

SOUTH TEXAS WATER AUTHORITY  
Regular Board of Directors Meeting  
June 28, 2016  
Minutes

Board Members Present:

Kathleen Lowman  
Filiberto Treviño  
Lupita Perez  
Patsy Rodgers  
Charles Schultz  
Dr. Albert Ruiz

Board Members Absent:

Rudy Galvan  
Steven Vaughn

Staff Present:

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

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 5:30 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 May 24, 2016 Regular Meeting as presented. Ms. Rodgers seconded. The motion passed by unanimous vote.

4. STWA easement at site of proposed Whataburger in Robstown at the Outlets of Corpus Christi Bay.

Ms. Serrato stated that Whataburger representatives would not be attending this Board meeting. She explained that she was contacted about proposed construction of a new Whataburger restaurant including a parking lot, parking lot lights and a sign on one of the pads just west of the outlet mall in Robstown. She has informed Whataburger that the lights and sign are to be located outside of STWA's easement. In response, she received an encroachment agreement today and additionally found out that Whataburger actually has a long-term lease with the mall owners. Legal counsel Bill Flickinger has concerns with involvement of a third party and recommends tabling action on this matter until he has opportunity to review the document. Mr. Schultz made a motion to table this item, Dr. Ruiz seconded and all voted in favor.

5. Treasurer's Report/Payment of Bills.

The following reports were presented for the Board's consideration:

Treasurer's Report for period ending May 31, 2016  
Revenue Fund Income Statement for period ending May 31, 2016  
Tax Fund Income Statement for period ending May 31, 2016  
STWA Revenue Fund Balance Sheet – May 31, 2016  
STWA Revenue Fund GL Account Summary Report as of May 31, 2016  
STWA Debt Service Fund Income Statement for period ending May 31, 2016  
STWA Debt Service Fund Balance Sheet May 31, 2016  
STWA Debt Service Fund GL Account Summary Report as of May 31, 2016  
STWA Capital Projects Fund Income Statement for period ending May 31, 2016  
STWA Capital Projects Fund Balance Sheet – May 31, 2016  
STWA Capital Projects Fund GL Account Summary Report as of May 31, 2016  
STWA 2012 Bond Election Report  
Anticipated vs. Actual Water Rate Charged  
Maintenance & Technical Report from O&M Supervisor

In addition, Ms. Wagner presented the following outstanding invoices for Board approval:

• Waukesha-Pearce Industries	\$ 1,168.67
• Nueces County Appraisal District	\$ 1,496.00
• Automated Concepts, Inc.	\$ 3,675.85
• Willatt & Flickinger, Attorneys at Law	\$ 1,285.60
• Kleberg County Appraisal District	\$ 4,848.54
• City of Corpus Christi	\$ 92,635.00
• Kevin Kieschnick-NC Tax Assessor	\$ 414.80
• HDR Engineering, Inc.	\$ 8,250.00

Ms. Serrato also made the Board aware that the City of Driscoll has fallen behind on payments for water usage invoices. As of this afternoon, they have paid invoices for March and April usage and only the May invoice remains to be paid.

A motion was made by Dr. Ruiz and seconded by Ms. Rodgers to approve the Treasurer's Report and payment of the bills as presented. The motion carried.

6. Water District Truth in Taxation Notices, Effective Tax Rate Calculation, and Meeting/Hearing Schedule.

Ms. Serrato presented a proposed Truth in Taxation Meeting/Hearing Schedule for the Board's review in order to insure that a quorum will be available for the necessary meetings and public hearing. She added that she received information today from Nueces County that in order to avoid the expense of the County sending out separate tax statements for STWA, they must receive STWA's tax information by September 13, 2016.

She reviewed the following schedule with the Board:

Date	Event	Action
June 28, 2016	Board Meeting	Agree on calendar & confirm quorums
July 25, 2016	CADs deliver rolls	Staff calculates ETR
August 2, 2016	Board Meeting	Board votes on proposed rate & sets hearing date/time
August 3, 2016	Staff prep	Proposed budget is sent to wholesale customers for 30-day written comment period
Aug 3 – Sept 1	30-day comment period	Wholesale customers review & provide written comments on proposed budget
September 6, 2016	Special Meeting	Board approves publication of hearing notice
September 11, 2016	Publish newspaper notices	Publication occurs 7 days before hearing
September 27, 2016	Public Hearing	Board hears public comment on proposed tax rate
September 27, 2016	Board Meeting	Board adopts final budget

As she reviewed the schedule she stated that some of the dates would need changing in order to meet Nueces County's timeline. She said the September 27<sup>th</sup> public hearing and meeting would most likely be moved to September 6<sup>th</sup> with a backup date of September 12<sup>th</sup>. She said staff would review the calendar to confirm that the changes would meet the required deadlines. The Board approved the changes by consensus.

7. Preliminary Fiscal Year 2017 Budget.

Ms. Serrato presented two preliminary Fiscal Year 2017 Budgets for the Board's review – one including purchase of a new truck and mini-excavator and one without and explained the following. The preliminary budget is based on water sales of approximately 519 million gallons, adoption of the same Handling Charge and similar tax rates and would require using reserve funds to cover the cost of some of the capital acquisition purchases. The Special Services Budget has been added per bond counsel's advice; however, there is no change in the Handling Charge calculation. Several essential elements are not yet available and no salary increases are included based on the current economic trend. Ms. Wagner's preliminary analysis reflects that a \$20,000 increase in Management Fee revenue will be needed. Dr. Ruiz requested that the next draft include a 3 percent increase in employee salaries, including that of the Executive Director. No other changes were requested by the Board. Ms. Serrato agreed and added that she would prepare the proposed budget with and without the capital acquisition items as well as with and without salary increases.

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

Ms. Serrato reported that Mr. Flickinger's most recent contact with TCEQ regarding a settlement offer appears to have gone well. TCEQ requested some minor changes in addition to deleting the construction of a third booster station if conversion of the Driscoll booster station to

chloramines and addition of a second booster station fails to work. In response to questions from the Board, Ms. Serrato stated that if the issue is not resolved, the Authority is most likely facing enforcement action.

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

Ms. Serrato reported that O&M Supervisor Jacob Hinojosa, HDR Engineer Jason Christenson, Brothers Electric owner Kenneth Brown and Preload Area Manager Bruce Burke met for a walk-through of the Kingsville ground storage tank project and to review a punch list on June 27<sup>th</sup>. The majority of items on the list were items to be addressed by Brothers Electric. During that meeting, Mr. Brown became upset and verbally abusive about some of the issues that needed to be corrected by his company. Ms. Serrato pointed out that Brothers Electric was chosen for the job by Preload despite warnings from STWA about their quality of work on the USDA project for RWSC. She added that although the chemical feed system is substantially complete, STWA will need to consider assessment of liquidated damages in the future due delays in completing the project. Ms. Serrato stated that Preload has been provided three notices of potential liquidated damages which currently total approximately \$60,000 based on a charge of \$500 per day. The Board took no action at this time.

10. Kingsville Pump Station Bond Projects – Pump Replacement.

Ms. Serrato presented paperwork on final completion of the Kingsville Pump Replacement project as well as a certificate for payment for \$27,060.75 which includes the retainage and payment for Change Order #2 which was previously approved by the Board. She reported that the project progressed relatively trouble-free in terms of working with ACP and their subcontractors. Mr. Schultz made a motion to authorize staff to execute the final paperwork and release of the retainage and payment of the Change Order. Mr. Treviño seconded and 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 but the HDR team should resume work on the assessment during the first week of July.

12. Water Supply Contract with the City of Kingsville.

Ms. Serrato presented the previously amended contract with the City of Kingsville as well as the most recently amended water supply contract which addresses the five items listed by City Attorney Courtney Alvarez. Ms. Alvarez has requested a July 14, 2016 meeting to discuss the proposed contract but another date will need to be selected because Mr. Flickinger is not available on that date. Ms. Serrato said she will update the Board on any other activity.

13. Revised Water Supply Contract with the City of Bishop.

The Board reviewed a draft cover letter to Bishop Mayor Joe Morales accompanied by a revised 20-year water supply contract. Ms. Serrato stated that the City has not provided feedback on the

previously offered contract. The contract has since been amended to comply with recommendations for protecting the tax exempt status of the Authority's recently issued bonds. Ms. Serrato asked for Board approval to offer the revised contract to the City and forward it to Mayor Morales with the draft letter. Mr. Schultz made a motion to send the letter and the contract to the City of Bishop. Dr. Ruiz seconded the motion. All voted in favor.

14. Water Supply Contract with the City of Driscoll.

Ms. Serrato presented a draft cover letter and a 20-year water supply contract and asked for authorization to forward the documents to Driscoll Mayor John Aguilar. The contract was drafted by Bill Flickinger using the template and changes recommended by bond counsel as protection of the tax exempt status of the Authority's recently issued bonds. Ms. Serrato added that the letter is very similar as the City of Bishop's but also includes a reminder that STWA is not willing to waive its responsibility of setting rates and budgets. Mr. Schultz made a motion to authorize sending the letter and contract to the City of Driscoll. Ms. Rodgers seconded and all voted in favor.

15. LNV Contract for Services for Banquete Pump Station Improvements.

The Board reviewed a proposal from LNV Engineering, Inc. for separation of the facilities at the Banquete Pump Station to service the Nueces Water Supply Corporation and the Nueces County Water Control and Improvement District #5. The proposal quotes \$22,000 for engineering design, bidding, construction administration and surveying. Ms. Serrato explained that she approached LNV for a proposal after receiving a quote from Diamond Enterprise, Inc. in the amount of \$115,000 for painting the interior and exterior of the 50,000 gallon elevated tank in Banquete. According to TCEQ rules this size tank benefits systems with no more than 250 connections which would include NWSC but not the Banquete Water District. Ms. Serrato said that in her opinion, the tank is undersized and the maintenance cost is not justified by what the tank can provide and the pump station may be better served by eliminating the elevated tank and utilizing hydropneumatic tanks for NWSC and Banquete and adding one pump. She added that since Banquete has two ground storage tanks, they may be willing to continue using only one and selling the other to NWSC. In addition, she reminded the Board that the Banquete Water District has shown no interest in securing a water supply contract with the Authority and is being served on a day by day basis. As such, the contract with NWSC is incomplete in terms of this station and the proposed joint ownership. Also, Nueces County is continuing efforts to provide surface water to Cyndie Park I & II and The Ranch Subdivision which would add a significant number of connections to NWSC's system. Mr. Schultz made a motion to enter into a contract with LNV Engineering for design work, bidding and construction services associated with separation of the Banquete Pump Station, Mr. Treviño seconded and all voted in favor.

16. HDR Proposal for Generator at Kingsville Pump Station.

Ms. Serrato presented an Engineering Service Agreement from HDR Engineering, Inc. in the amount of \$39,000 for the addition of an emergency generator to run one of the newly installed 1,500 gpm pumps at the Kingsville Pump Station. The project would include a generator with an auto-transfer switch and a cover. Ms. Serrato noted that the Kingsville Pump Station is the only one of STWA's pump stations with no generator. Dr. Ruiz stated that this type of project should

proceed because the Authority should try to provide the best possible service to its district's residents. After a discussion on whether other proposals should be requested, Mr. Treviño made a motion to terminate services with HDR Engineering and request a proposal from LNV Engineering. Dr. Ruiz seconded and all voted in favor.

17. Adoption of Texas State Library and Archives Commission Retention Schedules.

Ms. Serrato presented Texas State Library and Archives Commission Form SLR 508 -- Declaration of Compliance. She explained that by approving the form and selecting specific schedules, STWA agrees to comply with TSLAC's schedules. She requested authorization to execute Form SLR 508 selecting three schedules -- GR-Records Common to All Governments, TX-Records of Property Taxation and UT-Records of Utility Services. She added TSLAC's schedules are more detailed than STWA's current schedule and any items that do not apply are simply not applicable. In addition STWA's schedules would be automatically updated every time TSLAC makes amendments. Mr. Schultz made a motion to approve execution of Form SLR 508 selecting the GR, TX and UT schedules. Ms. Rodgers seconded and all voted in favor.

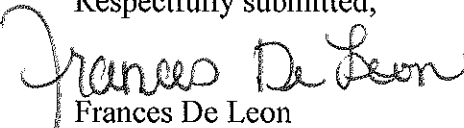
18. Request for service by a South Texas Water Authority district resident on West Sage Road.

Ms. Serrato stated that she met with a resident, Dr. Zonia Garcia-Obregon, who was referred to her by Kleberg County Commissioner Romeo Lomas after Dr. Garcia-Obregon contacted the City of Kingsville about extending service to her home from an existing waterline east of her property on West Sage Road. Ms. Serrato said after considering ways of assisting the resident, she determined that the only option for assisting her is to have STWA install the extension at a lower cost than a contractor and she made several calls to confirm that this was the only option. She explained that there are several issues that would need to be addressed, but those are not matters to be resolved by STWA. STWA would only be involved in installing the line. She added that the situation is similar to past projects that STWA performed on behalf of the City of Bishop, the City of Driscoll and the Banquete School District. The difference is that this project would be for an individual. The Board discussed the proximity of the City of Kingsville's recently built water well to the residences using wells and Dr. Ruiz voiced concerns that the City could be jeopardizing the residents' water wells. After discussion, Dr. Ruiz made a motion to table this item. Ms. Rodgers seconded. All voted in favor.

19. Adjournment.

With no further business to discuss, Ms. Lowman adjourned the meeting at 7:38 p.m.

Respectfully submitted,

  
Frances De Leon  
Assistant Secretary