

Engineering and Operations Committee Meeting

Minutes

April 25, 2013

The meeting was convened at 3:05 P.M., Thursday, April 25, 2013, at the Lakeway Municipal Utility District's office located at 1097 Lohmans Crossing, Lakeway, Texas 78734-4459.

The following Engineering and Operations (E&O) Committee members, GM, and Board Liaison were in attendance:

Don Walden, *Chairman*,
Carl English, *Committee Member*,
Earl Foster, *General Manager (GM), Lakeway M.U.D.*,
Jerry Hietpas, *Board Member and Board Liaison to Committee*,
Bob Rives, *Committee Member (Secretary)*,
Pat Rossmiller, *Committee Member*.

The following committee member was not present:

Harvey Harrison, *Committee Member (Vice Chairman)*.

The meeting's agenda had been distributed to all Committee members by Mr. Foster on April 23, 2013. The primary designated Agenda for the meeting was:

1. Amendment No. 4 of Agreement for Wholesale Water and Wastewater service between LMUD and TCMUD.
2. Update on Bond Application.

The committee members were advised that there was a meeting on April 22, between LMUD and TCMUD regarding Amendment Number 4 to the Agreement for Wholesale Water and Wastewater Service. During the meeting there was a technical discussion on the methodology of calculating saturations regarding TCMUD's cedar tract and turf areas. The meeting ended, however, over a contentious issue regarding TCMUD's request to install a package plant on a lease. The exclusion agreement of 1998 has a statement that allows TCMUD to install a package plant, although there is another statement that does not allow anything other than what is in the Districts specs and according to the S-4 Plant. LMUD did not want to assume responsibility for such a package plant and, furthermore, they do not have a standard for a package plant option. At this time TCMUD said they would proceed on their own.

There followed a discussion among the committee members. There was mention of a service agreement and discussion about how this is beneficial to both Districts. TCMUD has a service agreement with Crossroads and having more information about their total potential operational needs both for the present and future would be beneficial. The water balance that J. Miertschin, the engineer that TCMUD hired, presented to TCMUD was not agreed to by the District. We agreed to the Monthly, but not the Daily.

Next Mr. Foster gave the committee an update on the Bond application. He said that he took the Committee's recommendation of March 27, 2013, to the Finance Committee. The Finance Committee, however, pointed out that if LMUD financed the original total five projects for \$7.4 million they could save about a half-million dollars by issuing the Bonds early because the rates are very good at this time. The Finance Committee had also considered the five projects based on forecasts in cost of construction, inflation, and higher interest rates on bonds and determined that LMUD could financially handle the costs of borrowing for all five projects. Their recommendation, therefore, was to finance the \$7.4 million for the original five projects noting that LMUD does not have to use the full amount approved at this time. The LMUD could go ahead with the four projects recommended by the Committee but hold off on the Reuse System, if so desired, or even change the monies to another project (under proper guidelines).

Jerry Hietpas at this time said that he had changed his mind on the issue of the Reuse System. He handed out a draft statement he was planning for the Board (see attached). Basically, he noted that the four projects recommended by the Committee were fully justified on need, safety, and reliability; however, the fifth project was based on paybacks. The E&O Committee listed three paybacks:

1. Transfer of raw water for reuse,
2. Sale of land,
3. Adding more reuse customers.

The E&O Committee decided that because the paybacks would not start immediately and were contingent on other events happening, that the Reuse System was speculative. They also considered the additional cost of postponing the start and thus recommended the project be postponed. However, subsequent to the E&O's March 27th meeting it surfaced that the new Reuse Line will facilitate an expected favorable water balance that could free up some or all of CT-1 land.

Mr. Hietpas asked the Committee to evaluate the following factors in their considering a favorable position on the Reuse System:

1. The anticipated district growth, scarce water, and the increasing value of treated waste-water would be managed better with an adequate treated waste-water connecting line between the east and west sewage treatment facilities instead of the present separation of the two plants.

2. It is for the best long-term good of the community for LMUD to work together with three new MUDS in the Rough Hollow and Highlands area.
3. We already have at this time and continue to produce consistently clean and non-odorous treated waste-water, and customers would pay to use it instead of more costly potable water for irrigation.
4. Not being able to move and share treated waste water between the east and west storage ponds will require expenditures for greater pond increases in conjunction with expansion.
5. The continued isolation of the east from the west treated waste-water and storage ponds is an encumbrance on selling treated waste-water system and storage ponds and will only become worse with the uneven development on one side or the other.
6. It is financially attractive to add “210” customers (i.e., customers that are not included in the existing LMUD Waste Treatment Permits) to the point where there will normally be a shortage of treated waste-water requiring it to be supplemented with untreated lake water. Then LMUD could show to the TCEQ and/or legislators that the cedar tract would no longer be needed. With modifications to the District’s permits, the 60 and 40 acres LMUD cedar-tracts could be sold for developable property to suit both LMUD and Lakeway community plans.
7. In the long term the plan will reduce the capital money on expanding the potable water-treatment plant.
8. LMUD should be in position to continue to offer water and sewer service where needed to the community at attractive rates.
9. Pressurized untreated waste-water lines exist in only a few places in Lakeway, and the 25 “210” customers would soon use up their capacity (basically this has already happened).
10. Since 80% of the potable water sold in summer goes for irrigation, there is not enough treated waste-water from the remaining 20% to provide treated waste-water for irrigation to everyone. This is true even if the golf courses and the boulevard median were taken off treated waste-water and all of it also sold to individual homes--those that produce sewage for making treated waste-water. Accordingly, it will be necessary for the Board to set rates and perhaps modify the refusal aspect so treated waste-water is sufficiently attractive and the savings distributed fairly throughout the District. The connector line for this project will follow some golf course fairways and this will add more homes where treated waste-water could be provided from their back yards.
11. It is not financially feasible in the foreseeable future to add a completely new third distribution system for irrigation throughout Lakeway to take everyone off potable

water for irrigation. The bottom line in the foreseeable future is that most yards will remain as grass, not xeroscaping and most homes will need to irrigate with potable water.

Mr. Hietpas concluded his arguments for the Reuse System by saying he had sat in on the last Committee meeting and understood where they were coming from, but after a long and serious thought on the subject he concluded the paybacks are like the “chicken or the egg” question of what comes first. He feels that with the waste-water connector line the District will be in a stronger bargaining position for the paybacks the committee listed, as well as others. He said that without the line we are a step behind and thus strongly recommends to the Committee that now is the time to sell bonds for all five projects.

Mr. Foster added that the Bond Application draft was about 30% complete and they will review it with TCEQ when finished. It should be ready for June, 2013. The recommendations of the Finance Committee and the E&O Committee were presented to the Board. The Board tabled the recommendations but wanted to know more specifically how the fifth project benefit’s LMUD and be brought back later along with an updated CIP.

The Committee discussed Mr. Hietpas’ arguments for the fifth-bond project. Members present felt that the payback on Reuse System was not as speculative as originally thought, most especially after learning about CT-1 and based on the Lakeway community needs. After a full discussion along with further details regarding the CT-1 area, and reviewing LMUD area maps with a view toward potential future developments, the committee came to a consensus on the matter. The Chairman then motioned, and it was seconded, that:

The Committee (in a reconsideration of their March 27, 2013, recommendation) recommends that the Bond Financing include the Reuse System (a connection line which will transfer treated waste-water and/or lake-water from the west to east); and the original A-Bond issue for all five projects for \$7.43 million, which will free up all or most of the CT-1 area and provide for the possible sale of the other cedar tract of LMUD as potential paybacks.

Of those Committee members present there were four members for (4-yas) the recommendation and none (0-nay) against.

The next meeting was scheduled for May 30, 2013, at 3:00 P.M. Business was completed and the meeting was adjourned at 4:32 P.M.

Attachment: Draft Statement by Mr. Jerry Hietpas, dated April 25, 2013.

The minutes have been read and approved by e-mail:

These minutes approved this ___ day of April, 2013.

Yeas___, Nays___, Abstain___ .

Robert Rives, Secretary, E&O Committee, Lakeway MUD

