

Minutes
Lakeway Municipal Utility District
Board of Directors Meeting
February 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 John Hastings
Others Present:	Mike Willatt, Attorney Dave DeOme, COL Several junior staff members

QUORUM

1. Determine Quorum and Call to Order.

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

CITIZENS

- June Shaar wanted to know why all the District employees were in attendance at this meeting. She also stated that the Board meeting time was set to prohibit working people from attending the meetings. She complained about daytime meetings. She then stated that everything about the District needs to be posted on the website and publicized for transparency. People are getting their pay cut.

AGENDA ITEMS

11. Association of Water Board Directors – Texas Mid Winter Conference.

Andrews attended a conference sponsored by AWBD and wanted to share some valuable information with the Board. Some items of interest to the Board were: watch upcoming legislation, especially the need for emergency generators; security bond sales – don't borrow unless you really need the money; avoid borrowing; tips on saving on energy; network with other Boards' members; the District is behind the times on website; tighten our belts; and education session for new Board members, which she recommends that all Board members attend. Other MUDs are tightening their budgets. She said that this is all very important to save our country. Eason wanted to address the legislation comment – the Water Environment Association of Texas (WEAT), which Eason is a member, closely tracks all legislation regarding all water issues. The

Executive Director of WEAT retired from TCEQ and is WEAT's liaison to the legislature. One piece of upcoming legislation is the requirement to have generators available for emergencies. Emergency generators were put in the Bond Authority Election last year, but the Board has yet to schedule these. The need for generators will go back to the E&O Committee to discuss. Andrews has a disc on every session, and will deliver them to Rogers.

8. Employee Merit Pay.

Rogers stated that the APC Committee met to discuss the upcoming scheduled merit pay. Rogers stated three of the four members of the APC Committee oppose giving the employees the budgeted raise, but that he is absolutely opposed to that. Roger Fry told the Board that he left a good job to come to a great job; the employees pride themselves in their work; when he attends Board meetings, all he hears is negativity. Rogers reminded the audience of their two minute limit. June Shaar stated the District should never give a raise in this economy. Lynn Eason stated that the District has built up a very strong employee base; not giving the raise destroys morale and gives the impression that they are not worth the raise; possibly begin to have turnover. Rogers said the District has no financial difficulties; our revenue comes from rates – not sales tax. Charles Edwards asked about the market adjustment (MA) [previously called COLA] of 3.5% was given in October, which was larger than the City of Lakeway 3% annual raise. The MA recommendation is based on CPI and ECI based on our consultants recommendation last summer. Eason stated the 75% percentile target, and if the Board rescinds the merit pay, he will execute their decision although he is against it. He said that he had discussed it with them and that he and the supervisors were willing to forego their merit pay so the hourly workers could receive theirs. Rogers is against that because there is no reason to do that. Eason stated that we should not rescind the pay simply because “it looks right”. This year's budget is only .8% higher than last year. The staff had already tightened up on expenses. Water and waste water rates are lower than any surrounding areas. Not giving this raise would save .63 cents per month per customer. Fry stated that there is no employee turnover, so we don't have to go out and look for employees and retrain them. Priddy then stated that the Board reviewed the budget, including raises, six months ago. The Board's approval of the budget was conservative and the right decision. He does not see any reason to open up the process and make another decision. He stated the economy is not quite as bad as we think; he went to buy a new car and there were no incentives to buy. Elsa Hopkins suggested that this matter be tabled until a thorough study can be done of other MUDs in the neighborhood. Andrews stated that there are wrong things in the salary survey and the rate comparison chart that was distributed earlier is inaccurate. Eason stands behind the chart. Andrews then stated that the voters need to be aware of the District's bond indebtedness. At the conference she attended, other Districts operate with fewer employees. Voters do not understand what the District is doing. This issue needs to be deferred, and studied. Lynn Eason stated that this is not a budget issue, but a moral and emotional issue. Hietpas read a long statement regarding the indefinite deferment of the merit raise (attached to these minutes). Hietpas made a motion to indefinitely postpone the 2½ merit raise increase. Andrews seconded the motion. Andrews asked Willatt if the Board could vote in writing; his answer was no. Rogers called the question. Andrews then stated that she would love to give a raise, but feels intimidated by all of the employees staring at her. She wants the best for the employees and cannot in this tough economy, but wants to do what is correct and proper. She said she was using tough love and to give a raise would be abusing customers and taxpayers. If she wins the lotto, she will share with the employees. The question was called; Hietpas and Andrews voted for the motion. Priddy, Hitchcock and Rogers voted against. Motion failed. Eason asked Rogers if he could dismiss the employees from the meeting.

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

This past month is another historic month with high production and the continuing dry spell. Eason is meeting with LCRA on barge improvements; hoses are wearing out. The barge needs to be rotated 90 degrees, and needs a rubber coating on the hoses. Need to figure out the repair schedule and how they will finance it; should get done in the next couple of months; project costs about \$57,000, but LCRA will recover the cost through our user fees.

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

Recoated the Yaupon Tank; started with minor repairs; progressed into a more substantial repair; the inspector, Fred Hartmann recommended that we remove only part of the coating, due to the fact that it was very well adhered; overcoating was done instead. This recoating should last 6-8 years; final cost of \$54,000 (less than anticipated \$70K). Eason noted that this savings would cover the merit increase discussed earlier. The warranty is for a year and then a pricing of \$2400 per year for maintenance. If this tank coating continues to fail, we may need to look at building a new tank; yearly inspections will tell us. The contractor had several pieces of equipment stolen from his work site.

The leak at S-4 has been repaired, but site rehab is still ongoing.

5. Capital Improvements Plan.

A. Water Storage Tank (E-5).

We have received the first progress payment requests for the tank and pipeline; progress on schedule; excavation 80-90% complete; some fill going to hospital site; Natgun superintendent will be on-site next week (from New York); currently reviewing submittals on materials; submitted landscape plan to COL and has been approved. The new plan calls for a berm on one side with the trees planted on the berm; therefore the trees will be six feet taller. The cost of the landscaping has gone up, due to the City's request, but the total has not been determined. The pipeline is going in the ground alongside Lohmans; Emmaus driveways will be closed at different times and we will give them advance notice; need to coordinate with the school crossing; about 100-200 feet of pipe is being installed daily. The Hills entrance will be closed for 1-2 days, while they put pipe in; will be coordinated and has already been approved by them; it was their preference to other alternatives.

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

W-3 - Two of the four pump cans have been installed; piping is done; electrical work is progressing; completion at the end of March; motor order snafu – update on Friday.

BP-1 – Two pumps installed; close to tie-in; go on interconnect with Hurst Creek for World of Tennis pressure plane; shut down and make final connection.

C. Lift Station #6 Improvements.

Project is moving forward; setting up schedules; pumps are due on Thursday.

D. WCID #17 Interconnect.

Met with COL Building Commission; moved the site 50' for the valve house; will cut into the hill and build a retaining wall; Buck DeBree supported the new site; design is moving forward; no specific elevation needed; will create a flat spot for the building and driveway.

- E. W-3 Sludge Collector.
- F. S-5 Fine Bubble.

Checking with suppliers on moving forward on design.

- G. Collection System Odor Control.

We are moving forward on designing for L-1 and Tallstar/Flamingo/Nautilus area. The District will be the general contractor to save money.

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

The E&O Committee has tasked staff to identify our needs. Then we will come up with a design and cost and bring back to the E&O.

6. Financial Advisory Services.

We solicited several firms; three declined to bid; three had no contact; we received four bids; two from Houston and two from Austin. Travel would be added to our costs if we went with a firm in Houston. We have a positive experience with the new company members, SPFI; they all left First Southwest. The FAA recommends going with SPFI. Andrews wants to know who their clients are. Our previous FA company, First Southwest, no longer contracts out FA services; they are only in the underwriting business. Hitchcock made a motion to approve the contract with SPFI. Priddy seconded the motion. Andrews questioned who was their backing if something goes wrong? Staff will get insurance papers. The motion was amended to include contingent upon suitable insurance requirements to the Board. Motion passed. Andrews voted no.

7. Letter of Credit for Las Ventanas Land Partners.

Rogers briefed the Board on the history of the Letter of Credit (LOC). The final draft was just received late yesterday afternoon. Andrews said it arrived too late to read for this Board meeting. Eason said if we do nothing, we will be exposed in March. We have the LOC to secure our money if Rough Hollow stops paying. The LOC is an annual hassle. The previous LOCs have been with Chase, but the developer no longer banks with Chase, so the LOC is being drafted from First Tennessee Bank. Willatt expressed two different concerns; the strength of First Tennessee Bank; and the drawing procedures. Both concerns have been addressed. Hitchcock made a motion to approve the LOC. Priddy seconded the motion. Motion passed. Andrews voted no.

9. Personnel Policy Amendment regarding Merit Pay.

This item was not necessary due to the failure of item #8.

10. Board of Directors Duties & Responsibilities Policy.

Priddy explained that over the past several months, there have been disruptive situations with the Board. He wanted a clearer direction on his responsibility as a member of the Board; and as a director. Six weeks ago he decided he was not a director; he had no staff and no authority. Rather, he is a member of a Board of Directors, and he is to support that board. He wants to make the best decisions for the District. Priddy read District #17's conduct clause in the bylaws (attached to these minutes). The document presented for the District had been developed by Priddy and edited by Rogers, Eason and by Willatt and his law partner, and that is what was distributed to the Board in the meeting packet. Priddy wants our policy displayed on the Board Room walls to remind us what our responsibilities are. Andrews asked if this policy had gone through the APC Committee; Rogers said it did not because it was his executive decision to bring straight to the Board. Mel Neese wrote two amendments to the policy and they were included in the draft. Priddy made a motion to approve the policy. Hitchcock seconded the motion. Elsa Hopkins argued that the Board's responsibility is not only to the customers of the District, but to the entire general public of Texas. None of the commenters agreed with her. Hietpas was bothered by the word "dealings" and it was changed to "communication and contact". Janey Miller, with Fern Bluff MUD in Round Rock, was bothered by the District restricting individual Board members' rights. She also stated that we were violating open records, open meetings and open government laws. Hietpas said the concept of "one voice" prohibits him from revealing his voting record and airing differences in an election campaign. Andrews objected to hiring two lawyers to work on this rather than give it to APC and again expressed her insistence that this policy go to the APC Committee for review first. Rogers called the question. Priddy, Rogers and Hitchcock voted yes. Hietpas and Andrews voted no. Motion passed.

CONSENT AGENDA – Hietpas made a motion to approve the consent agenda. Hitchcock seconded the motion. Motion passed. Andrews did not vote.

12. Approve Minutes of Regular Meeting of January 21, 2009.

Andrews had several questions that were answered.

13. Approve Check Register for January 2009.

14. Approve Quarterly Report of Funds Summary (October – December).

15. GENERAL MANAGER'S REPORT.

- Eason explained the internal control over check writing approvals and signatures. Andrews gave a document of instructions to Eason on how Peachtree can have the added column she has been asking for in the Check Register. Eason said he wanted to do it and hoped now there was a way to do it.

ADJOURNMENT

The meeting was adjourned at 12:31 pm.

Respectfully Submitted,

Margaret A. Cathey, Assistant Secretary/Treasurer

Minutes approved on the _____ day of _____, _____.

President, Board of Directors

ATTEST:

Secretary, Board of Directors