

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

September 21, 2017

Present:

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

Staff and Consultants:

Robert Pugh, General Manager
Jennifer Riechers, Program Manager
Jennifer Smith, Agency Controller
Keli Kirkley, Agency Accountant
Stefanie Albright, (Lloyd Gosselink Rochelle & Townsend, P.C.), Agency General Counsel
Dennis Lozano (Murfee Engineering Company, Inc.), Agency Engineer

I. CALL TO ORDER

Director Roberts called the meeting to order at 10:00 a.m.

II. ESTABLISH QUORUM

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

III. PUBLIC COMMENT

Joe DiQuinzio addressed the Board as the General Manager for the municipal utility districts in Rough Hollow, and stated that he was here to endorse a proposed term sheet to settle the lawsuit with the PUA. He stated that this is a mutually beneficial agreement, and voiced thanks to Director Walden and PUA staff for the work on the issue.

IV. CONSENT AGENDA

The Board pulled items D, E, and G for discussion.

A. Approve minutes of August 17, 2017 Board Meeting.

- B. Approve payment of outstanding invoices and other related bookkeeping matters.
- C. Approve Contractor Pay Requests including:
 - 1. Pay Application Final to Austin Engineering Co., Inc. for Spillman Liner Project (\$57,964.61).

MOTION: A motion was made by Director Goodwin and seconded by Director Walden to approve Consent Agenda Items A-C and F, provided as Exhibits A-D.

The vote was taken with the following result:

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

- D. Approve Service Extension Requests (SERs), including location maps for:
 - 1. Dripping Springs Water Supply Corporation (DSWSC), 1.5 MG, (290 System).

Director Goodwin stated that the existing commitment and current SER is based on a peak flow. Director Goodwin stated that the DSWSC is over-committed, and Mr. Pugh confirmed this statement. Mr. Pugh confirmed that for the short term this new capacity allocation will address commitments.

The Board confirmed that at the time of execution and until the meter is set, reservation fees will be collected. Discussion ensued about reservation fees and wholesale rate structure and the capture of costs to reserve capacity.

MOTION: A motion was made by Director Goodwin and seconded by Director Walden to approve the DSWSC service extension request, provided as Exhibit E.

The vote was taken with the following result:

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

- E. Approve Developer Reimbursements to:
 - 1. Glen Rose Development Corporation, \$15,257.
 - 2. Steven W. Gurasich, Jr. (Formerly Southwest Travis County, Ltd.), \$231,760.

Director Walden abstained from the deliberation and vote due to disclosed conflicts.

MOTION: A motion was made by Director Roberts and seconded by Director Goodwin to approve the developer reimbursements to Glen Rose Development Corporation in the amount of \$15,257 and to Steven W. Gurasich, Jr. in the amount of \$231,760, as detailed in **Exhibit F**.

The vote was taken with the following result:

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

F. Approve Agreement with Vintage IT Services (\$3157/month).

Approved per motion referenced above.

G. Approve CP and Y design services proposals for:

- 1. Water Treatment Plant rehabilitation project (\$195,060).**
- 2. Lakepointe manhole rehabilitation project (\$66,100).**

Director Goodwin asked whether the manhole rehabilitation would include liner, to which Mr. Pugh stated that the structure and condition of the manholes needed to be reviewed to determine what work will be required.

MOTION: A motion was made by Director Roberts and seconded by Director Goodwin to approve the CP and Y design services proposal, 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 presented this item, provided as **Exhibit H**.

Director Goodwin stated that there are two new employees, Judith Coker (Senior Project Engineer) and Pierce Powers (Project Engineer) and the Board welcomed them to the PUA.

Director Goodwin asked about the meeting regarding Provence with Halff & Associates. Mr. Pugh stated the inspection is still being discussed. He asked for an update regarding the meeting with City of Dripping Springs, and Mr. Pugh stated that the City wanted to discuss the wholesale agreement and future development, as well as updating the wholesale agreement itself in the future.

Mr. Pugh stated that annual staff reviews had been completed, and a TCEQ inspection on the water system went well with no violations and only one comment.

B. Controller's Report.

Ms. Smith presented this report, provided as Exhibit I, and stated that the PUA is in a positive financial position.

C. Engineer's Report

- 1. Capital Improvements Plan Update.**
- 2. Breakout of LUE commitments to 71 and 290 systems.**

Mr. Lozano addressed this item, provided as Exhibit J. Director Walden addressed the 943 LUE commitments referenced regarding Lake Pointe in the CIP, and asked whether the PUA should show the commitment is fulfilled for this subdivision as well as other similarly built-out projects. Mr. Lozano stated that he is looking to the Board for input on the projections. Director Goodwin confirmed that the service commitments listed in the planning documents are rough. Director Roberts confirmed that there will be capacity released to the system if the TCMUD 12 settlement was entered into. Mr. Lozano stated that in the PUA System there are some commitments that are specific and tied to lots, but there is a range in between of commitments that are not as concrete.

Director Goodwin asked if the CIP involves the demographic study, to which Mr. Lozano stated that it does not. In response to a question from Director Goodwin, Mr. Lozano stated that including the demography study would only take into account the land use assumptions, but not the actual commitments. He stated that the demographic study is a piece of the puzzle to anticipate demand in areas without commitments. Discussion ensued regarding the peak day calculation and actual usage, and Mr. Lozano confirmed that there are a lot of variations in the system, but the number utilized in the CIP is based on actual usage. He stated that 60-70% of the peak usage is related to irrigation.

Director Roberts asked if there was a way to ensure landscaping and lawns are installed correctly to address the peak usage and storage demands. Director Roberts stated that the MOU has certain lawn requirements and wanted to address the ability to enforce these provisions. Mr. Pugh stated that staff would have to review information and follow up with the Board on this issue.

D. Operations Report

1. Lakepointe WWTP total and odor control hard/soft costs.

Mr. Cantu presented this item, provided as Exhibit K. He stated that there had been previous discussions regarding costs in operating the Lake Pointe wastewater treatment plant, and this information is included in the report. He detailed the chemical and facilities costs identified as “hard costs” and the “soft costs” of personnel and engineering fees. He stated that staff can look into and itemize these costs as needed.

VI. OLD BUSINESS

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.*
2. *Travis County Municipal Utility District No. 12 v. West Travis County Public Utility Agency; in the 201st Judicial District Court, Travis.*
3. *William R. Holms v. West Travis County Public Utility Agency; in Travis County Court of Law #2; C-1-CV-17-003601.*

This item was discussed in executive session.

MOTION: A motion was made by Director Walden and seconded by Director Roberts to approve the MUD 12 term sheet as presented to the Board in Executive Session.

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 PUA Certificate of Convenience and Necessity (CCN), including:

1. Boundary definition.
2. Constraints on ability of PUA to sell water, if any.
3. Bond Counsel concerns.

This item was postponed until the October Board meeting.

C. Discuss, consider and take action on Investment Policy including

1. Proposal for investment services by Sterling Capital Management, LLC and BB&T.

Ms. Smith presented on this item and stated that Sterling Capital Management representatives were in attendance should the Board have any questions.

Ms. Smith first presented the Investment Policy, provided as Exhibit L, and stated that the changes had been discussed with the PUA's financial advisor to confirm that there would be no impact on bonds. Director Goodwin stated that there were other correctional changes in addition to the addition of corporate bonds as authorized investments. Director Goodwin asked that in the future, additions to documents be included in the packet as redlined documents.

Discussion next ensued regarding the proposal from Sterling Capital Management. Director Goodwin stated that entering into an agreement with Sterling investments could involve some risk in the proposed investments, to which Ms. Smith stated that any investment, including CDs, have some level of risk.

Director Whisenant confirmed with Ms. Smith that the proposed investments proposed by Sterling Capital were liquid, to which Ms. Smith stated that cash flow requirements would be considered when making investments. Director Goodwin asked if Hays County invests in corporate bonds, to which Director Whisenant stated no, and Director Goodwin stated that the City of Bee Cave does not either. Director Goodwin clarified that these investment decisions are heavy Board considerations, and the questions are not to be considered a criticism of the Controller.

Ms. Smith stated that the fees with Sterling Capital are higher, but the return is also expected to be higher, and she believes the service from Sterling Capital will be beneficial. Director Goodwin confirmed that the average portfolio is \$50 million, and the fee is \$10,000 per year. Ms. Smith stated that the higher yield is worth the higher fee as compared to TexPool, and Director Goodwin stated that there is also some risk. Ms. Smith stated that the proposal from Sterling Capital at this time is only governmental investments, and corporate bonds are not currently included because the Board has not approved their inclusion.

Director Goodwin addressed the investment policy, and asked if the rating scale in item 1.e is the same as Item 9. Ms. Smith stated that this language is straight out of the Public Funds Investment Act.

MOTION: A motion was made by Director Walden and seconded by Director Whisenant to approve the Investment Policy, provided as Exhibit M.

The vote was taken with the following result:

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

MOTION: A motion was made by Director Roberts and seconded by Director Goff to approve custody of services by BB&T and Sterling Capital Management, LLC.

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 regarding determination of water treatment plant allocation and capital improvements projects (CIP) within the Highway 290 and Highway 71 Systems, including:**
- 1. Developing policies and procedures to seek guidance from the Participating Entities regarding service priorities;**
 - 2. Establishing committees of the Board for the Highway 290 and Highway 71 Systems to facilitate development of service allocation recommendations.**

Director Roberts stated that he would like to allocate capacity equally between the Highway 71 and Highway 290 systems, and then designate a permanent committee to work with the participating entities to determine where the capacity should be allocated within the existing system. He stated that the committee could also look at commitments, CIP projects, SERs, and other capacity-related issues for each system and be the liaison between the participating entities and the PUA. He stated this will assist with political concerns, and allow the Board to focus on providing water reliably at the best rate possible. He stated that this proposal will provide a better way to plan for the system, and provide more direct contact with the participating entities on capacity issues.

Director Goodwin stated that initially he thought this was a great idea to involve the participating entities to assist with the allocation and the political issues involved. However, as he thought more about it he had concerns that this would turn one utility into two, and would not make the allocation easier. He stated that this division couldn't be supported, and that the alternative would be to make certain participating entities wholesale customers or eventually divide the utility. He stated that it would be difficult to get effective advice on capacity allocation from the member entities, and he couldn't support this measure.

Director Whisenant stated that the ultimate ability to serve in the manner put out by the original mission statement means that it is incumbent for the participating entities to work to the best end for the system. He stated that he would support this measure, as this would allow the participating entities to work towards equitability, and if there is a participating entity not wanting to participate, this is an issue. Director Whisenant conferred that the basic issue of water capacity and areas that could be serviced equitably among the participants is a basic

responsibility of the Agency. Director Goodwin stated that his point is that this is a responsibility of the Agency itself.

Director Goodwin said there is nothing to prevent him from seeking guidance from the Bee Cave Council relating to the PUA, and he and Director Walden have done so in the past. However, he was concerned that there would not be effective feedback in weighing in on ongoing capacity issues.

Director Roberts stated that there are a lot of planning abilities that the PUA does not have, and he supported getting input and planning recommendations from those entities that do have such abilities. Director Goodwin stated his concern that there has never been a MUD 5 Board member at a meeting, and that MUD 5 in appointing a Board member did not confer with the PUA or other entities. He further stated that MUD 5 had asked for compensation for an easement in conflict with the Participant Agreement.

Director Roberts stated that he had conferred with MUD 5 to discuss future collaboration and he believed the waterline easement issue is resolved by the MOU. Director Roberts stated that a committee could help in fostering additional participation by the participating entities.

Director Roberts stated that knowing the finite amounts going to areas in each system will assist with sizing and planning of the system. Director Goodwin stated that he disagrees that there are two systems. Director Goodwin stated that the Bee Cave City Council has a quarterly item to get an update from the PUA, and MUD 5 has not asked for this level of input and participation.

Randy Wilburn addressed the Board on behalf of WTCMUD 5, and stated that there is a standing agenda item on every MUD 5 Board meeting, but the appointee had not consistently attended the meetings. Mr. Wilburn stated that MUD 5 is very appreciative of the PUA's efforts on the waterline easement and that MUD 5 is interested in moving forward with communication.

Director Goff stated that he told the MUD 5 President prior to appointment that he has a long-term obligation on the MUD 5 meeting night and could not attend the Board meetings. However, he had made himself available at other times, and had in fact met with MUD 5 members outside of the meeting.

MOTION: A motion was made by Director Roberts and seconded by Director Whisenant to allocate water treatment plant and capital improvements projects (CIP) within the Highway 290 and Highway 71 Systems, including establishing committees of the Board for the Highway 290 and Highway 71 Systems to facilitate development of service allocation recommendations.

The vote was taken with the following result:

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

The vote failed.

- B. Discuss, consider and take action regarding review of current and future CIP projects to determine impacts relating to cost, impact fees, rates, and bonded indebtedness.**

Director Roberts stated that he had asked for this and thought the information would be useful in evaluating CIP projects.

MOTION: A motion was made by Director Roberts and seconded by Director Walden to instruct staff to create a policy to include cost, impact fees, rates, and bonded indebtedness impacts relating to each project in the CIP, and include this information and to get feedback from engineering staff and consultants regarding the cost and work associated with this information.

The vote was taken with the following result:

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

Discussion ensued regarding the CIP, and Mr. Pugh stated that this may be information that could be determined from the existing data. Mr. Lozano stated that the impact fee study may not have all of this information.

- C. Discuss, consider and take action on Memo of Understanding between Municipal Utility District No. 5 and WTCPUA regarding granting of easements for Second Raw Water Line pursuant to the Participant Agreement.**

Ms. Albright presented this item, provided as Exhibit N, stating that this MOU was prepared following a conference call at the end of the previous week and MUD 5 had not yet approved the language. Director Roberts stated that he would like to move forward with approval.

MOTION: A motion was made by Director Goodwin and seconded by Director Roberts to approve the Memo of Understanding as presented, provided as Exhibit N.

The vote was taken with the following result:

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

Director Goodwin stated that Directors Roberts and Goff met with representatives at a meeting to discuss the impacts of the construction of the raw waterline to Lake Pointe. One of the conditions proposed was MUD 5 and the PUA being co-permittees in the USFWS permit, but Mr. Lozano was concerned that there could be a delay in the projects if this was pursued. Mr. Lozano stated that the concern from MUD 5 relating to permitting was based on concerns from the original 10(a) permit, but the PUA's permit doesn't have any ongoing management components that would result in similar concerns.

In response to a question from Director Walden, Mr. Lozano stated that this process with USFWS began in 2014. Director Walden stated that there have been regular updates on this issue that MUD 5 could have requested in the past.

D. Discuss, consider and take action on CIP easements including

1. Raw Water Line No. 2 Easement Status.

Mr. Lozano stated that there has been a positive response from LTISD regarding the placement of Raw Waterline No. 2.

2. 1340 Transmission Main Easements Status.

Mr. Lozano asked that the 1340 transmission main discussion be taken into executive session. He stated that he would like direction as to the agreement for the easement. Director Roberts stated that he would prefer to delegate the negotiation of the easement agreement to the General Manager, in consultation with staff and consultants, as well as final execution, unless a Board member had objections.

MOTION: A motion was made by Director Roberts and seconded by Director Whisenant to instruct the General Manager, legal and engineering staff to prepare an agreement relating to the 1340 transmission main easement, and authorize the General Manager to execute the necessary documents.

The vote was taken with the following result:

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

E. Discuss, consider and take action on FY 18 Budget.

Ms. Smith presented the budget, provided as Exhibit O. She stated that there were no changes in the draft presented at the August meeting. Ms. Smith went through the budget with the Board.

MOTION: A motion was made by Director Roberts and seconded by Director Goodwin to approve the budget for FY 18, provided as Exhibit O.

The vote was taken with the following result:

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

Director Goodwin asked about the \$600,000 “Other Expenses” to which Ms. Smith stated was primarily capital outlay such as vehicles, meters, etc. Mr. Pugh asked if the increased investment revenue estimates are included, to which Ms. Smith stated that they are included.

Director Walden identified the raw water transmission items, and Ms. Smith confirmed that these are for the current fiscal year.

F. Discuss, consider and take action on Cost Reimbursement Agreement with ERG Belterra, LTD for repairs to damage of WTCPUA 20” US 290 Transmission Main, and relocation of said Main.

Mr. Pugh presented this item and provided background regarding the line that was struck during construction, and efforts undertaken to address and mitigate the damage. He thanked Mr. Campbell with Endeavor and stated that the developer was cooperative in addressing the issues relating to the line damage that lead to the agreement.

MOTION: A motion was made by Director Roberts and seconded by Director Goodwin to approve the Cost Reimbursement Agreement with ERG Belterra, provided as Exhibit P.

The vote was taken with the following result:

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

G. Approve Murfee Engineering design and inspection services proposal for:

- 1. Relocation of U.S. 290 Water Main, \$15,000 time and materials for defined scope of services, not to exceed, ERG Belterra LTD project, to be reimbursed by ERG Belterra LTD.**

Mr. Lozano presented this item, relating to a relocation of a line following the contractor hitting the line twice in conjunction with development. This is a proposal, presented as Exhibit Q, to allow the PUA to complete the work and provide relocation and inspection services to be reimbursed by the developer.

MOTION: A motion was made by Director Roberts and seconded by Director Walden to approve the Murfee Engineering design and inspection services

proposal for the Relocation of U.S.290 water main, provided as **Exhibit Q**.

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 was at the PUA for this meeting and felt that all the parties worked very professionally together to resolve this issue to the benefit of the PUA.

H. Discuss, consider and take action on existing and past PUA staff performance reviews, wages, salaries, terminations, separation agreements, and related matters.

MOTION: A motion was made by Director Roberts and seconded by Director Walden to approve the salary adjustments as recommended in executive session.

The vote was taken with the following result:

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

Director Roberts announced that the Board would go into executive session at 11:47 a.m. pursuant to Texas Government Code § 551.017 – consultation with Attorney to address Items VI.A and VII.H; and pursuant to Texas Government Code § 551.074 – personnel matters, to address Item VII.H.

Director Roberts announced that the Board would go back into open session at 1:30 p.m. and that no action was taken in executive session.

VIII. ADJOURNMENT

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

The vote was taken with the following result:

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

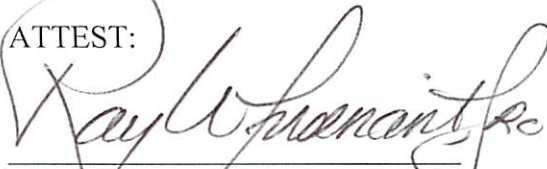
The meeting adjourned at 1:30 p.m.

PASSED AND APPROVED this 19th day of October 2017.

A handwritten signature in cursive script, appearing to read "Scott Roberts Pres", written over a horizontal line.

Scott Roberts, President
Board of Directors

ATTEST:

A handwritten signature in cursive script, appearing to read "Ray Whisenant Sec", written over a horizontal line.

Ray Whisenant, Secretary/Treasurer
Board of Directors