

SOUTH TEXAS WATER AUTHORITY
Regular Board of Directors Meeting
April 24, 2018
Minutes

Board Members Present:

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

Board Members Absent:

None

Staff Present:

Carola G. Serrato
Frances De Leon
Jo Ella Wagner
Jacob Hinojosa

Guests Present:

Sherrel Mercer, Mercer Controls, Inc.

1. Call to Order.

Ms. Kathleen Lowman, Board President, called the Regular Meeting of the STWA Board of Directors to order at 5:32 p.m. A quorum was present.

2. Citizen Comments.

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

3. New Board members' oaths of office.

Ms. Wagner administered the Oath of Office to Ms. Perez and Mr. Schultz who were re-appointed to their current positions on the Board by the Kleberg County Commissioner's Court and Ms. Rodgers and Mr. Vaughn who were re-appointed by the Nueces County Commissioner's Court.

4. Election of officers.

Mr. Vaughn made a motion to re-elect the current slate of officers. Ms. Rodgers seconded and all voted in favor.

5. Approval of Minutes.

Ms. Rodgers made a motion to approve the minutes of the March 27, 2018 Regular Meeting as presented. Mr. Treviño seconded. The motion passed by unanimous vote.

6. Quarterly Report/Treasurer's Report/Payment of Bills.

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

STWA Investment Report for Quarter ended March, 2018
Treasurer's Report for period ending March 31, 2018
Revenue Fund Income Statement for period ending March 31, 2018
Tax Fund Income Statement for period ending March 31, 2018
Special Services Income Statement for period ending March 31, 2018
STWA Revenue Fund Balance Sheet – March 31, 2018
STWA Revenue Fund GL Account Summary Report as of March 31, 2018
STWA Debt Service Fund Income Statement for period ending March 31, 2018
STWA Debt Service Fund Balance Sheet March 31, 2018
STWA Debt Service Fund GL Account Summary Report as of March 31, 2018
STWA Capital Projects Fund Income Statement for period ending March 31, 2018
STWA Capital Projects Fund Balance Sheet – March 31, 2018
STWA Capital Projects Fund GL Account Summary Report as of March 31, 2018
STWA 2012 Bond Election Report
Anticipated vs. Actual Water Rate Charged
Maintenance & Technical Report from O&M Supervisor

The following outstanding invoices were presented for Board approval:

• Walker Partners	\$ 5,080.00
• Willatt & Flickinger, PLLC	\$ 1,059.10
• Walker Partners	\$ 592.00
• City of Corpus Christi	\$ 100,158.09
• Kevin Kieschnick-NC Tax Assessor	\$ 645.47
• Russell Corrosion Consultants	\$ 3,103.08
• HDR Engineering, Inc.	\$ 900.00

A motion was made by Mr. Schultz to approve the Treasurer's Report and payment of the bills as presented. Ms. Perez seconded. Mr. Vaughn questioned the charges on the Russell Corrosion invoices related to revising the draft report that was improperly edited. Mr. Schultz amended his motion to exclude payment of the Russell Corrosion invoice. Ms. Perez seconded. The motion carried.

7. Fiscal Year 2018 Budget Amendments.

Ms. Serrato reviewed the proposed amendments to the FY 2018 Budget. She stated that Total Revenues increased by \$47,000 based on an anticipated increase in interest income and implementation of the Incremental Increase Charge, Total Administrative/Operations Expenditures without Capital Outlay decreased by \$63,022 associated with savings on professional services and property insurance, and Capital Outlay increased by \$10,000 as a result of purchase of the DM2 pipe locator device. She added that Deficiencies of Revenues over Expenditures increased by \$104,091 for a net gain of \$35,416 compared to the original budget's

net loss of \$68,675 and said the net gain is almost entirely attributed to the anticipated \$35,000 increase in revenue from the Incremental Increase Charge. She also pointed out that the Printing/Office Supplies line item now includes Tech Support. Mr. Galvan made a motion to approve the FY 2018 Budget Amendments. Mr. Treviño seconded. The motion carried.

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

Ms. Serrato reported that the conference calls with TCEQ representatives have been helpful and the next one is scheduled for the week of June 4th. She added that she requested an extension date of May 18th for certification of the Driscoll LAS system. Ms. Shay Roalson of HDR has since provided a certification letter on completion of the project which TCEQ has accepted. In addition Texas Rural Water Association is expected to arrange for training of STWA's field personnel as part of TCEQ's Financial, Managerial and Technical Program. Ms. Serrato also stated that the next quarterly report is due on May 21, 2018. No action was taken by the Board.

9. Driscoll Pump Station LAS Chemical Feed System Addition.

Ms. Serrato stated that she has been discussing several factors pertaining to the Driscoll LAS project with Ms. Shay Roalson of HDR Engineering and legal counsel Bill Flickinger. She pointed out that there had been an initial delay on construction due to Mercer Controls, Inc. (Mercer) responding to Hurricane Harvey related jobs and the project encountered issues with multiple replacement of fittings because of leaking lines and tubing on the LAS system, replacement and testing of the one-ton chlorine cylinder which Mercer claimed was experiencing corrosion, and programming of the system. She added that additional monitoring and testing has resulted in increased overtime. In addition, Ms. Roalson has indicated that HDR has devoted twice the amount of time that was allocated for this project. Ms. Roalson has provided a letter to TCEQ certifying completion of the project. Ms. Serrato stated that Mr. Flickinger has pointed out that the substantial completion date sets the warranty period start date. She added that Mr. Sherrel Mercer who was present for the meeting has provided an Affidavit of Bills paid and a Waiver of Claims and is requesting payment in full. She reminded the Board that \$13,250 based on the project being 53 days past the contract date was previously withheld per Ms. Roalson's recommendation pending project completion and a decision on assessment of liquidated damages. She added that the system is performing much better now but will need to be monitored very closely.

Mr. Mercer addressed the Board and stated that as challenges were encountered, changes were made to address them. He added that Mercer Controls was not responsible for the problems that were encountered and that the system has been installed and is functioning as designed. He voiced his concern that water may be running backwards at times and that aggressive chemicals are present in the water at the O.N. Stevens Plant. He also stated that he has received further information on addressing the issues with the fittings and a contractor will be placing new fittings on Thursday, April 26th. He said he felt that Mercer has gone beyond what has been asked for and noted that his companies have never been required to pay liquidated damages on any project. Regarding the warranty, he disagreed with Mr. Flickinger and said the completion date sets the beginning of the warranty period. He said in return for not being assessed liquidated damages, he would include an additional year warranty on the hardware and is willing to place additional language in the paperwork to reflect the beginning date of the warranty period as the completion

date, March 14th. He added that he will remain available to respond to issues with the system. Ms. Serrato added that several factors such as flow meter issues and sloshing in the line are factors that are not within Mercer's control. Mr. Schultz made a motion to pay the remaining balance to Mercer Controls. Mr. Vaughn seconded. The motion passed on a vote of 7 to 1.

10. Water Supply Contract with the City of Bishop.

Ms. Serrato stated that she sent a letter regarding the water supply contract to Bishop Mayor Tem Miller outlining several issues which were discussed during the March 27, 2018 Board meeting. There has been no response from the City.

11. Offer for Supplemental Easement on CR 38 in Agua Dulce for the AEP Texas Banquete to Stadium Transmission Line Project in Nueces and Jim Wells Counties pertaining to the Agua Dulce Pump Station.

Ms. Serrato presented a letter from Right of Way Service, Inc. (ROWS) on behalf of AEP Texas regarding an electric pole project and an existing easement on STWA's Agua Dulce Pump Station property on CR 38. The original 1946 easement did not include a metes and bounds description. AEP is offering \$573 for the amendment which describes the desired area by metes and bounds. Ms. Serrato pointed out that as it is written, the easement does not provide sufficient information to determine the exact location of the easement. She has spoken to Willie Vera, ROWS, regarding the boundaries of the easement in relation to the center of CR 38 and STWA's fenced pump station. Mr. Vera stated that he believes the southern boundary does not infringe on the fenced area of the pump station. She also spoke with Brent Starr of ROWS who agreed to request additional language stipulating that there will not be any encroachment into the pump station but updated documents have not been provided yet. Mr. Vaughn made a motion to approve the easement and authorize Ms. Serrato to sign the amendment upon determining that there is no encroachment on STWA's fenced pump station. Ms. Rodgers seconded and all voted in favor.

12. City of Corpus Christi Proposed Water Conservation and Drought Contingency Plan and Amended Part II of the STWA Water Conservation and Drought Contingency Plan.

Ms. Serrato presented a revised STWA Water Conservation and Drought Contingency Plan which was prepared in response to the City of Corpus Christi amending its Drought Plan to remove one of the stages and change the trigger levels. She stated that the modifications to Part II of STWA's plan mirror the City's changes and recommended adoption of the revised Part II of the STWA Water Conservation and drought Contingency Plan and authorizing staff to provide the Plan to STWA's wholesale customers.

13. Resolution 18-02. Resolution adopting an Amended Part II of South Texas Water Authority's Water Conservation and Drought Contingency Plan.

Mr. Treviño made a motion to approve Resolution 18-02 adopting the Amended Part II of South Texas Water Authority's Water Conservation and Drought Contingency Plan. Ms. Rodgers seconded and all approved.

14. Amendment of South Texas Water Authority Personnel Policies.

- Inclusion of an "At Will" statement
- Compliance with Government Code, Chapter 619, Right to Express Breast Milk in the Workplace
- Replacement of the term "Permanent" with "Regular" employee

Ms. Serrato provided modified STWA Personnel Policies and explained that modifications were made to address three main items. An "At Will" statement was added to the beginning of the Policies, the term "permanent" employee has been replaced with "regular" employee and a section has been added to comply with Government Code, Chapter 619, Right to Express Breast Milk in the Workplace. Ms. Serrato recommended adoption of Resolution 18-03 approving the amended STWA Personnel Policies.

15. Resolution 18-03. Resolution amending the Personnel Policies of the South Texas Water Authority.

Mr. Schultz made a motion to adopt Resolution 18-03 amending the Personnel Policies of the South Texas Water Authority as proposed. Mr. Treviño seconded and the motion passed by unanimous vote.

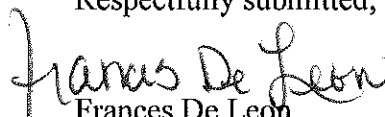
16. Painting of Agua Dulce Ground Storage Tank.

Ms. Serrato explained that \$20,000 for tank repairs/painting was included in the FY 2018 budget in anticipation that the Agua Dulce ground storage tank would require exterior work. Tank inspections performed at the beginning of this year confirmed that the exterior paint work is needed. Two companies provided quotes for the work. Pittsburgh Tank and Tower provided a quote of \$21,200. Diamond Enterprise, Inc. provided a quote of \$22,600 but advised that if the work was performed while they were in the area performing another job for Nueces Water Supply Corporation, they could save on mobilization charges and reduce the cost to \$20,000. Ms. Rodgers made a motion to approve the exterior painting of the Agua Dulce ground storage tank by Diamond Enterprise at a cost of \$20,000. Mr. Treviño seconded. All voted in favor.

17. Adjournment.

With no further business to discuss, Ms. Lowman adjourned the meeting at 6:57 p.m.

Respectfully submitted,


Frances De Leon
Assistant Secretary