

SOUTH TEXAS WATER AUTHORITY  
Regular Board of Directors Meeting  
August 8, 2017  
Minutes

Board Members Present:

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

Board Members Absent:

Charles Schultz

Staff Present:

Carola G. Serrato  
Jo Ella Wagner  
Jacob Hinojosa

Guests Present:

Sherrel Mercer – Mercer Controls

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.

2. Citizen Comments.

Ms. Lowman opened the floor to citizen's comments. No citizen comments were made.

3. Approval of Minutes.

Mr. Treviño made a motion to approve the minutes of the June 27, 2017 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, 2017  
Treasurer's Report for period ending June 30, 2017  
Revenue Fund Income Statement for period ending June 30, 2017  
Tax Fund Income Statement for period ending June 30, 2017  
Special Services Income Statement for period ending June 30, 2017  
STWA Revenue Fund Balance Sheet – June 30, 2017  
STWA Revenue Fund GL Account Summary Report as of June 30, 2017  
STWA Debt Service Fund Income Statement for period ending June 30, 2017  
STWA Debt Service Fund Balance Sheet June 30, 2017  
STWA Debt Service Fund GL Account Summary Report as of June 30, 2017  
STWA Capital Projects Fund Income Statement for period ending June 30, 2017

STWA Capital Projects Fund Balance Sheet – June 30, 2017  
STWA Capital Projects Fund GL Account Summary Report as of June 30, 2017  
STWA 2012 Bond Election Report  
Anticipated vs. Actual Water Rate Charged

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

• Willatt & Flickinger, Attorneys at Law	\$ 5,425.10
• Russell Corrosion Consultants	\$ 212.00
• City of Corpus Christi	\$ 125,912.24
• K. Kieschnick – NC Tax Assessor	\$ 175.87
• NewGen Strategies	\$ 240.00
• NewGen Strategies	\$ 3,426.25
• Willatt & Flickinger, Attorneys at Law	\$ 2,462.00
• HDR Engineering, Inc.	\$ 5,400.00
• HDR Engineering, Inc.	\$ 1,710.00

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

5. Review of 2017 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 \$1,066,869,086 and \$681,353,234 respectively, approximately \$48,000,000 more than last year. Ms. Serrato recommended approval of Resolutions 17-11 and 17-12.

6. Resolution 17-11. Resolution adopting the appraisal roll for the South Texas Water Authority's district in Kleberg County for tax year 2017.

After reviewing the Kleberg County appraisal roll for tax year 2017, Ms. Rodgers made a motion to approve resolution 17-11. Ms. Perez seconded the motion. The motion carried.

7. Resolution 17-12. Resolution adopting the appraisal roll for the South Texas Water Authority's district in Nueces County for tax year 2017.

Following review of the Nueces County appraisal roll for tax year 2017, Ms. Rodgers made a motion to approve resolution 17-12. Ms. Perez seconded the motion. The motion passed by unanimous vote.

8. Preliminary Fiscal Year 2018 Budget.

Ms. Serrato presented an updated 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, same management fees and similar tax rates. She stated that there was an

increase in the cost of water from the City of Corpus Christi due to use of chlorine dioxide. She added that the Authority is not spending as much on chlorine. She also informed the Board that UnitedHealthcare renewal documents have been received and reflect a 19.7% increase over last year's medical insurance cost. However UHC also offered a dental plan which should provide a savings of approximately \$12,000. She pointed out that this budget does not include salary adjustments other than milestone longevity increases. Keeping the current UHC health coverage and changing to the UHC dental plan results in approximately a \$2,200 increase to the negative ending balance of the general fund, and adding a 2% salary increase results in an additional increase of approximately \$9,000. After reviewing the preliminary budget, the Board agreed by consensus to have Ms. Serrato prepare two additional budgets for presentation at the next meeting – one with UHC medical and UHC dental and another with UHC medical, UHC dental and a 2% salary increase.

9. Proposed Fiscal Year 2018/Tax Year 2017 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 \$0.085170/\$100 valuation comprised of a Maintenance & Operation tax rate of \$0.064224/\$100 and an Interest & Sinking tax rate of \$0.020946. The proposed total tax rate is slightly higher than the current total tax rate of \$0.082942. The public hearing is scheduled for September 5, 2017 and if approved the notice of public hearing will be published on August 27, 2017. Mr. Galvan made a motion to authorize staff to publish the Water District Notice of Public Hearing on Tax Rate. Dr. Ruiz seconded. All voted in favor by a show of hands.

10. TCEQ Enforcement Action.

Ms. Serrato stated that monthly conference calls continue and an additional call to discuss STWA's facility inventory will occur on September 5<sup>th</sup>. The revised Monitoring Plan, Nitrification Action Plan and Site Sampling Plan were submitted by the June 30<sup>th</sup> deadline. TCEQ adopted a new Lab Approval Form and they have requested that STWA use the new form and submit an updated one, which staff did. As part of these revised plans, STWA will begin sampling directly off the 42" waterline and there will be three regulatory samples taken each month. She added that the requested deadline extensions have been approved by TCEQ and she provided a copy of TCEQ's approval letter. She had nothing further to report.

11. Water Supply Contract with the City of Kingsville.

Ms. Serrato reported that Kingsville City Attorney Courtney Alvarez emailed Bill Flickinger, Willatt and Flickinger, stating that no action has been taken by the City Commission on the water supply contract but she anticipates that the matter will be reviewed before the end of the fiscal year. In addition, Ms. Serrato read an email from Ms. Alvarez who requested further clarification on a section of the contract pertaining to increasing the City's dollar amount of purchase by no more than 5% in response to increases resulting from the City of Corpus Christi's rate increases. Ms. Alvarez added that most of the language was acceptable by the City's negotiating team. Ms. Alvarez also stated that one of the City Commissioners asked if all of the Wholesale Customers were paying the same rate for water from the Authority. Mr. Flickinger responded that all customers are paying the same if they have a contract. He clarified that the intent of the 5%

clause is to ensure that the City continues to take approximately the same volume currently purchased and asked Ms. Alvarez to provide language the City found acceptable.

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

Ms. Serrato reported that the Bishop City Secretary advised that she believes the water supply contract will be discussed at the August 16<sup>th</sup> Council Meeting. She had nothing further to report.

*The order of the agenda was changed to accommodate the guest, Sherrel Mercer.*

18. Driscoll Pump Station LAS Chemical Feed System Addition.

- Change Order No 1

Ms. Serrato presented two alternative Change Orders on the Driscoll LAS project for SCADA work and modifications on a tap. She explained that one is \$40,000 more expensive than the other and is based on using a Programmable Logic Controller (PLC) versus a personal computer (PC) for the SCADA system. Mr. Sherrel Mercer, Mercer Controls, Inc., explained that when STWA attempted to replace the old SCADA PC with an upgraded PC using a current operating system, programming problems arose with the consultant computer technicians not having experience with the specialized software. Mercer Controls has someone on staff with this expertise. He also explained that the current system uses a method of polling through use of a personal computer which means that when there is a computer failure, there is no communication from the SCADA sites to the computer, and modifications for new sites requires extensive programming. He recommended use of a PLC which will provide continuous data, generate alarms or display specific information in the event of computer failure. HDR Engineering also recommends using a PLC. He explained that the issue of a PLC versus a PC became evident when it was discovered that the control panel that is to be used at the Driscoll LAS SCADA required expansion that is not an option with the current system. Upgrading using a PLC would eliminate this issue. Mercer is able to provide the equipment and programming that was to be provided by Mission Automation. He provided two proposals for the Board's consideration. The first offers a new polling system, complete evaluation of all of the monitored sites, and upgrading the STWA SCADA system to include a new Polling PLC. This option reduces the overall cost by \$15,000. The second option upgrades the STWA SCADA system using the existing PC. This will likely result in reliability and dependability limitations but would reduce the cost by \$12,000.

Mr. Mercer also discussed the tap in the 42" valve located on the south side of the Driscoll Pump Station. Mr. Mercer recommended revising the plans and tapping the 42" line instead of the fitting where the valve is which could affect the integrity of the metal on the fitting. Ms. Serrato stated that HDR agrees with this recommendation as well. Mr. Galvan made a motion to adopt Change Order No 1, Option 1 in the amount of \$45,586.34 which includes the revision on the tap and the SCADA upgrade with a PLC. Mr. Treviño seconded the motion. All voted in favor. Ms. Serrato noted that the cost of these changes would be covered by bond funds.

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

Ms. Serrato stated that the draft report prepared by Mr. Chris Ekrut of NewGen Strategies was forwarded to legal counsel Bill Flickinger and bond counsel Noel Valdez for their review. The study addresses three components – customers without a long-term contract, STWA’s approach to Special Services, and Fees in Lieu of Taxes. NewGen found that the second and third items were being handled in a fair and justifiable manner. Regarding the customers without a long-term contract, referred to as Monthly Wholesale Customers, Mr. Ekrut recommends charging a premium as high as 32% of the Handling Charge. Mr. Flickinger recommends a formal policy to establish this separate class of customers. Ms. Serrato stated that it may be possible to begin charging the premium in six to twelve months. She added that she will include a copy of the Rate Study in the budget letters going out to STWA’s Wholesale Customers. Ms. Rodgers made a motion to approve the NewGen Rate Study. Mr. Galvan seconded. All voted in favor. The Board agreed that staff should work with consultants to develop a policy for charging a premium rate for Monthly Wholesale Customers.

14. City of Corpus Christi water rate true-up, 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 reported that the City of Corpus Christi has recently made a significant change to the rate model which resulted in a ten-cent increase in the water rate. This is due to an increase in the cost of chemicals. She said she will include this information in the budget letter provided to the Wholesale Customers. In addition, a second letter has been drafted to Corpus Christi City Manager Margie Rose requesting that the City reconsider negotiating an extension to STWA’s wholesale contract. The Board’s consensus was to send the letter.

15. Assessment of STWA’s 42” waterline – Internal Leak Detection Test – End of Contract 3 pipeline immediately south of the O.N. Stevens Plant.  
• Request for Proposals

Ms. Serrato stated that she, Ms. Shay Roalson of HDR Engineering, Mr. Schultz and Mr. Vaughn reviewed the Request for Proposals for leak detection services, and she contacted the companies’ references. She reported that the SmartBall device by Pure Technologies ranked the highest. She added that no timeline was provided on the proposals but she believes this type of project would not begin until next fiscal year.

16. Resolution 17-13. Resolution approving selection of a proposal for Leak Detection Services on STWA’s 42-inch waterline, Contract 3.

Mr. Vaughn recommended the Pure Technologies Smart Ball. The existing manholes can be used and no additional manholes will be needed. Mr. Galvan made a motion to award the leak detection project to Pure Technologies in the amount of \$55,400 to conduct leak detection testing using their SmartBall device. Mr. Vaughn seconded. All voted in favor.

17. 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 arrived on July 10<sup>th</sup> to begin examination of Section 0 – 5000. Field staff cleared the stretch of right of way and repaired two test stations in that area. Russell Corrosion returned the following week to perform one additional test. They did not request that STWA field personnel perform any excavations. A report on the findings has not been provided. In addition, two replacement rectifiers were ordered at a cost of \$1,662 each. One of these has already been installed and the other should be done later this week. Russell Corrosion has also inspected the areas of the seven pipelines that could pose interference problems and indicated they would be in contact with the owners of the pipelines. A report is not yet available on this either.

19. Emergency Generator – Kingsville Pump Station.

Ms. Serrato reported that the generator equipment arrived and is being installed and may be ready for testing on Monday.

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

Ms. Serrato presented a revised STWA Water Conservation and Drought Contingency Plan which was prepared in response to the City of Corpus Christi amending its Drought Plan to take into consideration the water resources available through the Mary Rhodes I and II pipelines. The modifications to STWA's plan mirror the City's changes as close as possible. She explained that STWA's Plan is written in a way to encourage its Wholesale Customers to adopt similar restrictions as the City of Corpus Christi while simultaneously providing notice that volume reductions and surcharges may apply depending on the severity of the drought. She said that currently the City is at Stage 1 of the drought plan and that Stage 2 may be implemented by mid-September.

21. Resolution 17-14. Resolution adopting an Amended Water Conservation and Drought Contingency Plan for the South Texas Water Authority.

Ms. Rodgers made a motion to approve Resolution 17-14 adopting the Amended Water Conservation and Drought Contingency Plan for the South Texas Water Authority. Ms. Perez seconded and all approved.

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

Ms. Serrato stated that recent evaluations have been conducted by the entire Board rather than a committee. She placed this item on the agenda in case the Board prefers to select a committee. The Board agreed that the evaluation should again be conducted by the Board as a whole. Ms.

STWA Regular Meeting Minutes

August 8, 2017

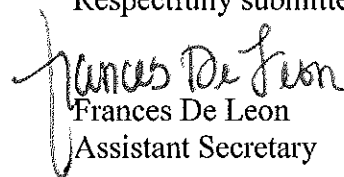
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Lowman requested a copy of last year's evaluation as comparison in order to provide a good assessment.

23. Adjournment.

With no further business to discuss, Ms. Lowman adjourned the meeting at 7:06 p.m.

Respectfully submitted,

  
Frances De Leon  
Assistant Secretary