

Minutes of the Regular Meeting of the
BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT #2

A regular meeting of the Board of Directors of Bastrop County Water Control and Improvement District #2 was held on Thursday, October 26, 2017 beginning at 6:30 p.m. at the Conference Center, 106 Conference Drive, Bastrop, TX. 78602.

Present BCWCID #2 Board Members:

John Creamer, President
Karen Pinard, Vice President
Victor Gonzalez, Director

BCWCID #2 Staff/Other Professionals:

Jim Ouellet, General Manager
Tyler Walsh, Operations Manager
Alma Rodriguez, District Administrator

Absent:

Tammy Eden, Secretary
Sam Kier, Treasurer

AGENDA

- 1.) Call to Order and Establish a Quorum
President Creamer called the meeting to order at 6:32 p.m. A quorum of Board members was present.
- 2.) Pledge of Allegiance
President Creamer led the Pledge of Allegiance.
- 3.) Texas State Flag
President Creamer led the Pledge of Allegiance to the Texas Flag.
- 4.) The next Board of Director's meeting will be held on Thursday, November 16, 2017 at 6:30 P.M.
President Creamer announced the next Board of Director's meeting will be held on Thursday, November 16, 2017 at 6:30 P.M.
- 5.) CONSENT AGENDA: (Consent Agenda items are generally routine.) Unless removed by a member of the Board, items listed on the consent agenda will be acted on together.
 - a. Approval of minutes from the September 21, 2017 Regular meeting.
 - b. Approval of monthly financials report for September 2017

Jim Ouellet stated there are still items on the financial statements that need to be worked out.

Alma Rodriguez advised the Board to table the minutes until the appropriate parties could be available to approve the minutes

Motion: Karen Pinard moved to table the Consent Agenda items until the November 16, 2017 Board meeting. Seconded: Victor Gonzalez. Vote: Three (3) in favor, motion carries.

- 6.) Public comments/Announcements (The Board respectfully requests you limit your comments to three (3) minutes)

NONE

- 7.) Discussion, possible action and updates given by General Manager Ouellet

- a. Road work update – The bids for the repairs on Koolua Drive and Awehi Lane landslide came in at over \$1 million to complete. I am having conversations with the TX Division of Emergency Management to see if we can negotiate a price to complete the work with two interested contractors. I have a contractor coming in the morning and we believe the real value of this cost should be around \$150,000 per site.

Road Construction Activities have been very busy, a great deal of road work has taken place over the past month. The following roads are substantially complete and will be ready to pave next week or when the County can get to them.

- North and South Kanaio
- North and South Kaupo
- Puu Waa Waa
- East and West Manalua
- Kanahananui
- Lamaloa
- Hailimaile

Pele Ct and Papalooa are being worked on and should be ready in time for paving this year. 1,400 tons of chip rock are on site ready to be applied and arrangements with the oil company have been made for the emulsion.

Tyler Walsh stated the contractors are installing culverts now.

Incode Meeting

A meeting was held with Incode (Tyler Technologies) representative and had a very successful outcome. The traction fees on the credit card payments was immediately dropped from \$1.25 per transaction to \$.85 per transaction or a 32% reduction.

Due to our accounting outsourcing as well as a further review, we were also able to eliminate a number of modules we pay an annual fee. A total of \$7,043 was removed from the annual maintenance costs in perpetuity.

We will also be upgrading, at no cost, to the next version of Incode software. We also asked about creating a separate "utility" for the road accounts so they will tie into the general ledger accurately.

Alma Rodriguez stated with the new upgrade customers can login into their account and setup the automatic drafts. Also, they can schedule a future payment with the understanding that if payment is not received by the due date it will incur late fees.

Storage Tank Construction

A company was retained to perform borings of the ground to provide information on which to design a foundation. The area is a large deposit of gravel and was not possible to perform a deep bore without the walls collapsing. Such soil is very good for a foundation. We will be discussing whether we need to go further. An evaluation of the soil characteristics is under way.

Road Decision

An informational newsletter was sent to each homeowner with respect to the choice they will have to complete the roads.

Additional information was sent out via email today which answered a few questions being discussed. The same letter was provided to the TVPOA for publication in their newsletter on November 1.

Other

FYI, it is a challenge to pay the bills we receive from Bluebonnet electric and the City of Bastrop in a timely manner. As such, I have looked into using the direct draft feature most residents use to pay for such services. Our Accountant and Attorney have said such is an acceptable practice. We will still receive a paper bill for our records, we simply will be writing less checks. We will also pursue such for phones.

Message from Tony

Jim- Section 49.151 of the Texas Water Code authorizes a board to allow disbursements of district funds to be transferred by electronic means. The Board should adopt a resolution authorizing the electronic transfer of funds and specifying the authorized recipients.

For fiduciary and control purposes, I would recommend that you set up the electronic transfer, if possible, in a way that allows the District staff to confirm the amount of each electronic transfer so any errors could be identified before the transaction is processed. Also, I would set it up so that the only transfers that may occur are to the utility service providers so you aren't inadvertently creating an opportunity for future fraud/theft of funds.

Director Pinard requested to have this item on the agenda for next month.

SCADA Installation

I received a quote from Trac-N-Trol for \$74,000 to complete the installation of the SCADA System at Plants 2 and 3.

Director Pinard stated the project was previously approved and thanked Mr. Ouellet for the updated information.

Water Quality

Fourth quarter samples taken in October by TCEQ, our running annual average for the TTHM's is below the maximum allowable level. As such, we are in compliance as of now and we will continue to observe how the new treatment system performs.

OPPORTUNITIES TO IMPROVE EMPLOYEE RETENTION TO DEVELOP A STAFF OF TALENTED AND DEDICATED INDIVIDUALS

In our efforts to avoid capable employees from going to the competition for higher wages and improved benefits, hopefully we can improve both simultaneously so we can begin operating the best utility as possible.

A conversation with Commissioner Hamner informed me that the County advertises for new employees at \$16 - \$18 per hour. Out of our 7 field employees, 5 of them make less than \$16 per hour. We have three certified water operators making less than \$16 per hour.

The following are some opportunities to address our competitiveness for competent employees.

Retirement

HISTORICAL "RETIREMENT" EXPENSES

<u>YEAR</u>	<u>401(K)</u>	<u>PENSION</u>	<u>TOTAL</u>
2016	\$6,752	\$9,081	\$15,833
2015	\$6,620	\$16,780	\$23,400
2014	\$5,920	\$3,743	\$9,663
2013	\$5,787	\$3,879	\$9,666
2012	\$5,919	\$4,320	\$10,239
2011	\$6,490	\$4,948	\$11,438
2010	<u>\$7,347</u>	<u>\$19,440</u>	<u>\$26,787</u>
AVE	<u>\$6,405</u>	<u>\$8,884</u>	<u>\$15,289</u>

Pension expense at \$15,289 is .43% of revenues at \$3,500,000.

Our aggregate annual wages for a 2080 hour year is just at \$460,000 +/- per year for full time employees.

The present Pension Plan is described below:

412(e)(3) Fully Insured Defined Benefit Plan

The Plan's annual contribution is determined by solving for a guaranteed lump sum amount that will be sufficient to provide a desired monthly income at retirement. The monthly retirement benefit is a function of income and has statutory limitations that change annually. The plan is funded solely with fixed deferred annuity contracts or a combination of whole life insurance and fixed deferred annuities. The minimum guarantees provided by the

insurance contracts helps ensure there will be income at retirement as long as the plan is funded properly.

Each year, the calculations take into account each participants age, wages, hire date, anticipated retirement date, years the policy should be funded up to retirement age by participant and using the benefit formula of 17% of average compensation, in addition to utilizing current year policy interest rates and mortality rates for the calculations. There is a 6 year graded vesting schedule:

Credited Years	Vested Percent
1	0%
2	20%
3	40%
4	60%
5	80%
6	100%

Mr. Ouellet suggested participating in the Texas District and County Retirement System (TDCRS). We can keep the 401 K as a voluntary savings program with no District match.

The County of Bastrop and the Bastrop Appraisal District participates in a plan in which the employee contributes 7% of their salary and the employer contributes 14% of the salary to the plan. Director Kier and I had a phone conversation with a representative of the program. The program has over 700 entities enrolled and is in exceptionally good financial condition. The actuarial estimates are very conservative and the plan offers flexibility on a year to year basis should financial hardships come to the District. Whatever money has been accumulated upon retirement, a calculated monthly payment is determined depending on certain actuarial calculations. $14\% \text{ of } \$460,000 = \$64,400$. Please take a look at the website for further information. There would be no 401 k matching contribution as noted above. The existing cost of the "Pension" plan would go away. As such, a reduction of approximately \$15,000 per year with the existing program would result in a net increase in cost of \$50,000 per year to the District.

The existing plan would be eliminated and any value an employee had would be determined and can be placed in the 401(k) we presently have with no penalty. An employee can also take the money if they wish to pay taxes on such.

Since the plan is very flexible, Director Kier and I believe it would be best to implement the costs over two years. The first year would be a 5% employee contribution and a 10% employer match. We would then go to the 7% employee and 14% District contribution in year 2.

Offering to participate in such a plan is one of the best long term values an employee can realize. A concern with such a plan is that employees who lives paycheck to paycheck will experience a measurable decline in monthly take home pay if 5% of their salary is needed to participate in the retirement plan. It is our position that non-exempt employees be given a 5% raise now (if merited) and allow me an additional 2 % of salaries to distribute as warranted in May.

The following provides a cost analysis of increasing wages 7% for non – exempt employee:

EMPLOYEE	PRESENT RATE	RATE WITH 7% INCREASE
1	24.10	25.78
2	15.75	16.85
3	14.5	15.51
4	15	16.05
5	15.75	16.85
6	14.5	15.52
7	17.40	18.62
8	20.33	21.75
HOURLY DELTA		\$9.61/hr
YEARLY DELTA		\$19,995/yr

Health Insurance

In an effort to further help the employee and stay competitive with others, I would propose the following approach to health insurance contributions. Presently, the employee contribution is based on a percentage only for those with dependents. As suggested at the September meeting, everyone contributing to the cost of the health insurance is much more equitable. The concept is to get “skin” in the game from everyone, not penalize those who are married or have children. Hopefully, the penalty for having a family/spouse will not be disproportionately imposed.

Suggested monthly employee contributions to health insurance costs:

Employee only - \$75

Employee plus 1 category \$150

Employee plus family \$300

EMPLOYEE COST

<u>Employee</u>	<u>Status</u>	<u>Present Monthly Cost</u>	<u>Proposed Monthly Cost</u>
1	Family	\$486	\$300

2	Family	\$566	\$300
3	Employee + C	\$283	\$150
4	Employee + C	\$294	\$150
5	Employee + C	\$294	\$150
6	Employee + C	\$294	\$150
7	Single	\$0	\$75
8	Single	\$0	\$75
9	Single	<u>\$0</u>	<u>\$75</u>
Totals		\$2,217	\$1,425

The delta is the District paying an additional \$792 per month or \$9,504 per year. Such an approach is more equitable to all and makes the calculation very easy to understand. Hopefully more employees will be interested in seeking to participate in the health savings account plan in the coming year to further save the District some expense. Lowering the cost of the employee contribution will directly increase take home pay which will go a long way in keeping employees from seeking other employment opportunities.

The health insurance is up for renewal on December 1. The increase is 15% for the coming year. The insurance was shopped around and any differences were not worth the effort to change.

Dental Insurance

Presently, the monthly aggregate premium is \$220. The employees contribute \$62.46 and the District pays \$157.54. Like the Health Insurance premiums, I would request the contributions be from all employees and kept at a flat rate. I will propose the following:

<u>EXISTING</u>	<u>PROPOSED</u>	
Employee only	\$0	\$5
Employee and Child	\$7.61	\$5
Employee and Spouse	\$6.68	\$5
Employee and Family	\$12.67	\$10

On Call Pay

The most difficult job of any utility is the responsibility of the on call person. The late night calls, the response to emergencies and the loss of the freedom for the week are a sacrifice not all in a utility experience.

In my involvement through the many years, the “on call” person receives one hour of straight time per day to stay close to home and be ready to respond. As such, for the week, the on call person would receive 7 hours of straight pay for being “on call”. If the Directors are not inclined to conquer with such an example, I might suggest at least 5 hours of straight time for being “on call”. Presently, the “on call” person is paid 2 hours of OT per day for a weekend or a holiday to perform the routine checks on the water plants and lift stations. If they get called out on other emergencies, they are paid a minimum of 2 hours at the OT rate to address any customer needs.

Vacation Buy Back

Allow an employee to be paid for accumulated vacation time as follows:

1. It can only occur on one occasion per 12 month period
2. It cannot exceed 40 hours of pay
3. The employee must have taken 80 hours of vacation in the previous 12 month period
4. In order for the 40 hours to be paid out, you must still have 40 hours of vacation on the books.

Wages

Office and field staff – The objective is hopefully to be equal or better than the competition and expect production. We are such a small operation, replacing someone is a challenge and a truly talented employee with lot of wisdom is hard to replace. On the other hand, because we are such a small organization, those who may not have the talent and enthusiasm need to be replaced to properly serve the interests of the customer.

If given the chance to retain the talent I observe as worthy, the operation can be efficient to the level where we can do with fewer employees and be more productive. Less employees relative to the normal expectation means less insurance costs, less holiday pay, less vacation pay, less payroll expense. I like to pay fewer people more per person than more people less per person. I would like 4% of the aggregate salaries of payroll (not including myself) starting in FY 2019 to apply as I deem appropriate. Such would bring us to a competitive level with the neighboring water systems and avoid the exodus of employees once they have experience.

The aforementioned coupled with the improved pension plan, insurance cost reductions and on call pay will send a message that the District is serious about being exceptional and not simply existing. We have some talent and ambition on the staff that plays a vital role in serving the customer and enhancing the community.

- 8.) Acceptance of Tammy Eden's resignation as Director, Place 3
President Creamer stated Director Eden has turned in a resignation. He doesn't want to accept it but he will because she is having to spend time away and doesn't feel she can be as effective as she has been in the past. Director Eden's term ends in May 2018.

President Creamer stated Director Eden and her husband Jon were very instrumental in developing the road plan we currently have.

Motion: Karen Pinard moved to accept Director Eden's resignation from the Board. Seconded: Victor Gonzalez. Vote: Three (3) in favor, motion carries.

- 9.) Discussion and possible action on appointment procedures and timeline to fill a vacancy on the Board
President Creamer stated the vacancy needs to be filled within 60 days and he is hopeful that we can fill the position by the November Board meeting. There is a list of requirements and if someone is interested please fill out an application.

Alma Rodriguez stated in your packet there is a Notice of Publication that needs to be placed in the Bastrop Advertiser, along with the an application and timeline to fill the vacancy.

Director Gonzalez urged the audience if they are interested please fill out an application.

This information will be on the District website.

Motion: Karen Pinard moved to approve the appointment procedures and timeline to fill a vacancy on the Board. Seconded: Victor Gonzalez. Vote: Three (3) in favor, motion carries.

- 10.) Presentation of preliminary 2018 Budget
Jim Ouellet presented the 2018 Budget to the Board. The budget format was updated to place capital items segregated out below the Revenues and Expenses. In this manner, it is easy to compare operating activities to determine changes inefficiencies.

In the future years, for water and wastewater, we will combine the net "income" with the depreciation to determine the amount of cash flow available for capital projects in the coming year.

For FY 17, revenues for water were strong as we had a relatively dry summer coupled with a rate increase commencing in January. Wastewater finances are improving significantly due to the purchase of the system from LCRA. Each new WW customer adds significantly to the revenues with little expenses associated with such.

Due to the financial health of WW, the 2018 budget is going to include WW paying for 20% of all salary costs of the District. This will be the first time the Wastewater will carry such a burden. We are also allocating half the uniform costs. More costs will be transferred to Wastewater in the future. We are also going to use WW proceeds to finally fund capital investments for vehicles.

WATER

Projected year end operating expenditures will be \$312,000 less than budgeted. Primarily due to a \$100,000 reduction in wages paid, \$45,000 reduction in budgeted medical insurance costs, \$16,000 less in engineering fees and \$43,000 reduction in legal expense. There was also \$88,000 budgeted for well maintenance that was not used.

The proposed 2018 operating expenses are only \$10,000 higher than the expected year end FY 17 final expenses. This is greatly assisted by the fact 20% of salary expense is now supported by wastewater.

60 new homes are estimated to connect to the system in 2018. There is no need to increase water rates.

WASTEWATER

Interest expenses on the loan to purchase the system is \$157,000 for FY 17. This figure was left out of the FY 2017 budget. Even without the expense included, the WW budget is only \$55,000 over budget. In reality, the expenses are down \$100,000 for the year.

The operating budget for wastewater in 2018 is increased due to the aforementioned transition of costs to pay for more of its operating expenses. The 20% payroll addition is the main change. Wastewater is projected to add 23 new homes in 2018. There is no need to raise rates in Wastewater.

Director Pinard asked if there are any plans for an expansion of the wastewater system.

Mr. Ouellet stated there is no proactive expansion proposed.

STANDBY

The budget includes raising the standby fees from \$132 to \$156 per year.

Director Pinard stated she doesn't see the benefit of increasing the standby fees for 2018.

President Creamer stated we don't know what is going to develop in Unit 6.

ROAD MAINTENANCE

The most significant change is the fact we will only be transferring 15% of the Road Construction fees to Road Maintenance. We will also be using outside contractors with graders to maintain roads so we can use the limited funds in the most productive manner as possible. By using less to maintain roads, we can construct additional roads.

ROAD CONSTRUCTION

The budget was constructed with an increase in road fees to \$180 per year or a \$2/month increase. Depending on the desire of residents with respect to the financing options, we can adjust for the final budget.

Mr. Ouellet requested the Board to give him any feedback on the proposed budget. He will be meeting with Director Kier again to review the budget

- 11.) Discussion and possible action with respect to employee handbook and section on compensation and bonus structure
President Creamer stated he discussed this at the last meeting and the attorney has approved it so we need a motion to add it to the employee handbook.

Motion: Karen Pinard moved to approve the section on compensation and bonus structure and add it to the employee handbook. Seconded: Victor Gonzalez. Vote: Three (3) in favor, motion carries.

- 12.) Discussion and possible action regarding request from TVPOA to grant permission for placement of signage at Baseball Lane and Lovers Lane
Jan Schwindt, Vice President of the Tahitian Village Property Owner's Association stated TVPOA would like to have a sign located at the corner of Lovers Lane and Baseball Lane on water district property. The sign would be 8 feet tall and 5 feet wide, red cedar with white masonry. We are also discussing solar lighting. The sign would be changed by TVPOA and volunteers. The signs slide in the slot and the sign are \$36 each if the District wants to have any signs. You will just need to reimburse TVPOA.

Director Gonzalez stated someone should contact Bluebonnet Electric to see if they would install lighting as a community service.

Motion: Karen Pinard moved to approve TVPOA to grant permission for placement of signage at Baseball Lane and Lovers Lane. Seconded: Victor Gonzalez. Vote: Three (3) in favor, motion carries.

- 13.) Discussion and possible action regarding notification and emailing messaging to customers regarding important issues
President Creamer stated he asked for this item on the agenda. He would like to have some kind of methodology to notify customers of water breaks.

Mr. Ouellet stated we put this process together a while back and I will let Alma Rodriguez discuss this.

Alma Rodriguez stated in the packet you have the procedures on boil water notices along with notifying TCEQ and the media. The District also has the ability to send out phone or text messages and email blast to registered customers.

Director Pinard asked if you could send out notices by section only.

Alma Rodriguez stated if there is an isolated area you can send it out to a customer on a particular street.

Director Gonzalez do customers have to register for this service.

Alma Rodriguez responded yes.

No Action Taken.

14.) Board suggestions on future agenda items – Pines and Prairie Land Trust will be here at the January meeting to discuss Copperas Creek

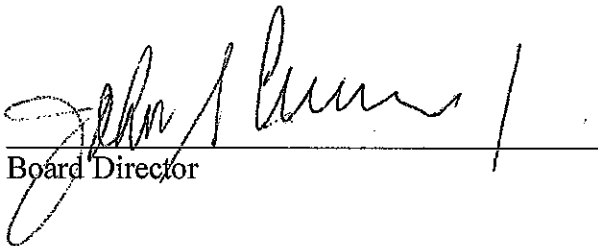
15.) Release of Liens
Alma Rodriguez presented the Release of Liens.

Motion: Karen Pinard moved to approve the Release of Liens. Seconded: Victor Gonzalez. Vote: Three (3) in favor, motion carries.

16.) Adjournment

Motion: Victor Gonzalez moved to adjourn. Seconded: Karen Pinard. Vote: Three (3) in favor, motion carries.

MEETING ADJOURNED AT 7:44 P.M.


Board Director

1/19/18
Date