

MINUTES
ACTON MUNICIPAL UTILITY DISTRICT

The Board of Directors of Acton Municipal Utility District met in special session at 10:00 a.m., Wednesday, August 23, 2023. Notice of said meeting was posted as prescribed by Chapter 54, Article 109, of the Texas Water Code.

Special Session

August 23, 2023

Directors Present

R. Lewis
D. Cleveland
J. Featherston
G. Rose
V. Vernon

Staff Present

R. English
C. Neal
B. Evert
T. Riggio

Visitors Present

Directors Absent

None

Call to Order

Ray Lewis, President, called the meeting to order at 10:00 a.m.

- A. Richard English presented the proposed Capital Budget for fiscal year 2023-2024. He reported income for capital projects is either from bond proceeds or cash funded from operations. For fiscal year 2024, \$12,579,000 is budgeted through bond funds for WWTP #1 Expansion Project, WWTP #2 Expansion Project and the SWATS Capacity Restoration Project. Cash funded requests are budgeted at \$8,340,000. Future bond funds will be designated to reimburse for several currently cash funded projects. Following bond reimbursements, remaining cash funded capital is budgeted at \$3,215,000 with \$977,000 designated for carryover projects. Items listed on the Capital Budget are highlighted as follows:

Water Capital:

- Water Line Replacements - \$25,000 for Acton Meadows area.
- Water Valves – Installed in the system to facilitate control of various lines and fire hydrants - \$6,000. This is a contingency item.
- Fire Hydrants – To replace inoperable existing hydrants or install in new locations to enhance fire protection where needed - \$5,000. This is a contingency item.
- Meters Remote Read – \$175,000 to purchase and install Badger E-Series ultra-sonic meters and transmitters to replace old meters in the system as well as new installations.
- Pumps and Motors – \$100,000 for spare pumps and motors at Booster Stations 4 and 9, and \$50,000 contingency to replace various pumps and motors as needed.

- Water Meters – \$10,000 for purchase of non-standard meters that are typically larger and register increased volume.
- Well Rehab/Replacement – \$25,000 for fencing and improvements at various well sites. G. Rose informed Staff he noticed shingles missing from the roof at one of the well houses.
- Elevated Storage Tank – \$3,000,000 Pecan Plantation Tank #2. This is a bond funded project.
- Water Line – \$2,125,000 for the 16” Acton Loop Waterline Extension. The waterline will run from Cleburne Highway to the triangle. This is a bond funded project.
- Tank Rehab – \$27,000 major tank rehab at Well 14. This is the tank that some of the panels are tearing apart at the seams.
- Equipment – \$65,000 for a mini-excavator and bumper pull dump trailer. The mini-excavator is a replacement and the dump trailer will replace the 1998 dump truck.
- SWATs Capital – \$500,000 for AMUD’s portion of BRPUA capital budget.

Sewer Capital:

- WWTP – DCBE – \$25,000 for an awning at the sewer plant.
- WWTP – Pecan Plantation – \$20,000 for a rotor rebuild and other repairs/replacements as needed. This amount is budgeted but hopefully the expansion project will be completed in time that the funds will not be needed.
- Sewer Line Extensions – \$457,000 for Greenleaves low pressure sewer line project in Pecan Plantation. This is a carryover project.
- I & I Abatement/Upgrade – \$750,000 - \$450,000 for replacement and renewal of sewer lines and infrastructure. \$300,000 for sewer line replacement at Circo and Crescent in DCBE; there have been many sewer stops in this area, plan to increase the sewer line to 8”.
- Pump Replacement – \$55,000 to replace lift station pumps and controls as needed.
- Grinder Pumps – \$30,000 represents replacement of existing grinder pumps in place.
- Lift Stations – \$520,000 for Lift Station 11 Improvements, carryover project at WWTP #1. Trying to get this project out for bid to increase capacity for anticipated growth for the Legacy Ranch Development.
- Lift Station Rehab – \$24,000 to replace control and electrical panels at LS #13 in Pecan Plantation.
- Machinery and Equipment – \$73,000 for a new Vac Rig.

Administration Capital:

- Vehicle Replacements – \$125,000 for two pickups – a one-ton with utility bed and a 3/4 ton truck with a Tommy Gate.
- Office & Warehouse Building – \$37,000, \$30,000 for A/C replacements as needed. \$7,000 to replace the fleet entrance gate.

- Billing & Accounting Software – \$30,000 to complete purchase and installation of new billing system. Trying to get the billing software back to Tyler Technologies software.
- Computer Equipment – \$15,000 for various computer replacements, licenses and software; a portion of this is contingency.

Engineering Capital:

- Engineering Fees – \$36,000.

Capital Contingency:

- \$20,000 to allow for unexpected capital expenditures.

B. Bob Evart presented a proposed Operations & Maintenance (O & M) and Debt Service Budget for fiscal year 2023-2024. Based on projected customer growth of 2.8% in new connections next year as well as incorporating the 5% rate increase adopted last Fall, we are increasing water revenue expectations by approximately \$775,000. Sewer revenue is expected to increase approximately \$140,000 based primarily on customer growth. Although we are projected to fall short of budgeted impact fee collections this year, we are carrying this year's budgeted numbers forward for FY 2024 due to an anticipated increase in the level of building activity next year. Total revenue is projected to be \$14,219,040, an increase of approximately \$1,970,000 over the prior year.

Water and Sewer:

- SWATS O & M – By far, this item is the largest impact on O & M expense. Overall, our SWATS related costs are budgeted at \$2,243,644. Of this total, \$500,000 of SWATS Capital is shown in Capital Water Budget. SWATS O&M is \$1,769,944. SWATS projected total contribution costs are approximately \$690,000 lower than the prior year.
- Raw Water Cost – Projected raw water cost for all 7,000-acre feet is \$490,000. BRA system-wide rate increased from \$88.00 to \$93.50 per acre foot. Option water contracts have increased slightly. This is water contracted for but not expected to be used, thus we pay less for reserving the water. Currently, with BRA's approval, we are reselling some of our raw water on an annual basis.
- Debt Service – Debt Service is budgeted at \$3,914,626, including agency fees. Debt Service requirement is 1.05; projected debt service coverage is approximately 1.55. Although this indicates our bond covenant is covered, under our current rate structure we are projected to fall \$5,966,153 short of funding cash funded capital expenses. This shortfall in cash funded capital expense may be reimbursed from future bond funds. R. English stated he asked our Financial Advisor, Mark McLiney about issuing notes, M. McLiney was opposed to issuing notes.

Wages and Benefits:

- Payroll has been budgeted with a 5.0% increase composed of a 4% COLA and 1% merit. Wages are calculated and based on staffing levels of 29 full time employees. The account License Adjustment is included to recognize an

increase in wages in recognition of obtaining a water or sewer license. Retirement cost are 8.5% of payroll. Included in this rate is 2.85% related to underfunded retirement liability. Mandatory employee contribution rate is 5%, AMUD matches the rate 2.0 times the employee's contribution rate. AMUD currently has a 92.3% funded ratio in TCDRS. Unemployment taxes fluctuates from year to year; the rate is set by the State of Texas and fluctuates on a recurring cycle of low to high every other year. We have no control over this rate and will not know the rate until December for implementation January 1st. Longevity pay is budgeted in the amount of \$88,000.

- Medical Coverage Cost – Coverage is through Blue Cross/Blue Shield (BCBS) and renews January 1st. Actual AMUD amounts will not be available until late October to early November. The District currently provides medical coverage for 26 of the 29 full time employees with employees picking up 30% of the cost for family members. AMUD contributes \$1,300 to a Health Reimbursement Account (HRA) for each covered employee under the plan, with a maximum allowable carryover of \$2,000 per employee; this account is expensed as funds are expended. A Flexible Spending Account (FSA) is offered that allows employees to set aside pre-tax funds for medical care. FSA amounts are funded entirely by employees.

Insurance:

- Property and Casualty Insurance – The premiums are expected to increase this year due to several claims on our Property & Casualty and Workers Compensation policies.

Engineering:

- Engineering Office Expenses is budgeted at \$200 for occasional expenses. Engineering Consultant category represents eHT retainer.

Summary:

In summary, the overall budget yields net revenues, estimated to be \$5,966,153 short of covering cash funded capital items, however future bond issue will also be used to fund several currently cash funded capital projects.

R. Lewis questioned the contingency amounts listed on the proposed budget. An overall discussion was held on why contingencies are needed and included in the budgeting process.

C. Items from Board Members:

Rose:

None

Vernon:

None

Cleveland:
None

Featherston:
None

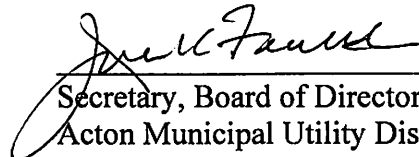
Lewis:

1. Appointed a committee for the General Manager evaluation. Request Van Vernon and Don Cleveland be appointed to the committee.

Adjournment

A motion was made to adjourn at 11:38 a.m.

Motion: Vernon
Second: Cleveland
Vote: All ayes



Secretary, Board of Directors
Acton Municipal Utility District