

SOUTH TEXAS WATER AUTHORITY
Regular Board of Directors Meeting
January 24, 2017
Minutes

Board Members Present:

Kathleen Lowman
Filiberto Treviño
Patsy Rodgers
Dr. Albert Ruiz
Charles Schultz
Steven Vaughn

Board Members Absent:

Lupita Perez
Rudy Galvan

Staff Present:

Carola G. Serrato
Jo Ella Wagner
Jacob Hinojosa
Dony Cantu

Guests Present:

Luke Womack, John Womack &
Co., P.C.
Carlos Canales – AT&T
Omar Treviño – AT&T

1. Call to Order.

Ms. Kathleen Lowman, Board President, called the Regular Meeting of the STWA Board of Directors to order at 5:31 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 2016 Audit.

Mr. Luke Womack, John Womack & Co., P.C., reviewed the Fiscal Year 2016 Audit with the Board and reported that it was an unqualified audit and the Authority's financial position remains stable. He added that the Authority's Fund Balance increased by about \$100,000.

4. Resolution 17-01. Resolution accepting the Fiscal Year 2016 Audit prepared by John Womack & Co., P.C. of Kingsville, Texas.

Mr. Treviño made a motion to approve Resolution 17-01. Dr. Ruiz seconded the motion. All voted in favor.

5. Approval of Minutes.

Mr. Treviño made a motion to approve the minutes of the December 6, 2016 Regular Meeting and the January 5, 2017 Special Meeting as presented. Ms. Rodgers seconded. The motion passed by unanimous vote.

6. Treasurer's Report/Payment of Bills.

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

STWA Investment Report for Quarter Ended December 31, 2016
Treasurer's Report for period ending November 30, 2016
Revenue Fund Income Statement for period ending November 30, 2016
Tax Fund Income Statement for period ending November 30, 2016
Special Services Income Statement for period ending November 30, 2016
STWA Revenue Fund Balance Sheet – November 30, 2016
STWA Revenue Fund GL Account Summary Report as of November 30, 2016
STWA Debt Service Fund Income Statement for period ending November 30, 2016
STWA Debt Service Fund Balance Sheet November 30, 2016
STWA Debt Service Fund GL Account Summary Report as of November 30, 2016
STWA Capital Projects Fund Income Statement for period ending November 30, 2016
STWA Capital Projects Fund Balance Sheet – November 30, 2016
STWA Capital Projects Fund GL Account Summary Report as of November 30, 2016
Treasurer's Report for period ending December 31, 2016
Revenue Fund Income Statement for period ending December 31, 2016
Tax Fund Income Statement for period ending December 31, 2016
Special Services Income Statement for period ending December 31, 2016
STWA Revenue Fund Balance Sheet – December 31, 2016
STWA Revenue Fund GL Account Summary Report as of December 31, 2016
STWA Debt Service Fund Income Statement for period ending December 31, 2016
STWA Debt Service Fund Balance Sheet December 31, 2016
STWA Debt Service Fund GL Account Summary Report as of December 31, 2016
STWA Capital Projects Fund Income Statement for period ending December 31, 2016
STWA Capital Projects Fund Balance Sheet – December 31, 2016
STWA Capital Projects Fund GL Account Summary Report as of December 31, 2016
STWA 2012 Bond Election Report
Anticipated vs. Actual Water Rate Charged
Maintenance & Technical Report from O&M Supervisor

It was noted that a correction is needed on the Quarterly Report to reflect closing of the Health Reimbursement Account. In addition, Ms. Wagner presented the following outstanding invoices for Board approval:

• HDR Engineering, Inc.	\$ 5,295.00
• City of Corpus Christi	\$ 106,616.20
• K. Kieschnick – NC Tax Assessor	\$ 1,894.99
• HDR Engineering, Inc.	\$ 798.00
• Duke Controls	\$ 1,124.52
• John Womack & Co., P.C.	\$ 8,364.31
• Automated Concepts	\$ 3,790.60
• Willatt & Flickinger, PLLC	\$ 960.00
• LNV, Engineering	\$ 8,325.00

- K. Kieschnick – NC Tax Assessor \$ 2,722.51
- City of Corpus Christi \$ 85,873.60
- NewGen Strategies \$ 352.50

A motion was made by Mr. Vaughn and seconded by Mr. Schultz to approve the Quarterly Report (with the necessary correction), Treasurer's Reports and payment of the bills as presented. The motion carried.

7. TCEQ Enforcement Action and State Office of Administrative Hearing.
- Authorization to utilize the services of Aaron Archer, Walker Partners, for Quarterly Reports required by TCEQ Order

Ms. Serrato stated that in addition to the conversion of the Driscoll Booster station to chloramines and construction of a liquid ammonia sulfate system, the TCEQ Order includes monitoring and quarterly reporting requirements. She requested that the Board consider using the services of Aaron Archer of Walker Partners to submit the necessary reports which will be required for at least the next 1 ½ to 2 years. Mr. Schultz made a motion to authorize utilizing the services of Aaron Archer for the submission of quarterly reports to the TCEQ under the Order. Mr. Vaughn seconded and all voted in favor.

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

Ms. Serrato stated that the remaining items to close out the Kingsville 1.0 MG Ground Storage Tank project are the final drawings and manuals on the new disinfection system. Those items remain unavailable and therefore the final documents and recommendation for payment are not provided.

9. Water Supply Contract with the City of Kingsville.

Ms. Serrato reported that she and legal counsel Bill Flickinger are scheduled to meet with the City of Kingsville on Thursday, January 26, 2017 for continued negotiations on a water supply contract.

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

Ms. Serrato stated that she and Mr. Flickinger met with Bishop Mayor Joe Morales, Councilman Albert Guajardo, City Secretary Cynthia Contreras and City Attorney Gerald Benadum to discuss the water supply contract. She reported that Mayor Morales indicated that he could not recommend execution of the contract because he was not in favor of a 20-year contract term citing the recent HDR presentation on the assessment of the 42" waterline. The meeting also included discussions on other sections of the contract such as Quality, Points of Delivery and Prices and Terms and Mr. Flickinger agreed to make some minor changes. Ms. Serrato offered a possible provision for a 15-year term with a 5-year renewal but clarified that this was not an option considered or offered by the Board. She said she agreed to attend the Council's January

25th meeting for further discussion on the proposed contract and will update the Board after the January 25th meeting.

11. City of Corpus Christi water rate true-up and Amendment to the Water Sales Agreement between City of Corpus Christi and South Texas Water Authority regarding Calculation of Treated Water Rate.

Ms. Serrato presented a final report from Mr. Chris Ekrut of NewGen Strategies on the Corpus Christi true-up. She said Assistant City Attorney Lisa Aguilar has not provided an amendment for the Board's consideration. Ms. Serrato added that it appears the City will be charging STWA according to the model and the next invoice from the City will be reviewed to verify that the correct method is being used.

12. Emergency Generator at Kingsville Pump Station.

Ms. Serrato stated that LNV Engineering provided two cost estimates for a generator to operate the pumps at the Kingsville Pump Station. One is in the amount of \$263,350 for a generator with a tank that can run for a week without refueling. The other is in the amount of \$224,750 for a generator with a three day capacity tank. Both estimates include the cost for the generator, tank, platform, installation, electrical work, windstorm certification and profit/overhead for the awarded contractor. She added that bond funds would be used to cover the cost of the project. After reviewing the two options, Mr. Treviño made a motion to authorize advertising for bids for the purchase and installation of a generator with the smaller sized tank. Ms. Rodgers seconded and all voted in favor.

13. Assessment of STWA's 42" Waterline.

The Board discussed five potential projects relating to the assessment of the 42" waterline. Ms. Serrato presented a Scope of Services prepared by Shay Roalson of HDR Engineering for Project 1 which involves the first 5000 LF of Contract 1. She said the document, which can also be used for seeking qualifications from other companies, outlines the various tasks including some tasks that can be performed by other companies as well as Authority field staff. This project will require excavations and testing of the mortar, steel, groundwater and soil.

Ms. Serrato added that work on Project 2, the 1.4 mile section of Contract 2 and the beginning section of Contract 3, will require internal testing estimated at \$330,000 and dewatering the line. Mr. Schultz requested that Ms. Serrato contact the pipe manufacturer to ask how other entities have addressed these issues and find out what other options exist. Ms. Serrato agreed to make calls to seek additional information.

Project 3, the end section of Contract 3 from south of FM 624 to the O.N. Stevens Plant, involves use of a smart ball to provide indication of any leaks. Ms. Serrato stated the estimated cost of using this device ranges from \$65,000 to \$109,000. She requested authorization to move forward with this and trying to get a contract to present to the Board at the next meeting.

Mr. Serrato stated that Project 4 is replacement of the rectifiers. She recommended contacting Russell Corrosion or HDR Engineering on this project. She added that it may be possible to

handle this in-house and would provide more information at the next meeting. However, she explained that Project 5, investigating the impact of other pipeline crossings within Contracts 2 and 3, will need to be contracted out and she would like to contact Russell Corrosion, HDR Engineering and Walker Partners on this project.

Ms. Serrato stated that she would contact Russell Corrosion for input on the assessment and their recommendation on proceeding with these projects. She added that she will present the projects as separate agenda items on future agendas.

14. Upgrade of Security Camera System for STWA Kingsville Site.

Ms. Serrato presented a quote from Alarm Security & Contracting, Inc. in the amount of \$4,229 for replacement upgrading the current camera system at the Kingsville site. She explained that she requested a quote after discovering that one of the cameras was no longer working. She said the current system is outdated and the cameras that are quoted are updated and have much better resolution. After review of the bid, the Board requested additional bids because they felt the amount seemed excessive. Ms. Serrato agreed to seek additional bids.

15. Quotes for Fiber Optic Internet and Phone Service.

The Board reviewed quotes from AT&T and New Wave Communications for fiber optic internet and phone service. The quotes included options for various terms, speeds and up-front costs. AT&T representatives Carlos Canales and Omar Treviño were present and explained that a visit and review of the area by an engineer is needed to determine whether STWA will be responsible for any build out cost of running a fiber optic line to the STWA office from the Dodge dealership. This evaluation cannot be performed until STWA signs an agreement for service. They added that if there is a cost involved and the Board feels it is excessive, the contract can be terminated. Mr. Schultz made a motion to authorize entering into 24-month agreement with AT&T for 10 Mbps service with the option to cancel the agreement if build out costs are excessive. Dr. Ruiz seconded. All voted in favor.

16. Bid from Mercer Controls Inc. for roof replacement at Agua Dulce Pump Station.

Ms. Serrato stated that as previously approved by the Board, the Agua Dulce Pump Station building is currently being rehabilitated by Mercer Controls Inc. at a cost of \$15,450; however, she was recently informed by field staff that Mercer recommends replacement of the roof of the building as well. Mercer provided an estimate of \$3,085 for the additional work. Ms. Serrato stated that based on the need to protect the existing equipment, she authorized the roof replacement.

17. Conversion of Driscoll Booster Station to a Chloramination Station – Advertisement of Bids.

Ms. Serrato reported that Jason Christensen of HDR Engineering has filed the plans with TCEQ and he believes the plans will be approved soon. She asked for authorization to advertise for bids once the plans are approved in order to adhere to the TCEQ Order's timeline. Mr. Schultz made a motion to authorize advertisement for bids on the conversion of the Driscoll Booster

Station to a chloramine station with addition of a LAS system. Ms. Rodgers seconded. All voted in favor.

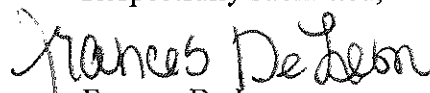
18. Communications Protocol.

Ms. Serrato stated that Mr. Treviño requested placing this item on the agenda. Mr. Treviño said that as a result of the most recent Corpus Christi water incident, he wanted to know more about the Authority's communication protocol for this type of incident. Ms. Serrato described the sequence of events during this incident and the steps taken to notify the public as both a wholesale provider and as manager of the Nueces and Ricardo Water Supply Corporations. She added that NWSC has use of Nueces County's call-out system through the Emergency Management Office. However, Kleberg County does not have the capability of notifying the RWSC customers. Since the Corpus Christi incident, she has received contact information for the City of Kingsville's Public Information Officer which has now been updated in the Authority's notification information.

19. Adjournment.

With no further business to discuss, Ms. Lowman adjourned the meeting at 7:48 p.m.

Respectfully submitted,


Frances De Leon
Assistant Secretary