

SOUTH TEXAS WATER AUTHORITY
Special Board of Directors Meeting
August 11, 2014
Minutes

Board Members Present:

Kathleen Lowman
Filiberto Treviño
Lupita Perez
Patsy Rodgers
Steven Vaughn

Board Members Absent:

Rudy Galvan
Dr. Albert Ruiz

Staff Present:

Carola G. Serrato
Frances Rosales
Jo Ella Wagner
Cameron Whittington

Guests Present:

None

1. Call to Order.

Ms. Kathleen Lowman, Board President, called the Special Meeting of the STWA Board of Directors to order at 5:37 p.m. A quorum was present.

2. Citizen Comments.

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

3. Fiscal Year 2015 budget, revenues and rates.

Ms. Serrato reviewed the proposed Fiscal Year 2015 budget and accompanying worksheets and a draft letter on the budget to the wholesale customers. She explained that the budget was the same as what was presented at the previous Board meeting and is based on maintaining the current M&O tax rate and Handling Charge, and an I&S tax rate of \$0.023519 per \$100 valuation. She also said that the cost of water from the City of Corpus Christi increased by more than 30 cents per thousand gallons due to construction of Phase 2 of the Mary Rhodes Pipeline and the increase will be passed along to the customers. She added that the budget reflects an ending negative balance of about \$80,000.

4. Resolution 14-12. Resolution adopting the recommended Fiscal Year 2015 budget.

Ms. Lowman read Resolution 14-12 aloud to the Board. Ms. Rodgers made a motion to adopt Resolution 14-12. Ms. Perez seconded and the motion passed unanimously.

5. Resolution 14-13. Resolution adopting the Fiscal Year 2015/Tax Year 2014 tax rate.

Resolution 14-13 was read aloud by Ms. Lowman. Ms. Rodgers made a motion to approve Resolution 14-13 adopting the Fiscal Year 2015/Tax Year 2014 tax rate of \$0.06189 per \$100

assessed valuation for M&O and \$0.023519 per \$100 assessed valuation for I&S for a total tax rate of \$0.085409 per \$100 of taxable value. Ms. Perez seconded the motion. All voted in favor.

6. Water Supply Contracts with wholesale customers.

Ms. Serrato presented a water supply contract proposed by STWA's wholesale customers along with a comparison to the 2005 contract and a list of issues raised by legal counsel and staff. She pointed out that the offered contract includes stipulations such as a \$1,171,000 reserve cap with overages to be refunded to the customers quarterly, a 5% cap on handling charge increases which is in conflict with the Authority's Enabling Legislation, an August 10th deadline for delivery of the Authority's tax rate and budget to the customers which may be more difficult as a result of the City of Corpus Christi changing to an October 1 fiscal year, a 75% of the Authority's aggregate customers' approval for issuance of debt, and restrictions for payment of judgments against the Authority. Ms. Serrato stated that she and legal counsel feel that the offered contract from the wholesale customers is not acceptable and she recommended formal action from the Board to reject the offered contract. Mr. Treviño made a motion to reject the offered contract from the wholesale customers. Ms. Rodgers seconded and the motion passed by unanimous vote.

7. Joint meeting with wholesale customers and selection of STWA representatives.

Ms. Serrato said that she and legal counsel regard two major issues as crucial in establishing the formal position of the STWA Board. These issues are whether the Board is willing to approve a contract that allows for an annual percentage cap increase on the handling charge which is being offered at 5%, and secondly stipulates a cap on the reserves (\$1,171,000). She and legal counsel believe both are unacceptable and recommend authorizing legal counsel to notify the wholesale customers that the Board will not approve a contract which restricts increases on the handling charge or places a cap on reserves. The Board agreed that they would not approve such a contract and Mr. Treviño further commented that such issues should not be open for discussion. Mr. Vaughn suggested adding that those restrictions are not permitted by STWA's Enabling Legislation and are therefore not up for discussion, as it would be pointless. Mr. Vaughn then made a motion to authorize legal counsel to inform the wholesale customers that the Board will not accept a contract that is contrary to the Authority's Enabling Legislation. Mr. Treviño seconded. All voted in favor.

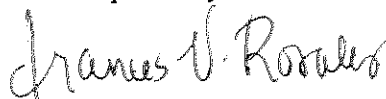
In addition, Ms. Serrato recommended authorization to notify the wholesale customers that the Authority is willing to continue to provide service without a contract. Ms. Perez made a motion, seconded by Ms. Rodgers, to notify the customers that STWA would continue to provide serve without a contract. All voted in favor.

The Board then discussed selection of STWA representatives for the joint meeting on August 18th. Ms. Rodgers nominated Mr. Treviño as a representative. Ms. Lowman and Mr. Vaughn expressed interest in attending. Ms. Rodgers moved that Ms. Lowman, Mr. Treviño and Mr. Vaughn represent the STWA Board at the August 18th joint meeting with wholesale customers. Ms. Perez seconded. All voted in favor.

8. Adjournment.

With no further business to discuss, Mr. Vaughn made a motion to adjourn the meeting at 6:55 p.m. Ms. Perez seconded. All voted in favor.

Respectfully submitted,

A handwritten signature in cursive script that reads "Frances V. Rosales". The signature is written in black ink and is positioned above the printed name.

Frances V. Rosales
Assistant Secretary