

SOUTH TEXAS WATER AUTHORITY  
Public Hearing  
February 23, 2016  
Minutes

Board Members Present:

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

Board Members Absent:

Dr. Albert Ruiz  
Steven Vaughn

Staff Present:

Carola G. Serrato  
Frances De Leon

Guests Present:

Bill Flickinger, Willatt & Flickinger

1. Call to Order.

Ms. Kathleen Lowman, Board President, called the Public Hearing of the STWA Board of Directors to order at 5:30 p.m.

2. Petition for Addition of Certain Lands to the South Texas Water Authority.

- a. Patricia P. Holland, Herrera Grant North Portion, 3.30 Acres out of the South Part of Share BC2-A3.

Ms. Serrato stated that this is the next step in the annexation process and a resolution approving annexation will be presented at the Regular Board Meeting. Approval of the annexation petition enables the landowner to receive service and pay in-district rates. It also allows the property to become taxable.

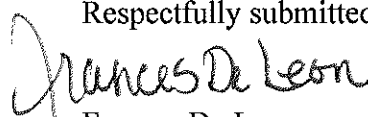
3. Public Comment.

Ms. Lowman called for public comment. No comments from the public were made.

4. Adjournment.

With no further business to discuss, Ms. Lowman adjourned the Public Hearing at 5:35 p.m.

Respectfully submitted,

  
Frances De Leon  
Assistant Secretary

SOUTH TEXAS WATER AUTHORITY  
Regular Board of Directors Meeting  
February 23, 2016  
Minutes

Board Members Present:

Kathleen Lowman  
Filiberto Treviño  
Rudy Galvan  
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Patsy Rodgers  
Charles Schultz

Board Members Absent:

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Staff Present:

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Frances De Leon

Guests Present:

Bill Flickinger, Willatt & Flickinger

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.

*The order of the agenda was changed to accommodate the guest, Mr. Bill Flickinger of Willatt & Flickinger, Attorneys at Law.*

11. Amendments to Wholesale Water Supply Contract Template, current City of Agua Dulce Water Supply Contract, current Nueces Water Supply Contract, and current Ricardo Water Supply Contract per Bond Counsel Recommendations related to the South Texas Water Authority.
12. Water Supply Contract with the City of Bishop.
13. Water Supply Contract with the City of Kingsville.

Mr. Bill Flickinger, Willatt & Flickinger, attended in person and Mr. Leroy Grawunder of McCall, Parkhurst and Horton participated in this discussion by telephone. The Board reviewed three options pertaining to the water supply contract provision on tax-exempt bonds. Mr. Grawunder explained that the purpose behind the amendments to the water supply contract template and current contracts with the City of Agua Dulce, Nueces Water Supply Corporation and Ricardo Water Supply Corporation is to preserve and protect the tax exempt status of the STWA 2013 Bonds. He explained that the bonds were issued as tax free obligations and the Authority has to comply with several regulations therefore a few issues in the contracts needed to be addressed.

The first issue was determining a uniform cost among the customers. To achieve this, the cost for any services specific to a certain wholesale customer or customers will be separated out from the cost of water and placed in a separate special services contract specific to each customer. In addition, the minimum purchase requirement was removed from the contracts because it was in conflict with tax exempt bond regulations.

In addition, the uniformity of rates applies to the rates charged by the wholesale customers. Three paragraphs were provided with varying degrees of detail and requirements of STWA's wholesale customers. After reviewing the available options, Mr. Galvan asked which was recommended. Ms. Serrato explained that if the goal is to persuade customers to accept the contracts, the third option would be the best choice. She believes it would be most amenable to the customers because it placed fewer restrictions on them and required the wholesale customer to notify STWA of any contracts the wholesale customer was considering. The provision required a 60-day notice. She also explained that if the Board approved of the changes, the City of Agua Dulce, Nueces Water Supply Corporation and Ricardo Water Supply Corporation would need to be amended and recommended working with legal counsel to send letters to them explaining the amended provisions. In addition, revised contracts would need to be forwarded to the City of Bishop, the City of Driscoll and Nueces County Water Control and Improvement District #5. She added that the City of Kingsville has already been presented with the amendments but a change is still needed on the drought provision due to modifications to the City of Corpus Christi's plan. Ms. Serrato said she believes for most of the amendments the customers will prefer the changes and will feel more comfortable with separating out special services.

Mr. Flickinger agreed that the third option would probably be most agreeable to the customers and offers customers more equitable rates. He explained that including costs for special services in the main contract created problems with tax exempt bonds problems so this cost was separated out and most customers will probably prefer the change. In addition since the Authority wants to convey facilities to customers, this option makes it more equitable and also corrects issues with TCEQ's direct pressure rule. He said he believes all the needed language has been incorporated into the contracts. He added that if the Board is in agreement with the changes in the third option, the customers can be offered the changed contracts and once they are approved, they will be presented to the Board. The Board agreed on the changes and utilizing paragraph three.

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 February 4, 2016 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 January 31, 2016  
Revenue Fund Income Statement for period ending January 31, 2016  
Tax Fund Income Statement for period ending January 31, 2016  
STWA Revenue Fund Balance Sheet – January 31, 2016  
STWA Revenue Fund GL Account Summary Report as of January 31, 2016

STWA Debt Service Fund Income Statement for period ending January 31, 2016  
STWA Debt Service Fund Balance Sheet January 31, 2016  
STWA Debt Service Fund GL Account Summary Report as of January 31, 2016  
STWA Capital Projects Fund Income Statement for period ending January 31, 2016  
STWA Capital Projects Fund Balance Sheet – January 31, 2016  
STWA Capital Projects Fund GL Account Summary Report as of January 31, 2016  
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:

• Willatt & Flickinger, Attorneys at Law	\$ 11,492.30
• HDR Engineering, Inc.	\$ 6,152.79
• HDR Engineering, Inc.	\$ 2,250.00
• HDR Engineering, Inc.	\$ 5,280.00
• HDR Engineering, Inc.	\$ 1,330.00
• HDR Engineering, Inc.	\$ 1,040.80
• City of Corpus Christi	\$ 75,559.60
• NewGen Strategies	\$ 225.00

A motion was made by Mr. Schultz and seconded by Ms. Rodgers 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 Mr. Flickinger is working on arranging a conference call with TCEQ and is awaiting a final date. TCEQ has asked for dates for the week of March 7<sup>th</sup>.

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

- Pay Estimate #3 – Preload LLC

Ms. Serrato reported on several issues. She stated that it appears that Preload LLC did not submit the necessary shop drawings to acquire the proper equipment for the tank mixing system and any delays could result in a notice of potential liquidated damages being assessed. Preload has suggested using two smaller units that should turn over the water in six hours, but she has stressed that the specifications called for one unit with a six hour turnover and that STWA is not interested in an undersized model. Mr. Schultz asked if a larger credit could be offered for using the two smaller units. Ms. Serrato said she would look into that.

In addition, a change to the LAS building size was needed. The building size had to be increased from 8'x8' to 10'x8' at a cost of \$1,625 and Moody Brothers added 12" x 12" windows in each of the chlorine and LAS building doors at no cost. Ms. Serrato stated that she has signed the CPR for the sizing of the LAS building.

She also reported that in regards to the skirting around the tank, Jason Christensen, HDR Engineering, has asked about adding a grout to smooth out the finish of the slab. This would also prevent ponding. Although a CPR has not been received, the cost could be around \$40,000.

Ms. Serrato presented Pay Estimate #3 to Preload LLC in the amount of \$81,866.25 and requested authorization for payment as recommended by Mr. Christensen. Mr. Galvan made a motion to approve Pay Estimate #3 and Mr. Treviño seconded. All voted in favor.

7. Kingsville Pump Station Bond Projects – Pump Replacement.

- Pay Estimate #1 – ACP

Ms. Serrato reported that progress continues on the pump replacement project. The old pump pads were demolished and new pads were constructed. The City of Kingsville has picked up their equipment that has been removed. Ms. Serrato stated that there may be added costs for a curb for the MCC panel. In addition problems were encountered when running wires through the conduit and there may be additional cost for laying new conduit. She presented Pay Estimate #1 for Associated Construction Partners, LTD in the amount of \$83,202.91 and requested authorization for payment as recommended by Mr. Christensen. Ms. Rodgers made a motion to approve Pay Estimate #1 and Ms. Perez seconded. All voted in favor.

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

Ms. Serrato reported that Mercer Controls continues work on the project. No pay estimate has been received at this time.

9. Assessment of STWA's 42" waterline.

Ms. Serrato stated that HDR Engineering has provided a revised work plan for assessment of STWA's 42" waterline. STWA will not need to provide a lot of manpower when they arrive. HDR is expected to be on location for a couple of weeks running various types of tests to determine if additional test stations or anodes will be needed.

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

Ms. Serrato stated that the City of Corpus Christi provided a corrected invoice based on the lower rate which should have been used from the beginning. It appears the matter has been taken care of.

14. Petition for Addition of Certain Lands to the South Texas Water Authority (Patricia P. Holland – Herrera Grant North Portion, 3.30 acres out of South Part Share of BC2-A3).

Ms. Serrato stated that approval of the annexation petition enables the landowner to receive service and pay in-district rates while allowing the property to become taxable. She recommended adoption of Resolution 16-06 approving the annexation.

15. Resolution 16-06. Resolution approving Annexation of Certain Lands to the South Texas Water Authority (Patricia P. Holland – Herrera Grant North Portion , 3.30 acres out of South Part Share of BC2-A3).

Mr. Galvan made a motion to adopt Resolution 16-06. Mr. Schultz seconded. All voted in favor.

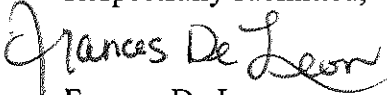
16. Sale of a portion of STWA property located on the corner of CR 37 and US 77/IH 69.

Ms. Serrato stated that she has received two requests to purchase all or a portion of STWA's property at CR 36 and US 77/IH 69. The first request was from Mr. Carlos Melick who visited with her to discuss purchasing the property. In addition, another request was received from the property owner on the north. Ms. Serrato explained to both persons that the Authority would most likely want to keep a portion of the property for a future booster station and that she would need to consult with bond counsel since the property was purchased with bond funds. Both potential buyers remained interested. She contacted Mr. Grawunder who informed her that sale of the property is allowed. After discussing the matter, the Board decided against selling the property at this time.

17. Adjournment.

With no further business to discuss, Ms. Lowman adjourned the meeting at 6:47 p.m.

Respectfully submitted,

  
Frances De Leon  
Assistant Secretary