

SOUTH TEXAS WATER AUTHORITY
Regular Board of Directors Meeting
February 28, 2017
Minutes

Board Members Present:

Kathleen Lowman
Filiberto Treviño
Rudy Galvan
Lupita Perez
Patsy Rodgers
Steven Vaughn

Board Members Absent:

Dr. Albert Ruiz
Charles Schultz

Staff Present:

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

Guests Present:

Al Garza, LNV Inc.

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.

The order of the agenda was changed in order to accommodate the guest, Mr. Al Garza of LNV, Inc.

10. Bids for emergency generator at Kingsville Pump Station.

Mr. Al Garza introduced himself to the Board. He stated that after reviewing the bids, he was most impressed by the bid submitted by McDonald Electric. However, after discussion on the Authority's selection process being determined by lowest responsible bidder, Mr. Garza recommended awarding the bid to the lowest responsible bidder, D&H Fueling Solutions, Inc. He added that their bid in the amount of \$123,586.38 met all of the bid requirements.

11. Resolution 17-02. Resolution awarding the bid for an emergency generator at the Kingsville Pump Station to D&H Solutions in the amount of \$123,586.38.

Mr. Galvan made a motion to approve Resolution 17-02 awarding the bid for the emergency generator at the Kingsville Pump Station to D&H Fueling Solutions, Inc. in the amount of \$123,586.38. Mr. Treviño seconded. All voted in favor.

3. Approval of Minutes.

Ms. Rodgers made a motion to approve the minutes of the January 24, 2017 Regular Meeting as presented. Mr. Treviño 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, 2017
Revenue Fund Income Statement for period ending January 31, 2017
Tax Fund Income Statement for period ending January 31, 2017
Special Services Income Statement for period ending January 31, 2017
STWA Revenue Fund Balance Sheet – January 31, 2017
STWA Revenue Fund GL Account Summary Report as of January 31, 2017
STWA Debt Service Fund Income Statement for period ending January 31, 2017
STWA Debt Service Fund Balance Sheet January 31, 2017
STWA Debt Service Fund GL Account Summary Report as of January 31, 2017
STWA Capital Projects Fund Income Statement for period ending January 31, 2017
STWA Capital Projects Fund Balance Sheet – January 31, 2017
STWA Capital Projects Fund GL Account Summary Report as of January 31, 2017
STWA 2012 Bond Election Report
Anticipated vs. Actual Water Rate Charged
Maintenance & Technical Report from O&M Supervisor

Ms. Wagner noted that the format of the Bond Election Report had been changed slightly to include a total of remaining bond funds at the bottom of the report. In addition, she distributed copies of the STWA Investment Report for Quarter Ended December 31, 2016 which reflected the correction approved at the previous Board meeting. She also presented the following outstanding invoices for Board approval:

• HDR Engineering, Inc.	\$ 5,295.00
• K. Kieschnick – NC Tax Assessor	\$ 3,409.61
• City of Corpus Christi	\$ 92,328.64
• Willatt & Flickinger, PLLC – Attorneys at Law	\$ 5,848.10
• LNV, Inc.	\$ 5,875.00
• Mercer Controls, Inc.	\$ 18,535.00
• Nueces County Appraisal District	\$ 1,595.00

A motion was made by Mr. Vaughn and seconded by Ms. Perez 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 Hearing.

Ms. Serrato stated that the quarterly report required by the TCEQ Order has been submitted by Mr. Aaron Archer of Walker Partners. In addition she has been working on additional

information requested by TCEQ which should be sent out in the near future. She added that TCEQ wants the Nitrification Action Plan modified and she is awaiting further information.

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

Ms. Serrato read aloud a fifth notification of delay letter from Jason Christensen of HDR Engineering, Inc. to Bruce Burke, Preload LLC Area Manager. The letter outlined the previous notifications and summarized that as of February 27, 2017, the total amount of liquidated damages is \$170,500. The letter also stated that STWA is willing to consider a reduction in the liquidated damages to date in order to cover additional expenses only which total \$66,295.30 as of February 27, 2017. Ms. Serrato stated that the final drawings and manuals are still needed. In addition Preload has been notified of a problem that arose with the tank mixing system and called in Hoelscher Electric to work on it. It appears to be a broken coupling. The coupling may have been affected when the mixer was removed; however, it appears that the mixer was not installed correctly originally.

7. Water Supply Contract with the City of Kingsville.

Ms. Serrato reported that she and legal counsel Bill Flickinger met with the City of Kingsville representatives on Thursday, January 26, 2017 for continued negotiations on a water supply contract. She stated that the contract term remains an issue. In addition, the City representatives stated that Kingsville should be considered different from other customers who purchase water as a sole source because Kingsville's usage is only minimally supplemental. Ms. Serrato stated that she discussed the matter of a different rate for customers that do not have a contract with bond counsel Noel Valdez of McCall, Parkhurst & Horton and will present further information under discussion of the next agenda item on the City of Bishop contract. She recommended that the Board consider offering an alternative contract term. Ms. Lowman noted that in the past the City of Kingsville was in support of having a uniform rate among all wholesale customers but added that if a change is needed in order to move negotiations along, then a 15-year term with a 5-year renewal might be one to consider. After further discussion, the Board agreed to consider a 15-year term with a 5-year renewal with the understanding that the City provides notice by the 13th year of the contract if they do not intend to renew the contract.

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

Ms. Serrato stated that she received an email from Bishop Mayor Joe Morales asking for a one-year contract. The Board discussed the matter of the upcoming City of Bishop election which will result in a new mayor since Mayor Morales will not be seeking re-election. Several other council members are running opposed in the election. Mr. Vaughn made a motion to reject the City of Bishop's request for a one-year contract. Mr. Treviño seconded and the Board voted unanimously in favor. The Board also authorized Ms. Serrato to share their decision to consider a City of Kingsville contract with 15-year term and a 5-year renewal.

Ms. Serrato stated that Bishop's email was forwarded to Mr. Flickinger who suggested that she ask bond counsel Noel Valdez about setting a different rate for customers who do not enter into a long-term contract. After consulting with McCall, Parkhurst and Thompson's tax advisor, Mr.

Valdez emailed a reply which Ms. Serrato read aloud for the Board. The reply stated that as long as all customers within the same class are charged the same rate, it is permissible but there must be more than one customer in that class. Ms. Serrato and Mr. Flickinger agree that if the Board chooses to pursue this, further review by a rate consultant will be needed. She noted that Mr. Chris Ekert of NewGen Strategies has confirmed that his firm is capable of performing this type of study. The Board's consensus was to request a proposal from New Gen Strategies for developing a rate for customers without a contract. Ms. Serrato added that such a study would investigate the cost of service while considering the risk involved by not having a contract.

9. 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 said that Assistant City Attorney Lisa Aguilar has not provided an amendment for the Board's consideration. She added that she has requested that Mr. Flickinger provide Ms. Aguilar with a reminder.

10. Bids for Emergency Generator at Kingsville Pump Station.

11. Resolution 17-02. Resolution awarding the bid for an emergency generator at the Kingsville Pump Station to D&H Fueling Solutions in the amount of \$123,586.38.

Items 10 and 11 were discussed earlier in the meeting.

12. Assessment of STWA's 42" Waterline – Bond Fund Use.

Ms. Serrato reminded the Board that because STWA's bond were issued as tax-exempt, only certain types of expenditures qualify for payment from these funds. She stated that a recent conference call between her, Ms. Wagner, Luke Womack of Womack and Company, STWA's outside auditor, Mr. Valdez and Ann Entekin of First Southwest provided clarification on how bond funds can be used to address some of the projects associated with STWA's 42" waterline. Although some of the proposed testing is not considered a capital project, some of the components required for performing the testing, such as construction of launch and retrieval stations, most likely are eligible for bond use. Addition of new cathodic protection stations, clips or wires, and the new LAS station being built at Driscoll as well as an additional chloramination booster station, if needed, would be eligible for payment from bond funds. She stated that this information must be kept in mind as the Board evaluates projects associated with assessment and improvements to the 42" waterline and regional water system.

13. Assessment of STWA's 42" Waterline – HDR Recommendations.

Ms. Serrato stated that at the request of Mr. Arthur Colwell and Ms. Shay Roalson of HDR Engineering, she and Ms. Wagner met with them on February 22nd and discussed the projects associated with assessment of STWA's 42" waterline. During the meeting, Ms. Serrato expressed the Board's desire to spend funds responsibly to determine what areas require attention as well as actually addressing any potential problems. She also mentioned that the Board instructed her to research other options to assess the condition of the line and correct any defects. The five potential projects were discussed and Ms. Serrato informed them that she will

be contacting EN Engineering, formerly Russell Corrosion, for quotes on examining the first 5,000 feet immediately north of the Kingsville Pump Station, changing out rectifiers and testing of pipeline crossing interference. Mr. Colwell and Ms. Roalson seemed to understand the need for STWA to consider other consultants, but Ms. Roalson emphasized that the Pure and/or PICA technologies is a valuable test to perform in order to determine the condition of the steel cylinder and bar wrap.

Ms. Serrato stated that for Project 3, the section of approximately 7,000 feet closest to the O.N. Stevens Plant which is not accessible by regular means, HDR recommends use of a smartball at an estimated cost between \$65,000 and \$109,000. Ms. Serrato noted that this test would identify leaks and their location, but would not provide information about the condition of the pipe. She added that this expenditure would not be eligible for use of bond funds, but since the cost for the Driscoll LAS is eligible, bond funds could be used for the LAS instead and free up funds for the smartball test. She recommended requesting a proposal from HDR Engineering for testing of Project 3. Mr. Vaughn made a motion to ask HDR Engineering for a proposal for Project 3. Mr. Galvan seconded and all voted in favor.

14. Assessment of STWA's 42" Waterline – Russell Corrosion Quotes.

- Contract 1: Station 0+00 to 50+00 from Kingsville Pump Station going north
- Replacement of two (2) existing rectifiers
- Pipeline Crossings and Interference

Ms. Serrato provided quotes from EN Engineering (Russell Corrosion) for Project 1 (Contract 1: Station 0+00 to 50+00 from Kingsville Pump Station going north) in the amount of \$64,104 with a price not to exceed \$65,000; Project 4 (Replacement of two existing rectifiers) in the amount of \$9,719 with a price not to exceed \$10,000, and Project 5 (Assessing Pipeline Crossings and Interference). Two quotes were presented for Project 5 – one for \$14,400 with a price not to exceed \$15,000 and an alternate quote of \$11,403. After reviewing the quotes, Mr. Galvan made a motion to engage Russell Corrosion for Projects 1, 4 and 5 based on the quotes presented for Project 1 and 4 and the alternate quote in the amount of \$11,403 for Project 5. Mr. Treviño seconded and all voted in favor. Ms. Serrato stated that portions of Project 1 and Project 5 should be eligible for bond fund use.

15. Assessment of STWA's 42" Waterline – Forterra Information.

Ms. Serrato stated that she contacted Mr. Sam Arnaout, Vice-President of Engineering with U.S. Pipe, a Forterra Company, to discuss HDR's recommendations on assessment of STWA's 42" waterline. She explained to the Board that Forterra was previously Hanson which was previously Gifford Hill which provided the pipe for construction of the 42" waterline on Contracts 1 and 3. Mr. Arnaout confirmed that there is not an external test that provides the same information as the PICA and Pure technologies. She stated she would keep in touch with him about other methods for assessing the condition of the pipe and asked if the Board was interested in having Mr. Arnaout provide more information. The Board instructed her to continue discussions on options for assessing areas with inadequate protection.

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

Ms. Serrato stated that since the last Board meeting, the lobby camera has been replaced by O&M Supervisor Jacob Hinojosa at a cost of \$159.95. She presented a quote from Protection 1 in the amount of \$3,800. She stated that this quote was originally \$4,000 but was reduced to \$3,800 after Ms. Serrato informed Protection 1 that the lobby camera had been replaced and they confirmed that the new camera could be used with the new system being proposed. The Board asked about the possibility of using a wireless system. Ms. Serrato said she could contact the companies regarding the use of wireless cameras. No action was taken by the Board.

17. Fiber Optic Internet and Phone Service.

Ms. Serrato stated that she has not received any information from AT&T about whether STWA will be responsible for a build out cost. She had nothing further to report.

18. Agua Dulce Pump Station Building Improvements.

Ms. Serrato presented photos of the recent building rehabilitation work at the Agua Dulce Pump Station. She added that she will present information on the other buildings needing work during the upcoming budget process. No Board action was taken.

19. Conversion of Driscoll Booster Station to a Chloramination Station.

Ms. Serrato stated that although the Board approved advertisement for bids on the conversion of the Driscoll Booster Station at the previous Board meeting, advertisement has not occurred because several questions have been brought up by TCEQ as a result of their review of the plans submitted by Jason Christensen of HDR Engineering. She added that HDR will be sending STWA an amendment to their engineering services agreement for additional work associated with an additional monitoring point and other changes requested by TCEQ. She stated that the modifications have been sent in and TCEQ has advised that they will expedite the review. She hopes advertisement for bids will occur soon.

20. Petition for Addition of Certain Lands to the South Texas Water Authority (Tommy Lee Boughton and Karina Trevino – Tract 29 of Tierra Verde Unit 2, Nueces County, Texas).

Ms. Serrato explained that Tommy Lee Boughton and Karina Trevino approached the Nueces Water Supply Corporation requesting service outside of the Authority's district boundaries. As in the past, the process has been for the property owner to request annexation into the district. In this manner, all of NWSC's retail customers are paying the same rates including being taxed by STWA. NWSC does not have out of district rates.

21. Resolution 17-03. Resolution of determination of validity of Petition for Addition of Certain Lands to the South Texas Water Authority and setting the date, time and place for a public hearing and authorizing publication of public hearing notice.

Ms. Rodgers made a motion to adopt Resolution 17-03. Ms. Perez seconded and all voted in favor.

22. Texas Rural Water Association 48th Annual Meeting and Election.

Ms. Serrato presented information on the Texas Rural Water Association 48th Annual Meeting and Election. She read descriptions on the three Bylaw amendments proposed by TRWA and recommended voting in favor of all three. Ms. Rodgers made a motion to vote in favor of all three amendments. Mr. Treviño seconded. The motion passed by unanimous vote.

23. Adjournment.

With no further business to discuss, Ms. Lowman adjourned the meeting at 7:30 p.m.

Respectfully submitted,



Frances De Leon
Assistant Secretary