

SOUTH TEXAS WATER AUTHORITY
Regular Board of Directors Meeting
November 17, 2015
Minutes

Board Members Present:

Kathleen Lowman
Filiberto Treviño
Rudy Galvan
Lupita Perez
Patsy Rodgers
Charles Schultz
Steven Vaughn

Board Members Absent:

Dr. Albert Ruiz

Staff Present:

Carola G. Serrato
Frances De Leon
Jacob Hinojosa
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 5:35 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 October 27, 2015 Regular Meeting as presented. Ms. Perez 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 October 31, 2015
Revenue Fund Income Statement for period ending October 31, 2015
Tax Fund Income Statement for period ending October 31, 2015
STWA Revenue Fund Balance Sheet – October 31, 2015
STWA Revenue Fund GL Account Summary Report as of October 31, 2015
STWA Debt Service Fund Income Statement for period ending October 31, 2015
STWA Debt Service Fund Balance Sheet October 31, 2015
STWA Debt Service Fund GL Account Summary Report as of October 31, 2015
STWA Capital Projects Fund Income Statement for period ending October 31, 2015
STWA Capital Projects Fund Balance Sheet – October 31, 2015

STWA Capital Projects Fund GL Account Summary Report as of October 31, 2015

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:

- Mary Hochman Consulting – Restated Thrift Plan \$ 4,000.00
- City of Corpus Christi \$ 96,089.92
- HDR Engineering, Inc. \$ 13,692.75
- HDR Engineering, Inc. \$ 2,700.00
- HDR Engineering, Inc. \$ 3,040.00
- Willatt & Flickinger, Attorneys at Law \$ 13,692.75
- Nueces County Appraisal District \$ 1,494.00
- HDR Engineering, Inc. \$ 4,301.00

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

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

Ms. Serrato stated that the SOAH hearing has been postponed to December 16th and 17th. She added that she and legal counsel Bill Flickinger have discussed whether consideration should be given to TCEQ attorney Jennifer Cook's statements regarding settling the case. She added that several issues need to be addressed and settlement would require a deadline to comply with TCEQ's order and addressing the matter of whether STWA is a public water system. After a lengthy discussion, the Board consensus was to proceed with the hearing and without consideration of a settlement at this time.

6. All matters pertaining to TxDOT 42" Water Line Relocation for US 77 (IH 69) Improvements – Removal of abandoned 42" waterline.

- Final Pay Estimate

Ms. Serrato stated that removal of the abandoned 42" waterline is now complete including the necessary testing and repairs to County Road 36. She presented the Final Pay Estimate for the project in the amount of \$64,249.33 and recommended approval of payment. Mr. Galvan made a motion to approve the Final Pay Estimate in the amount of \$64,249.33. Ms. Rodgers seconded. All voted in favor.

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

Ms. Serrato said that demolition of the Kingsville 5.0 MG ground storage tank is complete and the foundation was found to be suitable for re-use which could save \$300,000 - \$400,000 on the project. She added that workers have been on-site and have been smoothing out the slab. She presented Pay Estimate #1 in the amount of \$195,934.75 and requested authorization for

payment as recommended by Jason Christiansen of HDR. Mr. Schultz made a motion to approve Pay Estimate #1 in the amount of \$195,934.75. Ms. Rodgers seconded. All voted in favor.

8. Kingsville Pump Station Bond Projects – Pump Replacement.

Ms. Serrato stated that there had been no progress in the field on the project and no Pay Estimates have been received. She stated due to the lag time for delivery of materials and equipment, no progress is expected until January 2016. She had nothing further to report.

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

Ms. Serrato reported that Mercer Controls continues providing submittals to HDR but no Pay Estimate has been received. She added that there has been no substantial construction activity on the project.

10. Agreement with HDR Engineering, Inc. for engineering services pertaining to assessment of STWA's 42" waterline.

Ms. Serrato stated that at the last meeting, the Board approved the proposed Engineering Service Agreement with HDR in the amount of \$105,900 for a two-phase assessment of STWA's 42" waterline. She presented the formal Engineering Services Agreement with HDR and recommended approval of the document. Mr. Galvan made a motion to approve the formal Engineering Service Agreement with HDR for a two-phase assessment of the 42" transmission line in the amount of \$105,900. Mr. Treviño seconded. The motion carried.

11. City of Corpus Christi water rate true-up.

Ms. Serrato stated that she has continued receiving information regarding the true-up from the City of Corpus Christi and has been reviewing it with Chris Ekrut of NewGen Strategies & Solutions as well as legal counsel. She said she hoped to have recommendations for the Board, but another proposal was received which requires further review. She noted that the City refers to an "intentional under/over charge" associated with the City's proposed two-year rates designed to keep rates basically level. She said she feels a two year rate would be acceptable, but the City should still be able to true up annually. She added that Mr. Van Vleck of the City of Corpus Christi has indicated that due to the timing the matter will need to be resolved at a later date.

12. Water Supply Contract with NCWC&ID #5 (Banquete).

Ms. Serrato presented a draft letter to Nueces County Water Control & Improvement District #5 in response to the District's decision to postpone Water Supply Contract negotiations. The letter provides a brief history of the contract negotiations and notifies the District that STWA will explore separation of facilities at the Banquete Pump Station. In addition, it expresses the STWA's determination that the District is receiving water on a day to day basis. She said the letter was reviewed by Mr. Flickinger. Mr. Galvan made a motion to approve sending the letter

to the Nueces Water Control & Improvement District #5. Mr. Treviño seconded. All voted in favor.

13. Water Supply Contract with the City of Bishop.

Ms. Serrato reported that she had spoken to Bishop Mayor Joe Morales who expressed regrets that the City's list of requested modifications to the proposed contract has not been provided to STWA as discussed during the Council's October 28th meeting. He explained to her that the City's legal counsel, Gerald Benadum, was not present at the meeting as planned so the Council was not able to review the list and take action on submitting it to STWA. He told her he would continue to press Mr. Benadum about the matter.

14. Water Supply Contract with the City of Driscoll.

Ms. Serrato presented a draft cover letter with a 20-year contract to Driscoll Mayor John Aguilar. She stated that the letter outlines a few revisions from the contract previously provided to the City of Driscoll. She stated that recently some portions of STWA's contracts have come under question by bond counsel, Leroy Grawunder. She said it is her understanding that Mike Willatt had cleared all the contracts with Mr. Grawunder. She has spoken to Mr. Flickinger who recommends holding a conference call with Mr. Grawunder to discuss the matter. In the meantime, she said the Board can approve forwarding the letter offering the contract to Mayor Aguilar contingent on getting approval of bond counsel. Mr. Vaughn made a motion to approve sending the letter and the contract contingent on the approval of bond counsel. The motion was seconded by Ms. Rodgers and passed by unanimous vote.

15. New Rules for the Use of Chloramines and Nitrification Action Plan (NAP).

Ms. Serrato presented information from TCEQ regarding revised chloramine rules. The rules require Public Water Systems to implement a Nitrification Action Plan. She said she attempted to speak with someone at TCEQ but was not able to make contact. She spoke with Aaron Archer of HDR Engineering about the rule changes and how they relate to the Enforcement Action. Mr. Archer said he will be looking into the matter and that other agencies are also seeking assistance. Ms. Serrato said she wanted to make the Board aware of the situation because she would like to utilize HDR's assistance with the Nitrification Action Plan and has asked HDR for a proposal for their services.

16. Amendment No. 3 for Disinfection Management Practices – HDR Engineering Services, Inc.

The Board reviewed a proposal from HDR Engineering, Inc. in the amount of \$16,200 for Amendment #3 – Disinfection Management Practices. Ms. Serrato explained that the amendment is being presented as a result of the TCEQ Enforcement Action case and would amend the current engineering service agreement to include reviewing the TCEQ's report which was developed from their field visits last fall, write a response to TCEQ's report, and provide testimony at the upcoming hearing. Mr. Galvan made a motion to approve the HDR Engineering, Inc. Proposal, Amendment #3 – Disinfection Management Practices. Mr. Treviño seconded. All voted in favor.

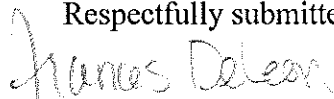
17. ERCOT Membership Meeting and Proxy.

Ms. Serrato presented information on the 45th Annual ERCOT Membership Meeting including a proxy form. She explained that TCAP attorney Christopher Brewster is requesting that TCAP members provide a proxy if a representative is not attending the meeting. She added that Mr. Brewster will be attending the meeting and is available to act as STWA's proxy. Mr. Schultz made a motion to designate Christopher Brewster as STWA's proxy. Ms. Perez seconded. The motion passed on a six to one vote.

18. Adjournment.

With no further business to discuss, Ms. Lowman adjourned the meeting at 7:08 p.m.

Respectfully submitted,



Frances De Leon
Assistant Secretary