

SOUTH TEXAS WATER AUTHORITY
Regular Board of Directors Meeting
September 6, 2016
Minutes

Board Members Present:

Kathleen Lowman
Filiberto Treviño
Rudy Galvan
Patsy Rodgers
Dr. Albert Ruiz
Charles Schultz
Steven Vaughn

Board Members Absent:

Lupita Perez

Staff Present:

Carola G. Serrato
Frances De Leon
Jo Ella Wagner

Guests Present:

None

1. Call to Order.

Ms. Kathleen Lowman, Board President, called the Regular Meeting of the STWA Board of Directors to order at 5:40 p.m. A quorum was present.

2. Citizen Comments.

Ms. Lowman opened the floor to citizen's comments. No comments were made.

3. Approval of Minutes.

Mr. Treviño made a motion to approve the minutes of the August 2, 2016 Regular Meeting as presented. Ms. Rodgers seconded. The motion passed by unanimous vote.

4. Treasurer's Report/Payment of Bills.

The following reports were presented for the Board's consideration:

Treasurer's Report for period ending July 31, 2016
Revenue Fund Income Statement for period ending July 31, 2016
Tax Fund Income Statement for period ending July 31, 2016
STWA Revenue Fund Balance Sheet – July 31, 2016
STWA Revenue Fund GL Account Summary Report as of July 31, 2016
STWA Debt Service Fund Income Statement for period ending July 31, 2016
STWA Debt Service Fund Balance Sheet July 31, 2016
STWA Debt Service Fund GL Account Summary Report as of July 31, 2016
STWA Capital Projects Fund Income Statement for period ending July 31, 2016
STWA Capital Projects Fund Balance Sheet – July 31, 2016
STWA Capital Projects Fund GL Account Summary Report as of July 31, 2016

STWA 2012 Bond Election Report
Anticipated vs. Actual Water Rate Charged
Maintenance & Technical Report from O&M Supervisor

In addition, Ms. Wagner presented the following outstanding invoices for Board approval:

• Kevin Kieschnick-NC Tax Assessor	\$ 1,664.64
• LNV	\$ 2,325.00
• City of Corpus Christi	\$ 145,580.20
• Automated Concepts	\$ 1,485.97
• Nueces County Appraisal District	\$ 1,496.00
• Willatt & Flickinger, PLLC	\$ 10,653.00
• Kleberg County Appraisal District	\$ 4,848.55

A motion was made by Mr. Galvan and seconded by Mr. Treviño to approve the Treasurer's Report and payment of the bills as presented. The motion carried.

5. Creation of Special Services Fund.

Ms. Serrato requested the Board's formal approval to create a Special Services Fund to be used in the Fiscal Year 2017 budget as recommended by bond counsel. Mr. Galvan made a motion to approve creation of the Special Services Fund. Mr. Treviño seconded the motion. All voted in favor.

6. Fiscal Year 2017 budget, revenues and rates.

Ms. Serrato reviewed the proposed Fiscal Year 2017 General Fund, Tax Fund, Special Services Fund, Debt Service Fund and Capital Improvement Fund Budgets. She explained that the budget is based on a \$0.061067/\$100 M&O tax rate, an I&S tax rate of \$0.021875/\$100, maintaining the same Handling Charge for the 7th year in a row and having a negative \$141,950 ending balance in the General Fund of which \$130,000 is attributed to conversion of the Driscoll Disinfection Booster station to a chloramination station. She added that the City of Corpus Christi water rates have yet to be approved; therefore, the budget is based on last year's cost of water.

7. Resolution 16-14. Resolution adopting the recommended Fiscal Year 2017 budget.

On a motion by Mr. Galvan, seconded by Mr. Treviño, the Board adopted Resolution 16-14 by unanimous vote.

8. Resolution 16-15. Resolution adopting the Fiscal Year 2017/Tax Year 2016 tax rate.

Mr. Galvan made a motion, seconded by Mr. Treviño, to approve Resolution 16-15 adopting the Fiscal Year 2017/Tax Year 2016 M&O tax rate of \$0.061067 per \$100 assessed valuation and an I&S tax rate of \$0.021875 per \$100 assessed valuation for a total tax rate of \$0.082942 per \$100 of taxable value. The motion passed with all voting in favor.

9. TCEQ Enforcement Action and State Office of Administrative Hearings.

Ms. Serrato reported that legal counsel Bill Flickinger expected a settlement agreement from TCEQ, but instead received notice that TCEQ decided to allow the process to follow its procedural course. She said it is now a matter of waiting for the Administrative Law Judge to issue his final Proposal For Decision and she will keep the board updated on any developments.

10. Amendment to HDR Engineering, Inc. Engineering Services Agreement for Conversion of Driscoll Booster Station to a Chloramination Station.

The Board reviewed an amended Engineering Services Agreement from HDR Engineering which adds \$6,900 to the original cost of their services for conversion of the Driscoll booster station to a chloramination station. The additional cost is associated with a request from Mission Automated for a detailed control narrative as well as a process and instrumentation diagram pertaining to integration of the SCADA system. Mr. Galvan made a motion to approve the amended Engineering Services Agreement. Mr. Treviño seconded. The motion passed.

11. Kingsville Pump Station Bond Projects – Construction of the 1.0 MG Ground Storage Tank.

Ms. Serrato reported that some issues pertaining to Pay Estimate #7 have not been resolved but she hopes the issues will be taken care of by month's end. She added that the chemical feed and mixing system is now working properly.

12. Kingsville Pump Station Bond Projects – Pump Replacement.

Ms. Serrato reported that the problem with Pump #3 leaking and the sparking problem on Pump #2 have been corrected. The issue of an extended warranty on the pumps has not been resolved and at this point, the retainage on this project is being withheld.

13. Joint Project with Nueces Water Supply Corporation – Pump Station Improvements at the Driscoll Pump Station.

Ms. Serrato stated that some of the punch list items previously reported are slowly being addressed. The controls and exhaust fan have been installed but there are questions about the way the controls are operating. There are also issues with the check valve and surge relief valve, and some cleanup work is needed. She added that the retainage has not been released.

14. Water Supply Contract with the City of Kingsville.

Ms. Serrato provided Mr. Flickinger's summary of the August 10th meeting with the City of Kingsville which stated that the contract was discussed in its entirety but the following items were addressed specifically: Section 3 – Quality, Section 4 – Points of Deliver and Title Conveyance of the Facilities, Section 8 – Prices and Terms, Section 9 – Special Conditions, Subsection (J) dealing with Corpus Christi's drought contingency plan, and Section 12 – Term of Contract. Ms. Serrato stated that Mr. Flickinger agreed to review the changes discussed and provide the revised language to the City. She added that the City voiced concerns about the 20

year term and the contract being open-ended in regards to the guaranteed purchase, and that discussion turned to the possibility of continuing a one-year contract until a decision is made on those terms. She informed the Board that renewal of a one-year contract is the next item on the agenda.

15. One-Year Wholesale Water Supply Contract between the City of Kingsville and South Texas Water Authority.

Ms. Serrato expressed the need for the City of Kingsville to continue taking water on a daily basis in relation to a bell-shaped curve as stipulated in the one-year contract. She said legal counsel recommends renewal of the one-year contract to allow water to continue moving through the 42" waterline on a daily basis and provide time to study the effect of these volumes after conversion of the booster station. The Board voiced concerns about other wholesale customers seeking similar arrangements if the one-year contract is approved and about how progress is not being made on a 20-year contract because the City is not willing to negotiate on certain terms. Mr. Galvan made a motion against approving a one-year wholesale water supply contract with the City of Kingsville. Dr. Ruiz seconded. The motion failed on a 4-2 vote with one director abstaining. Ms. Serrato pointed out the importance of maintaining a flow on the 42" waterline in order to study the effect of the Driscoll booster station conversion. In addition continuing the study demonstrates STWA's continuing efforts to resolve the residual dissipation problem and provides time to continue negotiating a long-term contract. She added that she is trying to keep water supplied to all of STWA's customers and is concerned that TCEQ may conclude that the water is not safe. After further discussion, Mr. Galvan made a motion to table this item, Mr. Schultz seconded and all voted in favor.

16. Revised Water Supply Contract with the City of Bishop.

Ms. Serrato presented Mr. Flickinger's summary of the August 2nd meeting with the City of Bishop. She said that the City's concerns about the City's rate ordinance in regards to the tax-exempt status of STWA's bonds have been addressed and another meeting is anticipated. She also noted that the City has not provided a written list of concerns.

17. Water Supply Contract with the City of Driscoll.

Ms. Serrato stated that she attended the City of Driscoll Council meeting on August 10th to discuss the Water Supply Contract. She provided the Council with a summary of the contract provisions and discussed several of those provisions. The City expressed concern about the potential of encountering large, unexpected expenses for equipment repairs or replacement which led to a discussion on the option of entering into a contract to provide Special Services to the City at a cost. As a result of further discussion, Ms. Serrato agreed to provide the City with updated information on the historic cost of pump station repairs.

18. Letter of Engagement with John Womack and Company, P.C. for Independent Auditor Services for FY 2016.

The Board reviewed the Letter of Engagement from John Womack and Company for the fiscal year ending September 30, 2016. Ms. Serrato stated that the cost is \$8,525 which is \$200 more

than last year's cost. She added that \$8,800 has been budgeted for the audit and recommended approval of the Letter of Engagement. Mr. Schultz made a motion to approve the Letter of Engagement with John Womack and Company, P.C. for Independent Auditor Services for FY 2016. Dr. Ruiz seconded. All voted in favor.

19. Texas Municipal League Intergovernmental Risk Pool Board of Trustees Election.

The Board reviewed the candidate information on the Official Ballot for the Texas Municipal League Intergovernmental Risk Pool Board of Trustees Election. After discussing the candidates, Mr. Galvan made a motion to vote for Place 7 incumbent C.J. Wax and Place 9 Incumbent Andres Garza. Mr. Treviño seconded. All voted in favor.


20. Personnel Evaluation of the Executive Director.

Mr. Galvan made a motion to table the Personnel Evaluation of the Executive Director. Dr. Ruiz seconded and all voted in favor.

21. Adjournment.

With no further business to discuss, Ms. Lowman adjourned the meeting at 7:20 p.m.

Respectfully submitted,


Frances De Leon
Assistant Secretary