

SOUTH TEXAS WATER AUTHORITY
Regular Board of Directors Meeting
February 4, 2016
Minutes

Board Members Present:

Kathleen Lowman
Filiberto Treviño
Lupita Perez
Charles Schultz
Steven Vaughn

Board Members Absent:

Dr. Albert Ruiz
Rudy Galvan
Patsy Rodgers

Staff Present:

Carola G. Serrato
Frances De Leon
Jacob Hinojosa
Dony Cantu

Guests Present:

Margaret Kelly, 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 5:36 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 2015 Audit.

Ms. Margaret Kelley, John Womack & Co., P.C., reviewed the Fiscal Year 2015 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 16-01. Resolution accepting the Fiscal Year 2015 Audit prepared by John Womack & Co., P.C. of Kingsville, Texas.

Mr. Schultz made a motion to approve Resolution 15-01. Mr. Treviño seconded the motion. All voted in favor.

5. Approval of Minutes.

Mr. Treviño made a motion to approve the minutes of the November 17, 2015 Regular Meeting as presented. Ms. Perez 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 December 31, 2015
Treasurer's Report for period ending November 30, 2015
Revenue Fund Income Statement for period ending November 30, 2015
Tax Fund Income Statement for period ending November 30, 2015
STWA Revenue Fund Balance Sheet – November 30, 2015
STWA Revenue Fund GL Account Summary Report as of November 30, 2015
STWA Debt Service Fund Income Statement for period ending November 30, 2015
STWA Debt Service Fund Balance Sheet November 30, 2015
STWA Debt Service Fund GL Account Summary Report as of November 30, 2015
STWA Capital Projects Fund Income Statement for period ending November 30, 2015
STWA Capital Projects Fund Balance Sheet – November 30, 2015
STWA Capital Projects Fund GL Account Summary Report as of November 30, 2015
STWA 2012 Bond Election Report
Treasurer's Report for period ending December 31, 2015
Revenue Fund Income Statement for period ending December 31, 2015
Tax Fund Income Statement for period ending December 31, 2015
STWA Revenue Fund Balance Sheet – December 31, 2015
STWA Revenue Fund GL Account Summary Report as of December 31, 2015
STWA Debt Service Fund Income Statement for period ending December 31, 2015
STWA Debt Service Fund Balance Sheet December 31, 2015
STWA Debt Service Fund GL Account Summary Report as of December 31, 2015
STWA Capital Projects Fund Income Statement for period ending December 31, 2015
STWA Capital Projects Fund Balance Sheet – December 31, 2015
STWA Capital Projects Fund GL Account Summary Report as of December 31, 2015
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:

• HDR Engineering, Inc.	\$ 5,760.00
• HDR Engineering, Inc.	\$ 1,800.00
• HDR Engineering, Inc.	\$ 5,792.00
• HDR Engineering, Inc.	\$ 2,660.00
• HDR Engineering, Inc.	\$ 3,534.00
• HDR Engineering, Inc.	\$ 322.00
• HDR Engineering, Inc.	\$ 1,125.00
• HDR Engineering, Inc.	\$ 4,800.00
• HDR Engineering, Inc.	\$ 570.00
• HDR Engineering, Inc.	\$ 9,367.20
• HDR Engineering, Inc.	\$ 10,590.00
• City of Corpus Christi	\$ 97,484.32

• City of Corpus Christi	\$ 81,526.08
• Kevin Kieschnick-NC Tax Assessor	\$ 8,019.92
• Kevin Kieschnick-NC Tax Assessor	\$ 1,931.00
• Kevin Kieschnick-NC Tax Assessor	\$ 2,492.88
• Willatt & Flickinger, Attorneys at Law	\$ 2,319.70
• Willatt & Flickinger, Attorneys at Law	\$ 7,376.06
• John Womack & Co., P.C.	\$ 4,960.00
• Fluid Meter Service, Corp.	\$ 4,125.00
• Ron Perrin Water Technologies	\$ 1,950.00
• Rock Engineering & Testing	\$ 1,121.00
• Kleberg County Appraisal District	\$ 3,944.55
• John Womack & Co., P.C.	\$ 3,300.00

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

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

Ms. Serrato stated that the SOAH case was heard by Judge Craig Bennett on December 16th and 17th and Judge Bennett instructed STWA and TCEQ staff to cooperate with each other on deciding what improvements are needed for solving the residual problem. She said that taps for monitoring have been completed; however, TCEQ now says that the taps should be 50 feet upstream of the injection points which would result in tapping either the 42" waterline or the 12" spur line and set the sampling points outside of STWA's fenced areas. Ms. Serrato stated that tapping those lines is impractical and Aaron Archer says there is no scientific justification for the 50 foot distance. She added that legal counsel Bill Flickinger is arranging a conference call with TCEQ to discuss the matter. She also provided the briefing schedule on the case showing a February 26th deadline for ED's closing brief, an April 8th deadline for STWA's response and a May 20th deadline for the ED's reply brief.

8. Kingsville Pump Station Bond Projects -- Construction of the 1.0 MG Ground Storage Tank.

- Pay Estimate #2 -- Preload LLC
- Rock Engineering & Testing Lab, Inc. Agreement for Laboratory Testing Services

Ms. Serrato presented Pay Estimate #2 in the amount of \$241,965.00 and requested authorization for payment as recommended by Jason Christensen of HDR. She also reported that there are two valves that are redundant and will be deleted for a cost savings. She added that Preload has provided a quote for replacement of two original valves that might needed replacement but according to Mr. Christensen, the quote appears excessive. In addition, Ms. Serrato presented an agreement for Rock Engineering to perform periodic testing of the concrete materials being used. She said she has executed the agreement in order to have the work done and asked for the Board's approval of the agreement. Mr. Treviño made a motion to approve Pay Estimate #2 in the amount of \$241,965.00 and to ratify the agreement with Rock Engineering. Ms. Schultz seconded. All voted in favor.

In response to questions on the bypass valve, Ms. Serrato stated that neither she nor the project engineer recommend replacement and added that the estimate was too excessive. She explained that savings from eliminating the redundant valves are not enough to offset this cost. She said that the valve had to be worked for quite some time but is operational. Ms. Schultz asked about seeking bids for replacement of the 24" valve and Ms. Serrato agreed to gather bids. Mr. Vaughn also suggested exercising the 24" valve on a routine basis. Ms. Serrato said she would have it added to the schedule of valves to be exercised. The Board then agreed by consensus to go out for bids on the 24" valve in order to have an idea what the cost would be to replace the original valve.

9. Kingsville Pump Station Bond Projects – Pump Replacement.

Ms. Serrato stated that Associated Construction Partners, LTD (ACP) arrived to begin demolishing the necessary piping and prepping the pump station for the new pumps. Once the project got underway, it was determined that the existing concrete pads are not usable and would require demolition. ACP provided a Change Proposal Request in the amount of \$14,518.75 for replacement of the concrete pads and after Mr. Christensen discussed the cost with ACP, a revised quote was provided in the amount of \$12,310.75. Mr. Schultz made a motion to approve Change Proposal Request #1 in the amount of \$12,310.75. Mr. Vaughn seconded. All approved.

The order of the agenda was changed at Ms. Serrato's request.

18. Disclosure of interested parties to negotiate and amend contract per House Bill 1295.

Ms. Serrato presented information on House Bill 1295 which requires filing with the Texas Ethics Commission for any Board approved contracts whether new, amended, extended or renewed for any goods or services. She explained that the process is not necessary for all transaction with all vendors but is mandatory for any services above \$1,000,000 and any contracts that the Board approves.

Ms. Serrato explained that in the past, she has presented contracts to the Board when they are for a period of more than one year and also when they are for services such as engineering services, legal services related to the Thrift Plan and purchase of equipment. She added that she does not normally present contracts for recurring expenses which have an annual renewal.

Ms. Serrato presented Resolution 16-03 for the Board's consideration. She said the resolution was provided by Mr. Flickinger and asked that the Board determine whether to continue the current procedure of staff executing annual renewal and presenting longer contracts to the Board. She added that contracts presented to the Board would be subject to the TEC Form 1295, provided the dollar amount exceeds the amount adopted by the Board in Resolution 16-03. Mr. Schultz suggested approving an amount of \$50,000.

19. Resolution 16-03. Resolution authorizing the Executive Director to negotiate, execute and approve contracts for services and materials on behalf of the Authority for contracts not exceeding a Board approved amount, and authorizing the Executive Director to take all actions and execute all documents necessary or convenient, or both, to effectuate the purpose of this Resolution.

Mr. Schultz made a motion to adopt Resolution 16-03 authorizing the Executive Director to negotiate, execute and approve contracts for services and materials not exceeding \$50,000. Ms. Perez seconded. The motion carried.

10. Joint Project with Nueces Water Supply Corporation – Pump Station Improvements at the Driscoll Pump Station.
 - Revised Construction Schedule

Ms. Serrato reported that Mercer Controls provided a new timeline due to the failure of the pump supplier to order the pump as requested by Mercer in October. She said the pump delivery date had been postponed to mid-March placing the new completion date beyond the contractual completion date. However, after Jason Christensen notified Mercer of the potential of liquidated damages, the pump supplier was able to arrange for an earlier delivery and the project should not be delayed.

11. Assessment of STWA's 42" waterline.

Ms. Serrato stated that she received a draft report from Richard Proussard, HDR Engineering, regarding the assessment of the 42" waterline. She attempted to contact him regarding several questions and discovered that he had a death in the family. She discussed the matter with Mr. Aaron Archer who is working with her to coordinate availability of STWA and HDR staff for beginning work on the project.

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

Ms. Serrato stated that it originally appeared that the City of Corpus Christi made a mistake in the computer model provided to STWA. However, according to Mark Van Vleck of the City of Corpus Christi the higher numbers were adopted in error but the City has offered to charge STWA according to the rate calculated in the model.

13. Water Supply Contract with the City of Bishop.

Ms. Serrato reported that Bishop Mayor Joe Morales informed her that the City's legal counsel, Gerald Benadum, has not drafted the City's list of requested modifications to the proposed contract. He added that Mr. Benadum has been under the weather but he would continue efforts to provide the list.

14. Water Supply Contract with the City of Kingsville.

Ms. Serrato stated that she and Mr. Flickinger met with Kingsville City Manager Jesus Garza, City Attorney Courtney Alvarez, City Engineer Charlie Cardenas and Mr. Bill Donnell. She said she provided a history of the Authority and reviewed the modifications provided by bond counsel Leroy Grawunder. She said the meeting went well and Ms. Alvarez seemed pleased with the change related to the section on Price and Terms, specifically a uniform base charge with a separate contract for Special Services. She added that Ms. Alvarez informed her that she will provide comments in a couple of weeks.

15. Engineering Services Proposal from HDR Engineering, Inc. for Nitrification Action Plan (NAP).

Ms. Serrato presented HDR's Engineering Services Proposal for developing a Nitrification Action Plan which was discussed at the previous meeting. The proposed cost is \$7,540. She stated that she received proposals for Ricardo Water Supply Corporation and Nueces Water Supply Corporation as well and the Ricardo Board approved the proposal at their January 14, 2016 meeting. She noted that the TCEQ inspector listed a failure to have a NAP on RWSC's Exit Interview Form after the TCEQ's investigation on January 14th.

Ms. Serrato stated that TCEQ provided Mr. Archer with answers to the questions regarding the NAP but further clarification is needed regarding where responsibility begins and ends in terms of delivery points at each station. Mr. Schultz made a motion to approve the Engineering Services Proposal with HDR Engineering, Inc. for services related to development of a Nitrification Action Plan in the amount of \$7,540. Mr. Vaughn seconded. All voted in favor.

16. Authorization for Texas Coalition for Affordable Power, Inc. (TCAP) to negotiate an electric supply agreement for the years 2018 to 2022.

Ms. Serrato presented information related to TCAP and its efforts to continue securing longer range, lower cost and fixed rated. She stated that the current electric supply agreement expires in 2017. She said TCAP is emphasizing the need to be prepared to act quickly in response to fluctuating prices and locking in on the best rate. They have provided a template resolution to name a minimum of three persons authorized to lock in the rate which will need to be done within a 24 hour period once the agreement is met. She said that Resolution 16-02 authorizes TCAP's Executive Director, Ms. Serrato, Jo Ella Wagner and Frances De Leon as persons to sign an agreement for the years 2018 to 2022.

17. Resolution 16-02. Resolution of the South Texas Water Authority authorizing the Texas Coalition for Affordable Power, Inc. (TCAP) to negotiate an electric supply agreement for five years for deliveries of electricity effective January 1, 2018; authorizing TCAP to act as an agent on behalf of the Authority to enter into a contract for electricity; authorizing Jay Doegey, Executive Director, TCAP, Carola Serrato, South Texas Water Authority Executive Director, Jo Ella Wagner, South Texas Water Authority Finance Manager, or Frances De Leon, South Texas Water Authority Business/Risk Manager to execute an electric supply agreement for deliveries of electricity effective January 1, 2018 and committing to budget for energy purchases in 2018 through 2022 and to honor the Authority's commitments to purchase power for its electrical needs in 2018 through 2022 through TCAP.

Mr. Schultz made a motion to adopt Resolution 16-02. Mr. Treviño seconded. All voted in favor.

20. Nueces County Application to the Texas Water Development Board for facilities to serve Cyndie Park II WSC and Agreement allowing construction of facilities on STWA property in Banquete.

Ms. Serrato reviewed the potential project that the Nueces County Grant Office is working on to provide a surface water supply to the Cyndie Park II WSC. Currently, the County has acquired two (2) grants for the water supply corporation. One grant will replace the existing lines within the subdivision. The other is a grant through the Texas Water Development Board (TWDB) which is a planning and development grant. As a result, LNV Engineering, who was hired by the County, has researched several options for the final anticipated phase which would be to extend a surface water supply from Nueces Water Supply Corporation's closest water line located on FM 666. However, pump station facilities will be required. One option is to build a new pump station located on FM 666. Option 2, which is the less expensive and preferred alternative, is to build a pump station immediately north of the existing Banquete PS on Water Tower Road. This property is owned by South Texas Water Authority. Ms. Serrato further explained if Option 2 is funded by a TWDB grant that an opportunity would be available to separate out the facilities serving NWSC versus those for NCWC&ID#5 (Banquete). Ms. Serrato continued by stating that the NWSC Board has agreed to own any new pump facilities associate with extending service. Finally, the TWDB will require some type of proof that authorizes use of the Authority's property.

21. Resolution 16-04. Resolution authorizing Executive Director to sign letter to Texas Water Development Board and to negotiate and execute License Agreement with Nueces County.

A motion was made by Mr. Treviño to adopt Resolution 16-04. The motion was seconded by Ms. Perez. All voted in favor.

22. Petition for Addition of Certain Lands to the South Texas Water Authority and setting of public hearing date, time and place (Patricia P. Holland – Herrera Grant North Portion, 3.30 acres out of South Part Share of BC2-A3).

Ms. Serrato explained that Patricia P. Holland had approached the Nueces Water Supply Corporation requesting service outside of the Authority's district boundaries. As in the past, the process has been for the property owner to request annexation into the district. In this manner, all of NWSC's retail customers are paying the same rates including being taxed by STWA. NWSC does not have out of district rates.

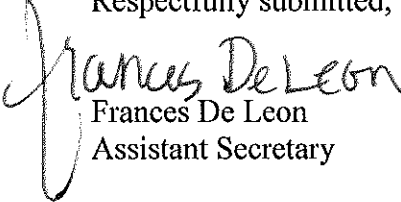
23. Resolution 16-05. Resolution of determination of validity of Petition for Addition of Certain Lands to the South Texas Water Authority and setting the date, time and place for a public hearing and authorizing publication of public hearing notice.

Mr. Schultz made a motion to adopt Resolution 16-05. Mr. Treviño seconded and all voted in favor.

24. Adjournment.

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

Respectfully submitted,



Frances De Leon
Assistant Secretary