

SOUTH TEXAS WATER AUTHORITY  
Regular Board of Directors Meeting  
May 5, 2016  
Minutes

Board Members Present:

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

Board Members Absent:

None

Staff Present:

Carola G. Serrato  
Frances De Leon  
Jo Ella Wagner  
Jacob Hinojosa

Guests Present:

Marvin Leary – Linebarger, Goggan,  
Blair & Sampson, LLP

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.

*The order of the agenda was changed in order to accommodate the guest, Mr. Marvin Leary.*

16. Proposed Tax Foreclosure Auction of Resale Properties located within STWA's district in Nueces County.

Mr. Marvin Leary of Linebarger, Goggan, Blair & Sampson, LLP explained the procedures for offering tax foreclosure properties for auction. He explained that properties are struck off the tax rolls when they are not sold and eventually, a list of the properties which have not sold is compiled and the properties are put up for sale at a reduced amount in an effort to sell them and return them to the tax rolls. This year the sale will be held on June 4<sup>th</sup> and 89 properties will be offered for sale with opening bids set at 20% of the latest appraised value. He added that 68 of the 89 properties are located within the Rancho Amistad subdivision at FM 666 & CR 44. He requested that the Board consider offering the properties for sale as a group at an opening bid of less than 20%. He presented a map showing the Rancho Amistad properties and explained that 20% of the appraised value of these properties is \$278,980. He believes that offering the properties as a block and reducing the amount of the opening bid may improve the chances of selling the properties to prospective developers.

17. Resolution 16-07. Resolution authorizing an auction of resale properties located within South Texas Water Authority's district.

Mr. Treviño made a motion to approve Resolution 16-07 including the option of offering the 68 lots in the Rancho Amistad subdivision as one block at a bid no lower than 15% of the 2015 certified appraised value. Ms. Rodgers seconded the motion. The motion passed on a vote of six to zero with Mr. Galvan and Mr. Schultz abstaining.

3. New Board members' oaths of office.

Ms. Wagner administered the Oath of Office to Ms. Perez and Mr. Schultz who were re-appointed to their current positions on the Board by the Kleberg County Commissioner's Court and Ms. Rodgers and Mr. Vaughn who were re-appointed by the Nueces County Commissioner's Court.

4. Election of officers.

Ms. Rodgers made a motion to nominate the current slate of officers. Ms. Perez seconded and all voted in favor.

The officers remain as follows:

Ms. Lowman – President  
Mr. Treviño – Vice-President  
Mr. Galvan – Secretary/Treasurer

5. Approval of Minutes.

Mr. Treviño made a motion to approve the minutes of the March 22, 2016 Regular Meeting as presented. Mr. Galvan 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 March 31, 2016  
Treasurer's Report for period ending March 31, 2016  
Revenue Fund Income Statement for period ending March 31, 2016  
Tax Fund Income Statement for period ending March 31, 2016  
STWA Revenue Fund Balance Sheet – March 31, 2016  
STWA Revenue Fund GL Account Summary Report as of March 31, 2016  
STWA Debt Service Fund Income Statement for period ending March 31, 2016  
STWA Debt Service Fund Balance Sheet March 31, 2016  
STWA Debt Service Fund GL Account Summary Report as of March 31, 2016  
STWA Capital Projects Fund Income Statement for period ending March 31, 2016  
STWA Capital Projects Fund Balance Sheet – March 31, 2016  
STWA Capital Projects Fund GL Account Summary Report as of March 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:

• Kevin Kieschnick-NC Tax Assessor	\$ 4,006.56
• Kevin Kieschnick-NC Tax Assessor	\$ 471.92
• Willatt & Flickinger, Attorneys at Law	\$ 4,438.40
• City of Corpus Christi	\$ 74,757.40
• Truckers Equipment, Inc.	\$ 2,160.00
• Diamond Enterprise, Inc.	\$ 31,830.00

A motion was made by Mr. Galvan and seconded by Mr. Schultz to approve the Quarterly Report, 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 TCEQ is expected to file their response to STWA's closing brief by the May 20<sup>th</sup> deadline. She also said that she and Mr. Flickinger remain hopeful that a settlement agreement can be reached with TCEQ.

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

- Pay Estimate #5 – Preload LLC
- HDR Invoice No. 271944-b

Ms. Serrato reported on the progress of the ground storage tank project. The work site has been cleaned and the area has been hydro-seeded. The ground storage tank will need to be disinfected again because the sample returned "found." There are also small leaks on the bottom of the tank but they should calcify and seal themselves. She has been communicating with Jason Christensen on these issues and has provided him with photographs. Brothers Electric is expected to receive the mixing system supplies by the end of May. Preload has been put on notice of potential liquidated damages. She presented Pay Estimate #5 from Preload LLC in the amount of \$367,867.00 and requested authorization for payment as recommended by Mr. Christensen. She also presented an invoice from HDR Engineering in the amount of \$4,800.

Ms. Rodgers made a motion to approve Pay Estimate #5 in the amount of \$367,867.00 and HDR Invoice #271994-b in the amount of \$4,800. Mr. Treviño seconded and all voted in favor.

9. Kingsville Pump Station Bond Projects – Pump Replacement.

- Pay Estimate #3 – ACP
- Change Order #1
- HDR Invoice No. 271991-b

Ms. Serrato updated the Board on the progress of the Kingsville Pump Replacement project. She said pump #3 was removed and repaired by the supplier, Odessa, and the pumps are working properly. In addition a punch list has been prepared and is being addressed. She presented Pay Estimate #3 for Associated Construction Partners, LTD in the amount of \$59,916.49 and requested authorization for payment as recommended by Mr. Christensen. She also presented HDR Invoice No. 271991-b in the amount of \$2,250 and Change Order #1 in the amount of \$12,310.75 for additional concrete pad work on the pumps. Mr. Vaughn made a motion to approve payment of Pay Estimate #3 for ACP in the amount of \$59,916.49, HDR Invoice No. 271991-b in the amount of \$2,250 and Change Order #1 for \$12,310.75. Mr. Treviño seconded. The motion passed on a vote of 7 to 1.

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

- Pay Estimate #1
- Change Proposal Request No. 2

Ms. Serrato presented Pay Estimate #1 for Mercer Controls in the amount of \$114,237.50 and HDR Invoice No. 271997-b in the amount of \$950. She reported that a punch list has been received and reviewed by O&M Supervisor Jacob Hinojosa. She pointed out that an exhaust fan may require replacement. She also distributed copies of Change Proposal Request No. 2 for relocation of the chlorine analyzer and declining upgrades to the existing 250A check valve. Ms. Serrato reported that although the substantial completion deadline was exceeded on this project, neither she nor Mr. Christensen feel that Liquidated Damages should be assessed.

Mr. Schultz made a motion to approve Pay Estimate #1 to Mercer Controls in the amount of \$114,237.50, payment of HDR Invoice No. 271997-b in the amount of \$950 and Change Proposal Request No. 2. Ms. Rodgers seconded. All voted in favor.

11. Assessment of STWA's 42" waterline.

Ms. Serrato reported that there has been no additional progress on assessment of the 42" waterline because the fields remain wet. She presented HDR Invoice No. 271227-b in the amount of \$26,612.67.

Mr. Galvan made a motion to authorize payment of HDR Invoice No. 271227-b in the amount of \$26,612.67. Mr. Treviño seconded. The motion carried.

12. Amendments to Wholesale Water Supply Contract Template, current City of Agua Dulce Water Supply Contract related to the South Texas Water Authority Tax-Exempt Bonds, Series 2013 as well as contracts offered or to be offered to the cities of Bishop, Driscoll and Kingsville and the Nueces County Water Control & Improvement District #5.

Ms. Serrato stated that amended contracts have been approved by the Nueces Water Supply Corporation and Ricardo Water Supply Corporation Boards. A revised contract has been sent to the City of Agua Dulce and she plans to attend the City's May 16<sup>th</sup> Council meeting where the amended contract will be discussed. She added that Bill Flickinger, Willatt & Flickinger, continues to work on the Kingsville and Bishop contracts as well as those for Banquete and Driscoll.

13. Approval of Amended Water Supply Contract with Nueces Water Supply Corporation.

Ms. Serrato stated that the Nueces Water Supply Corporation Board of Directors approved the Amended Water Supply Contract at their April 12, 2016 meeting. Mr. Galvan made a motion to approve the Amended Water Supply Contract, Mr. Schultz seconded and all voted in favor.

14. Approval of Amended Water Supply Contract with Ricardo Water Supply Corporation and Amended Quitclaim.

Ms. Serrato presented the Amended Water Supply Contract and Amended Quitclaim approved by the Ricardo Water Supply Corporation Board of Directors at their April 12, 2016 meeting. Mr. Galvan made a motion to approve the Amended Water Supply Contract with Ricardo Water Supply Corporation and the Amended Quitclaim. Mr. Schultz seconded and all voted in favor.

15. Quote from Mercer Controls, Inc. for modifications to the Bishop-East Pump Station Building.

The Board reviewed a quote from Mercer Controls, Inc. in the amount of \$21,700 for rehabilitation of the Bishop-East Pump Station Building. Ms. Serrato stated that based on the quality of Mercer's work at the Driscoll Pump Station, she believes Mercer is qualified to perform the necessary modifications to the building at the Bishop-East Pump Station. She added that the building is at least 30 years old and she believes Mercer can handle any issues related to this type of building. Mr. Galvan made a motion to approve the Mercer Controls, Inc. quote for rehabilitation of the Bishop-East Pump Station Building in the amount of \$21,700. Mr. Schultz seconded. The motion carried.

16. Proposed Tax Foreclosure Auction of Resale Properties located within STWA's district in Nueces County.
17. Resolution 16-07. Resolution authorizing an auction of resale properties located within South Texas Water Authority's district.

Items 16 and 17 were discussed earlier in the meeting.

18. Close out of Health Reimbursement Account Checking Account.

Ms. Serrato stated that STWA ended coverage under UnitedHealthcare in November of 2015. Since six months have passed, outstanding insurance claims should have been processed by the end of April. Closing of the UnitedHealthcare HRA checking account has been discussed with STWA staff and it appears that only one claim remains outstanding. Ms. Serrato requested the Board's authorization to close the HRA checking account upon settlement of the remaining claim. Mr. Galvan moved, and Mr. Vaughn seconded, to close the HRA bank account upon settlement of the remaining claim. All voted in favor.

19. HDR Chloramine Conversion Proposal for Driscoll Booster Station.

Per the Board's authorization during the March 22, 2016 Board Meeting, Ms. Serrato presented a proposal from HDR Engineering, Inc. for engineering services pertaining to conversion of the Driscoll Booster Station to a chloramination system. The proposal calls for project completion in eleven months at a cost of \$58,200 for the design, bid and construction phases. Mr. Galvan made a motion to approve the HDR Engineering Service Agreement in the amount of \$58,200. Dr. Ruiz seconded. All voted in favor.

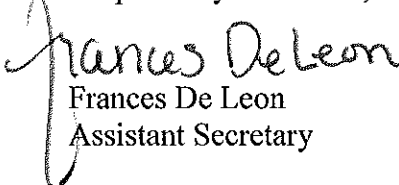
20. Fiscal Year 2016 Budget Amendments.

Ms. Serrato reviewed the proposed amendments to the FY 2016 Budget. The amended budget includes expenses of \$58,200 related to the Driscoll Booster Station conversion, \$21,700 for rehabilitation of the Bishop-East Pump Station and \$14,165 which was previously approved for rehabilitation of the Driscoll Pump Station. Mr. Treviño made a motion to approve the FY 2016 Budget Amendments. Mr. Vaughn seconded. The motion carried.

21. Adjournment.

With no further business to discuss, Mr. Galvan made a motion to adjourn the meeting at 7:01 p.m. Mr. Schultz seconded. All voted in favor.

Respectfully submitted,

  
Frances De Leon  
Assistant Secretary