

Minutes
Lakeway Municipal Utility District
Board of Directors Meeting
April 8, 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 John Hastings
Others Present:	Mike Willatt, Attorney

QUORUM

1. Determine Quorum and Call to Order.

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

CITIZENS

- Jerry Stein introduced himself as a candidate for Mayor; he is not in favor of legislation proposed by the City.
- Dave DeOme introduced himself as a candidate for Mayor.
- Mel Neese was concerned over the recent survey done by the District; and concerned over the recent board rules and responsibilities approved.
- Jerry Hietpas spoke about being tricked on agenda items and wanted APC governance on the agenda. Rogers replied there is no agenda item on retention incentive; there is no plan at this time.
- June Shaar stated that the Board was run by Hitler and Andrews was the only person on the Board who was for the people, and she appreciated Hietpas' service.
- Steve Swan talked about the rate study done by the City and the over recovery of funds of at least \$300,000. Rogers disputes the study Swan based his statements on, and Rogers has not been provided the study.
- Ed Metcalf, as a former member of the APC, he is concerned over the APC recommendations. He read part of his resignation of 2004 which noted that the District employees' raises were excessive.

- Frank Black stated that both sides of the takeover issue are contentious and both are spending taxpayer money; he believes this started with the placement of the E-5 and the CT-1 land sale; he wants to see a land committee made up of both sides to resolve these and any other issues. Rogers agreed that we are spending too much money, and the District will stop the spending and get back to normal when the City stops pursuing legislation affecting the District.

AGENDA ITEMS

3. Water facilities including barges, pipelines, treatment plants and distribution systems, including E-5 & pipeline, W-3/BP-1 construction and W-3 Permanent Office.

W-3/BP-1 project is almost complete; startup is a week away. The pipeline and tank for E-5 are currently on schedule.

A. Change Orders for E-5 pipeline.

Eason summarized the proposed change orders. Hietpas made a motion to approve the Change Order #1 for \$2597.56; CO #2 for \$2031.49; and CO #3 for \$52,881.30. Hitchcock seconded the motion. Motion passed unanimously. In response to Hietpas' question, Eason has informed Hurst Creek about what the District uncovered concerning Hurst Creek MUD pipelines during the E-5 line installation.

B. Change Orders for E-5 tank.

This CO was delegated to the Ad Hoc Committee (below).

C. Paint Color and Alternate Exterior Appearance for E-5 tank.

Janet Wright from the COL Beautification Committee and Andrews spoke about the appearance of the tank and what could be done to make it blend in with its surroundings. They have obtained a cost for alternate exterior from the current contractor/subcontractor that is approximately the same cost as the COL's requested extra landscaping plan. The contractor needs a base color choice now and final direction in two weeks to avoid remobilization costs. The District could go with the original landscape plan and the alternate exterior and stay within budget. The Board's Ad Hoc Committee consists of Janet Wright, Kay Andrews, and Richard Eason, who will meet with Steve Jones with the City of Lakeway. Priddy made a motion to authorize the Ad Hoc Committee to make a decision within a \$200,000 budget. Andrews seconded the motion. Motion passed unanimously.

D. Contract Services for W-3 Permanent Office.

The preliminary plans were presented to the E&O Committee with an estimated cost of \$200,000 for a 1700' building. Architectural services are proposed for \$19,358. The E&O Committee recommends moving forward with this project. Hietpas made a motion to

approve the contract with Seaux Pierce. Priddy seconded the motion. Motion passed unanimously.

4. Wastewater facilities including collection systems, pipelines, treatment plants, holding ponds and irrigation systems, including LS #6 construction and Collection system Odor Control.

The L-6 project is up and running with new controls and standby generator; staff is working on cleaning up the site.

A. Contract Services for Odor Control.

A proposal for design services for odor control for the Tallstar/Nautilus and L-1 near the Marina has been submitted with a budget of \$44,000. The E&O Committee recommends approval of the contract. Hietpas made a motion to approve the contract with Odor and Corrosion Technology Consultants. Priddy seconded the motion. Motion passed unanimously.

5. Capital Improvements Plan, including #17 Interconnect, W-3 Sludge Collector, S-5 Bubble and S-4 Maintenance Building.

All of these projects are in the design phase, with #17 interconnect being the furthestest along; conception drawings done; met with COL Building Commission for best site approval; verbal approval for easement from Buck DuBree. The W-3 project needs better definition; S-5 needs better definition and cost vs savings; and S-4 has no scope yet.

6. Legislation proposed by City of Lakeway.

A. Resolution Authorizing and Directing the Board President, the Ad Hoc Committee consisting of Tom Rogers, Al Hitchcock, PA Penley and Don Iburg, and the Staff to Take All Actions Necessary to Oppose the City of Lakeway's Decision to Seek Legislation Related to Amending State Annexation Law, or Other State Law, Applicable to Municipal Utility Districts Located within the City Limits, Including the Expenditure of Funds Regardless of Any Current Policy Limitations on Non-Budgeted Expenditures.

A resolution has been drafted to clarify what the Ad Hoc Committee can/cannot do. Priddy made a motion to approve the resolution. Hitchcock seconded the motion.

Rogers stated this was to clarify what we thought we already had done at the last meeting. Andrews asked who attended these Ad Hoc meetings indicated in the memo to the Board from the Ad Hoc Committee. Rogers replied there have been all kinds of discussions, and there was a meeting last Friday where all four members of the proposed committee and Willatt attended. Andrews said she had emailed Willatt questioning the legality of the resolution. She said the motion regarding tabling at the last Board meeting did not follow the Roberts Rules. Her research and opinions were based on quotes from Roberts Rules of Order, and District policy manual, meeting rules and order, and TCEQ handbook for water board districts. She said someone is going to challenge the Board. The rules say the Board is to rely on Roberts Rules of Order, and

the District cannot delegate its authority for a subordinate group to act independently for the Board. She cannot find in District bylaws that the Board can do what is being moved. Rogers asked Andrews if she wants the city to takeover the District, and she said no, she wants transparency, to follow the rules, and accountability. If we do not, someone will challenge us. She will stick to the law. An audience member asked if the Ad Hoc Committee meeting was going to be posted. The answer was no. Mel Neese wanted to bring in outside non-voters onto the Committee; and he is concerned about unlimited spending and who will monitor the spending. June Shaar asked if the District could guarantee not to raise taxes if the City took the District over (or not). Bill Rhue suggested modifying the Resolution to insert a financial limit, even if you have to come back to raise that amount later. Rogers stated that he thought the District would spend between \$100-\$200K on fighting legislation. To date, the District has spent \$59K. An audience member asked what the disadvantages of the City taking the District over; and also the advantages. Another question was brought up on "how would we know the General Manager would stay"? Dave DeOme stated the City must establish a utility department enterprise to be run separately and the utility revenue would pay its own debt, and not go into the City's general fund. Hietpas questioned the resolution expenses and contracts; they should not include an employment lawyer within the Resolution. Priddy made a motion to amend the original motion to cap the expenses at \$200,000, which includes the money already spent, and named Richard Eason and Margaret Cathey as the staff members on the Committee. Hitchcock seconded the amendment motion. Motion passed. Andrews voted no. The question was called on the original motion. Motion passed with Hietpas and Andrews voting no.

7. LCRA Conservation and Drought Contingency Plan.

Eason served on the LCRA Advisory Committee for almost a year and the Committee's findings and recommendations were presented to the LCRA Board. The overview is in the packet and the bottom line is that the LCRA will be developing new conservation mandates in the future. We will bear the expense in our raw water contract. We should expect to be required to reduce the water consumption.

8. General Manager Mid-Year Objectives Review and General Manager's Employment Contract.

Recessed into Closed Session at 11:30 a.m. pursuant to Texas Government Code:
Sec. 551.074 – Personnel Matters
Reconvened into Open Session at 11:52 a.m.

Eason's objectives were reviewed along with an updated employee contract for the General Manager. There were no material changes to the contract, just updating the information. Hitchcock made a motion to approve the contract with the proviso of amending Article 6, third line to include the word "perform" be inserted. Priddy seconded the motion. The original contract was negotiated in 1995 which was patterned after the former City Manager, Dave Benson's. Mel Neese asked if any of the information was retro-active; answer was no. He also questioned the District providing auto insurance for Eason's personal vehicle. Andrews made a motion to amend the original motion to exclude once per year conference travel for spouse. Motion died for lack of a second. Andrews stated the District's travel policy states spouses and

dependants cannot be reimbursed for travel. Andrews then made a motion to table the contract until next month. Hietpas seconded the motion. Motion passed with Priddy and Hitchcock voting no. The original motion died due to tabling.

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

9. Approve Minutes of Regular Meeting of March 11, 2009.

Andrews had several questions on the minutes.

10. Approve Cash Disbursements and Payroll Journal for March 2009.

Andrews indicated the cash disbursements journal is not descriptive enough.

11. GENERAL MANAGER’S REPORT.

- Andrews questioned Eason on field staff time spent on wastewater stoppages

ADJOURNMENT

The meeting was adjourned at 12:20 pm.

Respectfully Submitted,

Margaret A. Cathey, Assistant Secretary/Treasurer

Minutes approved on the _____ day of _____, _____.

President, Board of Directors

ATTEST:

Secretary, Board of Directors