

Minutes
Lakeway Municipal Utility District
Board of Directors Meeting
August 8, 2018

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

Directors Present: Lawrence Christian
Larry Burmeier
Don Goff
Jerry Hietpas

Directors Absent: Tom Brewer

Staff Present: Earl Foster
Joyce Henderson

QUORUM

1. Determine Quorum and Call to Order

Meeting was called to order at 9:00 AM.
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 and recognition to David Ybarra & Marshall James for passing their B Wastewater license.
- Foster recognized Ybarra & James for passing the test and pointed out that there is only about a 23% pass rate for those who take the test. He congratulated both and said their next goal is their B Water license.
 - The Board congratulated and applauded both employees.
 - No action was taken

5. Discussion and Possible Action to approve boat purchase to travel back and forth to the floating intakes on Lake Travis.
 - Foster reviewed the existing boat stating that it was purchased through a government surplus program, and that one of the motors has failed and parts are not available to repair it. The existing boat is made for heavy equipment and will not sink, but always has 6 inches of water in it.
 - Foster proposed that LMUD purchase a 2005 Bayliner with a 185 Horse Motor for \$4K, and added that he had presented this to the Finance Committee. He noted LMUD has been using it and it is sitting in our stall. He also noted we just use the boat to get to the barges to do necessary maintenance and repairs.
 - Goff asked how many engine hours are on the boat, and Foster replied that it is less than 300.
 - Burmeier asked if we were buying a new motor and this boat; Foster replied just the boat and not a new motor.
 - Goff asked what we would do with the old boat; Foster said we would try to sell the old boat, motor, and trailer. Goff asked if \$4K was a reasonable price and Foster replied that it was.
 - Hietpas said it was important to note that it would be purchased from an LMUD employee. Foster said that is stated in the Board notes.
 - Hietpas moved that the Board approve the purchase of the boat described in this discussion; Goff seconded.
 - Motion passed unanimously.

6. Discussion and possible action on presentation from LCRA to LMUD for a grant in the amount of \$100K for our reuse program on Live Oak Golf Course.
 - Foster said George Russel and Valerie Miller with LCRA were present and that we submitted an application for a grant with LCRA for our reuse project on Live Oak and they are here to present LMUD with the check for \$100K.
 - Russel stated that the check was on the way in another car, and that if the Board wanted to go on with the meeting until the check gets here that was fine.
 - Foster asked if Russel would like to go ahead and say something now.
 - Russel stated his name again and said he had the privilege of serving on the LCRA Board of Directors. He said he was here today to thank LMUD for their water conservation efforts. Management of our lakes is becoming more and more difficult as the growth continues. Russel also recognized Foster and said he hopes the LMUD Board understands how much work Foster has done on the Water Management Plan, and that Foster's input has been valuable to the Plan.
 - The Board thanked Russel and Foster.
 - No Action was taken.
 - The check arrived after Item 7 was approved and was presented to the Board.

7. Discussion and Consideration and action with respect to "Order Authorizing The Issuance and Sale of Lakeway Municipal Utility District Unlimited Tax Refunding Bonds, Series 2018; And Enacting Other Provisions Related Thereto."

- Foster stated Dan Wegmiller (Managing Director, Specialized Public Finance, Inc.) and Bart Fowler (Attorney) were present and would present the Issue and present some documents for the Board to sign.
- Wegmiller addressed the Board and stated that the items before the Board were an opportunity to refinance some debt just like refinancing a mortgage. He stated that under new laws Bonds have to be callable when refunded. The Series 2009 issue is callable and has interest rates over 4%. By refunding, we can get the rates just above 3%. That will create savings of just over \$494K over the remaining life. There is no extension of debt. We are assuming there will be a contribution of approximately \$1.2M by LMUD to pay down some of the existing debt of \$4.46M. The new issue is estimated right around \$3.3M. There are some costs involved with the new issue. Standard and Poor's charges for the rerating which is primarily for the investors to view LMUD's credit worthiness, and last week S&P affirmed the AA- rating LMUD has outstanding, which is one of the highest ratings that exists for MUD's. We are ready to proceed, and should be able to tell you next week what interest rate we can lock in. Bart Fowler is here to discuss any details the Board might desire before proceeding with any action.
- Hietpas asked Wegmiller for his credentials.
- Wegmiller responded with "Dan Wegmiller, Specialized Public Financing, financial advisors to the District (LMUD). Our role is to work with you when opportunities like this come up".
- Burmeier stated that we are reducing our debt by paying down \$1.2M and refinancing the balance.
- Wegmiller said that is correct. You are buying down the debt from \$4.46M to just over \$3.3M.
- Hietpas asked if there were any contrary opinions as to whether we do or don't do this.
- Wegmiller said that since we could only refinance those bonds that are callable, and the only risk is if interest rates should go down in the future, the opinion is to "take the bird in the hand" and realize the savings available now.
- Christian stated that the Finance Committee has been working with Foster on this for the last couple of years and that whenever the bonds became callable, the Committee was willing to recommend we use whatever funds were available to pay down debt and reduce the rate by refinancing.
- Hietpas asked again if there were any contrary opinions, and Christian indicated there were not.
- Foster stated there were 10 years savings of about \$50K per year, so there is about \$500K we won't have to pay.
- Hietpas asked if we had the opportunity to pay down more.
- Christian responded that we could, but then it gets into the projected needs for the Out of District project.
- Wegmiller noted that we still have other issues outstanding, so as those become callable we can look at funds available to do something similar.
- Foster noted the 2005 Series has a 3% penalty; that's why we didn't look at that issue. We have 2013 coming up in 2023 that we can look at.

- Hietpas agreed that looking at anything else doesn't make sense at this point.
- Bart Fowler, Bond Counsel to the District (LMUD), stated this was a little different than issues in the past in that it is a delegated refund which means that you are delegating the authority to the General Manager or the President to effectuate the pricing next week. There are parameters in place which means they cannot effectuate the pricing unless there is a minimum 3% savings and right now you are well in excess of that. Unless the market dramatically changes you are well within that. You are also under a maximum amount you can issue of \$4.46M for this refunding, and you are well under that. You are not actually approving the sale today; that will occur next week. If the market changes and you don't meet both of those parameters, you have 6 months to wait for the market to come back without having to take additional Board action. If both parameters are still good next week, the General Manager or the President will approve the pricing.
- Hietpas stated he was not sure to whom he should direct this question, but asked for a kind of a 40 thousand feet look at the amount of debt LMUD has and to what extent if someone says you're in big debt, or you are having to do these transactions about selling the land because you need the money can you respond to that? Can I say "Look at our Bond Rating; that tells you right there"?
- Wegmiller responded that Hietpas hit the nail on the head; the Bond Rating of AA- looks at how the District is managed, the economy of the area the District sits in, the financial performance of the District, and then the debt levels. Having the cash to buy down your debt just lowers the debt burden. That rating would not be in existence if you didn't have all of your categories in good order.
- Goff questioned the six months and asked how that would affect the sale.
- Wegmiller responded that the six months would come into play only if the interest rates escalated next week. If that happened, we would have six months to lock in a lower rate before doing anything. With the demand for bonds and your financial position, we don't see interest changing enough next week to affect this issuance.
- Foster stated that our ratio debt service to taxable assessed value is 1.07% and I believe when they combined it with our entire taxing district it's 4.55% ratio, so our 1.07% is pretty strong.
- Wegmiller said for comparison sake when we are working with MUD Districts around the Central Texas Area that debt burden is typically between 12 and 13%. That's with new homes being built, and that's why they are normally Triple B and waiting to get a better rating. That's why your rating is so good relatively speaking.
- Christian moved that the Board approve the Order authorizing the issuance and sale of the Lakeway Municipal Utility District Unlimited Bond Series 2018 and enact other provisions thereto authorizing the President or General Manager to take whatever action needed to enact this motion.
- Hietpas asked if the amount needed to be included in the motion.
- Christian responded that the amount is in the Order.
- Hietpas seconded.
- Motion passed unanimously.

8. Discussion and possible action about Contracts and agreements with MUD's 11, 12, & 13 on wastewater, water and reuse water.
 - Foster reviewed the contracts and agreements and stated we needed Board approval to proceed with the holistic approach and bring our attorney in to discuss the steps we need to follow using this approach with potable, reuse and wastewater for MUD's 11, 12, & 13. Our attorney is out, but we need to discuss some dates when we could go into Executive Session and discuss our options with her.
 - Burmeier said we need to wait until she can come in at the next meeting.
 - Hietpas stated what we are talking about here is a golden opportunity for a four way win. A win for LMUD gaining additional customers, a win for the developer, a win for the MUD 11, 12, & 13 customers through anticipated reduced cost, and a win for the City of Lakeway in that we are moving further along toward a regional organization which is an overall objective the community generally desires. There is still a big hurdle out there with District 17, but this would be another step forward.
 - Burmeier stated that right now LMUD is one of 5 MUD's serving the City of Lakeway.
 - Hietpas said that using this holistic approach, Districts 11, 12, & 13 will continue to be Districts unto themselves; it's simply a matter of them being served differently than they are right now.
 - Foster said he would get with the Attorney and discuss with her some dates we could get together perhaps at the Board or Budget meetings to discuss next steps.
 - Burmeier said that would be great.
 - No action was taken.

9. Discussion and possible action on 2018 Tax Rate and set public hearing date.
 - Foster stated that we have to take action on the Tax Rate. In September when we approve and adopt the Tax Rate after the Public Hearing, it cannot be higher than the Rate we approve today, although it could be lower. After the Public Hearing, we can adopt the Tax Rate.
 - Hietpas questioned the use of the Taxes.
 - Foster explained that the Taxes have the Operations and Maintenance included. The O&M is less than \$.02, and then the other portion of the Tax is the Debt Service.
 - Hietpas asked what the O&M was for; Foster responded it is for Wastewater; the Tax only affects the Wastewater customers. All of the Water customers pay through the service rates. We transfer P&I from the funds the Water customers pay to Debt Service. Out of District Wastewater customers pay a higher rate for Wastewater since they do not pay tax.
 - Christian asked what the risk was of the final budget numbers showing the need for a higher Tax Rate.

- Foster responded that this is based on the Assessed Value (\$1.3B), and we take that number and the Debt Service that we have and calculate it, so that is pretty set. We don't know what the interest rate on the new Bonds will be yet, so that drives the new rate for Debt Service.
- Foster stated that this has some assumptions in it that the Bond Refunding will show some lower debt service for next year. We didn't go 100% because we don't know what the interest rate will be yet.
- Goff questioned the base rate being an even dollar number, and Foster explained that we round off the few cents to make it an even dollar amount on the base rate. We adjust downward that few cents which is not material.
- Burmeier asked how our rates compare to other utilities in our area.
- Foster said he put that together last year and can show the results; what's tough is for instance in the City of Austin the first 5K gallons are low, but then it really escalates up. Also included in our rates are the 10% adjustment on the upper tiers we put in place last year.
- Burmeier stated our customers should know how our rates compare with others.
- Foster said he could put something together, but it makes it hard because some Districts have higher taxes and lower service rates.
- Goff asked if the comparisons had been published; Foster said he believed it is on the website. Foster stated we could publish something to all customers.
- Hietpas said we have to consider that assessed values are going up, and Foster replied we are reducing rates accordingly to compensate for that.
- Hietpas asked how the budget coming up compares to this year; Foster replied the total budget is only a 1% increase over last year, and only a 1.7% average increase over the last 7 years.
- Christian moved to approve the \$.1158 per \$100 evaluation and set the Public Hearing date per the General Manager's recommendation; Goff seconded.
- Foster said the Public Hearing date would be September 12, 2018.
- Christian added the September 12 date to his motion; Goff seconded.
- Motion passed unanimously.

10. Discussion and possible action on Progress of Out of District pressure sewer system for the first 17 sections of Lakeway Phase 1.

- Foster updated the Board on progress to date. We are still working on the survey; met with the surveyors last week regarding a couple of areas they had questions on. We are trying to determine any area that we might have to go outside of the 25 feet we have to work with. Next they will move to the Airport and survey and redraw our line to S-5. We are working with the City to get an easement that will allow a better route for the line.
- Burmeier asked about a meeting with the Airport to move the line closer to the runway and further from the homes.
- Foster reviewed his meeting with the Airport and learned that they would prefer a line parallel to the runway that would be a lot easier for us. Once we get it

surveyed we can have further discussions on the final plan. There will be 8 or 9 taxiways we will have to bore under.

- Goff asked if we have the equipment for that; Foster replied that this will be contracted out, and that we would have an LMUD employee there to ensure they don't get too close to the runway.
- No action was taken.

11. Discussion and possible action on CRU Pay Application #10 for Reclaimed Water System improvements.

- Foster updated the Board on the project and said the main thing we are waiting on from CRU is the O&M manuals. There will be one final payment after this one with a change order that will be a negative to CRU for some engineering fees they will have to pay. There were no change orders that cost us additional money, so this has been a good project. We are using it, and it is a good system.
- General Board discussion.
- No action was taken.

12. Discussion and possible action on FY 19 Revenue and Expense Budget.

- Foster said the Board can go over the Budget in detail, or call a special budget meeting, or even do it in September. He noted that the Finance Committee has looked at one draft and will be looking at it again. We still have to finalize the merit increases and he still has to research that, but it's looking like 3% and the APC committee still needs to review toward the end of August.
- Goff asked about benefits and said it appears a "pretty good pop" for that to go up.
- Foster said Health Insurance went up only 7.1%. Some of the numbers look inflated because we allocate differently year to year between Water and Wastewater. We will have Frost meet with the APC Committee and also look at Blue Cross before finalizing.
- Burmeier stated he would prefer to wait until we had stronger numbers.
- Foster responded these numbers are pretty strong. The only things that could change are health insurance and the 3% merit raise we have plugged in.
- Hietpas stated the budget we are looking at is 1.5% increase and that's in light of additional customers.
- Christian said he would prefer to have a budget work session to go over the numbers.
- Foster said it is a 1.3% increase over this year.
- Foster suggested September 5 for a budget work session. The Board agreed to the September 5 date at 9:30AM for the meeting.
- Foster stated he would start loading budget information on the Boardbook prior to September 5.
- Christian said while we are on the subject the budgeting process here at the District has really come a long way just during the short time I have been associated with the District. I compliment the General Manager for the amount of

hours that starts early in May and I think it speaks well for all of our Staff. It makes the Finance Committee’s job easy and makes the Board’s job easy. There is a lot of data and there can be a lot of questions and every question that I know of that is ever asked, we got the answer.

- Hietpas stated everybody is on board toward driving the costs down.
- Foster said we do have unexpected things occur such as replacing pumps. We have 24 lift stations we have to maintain and we are very fortunate to have a good maintenance program by a great staff making it work.
- No action was taken.

13. Discussion and Possible action on Financials, Calendar

- Foster reviewed the financials and stated that LMUD continued to be in good financial standing. In August we will pay \$1.2M on our Bonds.
- Burmeier asked about Monthly Billing; Foster stated we are in the process of reviewing additional costs and should have something on that next month.

Hietpas moved to approve the Consent Agenda; Christian Seconded. Motion passed unanimously.

CONSENT AGENDA:

- 14. Approve Minutes of Regular Meeting on June 20, 2018.
- 15. Approve Expenses over \$25K

ADJOURNMENT

The meeting was adjourned at 10:44AM

Loyd Smith, Finance/Administration Manager

Minutes approved on the 12th day of September, 2018.

Larry Burmeier, President, Board of Directors

ATTEST:

Don Goff, Secretary, Board of Directors

