

**MINUTES OF THE BOARD OF DIRECTORS MEETING
VALLEY MUNICIPAL UTILITY DISTRICT NO. 2
January 17, 2017**

1. Call to Order of the Regular Meeting.

The Board of Directors met at the Valley Municipal Utility District No. 2 Office at 9:00 A.M., Tuesday, January 17, 2017 in accordance with the duly posted notice of said Meeting with a quorum of Directors present as follows:

Roger Nelson	President
Jim Tipton	Vice-President
Oscar Gonzalez	Secretary
Richard Lindeman	Director
Clifford Rowell	Treasurer

Others present:

Scott Fry	General Manager
Paul Cunningham	Attorney
Quentin Anderson	Carr, Riggs & Ingram CPA
Chris Vela	First Southwest Financial Advisors
Olga K. Munoz	Lago Viejo North Resident
Vicente Mendez	Ambiotec Civil Engineers

2. Approval of Minutes of the Regular Board Meeting held on December 20, 2016.

The Board reviewed the minutes of the previous meeting for approval. Mr. Rowell made a motion to approve the Regular Meeting held on December 20th, 2016. The motion was seconded by Mr. Gonzalez and approved by a unanimous vote of those present.

3. Approval of the Financial Report for the Month of December 2016.

The Board reviewed the Financial Reports for the past month. Mr. Cunningham noted that the heading for the Income Statement should be corrected to state "for the Three Month Ending December 31, 2016" instead of Twelve Months. Mr. Gonzalez made a motion to approve the Financial Reports for the Month of December 2016 with the correction. The motion was seconded by Mr. Rowell and approved by a unanimous vote of those present.

4. Presentation of the District's 2015-16 Fiscal Year Audit.

Mr. Quentin Anderson informed the Board that Long Chilton, LLP has merged with the nationally recognized CPA firm of Carr, Riggs & Ingram, LLC (CRI), and they will now operate under the name CRI. Mr. Anderson stated that they will continue to provide the same exemplary services. He then presented and discussed the September 2016 Year End Audit Report to the Board of Directors emphasizing that the Audit Report was on a thirteen month period instead of Twelve due to the Fiscal Year end change adopted by the Board of Directors.

He stated that they audited the District's books and in their opinion, the financial statements are presented fairly and in accordance with accounting principles.

5. Discussion and Action

Mr. Tipton made a motion to approve the September 2016 Fiscal Year Audit. The motion was seconded by Mr. Gonzalez and approved by unanimous vote of those present.

6. Update, Discussion and Action regarding the procurement of professional services related to the Capital Improvements Program mainly related to the Town of Rancho Viejo's Street Rehabilitation Project.

Chris Vela with First Southwest Securities presented the preliminary Financing Analysis for the capital improvements loan the District is obtaining related to the Town of Rancho Viejo Street Rehabilitation Project. The presentation encompassed an assessment of the financial statements for the last six years to determine the financial position of the District. Mr. Vela discussed the Budgetary Impact as a Tax Rate Equivalent and as an Annual Tax increase to the taxpayer based on the TWBD Loan or an Open Market Loan scenario. He explained how the loan process and the funds delivery method are handled by the TWDB. Mr. Vela stated that obtaining the loan through TWDB is the best option, but if the debt is acquired through the TWDB, the District needs to get a reimbursement resolution drafted by the Bond counsel. This will allow the District the alternative to obtain cash beforehand to pay for expenses even before the loan is obtained and get reimbursed for those funds. The next step at this time is for the General Manager and the engineer to develop a program and come up with a number to determine the debt requirement. Mr. Vela also stated that he needs authority to proceed in analyzing the Bond Refinancing of the 2006 Outstanding Bonds. Mr. Tipton made a motion to authorize the Financial Advisor to examine the potential benefits in refinancing the 2006 Outstanding Bond Debt. The motion was seconded by Mr. Gonzalez and approved by unanimous vote of those present.

Mr. Vicente Mendez gave the engineering report related to the capital improvements project. He has put together the total expenses using three different options on how to repair the sewer infrastructure. The sewer lines can be completely replaced, they can use the pipe bursting method, or the cured in place method (which is the least expensive). He also stated that his cost for the water line replacement is only for the main line and does not include the service lines. He then added that the focus of this project is only for water and sewer infrastructure and not drainage.

7. Public Input.

Mrs. Olga Munoz asked for an update on the Effluent Pond Retaining Wall Replacement Project. Mr. Nelson stated that the District was planning to finance this project using the money that is borrowed through the TWDB which will take some months to obtain.

8. General Manager's Report

- **Production and Sales Report-** The reported water loss for December 2016 shows 19.17% unaccounted for water loss. The Manager stated that the River Bend master meter is still inoperable and that we are estimating their usage based on the same month's average from previous years.
- **RO Production Report-**The report for December 2016 was distributed to the Board before the meeting. Mr. Fry explained the report.
- **Raw Water Report-**The report for December 2016 was distributed to the Board before the meeting. Mr. Fry explained the report.
- **Customer Complaints-** There were five customer complaints.
- **Operations Report-**Mr. Fry reported on the highlights of the monthly operations of the District.
- **Projects/Task List-**Mr. Fry stated that everything on the task list has already been discussed. He asked the Board if they wanted to go over the task list and they declined.

9. Adjourn.

The Meeting was adjourned at 11:15 a.m.



ROGER NELSON, PRESIDENT

ATTEST:



OSCAR GONZALEZ, SECRETARY

