

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

May 11, 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, Agency Program Manager
Keith Parkan, Senior Engineer
Jennifer Smith, Agency Controller
Stefanie Albright (Lloyd Gosselink Rochelle & Townsend, P.C.), Agency General Counsel
Dennis Lozano (Murfee Engineering Company, Inc.), Agency Engineer
Nelisa Heddin (Nelisa Heddin Consulting)

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

There were no public comments received.

IV. NEW BUSINESS

A. Discuss, consider and take action on proposal for establishment of Finance Committee.

Director Walden stated that he proposed the concept of a finance committee due to the amount of invoices that needed to be reviewed by the PUA, and it would make more sense for a committee

of PUA Board members to review the invoices and discuss any questions or concerns with staff ahead of presentation to the full Board.

Director Whisenant stated that he is happy to serve on the committee, but also recommended that Director Goff be considered and he would serve as an alternate if one committee member was unavailable.

MOTION: A motion was made by Director Roberts to establish a Board Finance Committee consisting of Directors Goff and Walden, with Director Whisenant serving as an alternate should another Director be unable to attend a meeting. The motion was seconded by Director Goodwin.

The vote was taken with the following result:

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

Director Goodwin stated that the Finance Committee should work out with staff to determine when meetings would be held.

B. Discuss, consider and take action regarding amendment to the WTCPUA Service and Development policies regarding delegation to the General Manager to execute PFCS letter and NSSAs for water and wastewater service.

Mr. Wilson presented on this item, provided as Exhibit A. He stated that at the last Board meeting a discussion was held regarding expediting SERs and NSSAs for SERs of 10 LUEs or less. Previous policy limited this authority to 10 LUEs or less within the PUA's water CCN, and the proposed changes allow the General Manager to execute PFCS letters and NSSAs for 10 LUEs or less for water and wastewater.

MOTION: A motion was made by Director Walden to approve the amendments to the WTCPUA Service and Development policies, as presented in Exhibit A. The motion was seconded by Director Whisenant.

The vote was taken with the following result:

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

Director Whisenant asked questions regarding the LUE amounts and correlation to Service Level A and Service Level B.

Mr. Wilson stated that there is a typo that should read “1 LUE per acre Gross Site Area” versus “1 LUE”, and Ms. Albright stated that this will be corrected.

C. Discuss, consider and take action on Capital Plan and Financing Update including:

1. Schedule for FY2018 Budget and Rate Discussions.

Mr. Pugh began a presentation on this item, provided as Exhibit B.

Director Roberts stated that there are several developers that he wants additional information on what infrastructure this information is tied to.

Garry Kimball addressed the Board regarding the PUA’s financial performance and bond issuance. He stated that the PUA’s policies provide for a minimum of 1.25% debt service coverage.

Director Goodwin asked if when the PUA sets impact fees, the consultants take into account the amount in debt service coverage. Ms. Heddin stated it depends on what can be funded with cash on hand. She stated that impact fees do not take into account debt service coverage. Director Roberts confirmed that the impact fee funds have to be paid towards the projects they were collected for, and Ms. Heddin confirmed that these funds are closely tracked and the projects tracked.

Discussion ensued regarding the PUA’s interest rates and the past financing issuances by the PUA.

Mr. Wilson next addressed the Board and presented on critical infrastructure history and future needs. He provided a summary of the information in the presentation, and stated that there are a lot of projects that have been implemented and several more in process to meet future needs.

Director Goodwin asked whether the Crystal Mountain tank is oversized, to which Mr. Wilson stated that the tank had a history of overflows, and he provided a summary of the future projects that will be related to the storage tank.

Director Walden asked for a summary of the costs related to the planned and past infrastructure projects.

Director Roberts asked whether the PUA, as a system, has a 32.5 MGD water treatment capacity, to which Mr. Wilson confirmed this is the limit set by the Board. Director Roberts asked whether the infrastructure systems are being modified to meet 32.5 MGD, or if there is the possibility for more capacity in those areas. He stated that he didn’t understand why the PUA would invest in projects that may give more than 32.5 MGD of capacity if the PUA’s policy is to be a finite system.

Mr. Lozano addressed the Board, stating that the capital plan is based on a 10-year period that is oversized beyond that 10-year scope. He stated that the question related to 32.5 MGD will come up later in the future.

Director Roberts asked how the future needs are tied together or looped and Mr. Wilson stated that there is currently no looping of the system.

Mr. Lozano gave an overview of the water and wastewater CIP projects. He stated that the 75/90 rule is an important guideline to determine when projects are needed, and ensures that facilities are being built as capacity is used. He stated that the PUA is required to look at impact fees in 2019, but may do so before. As a component of this impact fee study, consultants and staff will look at usage, growth status and projections, and the project list.

Mr. Walden asked about the Uplands Plant Expansion and confirmed that it would be a 10 MGD expansion. Mr. Lozano stated that this capacity may be phased. Director Roberts asked if there was a way to determine the cost of getting water from that 10 MGD to which Mr. Lozano stated that this analysis would be a component of a rate cost of service study.

Mr. Lozano confirmed that the beneficial reuse project is currently not in the CIP, but the plan is to include this project in a future impact fee study. Directors Roberts asked if the TCEQ waived the storage requirements to allow for direct beneficial reuse, how would the PUA go ahead with obtaining this allowance. Mr. Lozano confirmed that this is a component in the permit application to have an exception, although current TCEQ rules would not allow for it. The City of Austin is currently working to change the rule itself.

Director Goodwin asked if there was special accounting needing to be done regarding impact fee expenses. Ms. Albright confirmed that her firm would work with Ms. Smith to discuss the PUA's accounting of impact fees (collection/accounting) and what is required by law.

Director Roberts asked what impact fees could be spent on. Ms. Heddin stated that it depends on how much of the facility is attributed to impact fees, and what is included in the CIP.

Scott Wetzel addressed the Board providing an overview of the status of wastewater projects conducted by the Wallace Group. Discussion ensued regarding the Spillman Pond Liner replacement project and specifications relating to the liner.

Mr. Wilson next addressed the Board and detailed other capital projects ongoing, including the final LCRA installment payment and SCADA improvements. Director Goff asked about the \$18.2 million budget, where \$17.1 is identified with costs, but inquired as to the timing on these projects. Mr. Wilson stated those projects referenced have a 1-2 year timeframe. Director Goodwin asked whether there has been a design or identification proposed for the repainting of the tanks. Mr. Wetzel stated that the PUA's logo would replace the old PUA logo. Director Goodwin stated that he doesn't like the logo, but he would defer to the Board on use of the logo. Mr. Wetzel stated that the PUA could have the name only rather than the logo. Director Roberts stated he would prefer that the tanks be painted and no logos included. The Board concurred and directed that the identified tanks be painted with no logo.

Mr. Pugh next detailed maintenance and repair reserves relating to PUA facilities and stated that these costs are anticipated on an annual basis. Director Goff stated that there needs to be a five-year plan on the maintenance and repair of facilities that may change every year. Ms. Heddin stated that the figures are an annual average that will be more specific moving forward.

Ms. Smith gave an overview of developer reimbursements and stated that there is an approximate liability of \$14.1 million to be due over an estimated 6-year period. Ms. Albright stated that some developer reimbursements had been already paid to developers by separate agreement.

Ms. Heddin provided an overview on previous spending and Ms. Smith provided an overview of fund policies and balances, as well as future funding needs and projections.

Ms. Smith next discussed the funding projections for the Capital Projects Fund, identifying the planned 2019 bond issuance and possible planned issuance in 2021, including fund projections for the Facilities Fund. Ms. Heddin clarified that the projections relate to planned projects and are estimates.

Ms. Heddin next discussed the potential impact on rates. She stated based on the bond issuance in 2019 and anticipated budgeting and payments, it is anticipated that water rates may increase approximately 7% for water rates and 12% for wastewater rates. She stated this doesn't take into account whether this adjustment will be included in the volumetric or base rate, and also doesn't take into account budget savings being realized. Director Goodwin asked when these potential rate increases would need to be implemented, and Ms. Heddin anticipated they would need to be in place by May 2019.

Mr. Kimball addressed the Board and stated that there are relatively short call dates on the bond issuances, and the PUA may be in a situation where debt can be paid off early. He provided an overview on bond market interest rates, trends, and how these trends could impact future bond issuances. Director Goodwin asked how much latitude the PUA has to avoid a market swing, to which Mr. Kimball stated that the 2019 issuance is generally fixed, but any future issuances will have more discretion.

Director Roberts asked whether Mr. Kimball thought that impact fees should be collected for just capital, or capital and interest. Mr. Kimball stated that from an investor standpoint when the PUA is more mature then he could recommend collecting only for capital. Mr. Kimball stated that when the amount of future connection growth the PUA is dependent on is 25%, then the PUA would be considered a mature utility.

Ms. Heddin provided a summary of the presentation. She stated that historically rates have been reviewed every year, but staff needs direction as to whether rates will be adjusted for Fiscal Year 2018 or wait until Fiscal Year 2019.

Director Goff stated that additional discussions need to be held on rate increases before a determination is made, and he has a concern with adjusting rates at this time. Director Goff

stated that it's premature to look at rates when data is new regarding operations savings. Director Whisenant stated that the Board's focus has been keeping the utility operating with the rates as low as possible. He stated that the PUA has a single revenue capability that needs to be kept in mind when comparing the PUA's rates to neighboring utilities that have multiple sources of revenues.

Director Roberts asked how much of the budget goes to debt service, to which Ms. Heddin stated approximately 50%. Ms. Heddin stated that wholesale customer rates are designed to address each customer's buildout, which may increase every year and may impact future rate adjustments.

Discussion ensued regarding looping the system and impact on capacity and the CIP. Director Walden stated that he wanted more information on the looping. Director Goodwin stated that he didn't see any staff recommendations that he had concerns with.

Ms. Smith stated that she needed direction regarding a rate study to determine whether a work order would be presented at the next Board meeting. Ms. Heddin stated that a wholesale and retail rate study would be approximately \$41,000. Director Roberts asked how investors would react to the PUA's lowering rates, and Mr. Kimball stated that it would likely result in a higher interest rate on future bonds. He stated that the PUA's operating history only goes back five years, which impacts the analysis.

Director Roberts asked whether staff anticipated that the current cost savings would still be realized in 2018, to which staff confirmed that this is likely if the circumstances remain the same.

Director Walden stated that at the next Board meeting he wanted a report on the uses of impact fees so that impact fees could be used for debt service or direct funding of projects. He stated that he wants the utility to have the option going forward to use impact fee payments for debt service and for construction going forward, and to determine whether an impact fee study is necessary to do so.

Mr. Lozano stated that this calendar year the PUA crossed the line of total CIP expenditures that LCRA had planned in 2012, so the PUA has taken a lean approach to the debt and rates that would be taken on by the utility.

Discussion ensued regarding the adjustment of rates and need to adjust wholesale rates based on the absorption schedules.

The Board stated that it did not anticipate any rate adjustments for FY 2018 and directed that no rate study be conducted at this time.

V. 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

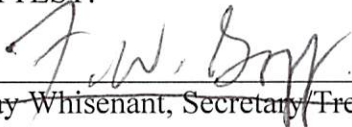
The meeting adjourned at 2:00 p.m.

PASSED AND APPROVED this 15th day of June, 2017.



Scott Roberts, President
Board of Directors

ATTEST:


Ray Whisenant, Secretary/Treasurer
Board of Directors