

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

August 17, 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
Curtis Wilson, District Engineer
Jennifer Riechers, Program Manager
Jennifer Smith, Agency Controller
Keli Kirkley, Agency Accountant
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

I. CALL TO ORDER

Director Roberts 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. CONSENT AGENDA

A. Approve minutes of July 20, 2017 Board Meeting.

Director Goodwin asked about the math regarding the 800 seat outdoor restaurant on Page 3 of the July minutes, and stated that the Board delayed to allow staff to speak to the developer, but noted that this item was not on the agenda.

Director Goodwin identified on page 6 an error where there was a statement regarding watering, and stated that water restrictions are not needed in the 71 system.

Director Goodwin confirmed the statement regarding 25 MGD commitments. In response to a question regarding interconnects, Mr. Murfee confirmed that there are potential interconnects with the 290 System, but the PUA does not have a formal agreement with the City of Austin for an interconnect. Director Goodwin stated that the minutes are misleading and wanted clarification that there is an informal interconnect capability with the City of Austin, but there are no agreements to allow for this interconnect. This is important given the large amount of water that could be accessed from this informal interconnect capability.

Director Roberts stated that because there is no formal interconnect, and because the City has millions of gallons of water capabilities, the PUA needed to move forward with this project.

MOTION: A motion was made by Director Goodwin and seconded by Director Walden to approve the July 20, 2017 Board meeting minutes, as corrected, provided as **Exhibit A**.

The vote was taken with the following result:

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

Voting Nay: None

Absent: None

- B. Approve payment of outstanding invoices and other related bookkeeping matters.**
- C. Approve Contractor Pay Requests including:**
 - 1. Pay Application No. 16 for SH71 1280 Elevated Storage Tank Project.**
 - 2. Pay Application No. 2 for Bohl's CCNG Gravity Effluent Line.**
- D. Approve Service Extension Requests (SERs), including location maps for:**
 - 1. Dripping Springs Water Supply Corporation (DSWSC), 1.5 MG, (290 System).**

MOTION: A motion was made by Director Goodwin and seconded by Director Roberts to postpone review of Item IV. D.

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.), \$231,667.**

This item was pulled for consideration. Director Walden stated that he is an owner in Glen Rose Development Corporation, and will abstain from this vote. Although he does not have a relationship with Southwest Travis County, Ltd., he participated in the project and will abstain from this item as well.

Director Goodwin stated that he had concerns that the backup does not show where the reimbursement properties are located. He requested that backup be more detailed in the future.

MOTION: A motion was made by Director Goodwin and seconded by Director Roberts to postpone review of Items IV.E.1 and IV. E.2. until the September Board meeting.

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 Murfee Engineering Company, Inc.

G. Approve Agreement with CP and Y, Inc.

Director Goodwin asked that these agreements be discussed together. Mr. Pugh confirmed that the agreements are form agreements, but the responsibilities are different for these entities. Mr. Pugh confirmed that there are no formal agreements with these entities.

MOTION: A motion was made by Director Goodwin and seconded by Director Whisenant to approve the agreements with Murfee Engineering Company, Inc. and agreement with CP and Y, Inc., provided as **Exhibit B**.

The vote was taken with the following result:

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

MOTION: A motion was made by Director Goodwin and seconded by Director Goff to approve Items IV. B and C of the consent agenda.

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 on this item, provided as Exhibit C.

Director Goodwin confirmed that the PUA had asked for a 1-year extension on the leak detection grant. Mr. Pugh confirmed that the LCRA would likely consider this request on the next agenda, and confirmed that the scope of work would require an outside contractor. Mr. Pugh confirmed that the grant is \$97,000, and following a question from Director Roberts, Mr. Pugh stated that staff was comfortable that an outside contractor can perform the tasks for this amount. Director Roberts asked whether the grant was worthwhile, and stated that if this is debatable the grant should be returned. Mr. Pugh stated that a good leak detection survey could be very beneficial and result in cost reductions.

Director Roberts asked about the status of finding a replacement for a staff member, and Mr. Pugh confirmed that they have posted the opening and are interviewing and reviewing applications. He stated that the duties have been reallocated and are being handled, but there is still a core need for additional engineering services.

Mr. Pugh stated that an agreement was signed with Vintage IT Services.

B. Controller's Report.

Ms. Smith presented on this item, provided as Exhibit D.

C. Engineer's Report

1. **Capital Improvements Plan Update.**
 - a) **Raw Water Line No. 2 Easement Status**
 - b) **1340 Transmission Main Easements Status**
2. **Operations Report.**
3. **Breakout of commitments to 71 and 290 systems.**

Mr. Wilson presented on this item, provided as Exhibit E.

Director Goodwin flagged a report from Dennis Lozano regarding Raw Waterline No. 2. Director Goodwin stated that his understanding is that WTCMUD 5, as a participant in the PUA, is going to request compensation for placement of the easement of the line. Director Goodwin stated that his understanding of the language in the Participant Agreement is that WTCMUD No.

5, as a participant, agreed to grant easements at no cost to the PUA. Ms. Albright confirmed that there is language in the agreement that easements from the participating entities will be granted to the PUA, but there is no reference to cost. However, she stated that this was likely the intent of the provisions as there would be a great deal of negotiation and language in the agreement relating to cost if contemplated.

Director Roberts stated that he would like to be a participant in a subcommittee to discuss this issue with WTCMUD 5, and directed that the committee be composed of Directors Roberts and Goff.

Director Walden stated his concerns about Murfee Engineering having conversations with landowners about easements, and stated that some direction needs to be given to Murfee Engineering. He stated that if WTCMUD 5 is requesting compensation, then there might be a need to place a hold on the waterline project. He asked that Murfee Engineering postpone easement acquisition conversations until some of these issues are resolved.

Mr. Murfee stated that MEC had spoken to the Lake Pointe HOA about easement acquisition, and that Lake Travis ISD will also need to provide an easement. Director Roberts asked for an estimate to obtain easements, to which Mr. Murfee stated that he would provide this quote in September. Director Walden volunteered to work with Murfee Engineering on these easements.

Director Roberts asked that staff and consultants be available at this meeting with WTCMUD 5.

Director Roberts asked about the Southwest Parkway Pump station expansion. Discussion ensued regarding expansion, and stated that the City of Austin will need to approve the plan. Discussion ensued regarding variances and exemptions and whether precedence was set in previous exemptions being granted to LCRA. Ms. Albright stated that she was not up to speed on this project and would have to look at additional information from past variance situations, as well as the current project details to provide an opinion.

Discussion ensued regarding condemnation and the ability of the member entities to condemn property within the PUA. Ms. Albright stated that it was always contemplated that the participating entities could use their eminent domain authority to assist the PUA, but the PUA has never asked them to do so. The Board directed legal counsel to prepare an assessment of the eminent domain options of the PUA through the member entities.

Mr. Cantu introduced Joseph Sifuentes – line supervisor. Mr. Sifuentes stated that he has been in this business for 26 years. The Board thanked him for his service and the wonderful job he is doing for the utility.

Mr. Cantu provided the operations report, provided as Exhibit G. He stated that water use is lowering to maintain a consistent volume of use.

He stated that the raw water Pump No. 1 has been in service the past 24 hours and staff is trouble shooting the pump's operations. Once this pump is operational, Pump No. 2 will be taken down for repair.

Director Goodwin stated that the difference between the average and maximum flows at the Lake Pointe WWTP is small compared to the Bohls WWTP. Mr. Cantu stated that operationally there is a way to split the flow, and Bohls has a higher performance value for the PUA.

Director Walden asked that on the next agenda there be included in the report a breakdown of soft and hard costs related to the Lake Pointe WWTP operations, and that there be a sub-category relating to odor control.

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.*

B. Discuss, consider and take action on process of amending Impact Fee Study, including Attorney General Opinion.

Mr. Klein stated that there was no update, but he was available for questions.

C. Discuss, consider and take action regarding establishment of bulk water fill stations in the WTCPUA service area.

Mr. Wilson presented on this item, providing an informational study provided as **Exhibit H**. He stated that he looked to information from DSWSC relating to their bulk water sales. Mr. Wilson stated that he had discussed potential locations with water haulers, and had identified targeted areas based on these conversations. He stated that this is still a beneficial project in his opinion, but land acquisition is an issue that will need to be reviewed.

MOTION: A motion was made by Director Goodwin and seconded by Director Roberts to postpone review of Item VI.C until the October meeting for additional review.

The vote was taken with the following result:

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

Director Whisenant asked for clarification as to how much of the water provided by DSWSC may transfer to the PUA, and how much volume other than the DSWSC area would be anticipated to be needed. Director Roberts asked about the PUA's responsibilities regarding the water provided to DSWSC and whether the PUA should have concerns, as to how DSWSC is filling bulk hauler tanks. Ms. Albright stated that the PUA has certain obligations up to the wholesale meter, and has responsibilities under TCEQ regulations and statutes, but she was not aware of any liability relating to DSWSC's activities regarding bulk water sales.

VII. NEW BUSINESS

A. Discuss, consider and take action on PUA salary study.

Director Roberts stated the Board looks forward to staff evaluations.

B. Discuss, consider and take action on General Manager annual review.

The Board has reviewed the General Manager and recognized significant accomplishments.

MOTION: A motion was made by Director Roberts and seconded by Director Goodwin to raise the General Manager's salary to \$165,000.

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 Amendments to Murfee Engineering Work Authorizations, including:

- 1. TLAP Major Amendment Application**
- 2. SH71 1280 Elevated Storage Tank Construction Administration**
- 3. 1340 Water Line Additional Services**
- 4. Crystal Mountain EST Service Area Control Valve**

Mr. Murfee presented on this item, with a summary memo provided as **Exhibit I**. In the past, most of the work orders had been provided on an individual basis, with an estimate to completion. He stated that there are numerous projects that have come in under-budget, but three are currently over-budget. The first is the TLAP Amendment, and is asking for an additional budget with an amount not to exceed \$150,000. He stated this is due to the increase in scope.

MOTION: A motion was made by Director Goodwin and seconded by Director Walden to approve the amendments to Murfee Engineering work

authorizations for the TLAP major amendment application not to exceed \$150,000.

The vote was taken with the following result:

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

Mr. Murfee next addressed the construction administration for the SH71 1280 elevated storage tank that is completed. He stated that there was a two-month issue of going to the Federal Aviation Administration requiring an additional permit due to the height of the storage tank. He stated that there were several problems with a local contractor, and additional items that needed completion with respect to the project. He stated that they are requesting an additional \$82,000, for a total amount not to exceed \$240,000.

MOTION: A motion was made by Director Whisenant and seconded by Director Walden to approve the amendments to the Murfee Engineering work authorizations for the SH71 1280 elevated storage tank not to exceed \$82,000 for a total of \$240,000.

The vote was taken with the following result:

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

Mr. Murfee next presented on the 1340 waterline additional services, stating that Murfee Engineering performed easement acquisition, which has resulted in additional time spent. He stated that these services were not included in the original work order. Mr. Wilson confirmed that the Endeavor project will receive service from the Belterra districts, and a second master meter is being installed at the developer's expense.

MOTION: A motion was made by Director Goodwin and seconded by Director Whisenant to approve the amendments to the Murfee Engineering work authorizations for the 1340 waterline additional services not to exceed \$165,000.

The vote was taken with the following result:

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

Mr. Murfee stated that the Crystal Mountain elevated storage tank project is largely related to SCADA. He stated that there was some hardware needed that was not anticipated.

MOTION: A motion was made by Director Robert and seconded by Director Walden to approve the amendments to the Murfee Engineering work authorizations for the Crystal Mountain elevated storage tank project not to exceed \$49,999.

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 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.**

Director Roberts directed that this item be postponed until September.

- E. Discuss, consider and take action on watering restrictions, including:**
- 1. Necessity of watering restrictions in 71 system.**
 - 2. Necessity of watering restrictions across entire system.**

Director Roberts asked if there were any legal concerns to lifting water restrictions, and Ms. Albright stated that the PUA would need to follow its Drought Contingency Plan if restrictions were required. However, if the PUA is voluntarily imposing restrictions on customers then there is no obligation to have these restrictions in place at this time.

Director Roberts requested that between 12:00 am and 4:00 am there should be no watering on the Highway 71 system, but otherwise lift the restrictions. Director Roberts confirmed that this would not have a negative impact on PUA operations.

Director Goodwin confirmed that watering is allowed 4 am – 10 am and 7pm – 12 am as well as twice per week.

MOTION: A motion was made by Director Roberts and seconded by Director Goodwin to remove the 2-day per week watering restrictions on the Highway 71 System, but leave remaining times as-is.

The vote was taken with the following result:

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

Mr. Wilson stated that staff is not trying to restrict the customers' ability to use water. He stated that this watering schedule is supported by landscaping research that he has done. From a management standpoint, there can be concerns when everyone is watering at the same time. These restrictions ensure that there is water in the tanks when needed.

Director Goodwin asked when people are likely watering yards, to which Mr. Cantu stated that the concern is not necessarily peak use, but the time that the PUA needs to refill tanks from this peak use.

Director Whisenant stated that he would like to receive a proposal from staff, and that is why he voted no on the motion.

F. Discuss, consider and take action on MUD 22 request for Attorney General Opinion regarding PUA Service and Development Policies.

MOTION: A motion was made by Director Roberts and seconded by Director Goodwin to authorize legal counsel to file a response to the Attorney General opinion request.

The vote was taken with the following result:

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

**G. 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 the Investment Policy, included as Exhibit J. Ms. Smith detailed items that were updated in the Investment Policy consistent with the Public Funds Investment Act. She recommended approval subject to a change in Number 6 to incorporate bonds versus asset-backed securities.

Ms. Smith introduced representatives from BB&T and Sterling Capital Management, LLC to discuss investment options for the PUA that could result in higher yields.

Director Roberts stated that he has a small interest in Pioneer Bank and stated that he would recuse himself regarding the investment policy while staff and legal counsel review the PUA's investments with Pioneer Bank.

Donnie Fowler with BB&T addressed the Board. Mr. Fowler introduced Adnan Virani and Tony DeLucia with Sterling Capital Management who addressed the Board, providing materials on Sterling Capital attached as Exhibit K. He stated that the fixed income platform is approximately \$2 billion, and that Sterling Capital is a subsidiary of BB&T. He stated that the

portfolio presented at the meeting exceeds the yield of TexPool but has a high credit quality. Mr. Virani discussed the conservative investment approach of Sterling Capital, including risk management strategies. Next Mr. Virani presented proposed portfolios for the Agency, provided as Exhibit L. He identified the high quality of the proposed portfolios with AAA credit quality and low risk.

Director Walden asked about the proposed fee structure, and stated that it is 15 basis points for the first \$15 million, with rates changing with additional amounts invested. Director Whisenant asked if the portfolio would give the PUA flexibility with regards to access, to which Mr. DeLucia stated that the investments are liquid and dollars will be accessible on a daily basis, but will allow earning at a higher rate than is currently being seen. He also stated that the fee structure would not change based on access.

Phil Gatlin addressed the Board on behalf of BB&T discussing the custody of investments.

Director Walden asked if there was a way for Ms. Smith to check investments, to which Mr. Gatlin stated that reports are available daily online, and provided in paper form monthly.

Ms. Smith provided a recap, stating that she is requesting approval of the update of the Investment Policy with the change noted in item 6 to allow corporate bonds, and stated that it is staff recommendation to contract with Sterling Capital to maximize investments. She stated that the expected financial benefit to be approximately \$557,000 per year.

Director Goodwin stated that allowing information to be presented with backup provided at the meeting, does not give the Board enough time to ask questions for consideration prior to decision-making. He stated that he has confidence in staff for this decision, but he would like additional time to vote on this issue. Ms. Smith stated that the reason it was pushed for the August agenda was to assist with the budget process, and the budget will be approved in September.

MOTION: A motion was made by Director Whisenant and seconded by Director Walden to postpone consideration of Item VII.G.1 until the September meeting.

The vote was taken with the following result:

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

Director Goodwin stated that he has confidence in staff and is willing to vote on this matter to not impede the process. Director Whisenant stated that this type of change might have other questions from Board members once the information is reviewed by the Board and the public. Director Walden stated that he supported additional time for review.

- H. Discuss, consider and take action on FY 18 Budget Work Session No. 2, including draft expenditure budgets for:**
- 1. General Operating Fund.**
 - 2. Facilities Fund.**
 - 3. Impact Fee Fund.**
 - 4. Capital Projects Fund.**
 - 5. Rate Stabilization Fund.**
 - 6. Debt Service Fund.**

Ms. Smith presented the draft budget, provided as Exhibit M. She stated that the main changes from last month's budget presentation were to adjust interest income, add a line item to lab fees as a separate item, and a reduction in general counsel fees to reflect an estimate provided by attorneys in lieu of moving the position in-house. Ms. Smith stated that the IT line item reflects the cost of the new provider, and the audit line item incorporates the proposal in the current agenda packet.

- I. Discuss, consider and take action regarding consolidation of West Travis County MUD No. 5 and West Travis County MUD No. 3.**

This item was discussed in executive session.

- J. Discuss, consider and take action regarding FY 17 Audit Engagement Letter from Maxwell, Locke and Ritter.**

Ms. Smith presented this item, provided as Exhibit N. She stated that the amount is \$2,000 higher than last year, but the contractor had not increased fees in 3 years and there will not be the additional cost of fees for bookkeeping services necessary for the audit.

MOTION: A motion was made by Director Goff and seconded by Director Roberts to approve the engagement letter with Maxwell, Locke and Ritter.

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 execution session at 12:54 p.m. pursuant to Texas Government Code § 551.071 – Consultation with Attorney to address Items VI.A; VII F/I, and pursuant to Texas Government Code § 551.074 – Personnel Exception.

Director Roberts announced that the Board would go back into open session at 3:48 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 Robert, Whisenant, Goodwin, Goff and Walden

Voting Nay: None

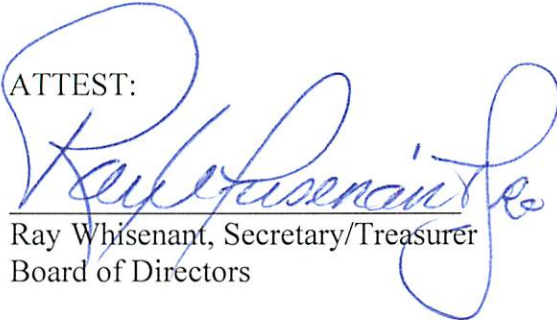
Absent: None

The meeting adjourned at 3:50 p.m.

PASSED AND APPROVED this 21st day of September 2017.

Scott Roberts, President
Board of Directors

ATTEST:



Ray Whisenant, Secretary/Treasurer
Board of Directors