

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

July 11, 2018

Present:

Don Walden, Vice President
Ray Whisenant, Secretary
Bill Goodwin, Assistant Secretary
Eileen Brzoska, Director

Staff and Consultants:

Robert Pugh, General Manager
Jennifer Riechers, Program Manager
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
Judith Coker, Agency Engineer
Dennis Lozano (Murfee Engineering), District Engineer

I. CALL TO ORDER

Director Walden called the meeting to order at 10:07 a.m.

II. ESTABLISH QUORUM

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

III. PUBLIC COMMENT

No public comment was provided.

IV. OLD BUSINESS

A. Discuss, consider and take action on Impact Fee Fund Policy.

Mr. Pugh presented a memorandum, provided as **Exhibit A**, stating that PUA staff and consultants had been doing a great deal of work discussing the 2014 impact fee study history, applicable statutes, and planning for 2019 impact fees. He stated that a big portion of the recommendation will be to cash fund projects with impact fees versus only use impact fees to fund debt service. Mr. Pugh described the requirements of Chapter 395 of the Texas Local Government Code regarding the use of impact fees and funding of identified projects. Mr. Pugh recommended adoption of the impact fee policies in the memorandum. He stated that these policies could have a positive effect on rates as less debt would be recommended to be issued. Ms. Smith provided

prepared forecasts, provided as Exhibit B, which would have resulted in an increase in rates related to debt issuance and interest for CIP projects. She stated that there is currently \$37 million in the impact fee fund accounts. She recommended adopting the impact fee fund policy for better use of funds and efficiency in financing. Director Whisenant stated that he is cautious about impact fees, but that these policies are sound financial management. Director Walden stated that with cash funding the project, there will still be more than enough funds to meeting the planned debt service amounts. He stated that as long as the money is used to build the projects to provide service that these policies would provide flexibility regarding the use of these funds.

Director Goodwin stated that he often hears that the capital cost to open a business in the area is considered to be high. Discussion ensued regarding the potential effects of the proposed impact fee policy on future impact fees. Director Walden stated that the Board's policy is that growth will pay for itself and a lower impact fee may allow more allocation of costs to impact fees. Director Whisenant stated that at the time 2014 impact fee allocations were set, there was consideration of the balance of the projects needed and who would fund the projects. Mr. Klein stated that there was also a consideration of potential litigation at the time that the 2014 impact fees were adopted. Director Walden stated that the financial position of the PUA, as well as the forecast, was much different at the time that 2012 and 2014 impact fees were adopted.

Ms. Smith stated that the impact fee policy is important as the impact fee study is in process and these policies will have an important impact to the study. Director Walden stated that if the PUA can affect future debt by cash funding projects there will be an impact to rates.

MOTION: A motion was made by Director Walden to adopt the policy as recommended by staff as presented in Exhibit A. The motion was seconded by Director Whisenant.

The vote was taken with the following result:

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

V. NEW BUSINESS

A. Discuss, consider and take action on FY2019 Budget Work Session.

Ms. Smith presented on this item providing a preliminary look at the FY 2019 budget, with a 5-year forecast provided as Exhibit C. Director Walden asked what income was expected from investments, to which Ms. Smith stated approximately 1.5% was estimated. Ms. Smith next went through major assumptions for the forecast of budget development, provided as Exhibit D. Ms. Smith stated that CIP assumptions and budgeted amounts for CIP projects will change based on the newly adopted impact fee policy. Mr. Pugh stated that these are conservative assumptions that all fund balances will be met with no planned rate increases. Mr. Pugh detailed cost-saving measures that the PUA had undertaken from an operations standpoint that had resulted in savings in the budget. Director Walden stated that Lloyd Gosselink had worked to decrease legal fees and

that litigation had decreased. Mr. Pugh also stated that the PUA is operating efficiently with expenses and payroll.

Ms. Smith detailed the major planned changes in FY2019, including new billing software, the new office space lease and related costs, as well as a potential rate study and a new debt payment structure from the refinancing.

Director Goodwin asked about the billing software change, and confirmed with Ms. Riechers that it would not include AVR.

Ms. Smith next provided a Capital Projects Summary, provided as Exhibit E, stating that she had worked with the engineers to formulate a detailed forecast.

Ms. Smith next addressed the five-year forecast, stating that the PUA is doing better than planned with the Fiscal Year 2018 ending fund balance estimated to be \$18 million in comparison to the planned \$15 million. Mr. Pugh asked if debt could be retired early, and Ms. Smith stated that this option wouldn't be available until the debt issuances become callable. Mr. Lozano stated that revenues could be decreased in future drought cycles due to restrictions, but there could be a revenue increase with the new meter replacements.

Director Goodwin stated that in the future the PUA will likely want to discuss the healthy reserve balances. Director Whisenant recommended that after the next bond issuance the PUA would likely consider a rate study every 3 years or some other time range like this. Discussion ensued about the potential to pay down debt and Ms. Smith stated that she would look into the callable dates and build this information into the forecast.

Ms. Smith next discussed the capital projects summary, provided as Exhibit E. She stated that these numbers will likely change due to the new impact fee fund policy. Discussion ensued regarding the impact fee fund and projections on when buildout will be met. Director Goodwin confirmed that the area is in a peak of building mode, but this will eventually taper off. Mr. Lozano confirmed that this building trend influences the necessary capital projects that are in process or planned for construction.

Director Goodwin addressed the impact fee fund policies adopted, and the Board discussed limitations on spending and the balance of the impact fee fund.

MOTION: A motion was made by Director Goodwin to revise the impact fee policy to allow cash funding of up to \$20 million in CIP projects, and that the cash funding amounts would be reviewed on a yearly basis by the Board of Directors during the budgeting process. The motion was seconded by Director Walden.

The vote was taken with the following result:

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

VI. ADJOURNMENT

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

The vote was taken with the following result:

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

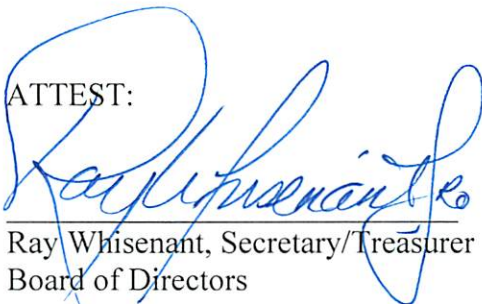
The meeting adjourned at 11:34 a.m.

PASSED AND APPROVED this 16th day of August, 2018.



Scott Roberts, President
Board of Directors

ATTEST:



Ray Whisenant, Secretary/Treasurer
Board of Directors