

SOUTH TEXAS WATER AUTHORITY  
Regular Board of Directors Meeting  
June 27, 2017  
Minutes

Board Members Present:

Kathleen Lowman  
Dr. Albert Ruiz  
Rudy Galvan  
Lupita Perez  
Filiberto Treviño  
Steven Vaughn

Board Members Absent:

Patsy Rodgers  
Charles Schultz

Staff Present:

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

Guests Present:

Marvin Leary – Linebarger, Goggan,  
Blair and Sampson, LLP  
Noah Downs – PICA  
Bud Colwell – HDR Engineering Inc.

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 citizen comments were made.

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

5. Consideration of offers made to Linebarger, Goggan, Blair & Sampson, LLP for Tax Resale properties in Nueces County.

Mr. Marvin Leary of Linebarger, Goggan, Blair & Sampson, LLP introduced himself to the Board and presented bid analyses and maps on four struck off properties for which offers have been received. If the sale is approved, STWA will receive at least \$851.81 in delinquent taxes from the sale proceeds and restore as much as \$99,736.00 in taxable property value to STWA's active tax rolls.

6. Resolution 17-10. Resolution approving the sale of delinquent tax properties for less than the amount of taxes owed or the most recent value determined by the appraisal district, whichever is less.

A motion was made by Mr. Treviño and seconded by Mr. Vaughn to adopt Resolution 17-10 approving the offers made to Linebarger, Goggan, Blair & Sampson, LLP. All voted in favor.

14. Assessment of STWA's 42" waterline – Internal Leak Detection Test – End of Contract 3 pipeline immediately south of the O.N. Stevens Plant.

- Presentation on PICA RFT Technology

Mr. Noah Downs gave a presentation on PICA's technologies for assessing large diameter pipes. He discussed the remote field testing technology which uses electromagnetic inspection technology. He explained that this type of testing requires that the waterline be out of service and dewatered. The device can enter through an 18 inch manhole and is inflated once inside the pipe. The device travels about 15 feet per minute on wheels as it rolls through the pipeline and measures every tenth of an inch around the circumference of the pipe to detect pitting and corrosion. It can see through four inches of concrete coating but does not detect breaks in the wires of the pipe. A diagram is produced which illustrates the areas having corrosion or pitting. The cost for this type of testing is between 3% and 5% of the replacement cost of the line.

He also discussed the Nautilus leak detection system which is similar to Pure Technologies' SmartBall. This testing is less expensive than using a SmartBall. The device enters through a 3 to 4 inch entry point and floats through the middle of the pipe. It is capable of detecting leaks as small as 0.6 gpm. He added that his company is seeking to enter the North American market and will likely reduce the cost significantly in order to perform a pilot in the United States.

3. Approval of Minutes.

Mr. Treviño made a motion to approve the minutes of the May 23, 2017 Regular Meeting as presented. Mr. Galvan 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 May 31, 2017  
Revenue Fund Income Statement for period ending May 31, 2017  
Tax Fund Income Statement for period ending May 31, 2017  
Special Services Income Statement for period ending May 31, 2017  
STWA Revenue Fund Balance Sheet – May 31, 2017  
STWA Revenue Fund GL Account Summary Report as of May 31, 2017  
STWA Debt Service Fund Income Statement for period ending May 31, 2017  
STWA Debt Service Fund Balance Sheet May 31, 2017  
STWA Debt Service Fund GL Account Summary Report as of May 31, 2017  
STWA Capital Projects Fund Income Statement for period ending May 31, 2017  
STWA Capital Projects Fund Balance Sheet – May 31, 2017  
STWA Capital Projects Fund GL Account Summary Report as of May 31, 2017  
STWA 2012 Bond Election Report  
Anticipated vs. Actual Water Rate Charged  
Maintenance & Technical Report from O&M Supervisor

Ms. Wagner also presented the following outstanding invoices for Board approval:

- South Texas Valve & Controls \$ 2,536.02
- NewGen Strategies \$ 545.74
- Nueces County Appraisal District \$ 1,595.00
- Willatt & Flickinger, Attorneys at Law \$ 1,910.60
- HDR Engineering, Inc. \$ 7,200.00
- HDR Engineering, Inc. \$ 48,000.00
- Kleberg County Appraisal District \$ 4,973.18
- K. Kieschnick – NC Tax Assessor \$ 284.93
- City of Corpus Christi \$ 120,284.59
- South Texas Valve & Controls \$ 2,176.50
- NewGen Strategies \$ 1,612.50
- HDR Engineering, Inc. \$ 1,710.00

A motion was made by Mr. Galvan to approve the Treasurer’s Report and payment of the bills as presented. Mr. Treviño seconded. The motion carried.

7. 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 in order to avoid the expense of Nueces County sending out separate tax statements for STWA, they must receive STWA’s tax information by September 12, 2017. She reviewed the following schedule with the Board:

Date	Event	Action
June 27, 2017	Board Meeting	Agree on calendar & confirm quorums
July 25, 2017	CADs deliver rolls	Staff calculates ETR
August 1, 2017	Board Meeting	Board votes on proposed rate & sets hearing date/time, approves sending proposed budget to wholesale customers
August 2, 2017	Staff prep	Proposed budget is sent to wholesale customers for 30-day written comment period
Aug 4 – Sept 5	30-day comment period	Wholesale customers review & provide written comments on proposed budget
August 27, 2017	Publish newspaper notices	Publication occurs 7 days before hearing
September 5, 2017	Public Hearing followed by Board Meeting	Board approves tax rates and FY 2018 Budget
September 12, 2017	Nueces County Tax Collector Deadline	Failure to submit tax rates could result in STWA paying for separate tax bill mail-out

The Board members present indicated they would be available for the meetings and approved the schedule by consensus.

8. Preliminary Fiscal Year 2018 Budget.

Ms. Serrato presented a preliminary Fiscal Year 2018 Budget for the Board's review. The preliminary budget is based on water sales of approximately 519 million gallons, the same Handling Charge and similar tax rates. She explained that several essential elements are not yet available. The Board also reviewed the items listed in Capital Acquisition. Dr. Ruiz recommended that computers be replaced on a rotation basis to avoid the need to replace several computers at one time. No other changes were requested by the Board. Ms. Serrato added that a substantial increase in the Handling Charge would be necessary to generate the funds needed for an assessment on extensive portions of the 42 inch waterline. As discussed previously, a portion of 42 inch line associated with Contract 2 would be the best option in her opinion knowing that United Pipe's quality control was a problem.

9. TCEQ Enforcement Action.

- Walker Partners Proposal for Professional Services

Ms. Serrato provided a copy of the quarterly report submitted to TCEQ in May. She added that a conference call was held on June 9<sup>th</sup> and the next call is scheduled for July 12<sup>th</sup>. As a result of the June 9<sup>th</sup> call, a revised Monitoring Plan and Nitrification Action Plan are due on June 30<sup>th</sup>.

Ms. Serrato presented an Agreement for Professional Services from Walker Partners, LLC. in the amount of \$29,600. The proposal was provided by Aaron Archer and covers submitting the Engineering Report and Quarterly Reports required by the TCEQ Order and updating the Monitoring Plan, NAP and SSP. Mr. Galvan made a motion to approve the Agreement for Professional Services in the amount of \$29,600. Mr. Treviño seconded. All voted in favor.

10. Water Supply Contract with the City of Kingsville.

Ms. Serrato reported that as scheduled, she and Bill Flickinger, Willatt and Flickinger, met with City of Kingsville representatives on June 12, 2017. Several contract provisions were discussed and City representatives agreed, for presentation to the City Council, on an initial term of five years with three automatic 5-year renewals. Language was also added in response to City Manager Jesus Garza's request that the City not be penalized for costs associated with other entities' repairs and/or replacements. It was also agreed, for presentation to the Council, that rather than beginning the contract with a purchase of \$400,000, the guaranteed purchase could build up to a \$400,000 purchase by \$10,000 annual increments and that adjustments, limited to 5% annually, would be made to the City's purchase after the first term to avoid negative impact to the volume being purchased as a result of City of Corpus Christi rate increases. Mr. Flickinger made the redline changes and has provided the revised contract to City Attorney Courtney Alvarez; however, the City's most recent agenda does include discussion of the contract.

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

Ms. Serrato reported that she spoke with newly elected Bishop Mayor Tem Miller who seemed disappointed that a contract has not been finalized. He stated that he would be in contact with the City's legal counsel to move forward on negotiations.

12. NewGen Strategies Rate Study: Customers without a Long-Term Contract, Special Services and Out of District (NCWCID#5).

Ms. Serrato stated that Mr. Chris Ekrut of NewGen Strategies has provided a draft report but she will need additional time to finish reviewing the report. She also stated that she and Finance Manager Jo Ella Wagner discussed the report with Mr. Ekrut and made suggestions on language to be included for additional clarification. She also intends to forward the document to Mr. Flickinger and bond counsel for review in order to present it to the Board at the next meeting.

13. 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 and STWA's request for a contract extension.

Ms. Serrato stated that as approved by the Board at last month's meeting, a letter was sent to Corpus Christi City Manager Margie Rose requesting an extension to STWA's wholesale contract. Ms. Rose has responded that negotiations should not begin until approximately three years before the contract's expiration in 2026. She also indicated that the City is no longer pursuing a two-year rate amendment.

14. Assessment of STWA's 42" waterline – Internal Leak Detection Test – End of Contract 3 pipeline immediately south of the O.N. Stevens Plant.

- Presentation on PICA RFT Technology
- Request for Proposals

Ms. Serrato presented the final Request for Proposals document for leak detection services prepared by Ms. Shay Roalson, HDR Engineering. She stated that HDR will issue the RFP to select companies and a committee will review the proposals and make a recommendation. Mr. Vaughn made a motion to issue a Request for Proposals for leak detection services. Mr. Galvan seconded and all voted in favor.

15. Assessment of STWA's 42" Waterline – Russell Corrosion Projects

- Examination of Section 0 – 5000 LF
- Replacement of two (2) existing rectifiers
- Pipeline Crossings and Interference

Ms. Serrato stated that Russell Corrosion is scheduled to arrive on July 10<sup>th</sup> to begin examination of Section 0 – 5000 and should be onsite for about a week. Field staff has made arrangements for equipment to clear the area. Russell Corrosion will also be contacting the companies owning the seven pipelines that could pose interference problems. Two rectifiers will also be replaced.

16. Driscoll Pump Station LAS Chemical Feed System Addition.

Ms. Serrato reported that a preconstruction conference on the Driscoll LAS project was held on June 6<sup>th</sup> and the Notice to Proceed was issued. Mercer Controls has provided a proposal for incorporating the Booster Station into the SCADA but further review of the various options is needed.

17. Emergency Generator -- Kingsville Pump Station.

Ms. Serrato reported that the generator equipment should be arriving in mid-July and she does not expect the project to take very long to complete.

18. City of Corpus Christi Proposed Water Conservation and Drought Contingency Plan and Amended STWA Water Conservation and Drought Contingency Plan.

Ms. Serrato stated that the City of Corpus Christi has amended its Drought Plan to take into consideration the water resources available through the Mary Rhodes I and II pipelines. Only a few areas of the plan have been impacted. The changes impact the timing of when restrictions will go into effect. She added that there is a five-year requirement to review and update an entity's Water Conservation and Drought Contingency Plan. Because STWA's Water Conservation Plan contains statistics and data that will require time for updating, Ms. Serrato stated that she will present an amended plan in the near future for the Board's review and approval. Once approved by the Board, the updated Plan will be formally presented to STWA's Wholesale Customers.

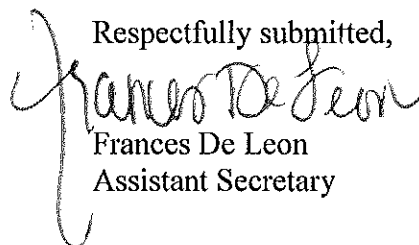
19. Response to City of Driscoll Water Pressure Problem.

Ms. Serrato stated that this item was placed on the agenda in response to an incident that occurred at the Driscoll Pump Station on May 21, 2017 when the MOV failed to open and the ground storage tank did not fill causing the pumps to become air locked. She explained that there was an issue with the failure to update the on-call list, and STWA's termination procedures have been updated to ensure that the on-call list is updated promptly. In addition, according to STWA's written procedures to the answering service, only a 15-minute delay should have occurred before calling the O&M Supervisor. Ms. Serrato has been in contact with the answering service and their procedures have been updated to avoid extensive delays. She added that she believes that staff responded as soon as possible after being made aware of the situation. She stated there remains a time discrepancy between the answering service log of the first call as compared to the City's assertion that the problem began in the morning. It was established that the City's operator had cell phone problems, however. She also stated that the City of Driscoll raised the issue of having direct contact with STWA field personnel which she feels is inappropriate. She added that she was contacted directly by the City Administrator but has had no contact regarding the matter with either the former or the present Mayor.

20. Adjournment.

With no further business to discuss, Ms. Lowman adjourned the meeting at 7:35 p.m.

Respectfully submitted,



Frances De Leon  
Assistant Secretary