

Minutes
Lakeway Municipal Utility District
Board of Directors Meeting
March 11, 2009

The Board of Directors met in REGULAR session at 9:30 a.m., at 1097 Lohmans Crossing, Lakeway, Texas, with the following:

Directors Present:	Kay Andrews Jerry Hietpas Allan Hitchcock Tom Priddy Tom Rogers
Staff Present:	Margaret Cathey Richard Eason Tommy Farrell Roger Fry
Others Present:	Mike Willatt, Attorney Dave DeOme, COL

QUORUM

1. Determine Quorum and Call to Order.

President Rogers declared a quorum of Directors present and called the meeting to order.

CITIZENS

Eason announced that John Hastings' mother had passed away last Friday and the District would be making a donation to the local chapter of Alzheimer's Association in her name. He also announced that Bob Chidsey had passed away this week. Bob is Linda Wishard's father; Linda is the chair of the APC Committee. The District will send flowers to the memorial.

Elsa Hopkins wanted to know how the Board knew about ethics violation complaint against her, which is public knowledge. She wanted the Board to know ALL of the facts and circumstances, which were not included in a printout that was distributed to some of the members of the Board.

AGENDA ITEMS

3. Update on water facilities including barges, pipelines, treatment plants and distribution systems, including E-5 & pipeline and W-3/BP-1 construction.

Eason presented a slide show on several major projects under construction – E-5 tank and pipeline; BP-1 pumps; L-6 modifications; and W-3 new pumps. He stated that the District was still waiting on the landscape pricing for E-5.

The LCRA barge is being rotated to prevent hoses from crossing each other. The exterior of the hoses are also being reinforced for wear and tear. The District is the general contractor; we will pass the cost on to LCRA; LCRA will, in turn, pass on 41% of the cost back to the District and the other percentage on to other various participants. The project cost is \$58,000.

The high rate testing of the water plant revealed our sample testing locations needed improvement; we are proceeding to remedy that.

4. Update on wastewater facilities including collection systems, pipelines, treatment plants, holding ponds and irrigation systems, including LS #6 construction.

We have replaced a large pump at L-12. The total pond levels are between 7-8 MG; they are normally between 80-90 MG at this time of the year; lack of rain and reuse customers using a lot of water according to LCRA's Bob Rose. The outlook for the next several months is very dry. We are making plans to transfer lake water very early this year.

We needed to recoat structures at S-4 and S-5 and the bids came in a little high, so the staff has taken on the job; they have applied 45 gallons of paint to both sites saving thousands of dollars for the District.

5. Update on Capital Improvements Plan, including #17 Interconnect, W-3 Sludge Collector, S-5 Bubble, Collection System Odor Control, W-3 Permanent Office and S-4 Maintenance Building.

District #17 Interconnect

- Survey work done
- Preliminary engineering underway

W-3 Sludge Collector

- Preliminary engineering underway
- Review options with suppliers

S-5 Bubble

- Assessing equipment needs for possible energy savings

Collection System Odor Control

- Scope of work is included in the packet
- LS-1 many pumps going into L-1 and having odor issues
- Tallstar area still having odor problems
- E&O Committee put this as a higher priority

Hietpas made a motion to move ahead with this project as proposed in the scope of work with the caveat that we pursue saving money with the District serving as the general contractor. Priddy seconded the motion. Motion passed unanimously.

Hietpas requested that staff hold off on moving forward with the W-3 and S-4 buildings due to the possible takeover from the City. Staff has already met with an architect for W-3; preliminary estimate and proposal will go to the E&O for review. Preliminary needs and scope of work will still move forward.

6. Consider Authorizing the District Financial Advisor and Bond Counsel to take all necessary and appropriate steps and prepare all required documents for the sale of the District's \$5,870,000 Unlimited Tax Bonds, Series 2009 as approved by TCEQ.

Rogers read a letter from Paul Phy, Bond Counsel stating that the District should move forward now to sell bonds. The question was asked on why MUD would sell bonds now, when we have money in the bank. The District's money on hand is committed to projects. Hitchcock made a motion to authorize the selling of the bonds. Priddy seconded the motion. Another question was asked – how does this affect the possible COL takeover; the City would have to assume the debt. Dan Wegmiller, the District's Financial Advisor, briefed the Board on the need to go to Standards and Poor to obtain a new bond rating. Selling the full amount would cover all the projects listed above. Motion passed unanimously.

7. Amend Out of District Wastewater Rates.

Eason received a phone call from Cole Rowland and inquired about the calculation of OD WW rates for a neighbor. Years ago when the formula for setting the OD rates was established, the average OD home value was in line with the average ID home value. An anomaly was created over the past couple of years because many of the homes that have been added OD have been high value homes; thus driving up the average OD value. Eason met with two different OD WW customers, Rene Mallett and Ed Maeder, and explained the process. Eason then read a memo to the Board explaining how this happened and how we can make it right. He proposes to decrease the rates with homes valued below the average ID value (~\$375,000) and leave the homes that are higher than the average ID alone for this fiscal year. The District would lose about ~\$15,000. Eason stated this is a fair and right thing to do. Priddy made a motion to make the rate change as Eason outlined. Hitchcock seconded the motion. Motion passed unanimously.

8. Update on City of Lakeway takeover.

Rogers read a memo to the Board explaining meetings with Senator Watson and Rep. Bolton. The District has hired a legislative consultant (lobbyist) and a PR firm. The PR is currently conducting a survey of our customers; may have results on Friday. Rogers and Hitchcock met again with Watson and Bolton reps; the bill has not been filed yet; Watson still has concerns about it; needs to be rewritten to protect the customers; could be filed on Friday. Bolton has stated that she will not submit it to the House until it passes in the Senate. Rogers has met with an employment lawyer who specializes in employee separations; Rogers may not be able to protect the customers from a City takeover, but told the employees present he wants to take care of them. Rogers will come back to the Board next month with a recommendation on retaining the employees.

Elsa Hopkins asked if any employees were searching for other employment – Rogers answered yes. Mel Neese asked why they wouldn't work for the City – Rogers responded that there was no guarantee that they would be hired by the City and no guarantee of pay equity. Buddy Cook stated that the survey that was done was biased toward the District. Cook also

stated that the District is a viable operation and he fails to see how a takeover would be equitable; he said this will not be a level playing field. Neese asked when the bill would take effect – Willatt replied, typically September 1st. Rogers said that it was his understanding that the City’s proposed legislation had not yet been filed. Dave DeOme stated that Rogers’ statements regarding the status of the legislation are consistent with what he has been told. He stated that a specific study would have to be done and public notice requirements had been added to the legislation. If the takeover does occur and the District was dissolved, there would still be a City water department; people are not going to be fired; most of the employees should not be worried. Priddy asked DeOme what is the motivation for the takeover? He explained that over the years, MUDs lose their usefulness and two different bureaucracies overlap. DeOme explained that the City has been advised by their counsel that the District Board cannot dissolve themselves; LMUD is a creation of TCEQ and only TCEQ can dissolve LMUD. The question was asked if the City would be annexing the other MUDs in the City. Someone commented that he has not heard that someone else can do a better job for less cost. In Steve Jones’ letter to Watson, he states that 51% of the customers in the District will pay higher wastewater fees. Rogers added that these same customers would not be able to deduct these fees from the income tax. A question was asked “why can’t the people vote on this”? PA Penley wanted to know what the advantages to the citizens are. Neese stated that the City needs the employees more than the employees need the City. Andrews stated that there is no guarantee that the City won’t rehire. Rogers then stated that this is a hostile takeover and the employees see a mess and don’t want to wait until the City takes over and then doesn’t hire them; not in this economy. Cook commented that both sides will be paying for this fight. Hietpas asked if both sides could come to the table and talk; Rogers pointed out he has asked for a committee to study this and the City replied no. A newsletter will be going out that will lay out some issues and raise the level of awareness of our customers. Andrews wanted to know how much we are spending on this fight; Rogers stated that he estimated we will spend between \$100-200K. Andrews stated that the Board needs to be informed first about the costs. Rogers stated that the City is spending \$65K on their lobbyist; DeOme replied that that amount includes another lawsuit. Priddy requested that we get the facts out to our customers; mailer going out next week. Hietpas stated that we need to stop any actions now. He wants the MUD commitments to spend to be authorized within the spending authorities listed. The Board must approve spending over \$10K. Rogers stated that he would put the spending authority on the next Board meeting agenda. Andrews stated that all we are hearing about is what we can do for the employees and not for the customers.

9. Amend Personnel Manual – 5.11 Retention Incentive.

Briefly discussed in Item #8. Tom Rogers stated is talking with a labor attorney on this matter, and more questions had come up, so that he was not ready to put it on this agenda as he had planned to do. No action taken on this item.

CONSENT AGENDA – Hitchcock made a motion to approve the consent agenda. Priddy seconded the motion. Motion passed. Andrews voted no.

10. Approve Minutes of Regular Meeting of February 11, 2009.
11. Approve Minutes of Special Meeting of February 20, 2009.
12. Approve Check Register for February 2009.

The new report is titled Cash Disbursement Journal and Payroll Journal.

- 13. Approve Write-off of Bad Debt.
- 14. Approve Capital Expenditure 09-04 Two new computers and software (\$9,000).
- 15. GENERAL MANAGER’S REPORT.

ADJOURNMENT

The meeting was adjourned at 11:26 am.

Respectfully Submitted,

Margaret A. Cathey, Assistant Secretary/Treasurer

Minutes approved on the _____ day of _____, _____.

President, Board of Directors

ATTEST:

Secretary, Board of Directors