

SOUTH TEXAS WATER AUTHORITY
Regular Board of Directors Meeting
January 27, 2015
Minutes

Board Members Present:

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

Board Members Absent:

None

Staff Present:

Carola G. Serrato
Frances Rosales
Jo Ella Wagner
Cameron Whittington

Guests Present:

Debby Womack, John Womack &
Co., P.C.
Luke Womack, John Womack &
Co., P.C.

1. Call to Order.

Ms. Kathleen Lowman, Board President, called the regular meeting of the STWA Board of Directors to order at 5:35 p.m. A quorum was present.

2. Citizen Comments.

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

3. Proposed Fiscal Year 2014 Audit.

Mr. Luke Womack, John Womack & Co., P.C., reviewed the Fiscal Year 2014 Audit with the Board and reported that the Authority is in excellent fiscal condition and that the Authority's records are in good shape.

4. Resolution 15-01. Resolution accepting the Fiscal Year 2014 Audit prepared by John Womack & Co., P.C. of Kingsville, Texas.

Dr. Ruiz made a motion to approve Resolution 15-01. Ms. Perez seconded the motion. All voted in favor.

5. Approval of Minutes.

Mr. Treviño made a motion to approve the minutes of the November 18, 2014 Regular Meeting as presented. Ms. Rodgers seconded. The motion passed by unanimous vote.

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

Ms. Wagner presented the following reports for the Board's consideration:

- STWA Investment Report for Quarter ended September 30, 2014
- STWA Investment Report for Quarter ended December 31, 2014
- Treasurer's Report for period ending November 30, 2014
- Revenue Fund Income Statement for period ending November 30, 2014
- Tax Fund Income Statement for period ending November 30, 2014
- STWA Revenue Fund Balance Sheet – November 30, 2014
- STWA Revenue Fund GL Account Summary Report as of November 30, 2014
- STWA Debt Service Fund Income Statement for period ending November 30, 2014
- STWA Debt Service Fund Balance Sheet November 30, 2014
- STWA Debt Service Fund GL Account Summary Report as of November 30, 2014
- STWA Capital Projects Fund Income Statement for period ending November 30, 2014
- STWA Capital Projects Fund Balance Sheet – November 30, 2014
- STWA Capital Projects Fund GL Account Summary Report as of November 30, 2014
- Treasurer's Report for period ending December 31, 2014
- Revenue Fund Income Statement for period ending December 31, 2014
- Tax Fund Income Statement for period ending December 31, 2014
- STWA Revenue Fund Balance Sheet – December 31, 2014
- STWA Revenue Fund GL Account Summary Report as of December 31, 2014
- STWA Debt Service Fund Income Statement for period ending December 31, 2014
- STWA Debt Service Fund Balance Sheet December 31, 2014
- STWA Debt Service Fund GL Account Summary Report as of December 31, 2014
- STWA Capital Projects Fund Income Statement for period ending December 31, 2014
- STWA Capital Projects Fund Balance Sheet – December 31, 2014
- STWA Capital Projects Fund GL Account Summary Report as of December 31, 2014
- STWA 2012 Bond Election Report
- Anticipated vs. Actual Water Rate Charged and Net Revenue Worksheet
- Maintenance & Technical Report from O&M Supervisor

The following outstanding invoices were presented for Board approval:

• Bridges Specialties, Inc.	\$ 5,300.00
• Nueces County Appraisal District	\$ 1,304.00
• Willatt & Flickinger, Attorneys at Law	\$ 1,480.50
• Kleberg County Appraisal District	\$ 3,995.67
• City of Corpus Christi	\$ 78,474.00
• JMF Repair Service	\$ 1,224.69
• Titan Pipe	\$ 1,267.50
• HACH	\$ 6,758.79
• ForceFlow	\$ 5,002.38
• Kevin Kieschnick NC Tax Assessor	\$ 1,958.94
• Texas Municipal League	\$ 3,517.22
• Willatt & Flickinger, Attorneys at Law	\$ 1,297.40

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- City of Corpus Christi \$ 76,057.04
- Kevin Kieschnick NC Tax Assessor \$ 2,834.37
- John Womack & Co, P.C. \$ 8,425.00

A motion was made by Mr. Vaughn and seconded by Mr. Treviño to approve the Quarterly Reports/Treasurer's Reports and payment of the bills as presented. The motion passed by a unanimous vote.

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

Ms. Serrato stated that TCEQ attorney Jennifer Cook recently emailed legal counsel Mike Willatt and said that her "client is finished with the analysis it has been doing" and requested a meeting of the involved parties. Ms. Serrato said the meeting is set for 1:30 p.m. Wednesday, March 11, 2015 and she will remind Mr. Willatt to contact Ms. Cook in regards to the agenda for that meeting.

8. Kingsville Pump Station Bond Election Improvements – 1.0 MG ground storage tank and pump replacement project.

Ms. Serrato reported that all the necessary information has been provided to TCEQ but a determination has not been made.

9. Wholesale Water Supply Contracts.

Ms. Serrato stated that the City of Agua Dulce approved the twenty-year contract with STWA and she believes it is now an appropriate time to present the same contract to Ricardo Water Supply Corporation. She explained that RWSC is in a very similar situation since they already own the pump station equipment. She said RWSC President Baldemar Garcia has voiced concerns over the term of the contract, but she intends to remind their Board that the USDA will require a long term contract as security for their recent loan. Ms. Perez made a motion to authorize sending a 20-year contract to Ricardo Water Supply Corporation using the same template as the contract approved by the City of Agua Dulce. Ms. Rodgers seconded. All voted in favor.

10. One-year Contract with Nueces Water Supply Corporation.

Ms. Serrato reported that on January 19, 2015, Mr. Willatt emailed Gerald Benadum regarding a one-year interim Wholesale Water Supply Contract with Nueces Water Supply Corporation. Mr. Willatt clearly expressed that the interim contract is for only one year and that it is a contract offered and drafted by STWA. She said neither she nor Mr. Willatt has been contacted by Mr. Benadum or the NWSC Board. She added that NWSC Board President Bill Staff has cited concerns about the method of charging a handling charge and she has explained to him that this method will continue along with the added feature of a true-up. Ms. Serrato recommended formal execution of the one-year STWA contract in order to provide it to the NWSC Board for consideration at their next Board meeting. Mr. Treviño made a motion to authorize execution of

the one-year contract and provide it to the NWSC Board for their consideration at their next meeting. Ms. Rodgers seconded. The motion passed on a 5 to 2 vote.

11. City of Agua Dulce Water Supply Contract.

Ms. Serrato informed the Board that during the Agua Dulce City Council Meeting on Monday, January 19, 2015, the City Council approved the 20-year Wholesale Water Supply Contract with STWA. She said that two minor changes were made on the previously approved template. The first change was including a 20-year term as opposed to a renewing timeframe contingent on STWA having a contract with the City of Corpus Christi for the purchase of water. The second change was removal of the provision that would allow STWA to make budget and rate changes mid-fiscal year. She added that she and Mr. Willatt believe this contract meets the needs of the City of Agua Dulce as well as STWA and recommended approval of Resolution 15-02.

12. Resolution 15-02. Resolution authorizing execution of a 20-year Water Supply Contract between South Texas Water Authority and the City of Agua Dulce.

Ms. Rodgers made a motion to approve adoption of Resolution 15-02 authorizing execution of a 20-year Water Supply Contract between South Texas Water Authority and the City of Agua Dulce. Mr. Galvan seconded. All voted in favor.

13. Bishop West Side Pump Station Bond Election Improvements

Ms. Serrato stated that Hector Castañeda of LNV Engineering has indicated that the second pump is to be started up shortly and it appears the project will be complete before the July 17th contractual term date. She presented a December 5, 2014 LNV Engineering invoice in the amount of \$3,000 and a January 9, 2015 invoice from LNV in the amount of \$3,750. Mr. Galvan made a motion to approve payment of the two invoices. Ms. Perez seconded and all voted in favor.

14. Request from the City of Bishop to use Bond Funds for improvements and repairs at the Bishop Westside Pump Station.

Ms. Serrato presented a request for funds from Hector Castañeda of LNV Engineering on behalf of the City of Bishop as part of electrical and pump station work at the City's Westside Pump Station. She consulted with bond counsel Leroy Grawunder with McCall, Parkhurst and Horton who explained that the Bond Funds are to be used for Capital Improvements. She reviewed the request and recommended the following:

- Restoration of the generator – Since the generator belongs to the City, she did not recommend reimbursement.
- Pump Building repairs – She suggested that the Board consider this request because it could be argued that the condition of the building is critical to protecting the investments being made inside the station.
- Change from Delta to Wye – Ms. Serrato feels that the cost needs to be split out between the groundwater well and the new pump station improvements, and that the Board should consider only reimbursement for Delta to Wye change-out for the pump station.

- Lightning Arrestor – Ms. Serrato recommended denying this request since the arrestor is strictly for the groundwater well.
- AEP fees – Mr. Grawunder informed Ms. Serrato that it is strictly prohibited to use bond funds for any fees that are not related to engineering design, materials and labor to install materials. Therefore if a request is made for these fees, she recommended denying the request.

Mr. Treviño made a motion and Mr. Galvan seconded to follow staff recommendation and authorize reimbursement for the Delta to Wye change and the pump building repairs. After further discussion, Mr. Treviño rescinded the motion. Mr. Galvan then made a motion to authorize payment for the Delta to Wye change-out for the pump station and one-half of the \$7,993 for the pump building repairs. Dr. Ruiz seconded. The motion passed with six voting in favor and one opposed.

15. All matters pertaining to TxDOT 42" Water Line Relocation for US 77 (IH 69) Improvements.

Ms. Serrato stated that it is unknown when the AEP fiber optic line will be relocated so that STWA's abandoned line can be removed. According to Jose Garza of HDR Engineering, Lewis Contracts have indicated a willingness to return in January and February without any additional charges.

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

Ms. Serrato stated that there has been no contact with TCEQ and no developments on the project.

17. Codification of STWA's Enabling Legislation.

Ms. Serrato said that per Board approval, Mr. Willatt's letter requesting that changes be made to their proposed language was sent to the Texas Legislative Council along with Mr. Grawunder's comments. She said that confirmation has been received that the requested changes were incorporated by the Council. She added that she wants to keep track of the legislation in case it should be pulled for amendments. She said Bill Flickinger of Willatt & Flickinger will be contacting someone at the Texas Legislative Council to inquire if there is a way to track the legislation. Mr. Treviño asked about the cost and Ms. Serrato said she would get that information from Mr. Flickinger.

18. STWA 2015 Board Meeting Schedule.

The Board reviewed the proposed meeting schedule provided in the Board packet. They agreed by consensus to follow the proposed schedule but meet on November 17th for a combined November and December meeting.

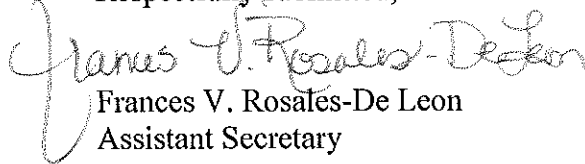
19. STWA Board of Director re-appointments.

Ms. Serrato stated that letters to Kleberg County Judge Madrid and Nueces County Judge Neal have been prepared notifying the courts of upcoming appointments of STWA Directors. She said she has previously spoken to Nueces Commissioner Pusley about switching the appointment of Place 8 (an at-large place currently held by Mr. Vaughn) and Place 4 (the Bishop representative place currently occupied by Ms. Lowman) since Ms. Lowman has moved outside the Bishop city limits. She said she just wanted to make the Board aware of the situation.

20. Adjournment.

With no further business to discuss, Ms. Lowman adjourned the meeting at 7:11 p.m.

Respectfully submitted,



Frances V. Rosales-De Leon
Assistant Secretary