

Minutes  
Lakeway Municipal Utility District  
Board of Directors Meeting  
August 30, 2017

The Board of Directors met in SPECIAL session at 9:30AM at 1097 Lohmans Crossing, Lakeway, Texas, with the following:

Directors Present:	Larry Burmeier Lawrence Christian Tom Brewer Jerry Hietpas
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Directors Absent:	Don Goff
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Staff Present:	Earl Foster Joyce Henderson
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Attorney Present:	Trish Carls
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QUORUM

1. Determine Quorum and Call to Order

Meeting was called to order at 9:30AM.  
Burmeier declared a quorum of Directors present.

2. Pledge of Allegiance was led by Burmeier.

CITIZENS

3. None

AGENDA ITEMS:

4. Discussion and Possible Action to Approve Merit Increase for Budget FY 18.

- Foster reviewed increases in other area public sector organizations including schools and municipalities, and said these studies had been reviewed by both the APC and Finance Committees. Based on this data, Foster recommended an average Merit increase of 3%.
- General Board Discussion.

- Hietpas moved to approve 3% average Merit increase; Christian seconded.
- Motion passed unanimously.

5. Discussion and possible action to approve Health Insurance for Budget FY 18.

- Foster reviewed United Healthcare proposal for 4.9% increase, down from 11% after negotiations. Foster recommended staying with United for Medical. For Dental, LTD, STD, and Life insurance, we are still negotiating with Met Life and Principal to determine the best decision. The APC Committee has reviewed all of the proposals. Foster recommended we make the decision after seeing the final numbers.
- General Board Discussion.
- Hietpas moved to approve the United Healthcare plan as presented and authorize the General Manager to contract for one of the two dental plans that have been presented here based on his best judgement. Brewer seconded.
- Motion passed unanimously.

6. Discussion and possible action to approve Revenue and Expense Budget FY 18.

- Foster reviewed the Revenue and Expense Budget noting it had not changed from the last meeting. The budget represents a .7% (\$42K) increase over FY 17, and that if needed we can use some of the Rate Stabilization Fund to keep the increase at zero in July or August of 2018. The tax rate will be reduced by 1.02 from 13.60 to 12.58. Foster also proposed an increase in the upper tiers (30K+ gallons) for water usage.
- Burmeier and Hietpas expressed opposition to the usage rate increase; Foster stated the subject could be discussed further in the September meeting when more data would be available for the Board's review.
- General Board Discussion
- Hietpas moved to approve the Revenue and Expense budget as presented today; Christian seconded.
- Motion passed unanimously.

7. Discussion and possible action to Amend Exclusion and Development Agreement and approve process for Letter of Credit Alternative.

- Foster reviewed the original agreement that provided for a Letter of Credit for \$1.7M from Lakeway Partners (Rough Hollow) for the barge purchased from LCRA. That figure has been reduced to +/- \$900K, and HSD has asked LMUD to accept this amount in escrow in lieu of the Letter of Credit. This will require an amendment to the Exclusion Agreement that our attorney, Trish Carls will explain.
- Trish Carls, Attorney for LMUD, stated that the Letter of Credit expires on Sept 13, 2017. The current Exclusion Agreement does not allow for anything other

than the Letter of Credit and will have to be amended to allow for an Escrow Agreement. We do not have the Escrow Agreement at this point. Normally the Title Company will draft the escrow agreement. We need this agreement by September 6 to give us enough time to avoid calling the Letter of Credit. At this point, we are unsure if this is a temporary solution until another Letter of Credit is in place, or if this Escrow is permanent until the obligation is fulfilled.

- Carls then proposed a motion that gives authority to Foster, Burmeier, and Carls to execute an Amendment to the Exclusion Agreement and an Escrow Agreement replacing the Letter of Credit.
- General Board Discussion.
- Hietpas moved that the District's General Manager and legal counsel be authorized to try to negotiate an amendment to the "Revised and Restated Exclusion and Development Agreement" between the District and Rough Hollow Development, Ltd (as successor to Lakeway Partners, LLC) revising Paragraph 9 of that Agreement allowing Rough Hollow to provide alternative fiscal security in the form of an escrow agreement, and to also try to negotiate the terms of the escrow agreement. If all of the following conditions are met, I further move that the Board President or Vice-President be authorized to sign, and the Board Secretary to attest, the Agreement Amendment and Escrow Agreement on behalf of the District. The conditions that must be met in order for the Agreement Amendment and the Escrow Agreement to be signed on behalf of the District are as follows:
  - (1) the Escrow Agent must be acceptable to the District's General Manger, Board President and Financial Advisor; and
  - (2) the amount of cash deposited by Rough Hollow in the escrow account and available to the District must be \$900,000; and
  - (3) the Escrow Agreement must require the Escrow Agent to remit the escrowed funds to the District under the same circumstances as funds are currently available to the District under the existing letter of credit (in other words, under the escrow agreement, the District must be in a better or the same position as it is under the existing letter of credit); and
  - (4) the terms of the Agreement Amendment and Escrow Agreement must be acceptable in form and substance to the District's General Manager, Board President, and legal counsel; and
  - (5) in addition, all of the following events must occur on or before **5:00 PM CST on Wednesday, September 6, 2017:**
    - a. The District's General Manager must receive confirmation from the District-approved Escrow Agent that the agent has received \$900,000 in cash from Rough Hollow and that the full amount of the \$900,000 has been deposited into the escrow account;
    - b. Rough Hollow must sign the District-approved Agreement Amendment and Escrow Agreement;
    - c. The Escrow Agent must sign the District-approved Escrow Agreement.

If all of those conditions are met, I further move that the General Manager be authorized to release the existing letter of credit. If all of those conditions are not met, I move that

the District's General Manager, Board President, and legal counsel be authorized and directed to take all actions necessary to draw on the existing letter of credit.

- Christian seconded.
- Motion passed unanimously.

8. Discussion and Possible Action on Amendment to contract for 82 Acres from HSD-Lakeway.

- Foster pulled this item stating the documents were not yet available.

ADJOURNMENT

The meeting was adjourned at 10:45AM.



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Loyd Smith, Finance/Administration Manager

Minutes approved on the 13th day of September, 2017.



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President, Board of Directors



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Secretary, Board of Directors