

**MINUTES OF THE BOARD OF DIRECTORS MEETING
VALLEY MUNICIPAL UTILITY DISTRICT NO. 2
August 18, 2015**

1. Roll Call/Call to Order

The Board of Directors met at the Valley Municipal Utility District No. 2 Office at 9:00 A.M., Tuesday, August 18, 2015 in accordance with the duly posted notice of said Meeting with a quorum of Directors present as follows:

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

Others present:

Scott Fry	General Manager
Jay Toro	Assistant General Manager
Clara Osuna	Resident
Cindy Rathbun	Mayor

The Meeting was called to order by Mr. Richard Lindeman at 9:00 A.M.

2. **Approval of Minutes of the Regular Meeting held on July 21, 2015.** The Board reviewed the minutes of the previous meeting for approval. Mr. Tipton made a motion to approve the Minutes of the Regular Meeting held on July 21, 2015. The motion was seconded by Mr. Nelson and approved by a unanimous vote of those present.

3. **Approval of the Financial Report for the Month of July 2015.** The Board reviewed the Financial Reports for the past month. Mr. Nelson made a motion to approve the Financial Reports for the Month of July 2015. The motion was seconded by Mr. Gonzalez and approved by a unanimous vote of those present.

4. **Update, Discussion and Action on Drought Conditions and Drought Contingency Plan.** Mr. Lindeman explained the current Drought situation and the Water Rights Account Allocation status. He stated that the combined water levels in the Rio Grande Reservoirs are at 57.1% and that the District will continue in the voluntary Stage I Drought Contingency Plan. No action was taken.

5. **Discussion and Action on a Request from the Following Resident to have their Water Bill Adjusted.**

a. **Roberto Medrano** of 44 Alvarado, who was unable to attend the Board Meeting, instead sent a letter. In the letter, Mr. Medrano apologized for his inability to attend this meeting to make his request, and asked the Board to not let his absence reflect a lack of importance in this matter. He went on to explain that in the past month he discovered a massive pool leak at his residence which had resulted from the pool's water regulator mechanism becoming frozen due to an accumulation of residue from vegetation. He added that he has directed his pool maintenance contractor to perform annual maintenance on this mechanism to prevent a reoccurrence. Mr. Lindeman explained that the District has to charge him at least the minimum cost of what the Southmost Regional Water Authority charges the District for water. Mr. Gonzalez made a motion to approve charging the property owner a maximum rate of \$2.80 per thousand gallons of usage for the water. The motion was seconded by Mr. Nelson. The motion was approved by a unanimous vote of those present.

6. Discussion and Action on Engagement of an Auditor for FY 2015.

Mr. Fry presented the engagement letter from Long Chilton quoting a fee not to exceed thirteen thousand three hundred dollars and zero cents (\$13,300.00) for their services. He stated that last year's fee was \$12,900.00. Mr. Nelson made a motion to contract Long Chilton to perform the 2015 FY Audit for the District. The motion was seconded by Mr. Gonzalez and approved by a unanimous vote of those present.

7. Discussion and Action on Renewing Bank Depository Contract.

Mr. Fry explained that the current Depository Contract with IBC Bank was due to expire at the end of the month. He added that Requests for Proposals had been sent out to five banks, but that only two had responded. Mr. Fry then presented a comparative summary of charges from IBC Bank and Frost Bank. After a brief discussion, Mr. Nelson made a motion to keep the contract with IBC Bank. The motion was seconded by Mr. Tipton and approved by a unanimous vote of those present. Prior to the vote, Mr. Rowell excused himself from the meeting to go to work.

8. Discussion and Action to Amend Lease Agreement on the District's Two Elevated Storage Tanks to Vanguard Solutions, LLC.

Mr. Fry reminded that Board that Vanguard IT Solutions, LLC had leased space on both of the District's elevated storage tanks last year. He then explained that Vanguard had recently notified the District that they had never used the Rancho Viejo Tower since they executed the original agreement, and that they are now asking to have the agreement amended to remove that tower. He also stated that they had not paid the rent on that tower for many months, and that they are

asking for that debt to be forgiven because they had never used it. Mr. Cunningham stated that the existing agreement was set to expire and a new agreement should be executed. After a brief discussion, Mr. Lindeman asked that the new amended agreement be modified to be more specific regarding the charges in the Terms and Conditions. Mr. Tipton made a motion to approve a new lease agreement, with the stated modifications, with Vanguard IT Solutions, LLC without forgiving the past debt. The motion was seconded by Mr. Gonzalez and approved by a unanimous vote of those present.

9. Discussion and Action on Tax Rate for 2015 (FY 2016)

Mr. Lindeman presented the Tax Rate Worksheet and recommended that the coming year's tax rate continue at thirty-five cents per one hundred dollars of valuation (\$.035/\$100). Mr. Tipton made a motion to approve the 2015 M&O Tax rate at \$0.10/\$100 and Ad-Valorem Debt Tax rate at \$0.25/\$100 of valuation for a total rate of \$0.35/\$100. Mr. Gonzalez seconded the motion. The motion was approved by five votes in favor and none against.

10. Public Input.

Mrs. Rathbun commented that the Rancho Viejo Volunteer Fire Department has received additional funding from the Town, but they are always in need of more funding to upgrade their equipment. Mrs. Rathbun suggested that the District consider incorporating a voluntary fee for the Fire Department through its billing system. Mrs. Rathbun also inquired about ownership and maintenance of the Town's fire hydrants. Mr. Fry said the District owns and maintains the existing hydrants since they were originally installed in lieu of flush valves. He also stated that it was his understanding that any additional hydrants that are placed for enhanced fire protection would have to be purchased by the Town, although the District could install and maintain them. Finally, Mrs. Rathbun commented on the excessive Resaca algae.

Mrs. Osuna who lives at 517 Escandon stated that she has had to purchase a new Resaca pump because of problems with the resaca algae. She added that this was the second time that this has happened and asked that the District continue to be aggressive when it comes to spraying the algae.

11. General Manager's Report

- **Production and Sales Report**-Mr. Fry stated that he is still working on the Water Loss Report discrepancy between the amount of water provided and the amount of water consumed. He added that he believes the cause is a malfunctioning meter.
- **RO Production Report**-The report for July 2015 was distributed to the Board before the meeting. Mr. Fry explained the report.

- **Raw Water Report**-The report for July 2015 was distributed to the Board before the meeting. Mr. Fry explained the report.
- **Customer Complaints**- Mr. Fry reviewed the two customer complaints for the month of July 2015 with the Board.
- **Operations Report**-Mr. Fry reported on the highlights of the monthly operations of the District.
- **Projects/Task List**-Mr. Fry reviewed the task list and gave status updates on various projects.

12. Recess into Executive Session Pursuant to Texas Government Code Section 551.074 (a) (1) (Personnel Matters):

- a.) Discussion regarding the evaluation of the General Manager.
- b.) Discussion regarding employee compensation for the 2015-'16 Fiscal Year.

The Board entered into Executive Session at 10:30 a.m. to discuss the evaluation of the manager and pay increase for the District employees.

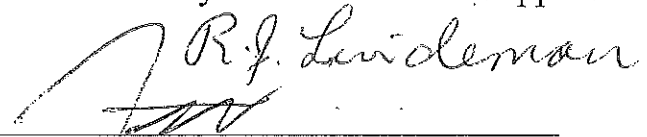
13. Action on Items Discussed in Executive Session.

The Board discussed the salary schedule and Mr. Fry's evaluation. Mr. Tipton made a motion to approve the salary schedule as presented by Mr. Fry with the manager's salary rounded up to \$100,000. Mr. Gonzalez seconded the motion. The motion was approved by unanimous vote of those present.

14. Discussion and Action on the Budget for the 2015-'16 Fiscal Year.

The Board discussed the upcoming budget and acknowledged that it had a slight deficit. Mr. Lindeman suggested that any surplus from this year be partially applied to this deficit and the remainder be placed in to the Reserve Fund for next year. A motion was made by Mr. Nelson and seconded by Mr. Gonzalez. The motion was approved by a unanimous vote of those present.

There being no further business, Mr. Tipton made a motion to adjourn the Regular Meeting at 11:12 a.m. The motion was seconded by Mr. Gonzalez and approved by unanimous vote of those present.



 RICHARD LINDEMAN, PRESIDENT

ATTEST:



 JIM TIPTON, SECRETARY/TREASURER