that a small amount of late fees had been paid on the credit cards as the bills had gone to an old address, but that now staff has online access and most of the late fees were refunded.

Director Goodwin stated that there are two cards listed by number without names, and Ms. Smith confirmed that there is only one card with no name associated that is an administrative card for the office. Director Goodwin confirmed that Mr. Cantu has a card that was issued in March and the report would likely be updated. Ms. Smith confirmed that there are 16 PUA credit cards and receipts are required for purchases to control expenditures. Director Goodwin stated that the Board sees the credit card receipts, but the Board doesn't see the backup information and coding.

Discussion ensued regarding whether the Board wanted all invoices included in backup materials. Director Walden recommended that a finance committee be established, and Director Roberts asked that this be included on a future agenda.

MOTION: A motion was made by Director Walden and seconded by Director Roberts to approve the bookkeeper's report provided as Exhibit G.

The vote was taken with the following result:

Voting Aye: Directors Roberts, Whisenant, Goodwin, Goff, and Walden

Voting Nay: None

Absent: None

V. STAFF REPORTS

A. General Manager's Report.

Mr. Pugh provided this report, provided as Exhibit H.

He stated that he went to Texas Water Day at the Texas Capitol where a focus on conservation was observed. Director Goodwin asked about the Customer Academy, and Mr. Pugh stated that 8 people had already signed up. He stated that all of the signed up individuals are retail customers, and staff would be looking to potentially add wholesale customers to the group. Director Goodwin stated that he liked the quarterly newsletter.

B. Controller's Report.

Ms. Smith presented the report, provided as Exhibit I. She confirmed that the report is consistent with the last several months, and that savings have been noted attributed to bringing operations in-house.

C. Engineer's Report

1. Capital Improvements Plan Update.

a. Southwest Parkway Water Tank.

This report was provided as Exhibit J.

Director Goodwin asked a question about the Capital Improvements Plan ("CIP") report in Mr. Lozano's report, asking about the difference between phases and the overall project. Mr. Lozano stated that there is an estimated completion of the current phases of projects, such as permitting, because the overall project completion dates are estimate, but the active phases have firmer completion dates.

Director Walden asked if the source of the funds could be identified relating to the projects so the Board understands what is being paid by impact fees versus bonds or general revenue.

Director Goodwin asked about the beneficial water recycling project, and stated his surprise that there were no TCEQ comments on the sampling protocol. Mr. Lozano stated that he was surprised that there were no technical comments, but was pleased by the approval. Director Roberts asked how the permit would be filed, and Mr. Lozano confirmed that it is filed as water treatment permit that included a wastewater component as well. He stated that the wastewater component is critical due to the effluent disposal management.

Mr. Wilson stated a staff member would be recognized at each regular meeting for the Board to meet staff members. Trey Cantu introduced Curtis Jeffrey who operates the water treatment plant. Mr. Jeffrey stated that he has been working with the PUA since April 2012 and has lived in the Lake Travis area since the 1980s.

2. Operations Report.

Mr. Cantu provided the Operations Report, included as Exhibit K. Director Goodwin addressed complaints of what customers believed was corrosive water that he had requested staff to look into in the Homestead area. He stated that samples were taken that were well within parameters for safe drinking water. He wanted to know why customers saw staining, to which Mr. Cantu stated that it's difficult to pinpoint what the specific cause is. In this area, the PUA increased their flushing program to potentially help. He stated that staff will continue to monitor the area.

Director Roberts asked whether the Board should look into a system relating to a bulk water fill station that could help with flushing issues. The Board directed that this be included as a future agenda item for consideration.

Director Walden asked for an update on the raw water pump station, and Mr. Cantu stated that Pump No. 1 is a 6 MGD pump that is being rebuilt and provided a brief overview of the maintenance and repair project.

Mr. Wilson and Mr. Cantu discussed fire hydrant maintenance, and Mr. Wilson stated that they request that anyone doing fireflow tests call the PUA in advance to coordinate in the situation where one of the hydrants breaks. Director Whisenant asked how private contractors are doing tests on hydrants without notification, and Mr. Wilson stated that there is typically a fine assessed. He asked that Mr. Wilson provide a list of those contractors who had not notified the PUA. Mr. Wilson stated that there is currently no program in place to test fire hydrants and the PUA is not required to provide fireflow.

Director Whisenant requested to increase the fine for tampering with a fire hydrant without PUA permission to be at least \$5,000 dollars and to add this item as a future agenda.

D. Legislative Update

Ms. Albright provided an update regarding HB 922 and HB 4327. She stated that HB 4327, which would establish a special utility district over a portion of Southwest Travis County, had been re-noticed and due to the late timing in session would likely have difficulty moving through the process.

VI. OLD BUSINESS

EXECUTIVE SESSION

Director Roberts announced that the Board would go into execution session at 12:29 p.m. pursuant to Texas Government Code § 551.071 – Consultation with Attorney, and pursuant to Texas Government Code § 551.074 – Personnel for Item VII. D, to address the following matters:

- VI. A
- VII. D.

Director Roberts announced that the Board would go back into open session at 1:54 p.m. and that no action was taken in executive session.

A. Discuss, consider and take action regarding pending and/or anticipated litigation, including:

1. **Cause No. D-1-GN-16-000538; *Travis County Municipal Utility District No. 12 vs. Public Utility Commission of Texas in the 250th District Court of Travis County, Texas***

This item was discussed in executive session.

2. *Travis County Municipal Utility District No. 12 v. West Travis County Public Utility Agency; in the 201st Judicial District Court, Travis County, Texas; Cause No. D-1-GN-16-002274*

MOTION: A motion was made by Director Whisenant and seconded by Director Roberts to instruct staff and consultants to work with Director Walden to prepare a term sheet regarding settlement of the lawsuit.

The vote was taken with the following result:

Voting Aye: Directors Roberts, Whisenant, Goodwin, Goff, and Walden
Voting Nay: None
Absent: None

3. *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*

MOTION: A motion was made by Director Roberts and seconded by Director Whisenant to authorize filing of a plea to the jurisdiction and to request a hearing on the motion.

The vote was taken with the following result:

Voting Aye: Directors Roberts, Whisenant, Goodwin, Goff, and Walden
Voting Nay: None
Absent: None

B. **Discuss, consider and take action on order appointing one new member to the Impact Fee Advisory Committee.**

MOTION: A motion was made by Director Whisenant and seconded by Director Roberts to appoint Lenny Jasinski to the Impact Fee Advisory Committee.

The vote was taken with the following result:

Voting Aye: Directors Roberts, Whisenant, Goodwin, Goff, and Walden
Voting Nay: None
Absent: None

C. **Discuss, consider and take action on pre-treatment surcharges for McDonalds, Inc.**

Ralph Horridge with McDonald's Inc. addressed the Board, stating that he was requesting that pretreatment surcharges be waived due to efforts being taken to improve wastewater quality through the PUA's pilot program.

Mr. Parkan addressed the Board stating that they are asking for forgiveness for approximately \$1,900 in surcharges. He stated that McDonald's was the first customer in the pilot program to use Microsolve and that they have looked at internal materials and implemented a Microsolve pump. Mr. Parkan stated that odors have been reduced and in 2016 McDonald's passed the pretreatment test. He stated that Staff is recommending forgiving these surcharges.

Director Goodwin confirmed that H2S levels had gone from 1,000 ppm down to current 27 ppm. In response to a question from Director Whisenant, Mr. Parkan stated that McDonald's has worked extensively with the PUA to the benefit of PUA customers.

MOTION: A motion was made by Director Roberts and seconded by Director Whisenant to waive the \$1,900 surcharge.

The vote was taken with the following result:

Voting Aye: Directors Roberts, Whisenant, Goodwin, Goff, and Walden
Voting Nay: None
Absent: None

VII. NEW BUSINESS

A. Discuss, consider and take action on proposal for Wastewater Capacity Management Policy.

Mr. Wilson addressed the Board, presenting the Wastewater Capacity Management Policy, provided as Exhibit L. He stated that when the system was taken over from LCRA, wastewater capacity was running at approximately 90%. He stated that when the Bohls plant was opened and the flows divided, the capacity did not increase as expected and that flows are still running at approximately 600,000 gpd. He stated that staff previously was directed to place on SERs that if capacity reached the 90% level then connections to wastewater system would be halted.

Director Walden asked if the date of wastewater agreements weigh into the priority of getting service, especially the agreements assigned from LCRA. Mr. Wilson stated this is taken into account, but what staff has seen is that these customers are going to connect to the system gradually over a period of time. Director Walden asked if the PUA chose to serve a customer with many LUEs, and then while the customer is constructing the wastewater capacity reaches 90%, what happens. If impact fees were prepaid, would these be refunded? Mr. Wilson stated that he didn't think there were any customers that this would be applicable, but if there were in the future his recommendation to the Board would be to refund prepaid impact fees. Mr. Wilson stated that the difference between 60% and 90% is a large number. Director Walden stated that prepayment of impact fees and ongoing developments should be incorporated into the policy.

Mr. Wilson, in response to a question from Director Goodwin, stated that West Village is approximately 1,600 LUEs, but full build out and connection would be in approximately 6-7 years in his opinion.

Director Whisenant stated that if the PUA has seen a measurable stabilization of flows, how is the stabilization recognized with the growth of approximately 2%? Mr. Wilson stated that in the new build out is seeing only 100 gallons per LUE. He stated that it is difficult to determine what is causing this reduction. Director Roberts stated that there has been an increase in meters, and asked if the amount of water produced from the plants matched the amount of LUEs of growth. Mr. Wilson replied no, and that people were using less water. Director Roberts asked if the amount of water being used is falling, should the definition of an LUE be changed. Mr. Wilson stated that this will likely be addressed in the next CIP.

Director Goodwin confirmed that Mr. Wilson stated that the projects that were ready for construction would be favored, but how will staff determine which projects are ready? Mr. Wilson stated that with this model this question won't necessarily be addressed, but as flows approach 90% then connections will be ceased. Mr. Wilson stated that he didn't anticipate that developments in process would be halted due to 90% flows due to the CIP plan and stated that the PUA is already in the process of planning the beneficial reuse program. Director Goodwin asked if the trigger for a moratorium be at 90%, to which Mr. Wilson said yes.

Director Roberts confirmed that 1.8 million gallons is the maximum capacity planned for with the planned projects. Director Goodwin confirmed that more effluent disposal land would need to be purchased, but not up to the full 1.8 million gallons due to the beneficial reuse program. In response to a question from Director Roberts, Mr. Lozano stated that initial approval from TCEQ for the concept for beneficial reuse has been obtained.

Director Goff recommended that the planning process for improvements be implemented well before the 90% threshold was reached.

Director Walden stated that he would like to see a schedule of wastewater tasks and completion dates. Mr. Lozano stated that the design work order was expected to be brought to the Board this summer for the direct beneficial reuse system.

Director Goodwin asked if it would be conceivable that Bee Cave may not reach 1.8 MGD, to which Mr. Wilson stated that Bee Cave would reach this amount but in a much longer timeframe than anticipated. Director Goodwin stated that as the PUA reaches capacity, the policies will need to be addressed. Mr. Wilson stated that the paper commitment for wastewater LUEs is 900,000 gallons.

Director Roberts stated that the PUA needs to cap paper wastewater commitments at 1.8 MGD. Mr. Wilson stated that there is an existing policy that paper commitments be limited to 1.8 MGD, but some of these projects are not moving as quickly as anticipated. Director Roberts stated that if the Board set the cap at 1.8 MGD, that this needs to stay in place.

Director Roberts stated that paper commitments being capped at 1.8 million gallons will limit the possibility of exceeding capacity. Director Goodwin stated that CCNG has the ability to annex tracts, which could cause a problem with capacity in the future. Director Roberts asked how CCNG would annex land, to which Mr. Klein stated that CCNG basically is only required to give notice for the annexed tracts.

Director Walden stated that he understands why the 1 MGD was set as a cap by the Board before, but if irrigating commercial customer were calculated would this make an impact. Director Goodwin stated that this would be difficult to calculate the impact.

Director Roberts asked if there was any estimate was made of what CCNG could possibly serve, to which Mr. Wilson said no.

Mr. Adrian Overstreet addressed the Board as the owner of the Sonesta Hotel and other businesses in Bee Cave. He stated he supports the policy as it brings rationality to an inherited situation from the LCRA. He stated that he doesn't think it is correct that LCRA contracts are not paying reservation fees. He also stated that the impact fee table is a concern. He stated that for the Sonesta Hotel, he paid for more capacity than will actually be used which is stranded capacity. So there are paper commitments of people in line, but there may also be stranded capacity in the system. Mr. Overstreet stated that there is a lot of capacity in these paper commitments that are not going to be used that the PUA is building infrastructure for but not receiving revenue. He thinks this policy is a great step forward and will free up LUEs for customers that need capacity immediately.

MOTION: A motion was made by Director Goodwin and seconded by Director Walden to approve a Wastewater Capacity Management Policy, provided as **Exhibit L**.

The vote was taken with the following result:

Voting Aye: Directors Roberts, Whisenant, Goodwin, Goff, and Walden

Voting Nay: None

Absent: None

Director Whisenant stated that he has some trepidation in approving this document and stated that he wanted to reiterate that it is a living document that needed to be monitored.

Mr. Wilson addressed a memo provided to the Board as a handout, provided as **Exhibit M**. He asked that the Board allow the General Manager to execute PFCS and NSSAs for wastewater for 10 LUEs or less.

MOTION: A motion was made by Director Goodwin and seconded by Director Roberts to approve delegation to the General Manager for

the execution of PFCS letters and NSSAs for wastewater for 10 LUEs or less.

The vote was taken with the following result:

Voting Aye: Directors Roberts, Whisenant, Goodwin, Goff, and Walden
Voting Nay: None
Absent: None

Director Whisenant confirmed that the PUA does not have a wastewater CCN.

Mr. Wilson also stated that staff is asking for authority for the General Manager to approve additional water LUEs. Director Roberts stated that this could be added to the next agenda, even if it is the special meeting agenda.

B. Discuss, consider and take action on FY 2016 WTCPUA Financial Audit by Maxwell, Locke and Ritter, LLP.

Ms. Smith addressed the Board and presented the audit, provided as Exhibit N, and introduced Jimmy Rommel with Maxwell Locke who went through the audit presentation.

Director Goodwin asked a question regarding agreements with developers, and Mr. Wilson stated that there is an agreement with Ledgestone regarding prepayment of impact fees relating to water.

Director Walden asked whether the audit was late, to which Mr. Rommel stated that a draft of the audit was submitted to meet debt filing requirements. He stated that the audit started in January and that there was some information that needed to be reconciled relating to development liabilities. He stated he doesn't anticipate that this will be an issue in the future. Mr. Rommel confirmed that any delay was so that nothing would be reported as a liability that was not a liability.

MOTION: A motion was made by Director Goodwin and seconded by Director Whisenant to approve the FY 2016 Financial Audit.

The vote was taken with the following result:

Voting Aye: Directors Roberts, Whisenant, Goodwin, Goff, and Walden
Voting Nay: None
Absent: None

C. Discuss, consider and take action on date for Special Board meeting for Capital Plan and Financing Update.

Director Roberts requested moving the meeting to May 11, 2017 at 10:00. Director Roberts asked that an item be included to determine whether the money in the impact fee fund can be used to reimburse customers for unused capacity. He also directed that a policy be drafted to implement this process. Director Whisenant asked for input regarding the operations impact for such a policy.

MOTION: A motion was made by Director Whisenant and seconded by Director Roberts to hold a Special Meeting on May 11, 2017 at 10:00 a.m.

The vote was taken with the following result:

Voting Aye: Directors Roberts, Whisenant, Goodwin, Goff, and Walden

Voting Nay: None

Absent: None

D. Discuss, consider and take action on review of WTCPUA Organizational Chart.

This item was discussed in executive session.

VIII. ADJOURNMENT

MOTION: A motion was made by Director Walden to adjourn. The motion was seconded by Director Roberts.

The vote was taken with the following result:

Voting Aye: Directors Robert, Whisenant, Goodwin, Goff and Walden

Voting Nay: None

Absent: None

The meeting adjourned at 1:55 p.m.

PASSED AND APPROVED this 18th day of May, 2017.

A handwritten signature in blue ink, appearing to read "M. Scott Roberts", written over a horizontal line.

Scott Roberts, President
Board of Directors

ATTEST:

A handwritten signature in blue ink, appearing to read "Ray Whisenant", written over a horizontal line.

Ray Whisenant, Secretary/Treasurer
Board of Directors