



WEST-CENTRAL-TEXAS-MUNICIPAL-WATER-DISTRICT

410 Hickory Street, Abilene, TX 79601 · Phone 325-673-8254 · Fax 325-673-8272 · www.wctmwd.org

390th Meeting of the Board of Directors

| STATE OF TEXAS COUNTIES OF: JONES, SHACKELFORD, STEPHENS, TAYLOR, EASTLAND, AND PALO PINTO | REGULAR MEETING August 30, 2017· 9:00 AM ABILENE, TEXAS |
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| <p style="text-align: center;"><u>DIRECTORS PRESENT</u></p> <p style="text-align: center;"><u>ABILENE</u></p> <p>Russell Berry Kelly Kinard Norm Archibald K. O. Long Ron Butler Joe Canon</p> <p style="text-align: center;"><u>ALBANY</u></p> <p>Randall Palmore David Cleveland</p> <p style="text-align: center;"><u>ANSON</u></p> <p>Rowland Foster</p> <p style="text-align: center;"><u>BRECKENRIDGE</u></p> <p>Paul Prater</p> | <p style="text-align: center;"><u>DIRECTORS ABSENT</u></p> <p style="text-align: center;"><u>ABILENE</u></p> <p style="text-align: center;"><u>ALBANY</u></p> <p style="text-align: center;"><u>ANSON</u></p> <p>Jimmie Richmond</p> <p style="text-align: center;"><u>BRECKENRIDGE</u></p> <p>Stan Carstens</p> |
| <u>STAFF AND OTHER GUESTS PRESENT</u> | |
| <p>Chris Wingert, General Manager Christy Ferguson, Admin. Services Manager Ronnie Tilly, Operations Manager Blake Woodall, Planning and Dev. Mgr.</p> | <p>David Buhrmann, Attorney Debbie Strayer, Admin/Finance Specialist Jim Jansen, CPA</p> |

Call to Order

President Palmore called the 390th meeting of the West Central Texas Municipal Water District Board of Directors to order at 9:00 a.m. on Wednesday, August 30, 2017, in accordance with the statutes of the State of Texas. A quorum was present.

Public Comment

President Palmore opened up the floor for public comments. No public comments were made.

Appointment of Board Members, Bonds, Oaths of Office

President Palmore asked if the Board would move Agenda item 9a to the beginning of the meeting in order to allow Norm Archibald, the District's newest Director, to take his Oath of Office. The Board agreed. Mr. Buhrmann administered the oath to Mr. Archibald.

Minutes

President Palmore stated that the minutes from the prior meeting (#389) should be considered for approval at this time. Mr. Wingert asked that one correction be made on page 1.05; he stated that "low flow machine" should be "low flow regime". Mr. Prater made a motion to approve the minutes with that correction, Mr. Berry offered a second and the motion carried unanimously.

Consent Agenda

President Palmore asked if there were any comments or concerns with the Consent Agenda items, which include:

- Financial Statements for January, February, March, April, and May 2017
- Quarterly Investment Report for the nine months ended June 30, 2017
- Contingency Fund Balance Sheet for June 30, 2017
- Expense Vouchers for April, May, and June 2017

Mr. Berry made a motion to approve the consent agenda as a whole; Mr. Prater offered a second and the motion carried unanimously.

Mr. Canon joined the meeting right before the Management Audit Presentation.

Finance, Personnel and Customer Service Committee Report:

Management Audit Presentation and Approval of Audit Findings

Mr. Foster asked that Mr. Jansen present his audit findings, but first, Mr. Wingert wanted to give some highlights of the audit. Mr. Wingert stated that the District is required to either employ an Independent Internal Auditor who reports directly to the Board or to conduct a Management Audit once every five years. Mr. Wingert noted that the District has contracted with Becky Roberts, C.P.A. to perform the duties of Internal Auditor and has also chosen to conduct a Management Audit and that the last Management Audit was done in 2012. He then introduced Mr. Jim Jansen, C.P.A., to present his audit findings.

Mr. Jansen stated that the report contains some recommendations for the District, but overall the District is doing an excellent job. He said that Staff's goal setting and documenting goals is some of the best he has seen. Mr. Jansen commented that the Safety Program has improved since the last audit. Some of Mr. Jansen's recommendations include:

- Draft and implement a Fraud Policy
- Becky Roberts, C.P.A should review timekeeping processes
- Staff should conduct an annual physical inventory of capital assets
- Research cash investment opportunities such as TexPool
- A 10% salary increase for lower paid employees

President Palmore went on to thank Mr. Jansen for the job they did on this audit.

Mr. Wingert wanted to add a few additional comments and stated that regarding the fraud policy, the District does have several controls in place designed to reduce fraud. He also noted that the District does take an annual physical inventory of items used for the pipeline system (such as pipe, valves, dressers, and couplings) and that vehicles are inventoried when a new person is assigned to that vehicle.

Mr. Foster recommended that the Board approve the 2017 Management Audit; Mr. Canon offered a second and the motion carried unanimously.

Longevity Pay Increase

Mr. Wingert commented that the District currently pays \$4.00 per month of service for longevity pay. Mr. Wingert gave the Board a report and comparison of longevity pay throughout the area and noted that the District's longevity pay is less than most entities.

Mr. Canon made a motion that the Board increase the District's longevity pay from \$4.00 per month of service to \$5.00 per month of service; Dr. Long gave a second and the motion passed unanimously.

Personnel Policy Changes

Mr. Wingert stated that Staff presented possible Personnel Policy changes to the Finance Committee at their meeting held on April 20, 2017. The Finance Committee discussed the possible changes but did not make a recommendation to the Board at that time. The issue was revisited at the May 17th Board meeting but no action was taken as a result. The proposed changes are as follows:

- Adding a 6th week of PTO for an employee after 15 years of service.
- Transition language in Section 4.18.1-This section begins with an example of the PTO calculation for the remainder of FY2014. Staff will remove this language since it is obsolete.

- PTO Approval-Clarification of the approval process required for certain PTO approval. This consolidates language currently contained in the Attendance & Leave Procedure.
- Other Minor Changes-Staff will make minor language improvements throughout the document.

Mr. Berry pointed out a few grammatical corrections that need to be made on several pages. Mr. Foster commented that he felt six weeks of PTO was extremely generous.

Staff asks the Board to approve the revised Personnel Policy as shown on pages 4.40-4.58 with suggested editorial corrections. Dr. Long made that motion; Mr. Berry gave a second and motion carried unanimously.

Authorization of the TCDRS Plan Provisions for the 2018 Plan Year

Mr. Wingert commented that this is the third year in a row that the TCDRS contribution rate has decreased indicating the fund has passed most of the impact caused by the stock market drop in 2008.

He stated that the Finance Committee recommended that the District continue to utilize TCDRS for FY2018 with the following provisions:

- A 7.00% Deposit Rate paid by District employees
- A 150% Matching Rate for employee contributions
- No "Cost of Living Adjustment" being applied to retirees
- A Total Contribution Rate of 8.87% which includes a Retirement Plan Rate of 8.55% and a Group Term Life Rate of 0.32%
- No additional contribution to the Retirement Plan Rate.

Mr. Foster made a motion that the Board authorize the General Manager to execute necessary documents providing for the continuation of the TCDRS retirement plan for FY2018 under the previously listed conditions. Mr. Prater offered a second and the motion carried unanimously.

District Health Insurance

Mr. Wingert reviewed five health insurance plans that were discussed with the Finance Committee and stated that two plans from the BC/BS "Blue Choice Network" were considered for FY2018. Below is a description of the plans being considered:

- G620CHC-This plan has the same terms for 2018 as the current District Plan, except for a \$5-\$10 increase in prescription co-pays. The plan is projected to cost the District \$301,670 or \$72,740 more than the current year's budget.
- S608CHC-This plan decreases the coinsurance coverage, triples the plan deductibles, increases out-of-pocket maximums by 50% and increases the drug copays slightly.

The S608CHC plan is expected to cost \$256,884 or \$27,954 more than the current year's budgeted plan.

After much discussion, the Finance Committee made no recommendations regarding the District's FY2018 Health Care Plan and decided to have the Board review and approve the health insurance plan they see fit for the District. Mr. Wingert stated that there is an unfilled salary maintenance position that has been in the budget for the past two years and that staff recommends removing that position so that the budget could be reduced by approximately \$45,000 (with benefits). This reduction will counteract over 60% of this year's BC/BS G620CHC plan increase.

Mr. Wingert went on to explain that as far as the revenue portion of the budget is concerned, that Abilene would receive most of the benefit from removing the unfilled position and that the smaller cities would decrease in cost but would still gain \$21,000-\$41,000 over the FY2017 budget. Mr. Wingert noted that the Board could consider utilizing some of the FY2017 surplus in the form of a rebate to the cities based upon the amount they pay annually for the West Central Brazos payment reimbursement.

Mr. Cleveland asked how the G620CHC plan compares to the current plan. Mr. Wingert commented that it is pretty much the same as the current plan but with a little higher co-pay in prescription costs. Mr. Kinard commented that the deductible is \$1,000 for in network providers. Mr. Prater commented that Staff has done a lot of work on insurance quotes and he appreciates it, but eventually the District is going to have to look at increasing deductibles. He stated that this may not happen this year, but will likely need to happen next year. Mr. Wingert compared deductibles with other companies and cities. Mr. Canon stated that maybe the District needs to consider this when drafting the 2019 budget. Mr. Butler agreed that eventually deductibles are going to have to be addressed and incremental increases in deductibles is more palatable than increasing all at once. President Palmore asked for any additional input on what the Board would like to do regarding health insurance for FY2018. Mr. Wingert said another option is for the Board to approve the S608CHC insurance and giving the employee the option if they would like to upgrade to the G620CHC plan. The difference to the employee would be \$148.84 a month for employee only. It's \$300.00 for employee and spouse and \$446.00 for employee and family. Mr. Prater stated he thinks it's time to move on and take the G620CHC plan for this year and take a harder look next year.

Staff asks the Board to adopt Blue Cross Blue Shield Plan "G620CHC" for FY2018. Furthermore, recommends the District paying a total of 100% for Employee Only coverage, 73.45% Employee and Spouse coverage, 73.05% Employee and Child coverage, and 68.93% Employee and Family coverage. Mr. Prater made that motion; Mr. Canon made a second and the motion carried. Mr. Kinard voted no on this issue.

WCBWDS Transportation Rates Beginning September 1, 2017

Mr. Wingert explained that the fixed transportation charges for the WCBWDS are designed to pay for all of the costs like administration, overhead and maintenance that must be paid regardless of pumping a gallon through the system and that these costs are divided based upon the contract quantity of each entity. The variable transportation charges for the WCBWDS are based on the pumping costs only and that the pumping costs are divided based upon the actual monthly water use. Mr. Wingert stated that the Finance Committee recommended a Fixed Transportation Rate of \$154.45 per acre foot and a Variable Rate of \$80.27 per acre foot.

Formal action on the WCBWDS Transportation Rates will be considered after the Public Hearing under Agenda Item 7a.

Calendar Year 2018 Interruptible Water Rates for WCBWDS Customers

Mr. Wingert stated that last year, the Board assessed a \$.50 addition to the Brazos River Authority source water rates. Mr. Wingert explained that the BRA has set the Source Water Rate at \$74.00 per acre-foot and the Agricultural Source Water rate at \$51.80 per acre-foot for 2018, thus making a District customer's source water cost either \$74.50 or \$52.30 per acre-foot for Source Water or Agricultural Water respectively during 2018.

He noted that the Interruptible Water customers have a separate contract and that the Committee made a separate recommendation regarding Interruptible water rates.

Formal action on the WCBWDS Interruptible Rates will be considered after the Public Hearing under Agenda Item 7c.

Proposed FY 2018 General Fund Budget

The Finance Committee reviewed the Draft FY2018 General Fund Budget including a transfer of \$795,000 to the Capital Projects Fund and a transfer of \$171,430 to the Contingency Fund for the WCBWDS purchase repayment.

Mr. Wingert stated that the Draft Budget included the following components:

- City of Abilene estimated total water use of 10,532 acre-feet (76% of the FY 17 Budget quantity) due to the higher Hubbard Creek Reservoir (HCR) water levels and virtually no use of Possum Kingdom (PK) water.
- Blue Cross/Blue Shield Health Insurance Plan G620CHC.
- A 2.41% increase in Annualized Salary (Personnel Cost Only). A 10% increase is included for the "Skilled" and "Specialist" positions. Additional funds are provided for increases to other employees, which may be awarded based upon 1) their moving up in a category or sub-category step during the year based upon qualifications or 2) merit increases based upon annual evaluations.
- TCDRS 8.87% Total Contribution Rate including Group Term Life Insurance.

- \$795,000 transfer of funds to finance the CIP and MIP programs for FY 2018.
- \$518,567 expenses for the West Central Brazos Water Distribution System. Abilene will be responsible for 35% of this expense and the non-municipal customers will pay the remaining 65%.

The total contribution by the Cities under this budget is \$4.5 million, down only \$4,903 or 0.1% from this year's budget amount.

Formal action on the General Fund Budget will be considered after the Public Hearing under Agenda Item 8a.

Development, Operations and Water Policy Committee Report:

Quarterly Update of Outstanding CIP/MIP Projects

Mr. Wingert gave a report on the current outstanding CIP/MIP projects. Mr. Wingert presented the update and stated that several of the projects have either been closed, completed, or are nearing completion. No action was taken.

Close Out Completed CIP/MIP Board Resolutions

Staff has completed work on three CIP/MIP projects listed below:

- 2017-04 Administrative Upgrades
- 2017-06 Interior Coating, 2MG Tank B1-Engineering
- 2017-20 Yield Study

Mr. Foster made a motion to close the CIP/MIP projects listed above; Mr. Prater offered a second and the motion carried unanimously.

Abilene Office HVAC System

Mr. Wingert reviewed the on-going problems with the Abilene Office HVAC System. Currently the system is now running on one of the two 15-ton units. In 2013, the District hired Bradshaw Engineering to design a complete replacement of the HVAC system and the estimate was \$204,000. Staff recently visited again with Bradshaw Engineering and an HVAC Contractor in response to the recent problems. Mr. Wingert stated that the recent proposal includes a simplified design featuring six zones fed by individual units, utilizing as much of the existing forced air ducts as practical, and not installing return air ducts and that this design would take a waiver from the City Inspector to "grandfather" the modifications to the existing system. Mr. Wingert told the Board that Bradshaw visited with the City and is confident they would grant a waiver. Mr. Wingert stated that Bradshaw estimates the simplified design could cost around \$100,000 including engineering and that this project is included in the recommended FY 2018 CIP/MIP program.

No Board action is needed for this item.

Proposed CIP/MIP Budget for 2018

Mr. Wingert reviewed the following proposed FY 2018 CIP/MIP Projects with the Board:

| | <u>Project Number</u> | <u>Budget Cost</u> |
|---------------------------|---|------------------------|
| <u>CIP Items</u> | | |
| A1 | Purchase ¾ Ton Pickup | 2018-01 \$32,000 |
| A2 | Purchase ¾ Ton Pickup | 2018-02 \$32,000 |
| A3 | District Property Upgrades | 2018-03 \$5,000 |
| A4 | Information Technology Requests | 2018-04 \$6,000 |
| <u>Equipment</u> | | |
| A5 | New Gravely Mower | 2018-05 \$9,000 |
| <u>Phased Programs</u> | | |
| A6 | Hydraulic Panel Replacements | 2018-06 \$15,000 |
| A7 | Booster 2 Road Improvements-Phase 2 | 2018-07 \$25,000 |
| <u>Furniture</u> | | |
| A8 | Fire Proof Cabinets | 2018-08 \$6,000 |
| <u>Major Improvements</u> | | |
| A9 | Lake Shop Improvements | 2018-09 \$50,000 |
| A10 | Office Parking Lot Seal Coating | 2018-10 \$6,000 |
| A11 | High Point Tank Cleaning | 2018-11 \$3,000 |
| A12 | Engineering for MCC Improvement-Phase 1 | 2018-12 \$66,000 |
| A13 | MCC Lineup-LPS 5 & 6 | 2018-13 \$440,000 |
| A14 | Abilene Office HVAC | 2018-14 \$90,000 |
| A15 | Abilene Office HVAC Engineering | 2018-15 \$10,000 |
| 2018 Total | | \$795,000 |

He stated that the MCC Lineup will be a four year program to replace the older ones at the HCR pump stations. He noted that the lake shop improvements will include expanding the breakroom area to allow more meeting space and space for staff to work on computers to complete timesheets and online trainings. Mr. Wingert stated that the Operations Committee recommended the Board authorize the fifteen CIP/MIP projects for the FY 2018 as listed above including a transfer of \$795,000 from the General Fund to fund these items.

Formal action on the CIP/MIP Budget will be considered after the Public Hearing under Agenda Item 8a.

Mr. Palmore called for a short break from 10:20-10:25

SRSUD Easement Request

Mr. Wingert gave the Board an update on the Stephens Regional Special Utility District (SRSUD) progress on upgrading the waterline that serves the North Cove Subdivision on the north shore of Hubbard Creek Reservoir. He stated that the upgrade will allow SRSUD to replace their current 1.5 inch water line with a 4-6" sized line increasing available flow and pressure to the subdivision. Mr. Wingert commented that work has been hampered by the fact that Stephens County did not own the entire right of way along CR 274. The District owns approximately 6,650 feet of the right-of-way and Mr. Musselman owns about 1,350 feet of the same. Mr. Wingert reminded that Board that the District recently transferred interest in CR 274 to Stephens County. Mr. Wingert stated that the District recently received an easement request from SRSUD shown in the board book along with an easement, however, Staff is concerned about several of the terms contained in SRSUD's right of Way Easement document. Mr. Wingert has concerns because the easement contains several clauses that create the following issues:

- This is a "blanket" easement.
- SRSUD will have unrestricted access to contiguous District land.
- The District may not use the land surface.
- SRSUD may abandon-in-place any and all water supply lines within the easement and is not required to remove them from the easement.
- SRSUD has no construction restrictions.

Mr. Wingert visited with Enprotec, Hibbs & Todd (Eht) regarding the specifics of the easement and if the easement terms are negotiable. Mr. Wingert told the Board that Staff would recommend against granting the easement if some of the terms could not be changed. Mr. Wingert stated that he spoke with Eht this morning and they did not know if the changes could be made. Mr. Wingert then told the Board that the Operations Committee recommended that the Board grant a 30-foot wide easement to the Stephens Regional Special Utility District across District owned lands in the TE&L Survey no. 1268 and the J.E. Michamps Survey, Stephens County, Texas, so long as the certain terms and conditions are adequately addressed.

Mr. Kinard asked if the SRSUD gets water out of the District's pipeline and Mr. Wingert answered that yes they do. He stated that they have a membrane plant that the District supplies water to and they treat it and distribute it and that SRSUD does not pay transportation costs.

Mr. Kinard then asked what fee is SRSUD proposing to pay the District for the easement? Mr. Wingert stated at this time there has been no fee assessed by the District. Mr. Kinard questioned why don't they go across Mr. Musselman's property and Mr. Wingert stated the road easement is too narrow to put a pipeline in. Mr. Kinard then asked that if the District is unable to legally charge a fee for an easement, then can the District renegotiate a transportation fee for the water with SRSUD and Mr. Wingert stated that the Board can look at that option. Mr. Wingert stated that another option is to not grant this easement.

Miscellaneous discussion was held regarding the transportation fee and specifics of what SRSUD needed versus what they would be willing to pay for.

Mr. Prater said he would recommend giving them a right of way but on District terms not theirs. He stated that if the District would like to put together a document and assign a price to it, SRSUD can choose to agree to the District terms.

Mr. Canon made a motion that the District grant SRSUD a right of way subject to the conditions stipulated in the review of their documents, compared to what the District would prefer or require, and a negotiated price in the range of the going rate of \$25.00 a rod. In addition, that the SRSUD would need to do a survey at their cost; Mr. Prater gave a second and motion carried unanimously.

Sechrest Dock Waiver

Mr. Wingert stated that Donnie Sechrest is planning to add a 25 ft. square dock section to the end of his 120 ft. walkway. He has provided a written request for consideration. The total length of the dock would be 145 ft.

Mr. Berry made a motion that the Board authorize an over-length permit for the dock attached to Block 6, Lot No. 26, Lake Ridge Heights Subdivision, Stephens County Texas. Dr. Long offered a second and motion carried unanimously.

USGS Joint Funding Agreement

Mr. Wingert stated that each year the District typically executes an agreement with USGS to operate and maintain two stream flow gauges, one lake level gauge, and to conduct routine water quality monitoring, including monitoring for the presence of Zebra Mussels.

Mr. Berry made a motion that the Board authorize the General Manager to execute the USGS Streamflow, Water Quality Monitoring and Species Sampling Agreement for FY 2018 including and expenditure not to exceed \$64,000 for this purpose; Mr. Canon offered a second and motion carried unanimously.

Breck Operating Non-Municipal Water Supply Contract Renewal

Mr. Wingert stated that Breck Operating sent a letter to the District dated March 6, requesting a renewal of their five year Non Municipal Water Purchase Agreement. Mr. Wingert reviewed the current terms of the contract and noted that water deliveries to the City of Breckenridge between 2010 and 2016 have not exceeded the threshold set in the existing contract since 2012. All conditions in the 2012 Agreement remain the same in the new Draft except for some minor revisions such as correcting the dates and changing in the rate threshold of water deliveries to the City of Breckenridge.

Mr. Prater abstained from voting. Mr. Canon made a motion that the Board authorize the General Manager to execute a five year NON-MUNICIPAL WATER PURCHASE

AGREEMENT with Breck Operating Corporation for 730,000 barrels (30,660,000 gallons) of water per year. Mr. Kinard offered a second and the motion carried unanimously

Executive Session

In accordance with Section 551.074 (discussion about personnel matters), the Board went into Executive Session at 10:52 a.m. The Board reconvened in an open session at 11:29 a.m. and President Palmore announced that no action was taken during Executive Session.

Formal Action Regarding WCBWDS Water Rates

Public Hearing regarding WCBWDS Raw Water Rates beginning September 1, 2017

President Palmore opened the public hearing regarding the Proposed WCBWDS Raw Water Rates at 11:30 a.m. and asked for questions or comments these Rates. There were no comments from the Public and the hearing was closed at 11:31 a.m.

Mr. Berry made a motion that the Board set the Raw Water Rate of \$74.50 per acre-foot for September 1, 2017 through August 31, 2018. Mr. Berry also recommended the Board set an Interruptible Raw Water Rate of \$52.30 per acre-foot for agricultural customers from January 1, 2018 through December 31, 2018; Mr. Canon offered a second and motion carried unanimously.

Public Hearing regarding WCBWDS Transportation Rates beginning September 1, 2017

President Palmore opened the public hearing to receive comments and questions regarding the Proposed WCBWDS Transportation Rates at 11:32 a.m. taking any questions or comments regarding these rates and there were no comments from the Public so the hearing was closed at 11:33 a.m.

Mr. Foster made a motion to set a Fixed Transportation Rate of \$154.45 per acre-foot and a Variable Transportation Rate of \$80.27 per acre-foot for WCBWDS customers during the period of September 1, 2017 through August 31, 2018. Mr. Kinard offered a second and motion carried unanimously.

Mr. Butler had to leave the meeting and a quorum was still present.

Formal Action Regarding the District's FYE 2018 Budget

Public Hearing regarding the District's Budget

President Palmore opened a public hearing at 11:35 a.m. to receive comments and questions regarding the District's Proposed FY2018 General Fund Budget and Proposed FY2018 CIP/MIP Budget. There were no comments from the public and the hearing was closed at 11:35 a.m.

Adoption of the Proposed FY 2018 CIP/MIP Budget

Mr. Berry made a motion that the Board adopt the Proposed FY2018 CIP/MIP Budget and to authorize expenditures not to exceed \$795,000 from the General Fund for the fifteen CIP and MIP projects listed on Page 5.04. Mr. Foster offered a second and motion carried unanimously.

Adoption of Proposed FY 2018 General Fund Budget

Mr. Wingert stated that Staff asks the Board adopt the FY2018 General Fund Budget as presented on Pages 4.65-4.70, which includes funding for Blue Cross/Blue Shield Insurance Plan G620CHC. Mr. Prater made a motion that the General Manager salary be increased effective October 1, 2017 and to adjust the proposed budget accordingly. Mr. Palmore noted that the budget presented will need to be amended in order to include the salary recommendation increase for the General Manager. Dr. Long made the motion to approve the FY2018 General Fund budget with the salary adjustment; Mr. Berry offered a second and motion carried unanimously.

President's and Officer's Report

Nominating Committee Report and Election of Officers

Mr. Wingert discussed that Mrs. Beard's departure from the Board vacated the Vice President position. President Palmore recommended that Russell Berry fill this position moving from the Assistant Treasurer position and that Ron Butler be appointed to serve as Assistant Treasurer. The recommended revised slate of Board Officers is shown below:

| | |
|--------------------------|-----------------|
| President..... | Randall Palmore |
| Vice President..... | Russell Berry |
| Treasurer..... | Rowland Foster |
| Assistant Treasurer..... | Ron Butler |
| Secretary..... | Stan Carstens |
| Assistant Secretary..... | Joe Canon |

President Palmore recommends the Board adopt the above slate of officers to serve the remainder of the 2017-2018 term, through May 31, 2018. Mr. Prater made that motion; Mr. Cleveland offered a second and motion carried unanimously.

Approve Check Signatories

Mr. Wingert stated that Page 9.05 in the Board book is the proposed resolution form showing the signatories, based upon the above appointments. The recommended check signatories are as follows:

| | |
|--------------------|---------------|
| J. Randall Palmore | Russell Berry |
| Rowland Foster | Ron Butler |
| Stan Carstens | Joe Canon |
| Chris Wingert | Seabron Tilly |
| Christy Ferguson | |

Mr. Wingert noted that Staff would recommend the Board adopt the resolution including the bank signatories based on the new Board Officers. Mr. Kinard made a motion to adopt the resolution showing the signatories; Dr. Long offered a second and motion carried unanimously.

Resolution for Jane Beard

Mr. Wingert told the Board that Mrs. Beard has been a member of the District's Board of Directors since May 20, 2009 and has held several offices including Assistant Secretary, Secretary and Board Vice President. A Resolution honoring her service on the Board is shown on pages 9.06-9.08 in the book. Mr. Prater stated that she was a valuable member of the Board and Mr. Kinard noted likewise.

Mr. Wingert stated that Staff recommends the Board adopt the Resolution honoring the service of Mrs. Beard. Mr. Kinard made a motion to approve the Resolution; Mr. Canon offered a second and motion carried unanimously.

Calendar for Fiscal Year 2018 Meeting Dates

Mr. Wingert presented the proposed calendar showing the meeting dates from October 2017 through September 2018, and asked if there were any other revisions that need to be made.

No Board action was taken.

Manager's/Staff Report

Water Supplies and Projections

Mr. Wingert discussed projected Hubbard Creek Reservoir lake levels and future drought stage possibilities. At the present time, Hubbard Creek and Lake Fort Phantom are full. No Board action was taken.

Reservoir Encroachment

Mr. Wingert discussed an additional Reservoir Encroachment by Mr. Musselman. He stated that the encroachment is located on Musselman property northwest of the long bridge in the Rancho Verde Subdivision and that the new jetty is about a half a mile northwest of the last encroachment. Mr. Wingert showed several slides showing how Mr. Musselman has been discharging dredge or fill material into the Reservoir. Mr. Musselman did not obtain ownership of the land, an easement for the land, or even permission from the District prior to performing the work. Mr. Wingert told the Board that the District mailed a registered letter on June 29, 2017, instructing Mr. Musselman to cease work immediately and decide if he wanted to remove the fill material below elevation level 1183, or obtain permission, a permit and ownership of the new jetty. Mr. Wingert said that the letter clearly stated that if Mr. Musselman would like to retain the jetty, then he will need to apply for an after the fact permit with the Corps of Engineers and provide the District a copy of this permit once it is issued. Mr. Musselman will need to provide a written request to the District to purchase the impacted lakebed area and pay whatever purchase price, fine or fee that is leveled by the Board. Mr. Wingert also explained that Mr. Musselman was instructed by the Corp of Engineers not to add any additional fill pending the District's review. Mr. Wingert and Mr. Tilly met with Mr. Musselman on August 18th, and he indicated that he would like to purchase the encroached property from the District and that he was going to try to get both encroachments rolled into one 404 permit from the Corps of Engineers.

Mr. Wingert went on to present the last several encroachments and what the settlement amounts were. Mr. Kinard asked about the District's previous encroachment sale to Mr. Musselman and if it was contingent upon him completing his permit with the Corps and Mr. Wingert stated that he has not completed the permit process. Miscellaneous discussion was held regarding the encroachment.

Mr. Kinard made a motion that this Board not consider any future encroachments or land sales to Mr. Musselman until the prior sale has been properly consummated through all regulatory agencies. Mr. Canon offered a second; Mr. Foster and Mr. Cleveland opposed. Motion carried.

Mr. Berry and Mr. Kinard excused themselves from the meeting and a quorum was present.

Maintenance Activities

Mr. Wingert brought the Board up to date on maintenance activities.

Travel and Training Report

Mr. Wingert referenced the report in the book showing that staff has attended training in Safety, Water Utility Safety Training, GASB, Accounts Payable, TCDRS conference, and Mr. Wingert attended the TWCA annual meeting.

Staff Vacancies

Mr. Wingert referenced the organization chart in the Board book showing we have no vacancies at this time.

Other Significant Issues

Mr. Wingert discussed the Veale Park lease with MT7 Ranch and that the terms need to be renegotiated. Mr. Wingert explained that the BRA was increasing the payment annually according to the CPI Index but neither the BRA nor MT7 can produce an amendment or a change to the lease that would support paying this annual increase. Mr. Buhrmann stated that since the BRA paid these yearly payments and MT7 accepted them the lease was effectively modified by these actions. The District approached MT7 about renegotiating the lease and proposed to reduce the size of the tract down to 6.58 acres since the District does not need all of that land. Mr. Wingert proposed to adjust the lease every 10 years and MT7 came back with a counter offer that the District adjust the lease each year with the CPI and that the District should retain the Ranger line within the leased area, which effectively would cut off a good part of the 6.15 remainder and increase the payment substantially. Mr. Wingert told the Board that MT7 will convert about 760 ft. of chain link fence to barbed wire but that the District would have to put in the new barbed wire which is about 1320 ft. He stated that the District would be responsible for maintaining the roads within the tract, no hunting and fishing, and maintain the condition of the tract the same as additional MT7 property. Mr. Wingert stated that the District approached MT7 about purchasing the property outright, but they do not want to sell at this time. No Board action was taken.

Other issues discussed were the:

- Abilene-BRA Three Way Interlocal Agreement.
- Fort Griffin SUD is looking to put in a 125,000 gallon a day raw water membrane plant located just to the west of Big Sandy Creek.
- Livestock issues around the lake (Chickens & Pigs).
- Logo on the Highpoint tank

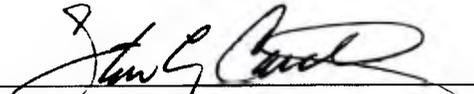
No Board Action was taken or needed on the above items.

There being no further business before the Board, the 390th meeting adjourned at 12:21 p.m.

Approved this _____ day of _____, 20_____.



J. Randall Palmore, President



Stan Carstens, Secretary