

Minutes  
Lakeway Municipal Utility District  
Board of Directors Meeting  
January 21, 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 Tom Priddy Tom Rogers
Director Absent:	Allan Hitchcock
Staff Present:	Margaret Cathey Richard Eason Tommy Farrell Roger Fry John Hastings
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

- Elsa Hopkins asked about a City Council agenda item, from the previous evening meeting, regarding defined area for Serene Hills; did it affect LMUD.

AGENDA ITEMS

3. FY 2008 Audit.

Steve Lee, with Rick C. Reed & Co., the District's auditing firm, presented the audit to the Board and recommended approval. He stated the District was financially sound. He reviewed parts of the audit and answered questions. Andrews was concerned about the level of this audit. She questioned Lee about internal control of the District, such as credit cards, gasoline, trucks and check register. Lee explained that his company performed a financial audit; what Andrews was referring to was a performance audit. Willatt stated that LMUD is recognized by TCEQ and others as well run in the state. Andrews was also concerned over a statement in the Management's Discussion and Analysis regarding internal control; she believes this statement needs to be discussed more by the Board. She recommends another type of audit; are we in compliance with audit rule #112 (internal control). Lee stated that he did not find any non-compliance or significant deficiencies during the audit.

Hietpas made a comment that he would have liked to have been told beforehand that he was being recorded (Andrews had placed a recorder and microphone on the Board table at the very beginning of the meeting). Priddy made a motion to approve the audit as presented, subject to the addition of the Bond Counsel's statement regarding the Letter of Credit in the MDA. Hietpas seconded the motion. Motion was passed. Andrews voted no.

4. Water facilities including barges, pipelines, treatment plants and distribution systems.

Hastings told the Board that we have just completed the annual maintenance on the elevated storage tanks. All are basically in good shape. There was some rust on E-2 that was repaired. We will continue the maintenance program and may not have to repaint the tanks for many years.

Eason stated that Farrell and his crew are continuing to verify the GIS maps for firm locations of all valves and hydrants; the crew is also assigning unique numbers to all valves and manholes.

Hastings announced that he has received "unofficial" notification that the microfloc has been rerated from TCEQ. Once he receives the official notification, we will know exactly any limitations on the rerating. This has been a very long process and glad that it is complete.

5. Wastewater facilities including collection systems, pipelines, treatment plants, holding ponds and irrigation systems.

Farrell and his crew continue to inspect manhole coatings throughout the District. Some coatings have failed; 15-16 years old. Farrell continues to work with Raven Coatings on any issues and they support their product.

The source of the water leak at the S-4 embankment has finally been found; a crack in a T 2" line under concrete. There are large holes dug up all over the area trying to find the source of the leak. The crews are repairing the source and refilling holes; also repairing irrigation lines and wiring while digging.

The above ground irrigation piping in the greenbelt (NEPIP project) needs to be removed; Eason will discuss with the City.

6. Capital Improvements Plan.

A. Water Storage Tank (E-5).

A pre-construction conference was held and a notice to proceed was issued on 1/12/09; 150 days to substantial completion (around 6/12/09); two contracts (tank and piping); project is moving forward with staging areas at Tuscan Village and LW Church, with license agreements, at no charge.

B. W-3 High Service Pump Improvements (and BP-1).

The E&O Committee toured the site last week; two of four pump installation cans are substantially complete; pumps are due to arrive soon; motors for pumps due in mid February; project is in two phases; must keep two pumps going at all times; on schedule.

C. Lift Station #6 Improvements.

Pumps are to be delivered on 2/9; have not scheduled installation, but will do so soon; the District is the general contractor for this project; generator and underground propane tank have been installed.

D. WCID #17 Interconnect.

Eason met with Buck DeBree again to review a few issues on the easement; they have agreed in principal but he must get approval from his partners; we have the preliminary engineering on the easement metes and bounds; presenting the project to COL Building Commission Thursday morning.

E. W-3 Sludge Collector.

No engineering has been done on this project; we will improve water processing efficiency, but likely very little savings of cost.

F. S-5 Fine Bubble.

No engineering has been done on this project; we are moving forward with preliminary engineering to identify potential savings of money and energy; the E&O Committee has directed Eason to determine the horse-power reduction on this project; need to put a value on it before next steps.

G. Collection System Odor Control.

This project originally focused on Tallstar, Nautilus and Lakeway Blvd, but may be switched to the lift station at the Marina/Lakeway Inn. Farrell stated that there were still a few odor problems in the Tallstar area. Eason suggested that if the District does this project in-house that both areas could be controlled with the available funds.

- H. W-3 Permanent Office.
- I. S-4 Maintenance Building.

Neither of these projects was discussed in the E&O meeting due to Hietpas not being in attendance; discussions will be resumed at the next E&O meeting. These two projects are the lowest priorities.

The FAA Committee met and recommended moving forward on all CIP projects, because we have enough cash on hand for all of them. The recommendation is to move ahead if we will be saving money due to lower demand for construction services. The District has a good reputation with contractors. The above projects are listed in priority order.

We received information from TWDB about possible access to the State Revolving Fund. Paul Phy stated in an email that he didn't think the District could qualify, but it wouldn't hurt to apply. The District (Alan Phillips) is moving forward with due diligence in applying to TWDB. Alan would manage the bureaucracy and red-tape with them. At this time, their rates are no better than the banks; they also have substantial origination fees in addition to those our financial advisors would charge. The District can make an informed choice once we start the process of selling bonds.

#### 7. Repair of Yaupon Tank Floor Coating.

Yaupon tank has been cleaned and will be back online after lunch, temporarily; it will go back off-line on Monday. The contract has removed 80% of the floor coating; there were a few noise complaints; Eason has talked to contractor; two more days of noise. The dry sandblasting should be quieter and then several days of recoating. The original proposal was for the floor only; contractor determined that it was in our best interest to recoat the sides; we need to start from bare metal; \$40k increase. The consensus from the E&O was to move forward; there is no alternative water path, while the tank is off-line, which creates stress for starting and stopping work; we could also delay the job if necessary. One option could be to install a temporary tank to keep our reuse customers wet and budget for a new tank next year. The scope of this repair has changed significantly; \$10K to \$30K to \$70K; not well planned considering current knowledge. This tank is 20 years old and has been recoated two times. The argument could be that has this tank used up all of its life. We have used the contractor before and does good work; we have no reason to doubt what he is recommending. Eason explained to the Board the relationship of the golf course and the free use of our reuse water. The contractor originally offered a yearly maintenance for \$2800/year, but he was apprehensive on the warranty without redoing the walls also. Eason will obtain a technical assessment of the tank from an outside source. Hietpas made a motion to authorize Eason to spend the necessary money with the consensus of the E&O Committee and the Engineer. Priddy seconded the motion. Motion passed unanimously.

8. Identity Theft Prevention Program.

This program is required by federal law; template came from Texas Rural Water Association. Andrews made a motion to approve the program. Hietpas seconded the motion. Motion passed unanimously.

9. Request for Proposal – Website Update.

The District's website was originally designed many years ago by our then tech guys. It is now outdated in software and format. Andrews expressed that \$5K was too much of a budget and suggested we get a high school geek to do it for \$100. Eason suggested that having a high school student work on our website was not a good idea. The Board agreed to eliminate the budget amount in the RFP and let the market show the cost. Hietpas made a motion to approve the RFP. Priddy seconded the motion. Motion was passed unanimously.

10. Association of Water Board Directors.

Andrews wants to attend the AWBD conference in Austin. Hietpas made a motion to approve her attendance. Priddy seconded the motion. Motion passed unanimously.

CONSENT AGENDA – Hietpas made a motion to approve the consent agenda. Priddy seconded the motion. Motion passed unanimously.

- 11. Approve Minutes of Special Meeting of December 3, 2008.
- 12. Approve Minutes of Regular Meeting of December 10, 2008.
- 13. Approve Minutes of Special Meeting of December 19, 2008.
- 14. Approve Check Register for December 2008.

Andrews had a few questions on the check register and then commented that she had talked with Peachtree and has been emailed instructions on how to include the information she wants on the check register.

15. GENERAL MANAGER'S REPORT.

- Hietpas questioned why Committee Reports were no longer on the agenda
  - Willatt explained a new law about vague agenda items
  - The Committee Chair can come up with a standard list of items to be placed under Committee Reports on the agenda

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ADJOURNMENT

The meeting was adjourned at 11:50 a.m.

Respectfully Submitted,

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Margaret A. Cathey, Assistant Secretary/Treasurer

Minutes approved on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

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President, Board of Directors

ATTEST:

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Secretary, Board of Directors