

SOUTH TEXAS WATER AUTHORITY
Regular Board of Directors Meeting
September 3, 2019
Minutes

Board Members Present:

Kathleen Lowman
Brandon Barrera
Rudy Galvan, Jr.
Jose Graveley
Lupita Perez
Patsy Rodgers
Filiberto Treviño
Steven Vaughn

Board Members Absent:

None

Staff Present:

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

Guests Present:

Gayle Vaughn

1. Call to Order.

Ms. Kathleen Lowman, Board President, called the Regular Meeting of the STWA Board of Directors to order at 5:45 p.m. A quorum was present.

2. Citizen Comments.

Ms. Lowman opened the floor to citizen's comments. Mr. Jacob Hinojosa asked to comment and handed an envelope to Ms. Serrato. He apologized for handling this in this manner but was doing so for fear of retaliation. He added that he was aware that a policy exists on this type of matter, but he was submitting a two weeks' notice due to Ms. Serrato's actions. Ms. Serrato read Mr. Hinojosa's letter aloud and informed the Board that since the matter was not included on the agenda for this meeting, it could be presented for discussion at the next Board meeting.

3. Approval of Minutes.

Mr. Treviño made a motion to approve the minutes of the July 30, 2019 Public Hearing and Regular Meeting and the August 6, 2019 Special 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, 2019
Revenue Fund Income Statement for period ending July 31, 2019

Tax Fund Income Statement for period ending July 31, 2019
Special Services Income Statement for period ending July 31, 2019
STWA Revenue Fund Balance Sheet – July 31, 2019
STWA Revenue Fund GL Account Summary Report as of July 31, 2019
STWA Debt Service Fund Income Statement for period ending July 31, 2019
STWA Debt Service Fund Balance Sheet July 31, 2019
STWA Debt Service Fund GL Account Summary Report as of July 31, 2019
STWA Capital Projects Fund Income Statement for period ending July 31, 2019
STWA Capital Projects Fund Balance Sheet – July 31, 2019
STWA Capital Projects Fund GL Account Summary Report as of July 31, 2019
Cathodic Protection Expenses Breakdown through July 31, 2019
2012 Bond Election Report
Anticipated vs. Actual Water Rate Charged
Maintenance & Technical Report from O&M Supervisor
CP Update from CP Technician

The following outstanding invoices were presented for Board approval:

- Willatt & Flickinger, Attorneys at Law \$ 1,066.30
- City of Corpus Christi \$ 144,013.45
- Caldwell Country Ford \$ 50,271.00
- Nueces County Appraisal District \$ 1,953.00

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

5. Bids for tank liner for the Driscoll Ground Storage Tank.

Ms. Serrato stated that after the last Board meeting, she requested that quotes for the tank liner for the Driscoll Ground Storage Tank be updated to include the zinc coating option quoted by Mercer Controls, Inc. The quotes remained the same as originally submitted – Mercer Controls, Inc. \$45,352, NG Painting submitted a bid of \$45,000 and Elite National's bid totaled \$32,500. Ms. Serrato stated she discussed the bids with legal counsel Bill Flickinger due to concerns with not being able to confirm Elite's background, such as business experience and reputation and that Elite is based in Kansas City, Missouri while Mercer and NG are located in Texas. In addition, Elite originally required payment of 50% of the cost up front. Mr. Flickinger advised that if the Board chose to select a company other than the lowest bidder, the motion should include the reason for doing so.

6. Resolution 19-47. Resolution awarding the bid for a tank liner for the Driscoll Ground Storage Tank.

Mr. Graveley made a motion to award the bid for a spray on liner for the Driscoll GST to NG Painting, LP because staff was not able to validate Elite's company status, experience and reputation or its financial capability to perform the services. Mr. Treviño seconded the motion. The motion passed by unanimous vote.

7. Fiscal Year 2020 budget, revenues and rates.

Ms. Serrato presented two different budgets for the Board's consideration. The first is based on the current O&M tax rate of \$0.067886/\$100 and the second is based on the higher rate of \$0.070059/\$100 which includes the 8% allowable increase on the M&O tax rate. Both versions are based on the same Handling Charge rate of \$0.427386, water sales of approximately 530 million gallons, a 2.7% overall adjustment to salaries with the exception of the Executive Director, and \$425,350 in capital acquisition. She added that all missing components are now available and have been included. The difference in tax collections between the two budgets is about \$45,000. If the higher rate is chosen, the excess amount will be added to reserves. She noted that it is estimated that four to five years of work can be accomplished on the cathodic protection project with the remaining funds and she believes it is very important to build reserves in order to continue maintenance on the 42" waterline. Mr. Treviño stated that he agreed that there is a need to increase reserves.

8. Resolution 19-49. Resolution adopting the recommended Fiscal Year 2020 budget.

Mr. Barrera made a motion to approve the FY 2020 budget using a maintenance and operation based on the higher tax rate. The motion was seconded by Mr. Treviño and passed by unanimous vote.

9. Resolution 19-50. Resolution adopting the Fiscal Year 2020/Tax Year 2019 tax rate.

Mr. Treviño made a motion to approve Resolution 19-50 adopting the Fiscal Year 2020/Tax Year 2019 M&O tax rate of \$0.070059 per \$100 assessed valuation and the I&S tax rate of \$0.016852 per \$100 assessed valuation for a total tax rate of \$0.086911 per \$100 of taxable value. The motion was seconded by Mr. Vaughn and passed with all voting in favor.

10. Nueces County project for construction of Banquete Pump Station to serve the Nueces Water Control and Improvement District #5 (Banquete) and Nueces Water Supply Corporation.

Ms. Serrato stated that Nueces County has not yet re-bid for construction of the new pump station in Banquete and she will inform the Board of any updates.

11. License Agreement with City of Bishop for Pump Station Facilities.

Ms. Serrato reported that she spoke with Bishop City Secretary Cynthia Contreras who stated that although the City Council met in executive session, the license agreement was not discussed. Ms. Serrato had nothing further to report.

12. Water Supply Contract with the City of Driscoll.

Ms. Serrato reported that she attended the August 7th City Council meeting and addressed the Council under Public Comment. She provided the Council with copies of the proposed contract

and previous correspondence, discussed the need to meet in order to negotiate a contract and to address any of the Council's concerns, and offered to attend a future Council meeting to discuss the matter further. Since no requests were received since then, she spoke with City Secretary Armendina Garcia at Driscoll City Hall and requested that the contract be placed on the agenda for the next Council meeting on September 4th. Ms. Serrato then checked with legal counsel Bill Flickinger on his availability for the meeting and during their conversation found that Mr. Michael G. Morris was listed as the City's attorney of record on the Texas State Directory. Mr. Flickinger has contacted Mr. Morris regarding the contract. A summary on the contract negotiations was provided to Mr. Morris who said he would be in contact with the City. Ms. Serrato has since received a copy of the agenda for September 4th which lists review of the contract. She had nothing further to report.

13. **Resolution 19-51. Resolution approving Annexation of Certain Lands to the South Texas Water Authority. (Don K. Mikeman and Penny Mikeman – Tract Three (3), Cyndie Park Unit 2 in Nueces County Texas and Tract Four (4), Cyndie Park Unit 2 in Nueces County, Texas)**
14. **Resolution 19-52. Resolution approving Annexation of Certain Lands to the South Texas Water Authority. (Sandra L. Acosta – Cyndie Park Unit 1, Tract 16 & 17 in Nueces County, Texas)**
15. **Resolution 19-53. Resolution approving Annexation of Certain Lands to the South Texas Water Authority. (Eva Helene Perez – Tract Twenty-three (23), Cyndie Park Unit 1, Nueces County, Texas)**

Ms. Serrato stated that approval of Resolution 19-51, 19-52 and 19-53 finalizes the annexation process of these properties and recommended adoption of the resolutions. Mr. Galvan made a motion to adopt Resolution 19-51, 19-52 and 19-53 which was seconded by Mr. Graveley and passed unanimously.

16. **Petition for Addition of Certain Lands to the South Texas Water Authority and setting of public hearing date, time and place.**
 - a. **Jakob Parks – Tract Eight (8), Cyndie Park Unit 2 in Nueces County Texas**
 - b. **Arnold Flores and Sarah Flores – Lot 33 and the southwest ½ of Lot 32, Cyndie Park Unit 1, Nueces County, Texas**

Ms. Serrato stated that these property owners recently approached the Nueces Water Supply Corporation requesting service outside of the Authority's district boundaries as a result of the ongoing project to extend water service to the Cyndie Park area. Requesting annexation is the first step in the process to obtain service on the property. Ms. Serrato recommended approval of Resolution 19-54 and 19-55 setting the Public Hearing on September 24, 2019 at 5:30 p.m. at the STWA conference room.

17. **Resolution 19-54. Resolution of determination of validity of Petition for Addition of Certain Lands to the South Texas Water Authority and setting the date, time and place for a public hearing and authorizing publication of public hearing notice. (Jakob Parks)**

18. Resolution 19-55. Resolution of determination of validity of Petition for Addition of Certain Lands to the South Texas Water Authority and setting the date, time and place for a public hearing and authorizing publication of public hearing notice. (Arnold Flores and Sarah Flores)

Mr. Galvan made a motion to adopt Resolutions 19-54 and 19-55 setting the Public Hearing on September 24, 2019 at 5:30 p.m. at the STWA conference room and authorizing publication of the public hearing notices. The motion was seconded by Mr. Treviño and passed unanimously.

19. House Bill No. 2840 and rules regarding the public's right to address the Board of Directors of South Texas Water Authority during an open meeting.

Ms. Serrato presented Resolution 19-56 provided by Mr. Flickinger in response to HB No. 2840 regarding the public's right to address the Board of Directors and providing additional time for a person requiring a translator. She noted that STWA has never had written rules regarding public comment but this is now required. Members of the public will be limited to three minutes and those requiring a translator will be allowed double that amount of time.

20. Resolution 19-56. Resolution adopting Rules Regarding Public's Right to Address the Board of Directors of South Texas Water Authority.

Mr. Treviño made a motion to approve Resolution 19-56 adopting rules for the public's right to address the STWA Board of Directors. Mr. Barrera seconded. All voted in favor.

21. STWA Depository bids.

Ms. Serrato stated that Prosperity Bank has been STWA's depository for the past eight years. Prosperity has agreed to renew the current depository agreement under the same terms. In the past, other banks have provided proposals, but these proposals included fees for every deposit made and check processed. Prosperity does not charge those types of fees and staff feels they are providing quality service. She asked whether the Board prefers to seek depository proposals or renew the agreement with Prosperity. She said that soliciting bids would involve Ms. Wagner contacting the banks and issuing bid packets with a deadline for submission of proposals. The Board agreed by consensus to pursue renewal of the Prosperity agreement instead of soliciting bids. Ms. Serrato said she would place renewal of the agreement on the next agenda.

22. Voltus (Qualified Scheduling Entity – QSR) Demand Response and Peak Saver Agreement – ERCOT Program to avoid brownouts/blackouts.

Ms. Serrato stated that Mr. Tom LaFargue, a Voltus, Inc. representative, contacted her regarding participation in the Demand Response Program which attempts to prevent brownouts and blackouts on the Texas Electrical Grid during high demand times or events. Users are paid for switching to emergency generators when demand is high. Based on information provided by STWA for the Agua Dulce, Sablatura Park, Banquete, Central, Driscoll, Bishop East, Kingsville, RWSC #1 and RWSC #2 pump stations, STWA has the potential to earn approximately \$4,000 in a year's time. There is a response time of 30 minutes to transfer to emergency generators but

there is no penalty for failing to do so in the allotted time. Mr. LaFargue furnished an agreement which Mr. Flickinger has reviewed and indicated that at least one provision is unacceptable and several others require modification or clarification. After discussion on the Demand Response Program, Mr. Vaughn made a motion to decline participation in the program. Mr. Treviño seconded. All voted in favor.

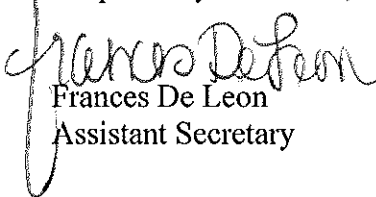
23. City of Corpus Christi Rate Model – NewGen Strategies review.

Ms. Serrato reported that Chris Ekrut, NewGen Strategies, continues working on review of the City of Corpus Christi Rate Model. Mr. Ekrut has received answers to his questions and has provided additional questions to the City but has not encountered any major issues with the true-up or proposed rates. Ms. Serrato stated that she will keep the Board updated on review of the City's rates and model.

24. Adjournment.

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

Respectfully submitted,


Frances De Leon
Assistant Secretary