

SOUTH TEXAS WATER AUTHORITY
Regular Board of Directors Meeting
August 2, 2016
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
Jo Ella Wagner
Jacob Hinojosa

Guests Present:

Joe Neely, Whataburger
Chris Martin, Whataburger

1. Call to Order.

Ms. Kathleen Lowman, Board President, called the Regular Meeting of the STWA Board of Directors to order at 5:32 p.m. A quorum was present.

The order of the agenda was changed in order to accommodate the guests.

5. STWA easement at site of proposed Whataburger in Robstown at the Outlets of Corpus Christi Bay and Encroachment Agreement.

Whataburger representatives Joe Neely, Director of Design, and Chris Martin, Project Manager, attended the meeting to discuss an Encroachment Agreement pertaining to construction of light posts and a sign within STWA's easement at the site of the proposed Whataburger at the Outlets of Corpus Christi Bay. They explained that the structures have been moved as far as possible from STWA's 42" waterline. The pylon for the sign will be buried 20 feet deep and the light poles will be buried six feet deep and just inside the easement. Ms. Serrato stated that some modifications were made by STWA's legal counsel Bill Flickinger and the agreement stipulates that STWA will be held harmless for the Whataburger permanent structures within the easement; STWA will be compensated for any damage to the Authority's waterline caused by Whataburger/Landlord within the easement; STWA will be compensated for any damages to the Authority's personnel or equipment as a result of these improvements; and STWA will not be responsible for any damages or replacement of Whataburger's improvements if STWA needs to work within the easement.

Ms. Serrato also stated that since the agreement requires Board approval, Whataburger will be required to go through the Texas Ethics Commission process for filing Form 1295. She explained the process to Mr. Neely and Mr. Martin who agreed that they would comply with the process. In addition Aaron Archer of HDR Engineering has a few additions to make to the site

plan. She added that Mr. Flickinger advises that if the Encroachment Agreement is approved, approval should be contingent on an updated site plan and filing of paperwork with the Texas Ethics Commission.

Mr. Galvan made a motion to approve the Encroachment Agreement contingent on the updated site plan and Whataburger agreeing to file the necessary paperwork with the Texas Ethics Commission. Mr. Treviño seconded and all voted in favor.

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 June 28, 2016 Regular Meeting as presented. Ms. Rodgers seconded. The motion passed by unanimous vote.

4. Quarterly Report/Treasurer's Report/Payment of Bills.

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

STWA Investment Report for Quarter ended June 30, 2016
Treasurer's Report for period ending June 30, 2016
Revenue Fund Income Statement for period ending June 30, 2016
Tax Fund Income Statement for period ending June 30, 2016
STWA Revenue Fund Balance Sheet – June 30, 2016
STWA Revenue Fund GL Account Summary Report as of June 30, 2016
STWA Debt Service Fund Income Statement for period ending June 30, 2016
STWA Debt Service Fund Balance Sheet June 30, 2016
STWA Debt Service Fund GL Account Summary Report as of June 30, 2016
STWA Capital Projects Fund Income Statement for period ending June 30, 2016
STWA Capital Projects Fund Balance Sheet – June 30, 2016
STWA Capital Projects Fund GL Account Summary Report as of June 30, 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:

• Mercer Controls, Inc.	\$ 21,700.00
• Willatt & Flickinger, Attorneys at Law	\$ 4,651.70
• City of Corpus Christi	\$ 97,792.00
• Kevin Kieschnick-NC Tax Assessor	\$ 292.40
• Praxair	\$ 4,276.22
• HDR Engineering, Inc.	\$ 8,250.00
• First Southwest/Hilltop Securities	\$ 2,500.00

- Willatt & Flickinger, Attorneys at Law \$ 1,103.10

Ms. Wagner pointed out that the Beginning Book Value and Beginning Market Value headings on the Quarterly Report would need to be corrected because they were listed as "Ending" instead of "Beginning."

A motion was made by Ms. Rodgers and seconded by Ms. Perez to approve the Quarterly Report with the noted correction, and the Treasurer's Report and payment of the bills as presented. The motion carried.

6. Review of 2016 Certified Appraisal Rolls for the Authority's district in Kleberg and Nueces Counties.

Ms. Serrato reported that the Certified Appraisal Rolls were delivered by Kleberg County Appraisal District and Nueces County Appraisal District and reflected net taxable values of \$1,045,804,845 and \$654,848,395 respectively. Ms. Serrato recommended approval of Resolutions 16-12 and 16-13.

7. Resolution 16-12. Resolution adopting the appraisal roll for the South Texas Water Authority's district in Kleberg County for tax year 2016.

After reviewing the Kleberg County appraisal roll for tax year 2016, Mr. Galvan made a motion to approve resolution 16-12. Mr. Vaughn seconded the motion. The motion carried.

8. Resolution 16-13. Resolution adopting the appraisal roll for the South Texas Water Authority's district in Nueces County for tax year 2016.

Following review of the Nueces County appraisal roll for tax year 2016, Mr. Galvan made a motion to approve resolution 16-13. Mr. Vaughn seconded the motion. The motion passed by unanimous vote.

9. Preliminary Fiscal Year 2017 Budget.

Ms. Serrato presented an updated Preliminary Fiscal Year 2017 Budget. She said that since the City of Corpus Christi has not yet adopted their water rates, the preliminary budget is based on last year's rates. In addition, the Special Services Budget has been added per bond counsel's advice and the expenses for Special Services are completely offset by the revenues recouped from the Nueces and Ricardo Water Supply Corporations. The Handling Charge calculation remains the same, and approximately \$139,000, including \$130,000 for the Driscoll Booster Station conversion, is to be provided by reserves. She added that the proposed O&M tax rate is a decrease to the current rate. The budget includes an overall salary increase of 3% as requested by the Board, purchase of a mini-excavator, and purchase of additional grounds keeping equipment and trailers instead of a truck. No changes were requested by the Board. Mr. Schultz noted that Kleberg County experienced a dramatic drop in their taxable values. Ms. Serrato stated that she would check with Kleberg County to make sure the latest figures are correct.

10. Proposed Fiscal Year 2017/Tax Year 2016 tax rate and authorization to publish notice of public hearing.

Ms. Serrato presented the Water District Notice of Public Hearing on Tax Rate reflecting a proposed total tax rate of \$0.082942/\$100 valuation comprised of a Maintenance & Operation tax rate of \$0.061067/\$100 and an Interest & Sinking tax rate of \$0.021875. The proposed total tax rate is slightly lower than the current total tax rate of \$0.083250. The public hearing is scheduled for September 6, 2016 and if approved the notice of public hearing will be published on August 7, 2016. Mr. Galvan made a motion to authorize staff to publish the Water District Notice of Public Hearing on Tax Rate. Mr. Treviño seconded. All voted in favor.

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

Ms. Serrato reported that Mr. Flickinger has been expecting a settlement agreement from TCEQ but as of today, he has not received it. She added that it should be available by the next Board meeting. She had nothing further to report.

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

Ms. Serrato presented two pay estimates from Preload, LLC – Pay Estimate #6 in the amount of \$63,365 and Pay Estimate #7 in the amount of \$176,032.63. She stated that several items are under question on Pay Estimate #7 and Jason Christensen, HDR Engineering, has requested revision of the document. Ms. Serrato stated that Mr. Christensen recommends approval of Pay Estimate #6 only. Mr. Schultz made a motion to approve Pay Estimate #6 in the amount of \$63,365. Ms. Rodgers seconded. All voted in favor.

13. Kingsville Pump Station Bond Projects – Pump Replacement.

Ms. Serrato reported that Pump #3 experienced a problem with leaking which stopped after a gasket was installed. However, Joe Casillas of the City of Kingsville has reported that there is a sparking problem with the coupling located between the pump and motor on Pump #2. The supplier has been contacted and the warranty may be extended on these two pumps. No pay estimates have been received and the retainage is being withheld until these issues are resolved.

14. Water Supply Contract with the City of Kingsville.

Ms. Serrato stated that she and Mr. Flickinger are scheduled to meet with the City of Kingsville at 9:00 a.m. on August 10, 2016 to discuss the proposed contract and she will keep the Board updated on the matter.

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

Ms. Serrato reported that as approved by the Board a revised 20-year water supply contract and cover letter were sent to Bishop Mayor Joe Morales and she and Mr. Flickinger met with the City's committee (Mayor Morales, Councilman Leroy Kieschnick, legal counsel Gerald

Benadum and City Secretary Cynthia Contreras) on the morning of August 2nd to discuss the contract. The City did not provide a written list of concerns but several items were discussed. Ms. Serrato reviewed the topics that were discussed and stated that sections pertaining to the delivery point/air gap, venue, Force Majeure, and rate disputes will need to be modified or clarified while others will require further discussion. She expressed to the City that the Board is firm on a contract term of 20 years. She added that Mr. Flickinger will make some changes to present to the Board at the next Board meeting.

16. Water Supply Contract with the City of Driscoll.

Ms. Serrato stated that a meeting with the City of Driscoll is planned for 10:00 a.m. on August 10, 2016 to discuss the Water Supply Contract.

17. LNV, Inc. Contract for Services for Banquete Pump Station Improvements.

Ms. Serrato reported that staff has been gathering information requested by LNV Engineering, Inc.

18. LNV, Inc. Proposal for Generator at Kingsville Pump Station.

Ms. Serrato stated that as instructed by the Board, she contacted HDR Engineering, Inc. to formally terminate services for the Kingsville generator project. She presented a proposal from LNV Engineering in the amount of \$30,000 for the design, bid, and construction phases of the project. Mr. Treviño made a motion to authorize execution of an Engineering Service Agreement with LNV Engineering for services associated with the design and specifications to add an emergency generator for the newly installed 1,500 gpm pumps at the Kingsville Pump Station. Mr. Vaughn seconded. The motion passed.

19. Selection of Personnel Evaluation Committee for evaluation of the Executive Director.

Ms. Serrato stated that last year the Board chose to have her evaluation conducted by the entire Board rather than selecting an evaluation committee and the item was placed on the agenda in case the Board would like to appoint a committee. The Board again decided not to appoint a committee. Ms. Serrato stated that she would provide the Board with a bulleted diary of events and will schedule the evaluation for the August 23rd Board meeting or the following meeting if a quorum cannot be established for that date.

20. Nominations to the Board of Trustees of the Texas Municipal League Intergovernmental Risk Pool.

Ms. Serrato provided information on the upcoming election of the Board of Trustees for the TML Intergovernmental Risk Pool and asked if the Board had any nominations. No nominations were made by the Board.

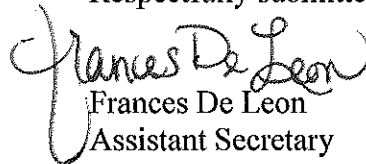
21. Proposal from NewGen Strategies and Solutions, LLC for services pertaining to the City of Corpus Christi true-up.

Ms. Serrato presented a proposal from NewGen Strategies and Solutions, LLC for services pertaining to the City of Corpus Christi true-up. She explained that the cost of the services will be shared 50-50 with Nueces County Water Control and Improvement District #4 with an amount not to exceed \$2,500 for each of the two entities. The scope of the agreement is nearly identical to last year's with the exclusion of a provision to study the history of STWA's relationship with the City of Corpus Christi. Ms. Serrato noted that last year's expenses did not reach the approved amount of \$2,500. She added that she had been pleased with the services provided by NewGen last year. Ms. Rodgers made a motion to approve the Service Agreement with NewGen Strategies and Solutions, LLC in an amount not to exceed \$2,500. Ms. Perez seconded and all voted in favor.

22. Adjournment.

With no further business to discuss, Ms. Lowman adjourned the meeting at 7:16 p.m.

Respectfully submitted,


Frances De Leon
Assistant Secretary