

NUECES WATER SUPPLY CORPORATION

Minutes – Regular Meeting
November 26, 2018

Board Members Present:

Alice J. Black
Donald Lundmark
Ruth Ann Smith
Sherry Zimmerman

Board Members Absent:

Mike Benton

Staff Present:

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

Guests Present:

None

1. Call to Order.

Ms. Alice J. Black, President, called the Regular Meeting to order at 10:04 a.m. at the South Texas Water Authority Boardroom, 2302 East Sage Road, Kingsville, Texas. A quorum was present.

2. Citizen comments.

Ms. Black opened the floor for citizen comments. No comments from the public were made.

3. Hortencia Rodriguez, Account #356 – Repeated Multiple Tap Violations – Cancellation of Account.

Ms. Serrato stated that after repeated violations at the Hortencia Rodriguez property, she consulted with Bill Flickinger, Willatt & Flickinger, who advised that the membership can be cancelled in accordance with the Corporation's Tariff and cancellation would be within the Corporation's established rules. After discussing the matter, Ms. Zimmerman made a motion to send Ms. Rodriguez a final notice to inform her that if another violation occurs, the Board will cancel the membership. Ms. Smith seconded the motion. All voted in favor.

4. Customer Concern: Reynaldo Gonzalez, Cancelled Membership Account #870 – Request to Reservice by Lucia Gonzalez and Request for Financial Consideration.

Ms. Serrato said that Ms. Lucia Gonzalez, daughter of Reynaldo Gonzalez, a previous NWSC member, requests reduction of fees to reservice the account which total \$831.07 as of October 15th. Mr. Gonzalez now resides in a nursing home and power of attorney has been assigned to Ms. Gonzalez's sister. Ms. Serrato explained to Ms. Gonzalez that the request would require

Board authorization. Ms. Gonzalez stated that she would discuss the matter with her sister and asked that the request be placed on the Board agenda. Ms. Zimmerman made a motion to not reduce the reservice fees. Ms. Smith seconded. All voted in favor.

5. Approval of Minutes.

Ms. Zimmerman made a motion to approve the minutes of the July 17, 2018 Regular Meeting as presented. Ms. Smith seconded the motion. All voted in favor.

6. Treasurer's Report/Payment of Bills.

The following financial reports were presented for the Board's review and approval:

Treasurer's Report as of July 31, 2018
Treasurer's Report as of August 31, 2018
Treasurer's Report as of September 30, 2018
Treasurer's Report as of October 31, 2018
Account Activity for General Account for July 1, 2018 to July 31, 2018
Account Activity for General Account for August 1, 2018 to August 31, 2018
Account Activity for General Account for September 1, 2018 to September 30, 2018
Account Activity for General Account for October 1, 2018 to October 31, 2018
Account Activity for Operations Account for July 1, 2018 to July 31, 2018
Account Activity for Operations Account for August 1, 2018 to August 31, 2018
Account Activity for Operations Account for September 1, 2018 to September 30, 2018
Account Activity for Operations Account for October 1, 2018 to October 31, 2018
TEXPOOL Participant Statement for 07/01/2018 – 07/31/2018 for General Account
TEXPOOL Participant Statement for 07/01/2018 – 07/31/2018 for Security Deposit Account
TEXPOOL Participant Statement for 08/01/2018 – 08/31/2018 for General Account
TEXPOOL Participant Statement for 08/01/2018 – 08/31/2018 for Security Deposit Account
TEXPOOL Participant Statement for 09/01/2018 – 09/30/2018 for General Account
TEXPOOL Participant Statement for 09/01/2018 – 09/30/2018 for Security Deposit Account
TEXPOOL Participant Statement for 10/01/2018 – 10/31/2018 for General Account
TEXPOOL Participant Statement for 10/01/2018 – 10/31/2018 for Security Deposit Account
TexSTAR General Account Statement as of 10/31/2018

The following bills were presented for payment:

STWA Invoice S18-093	\$46,317.54
June 2018 Water Usage, Water Cost and Handling Charge	
STWA Invoice S18-094	\$14,932.10
June 2018 General and Administration	
STWA Invoice S18-096	\$ 4,910.12
June 2018 Taps and Repairs	

NWSC Regular Meeting Minutes
November 26, 2018
Page 3

STWA Invoice S18-098 Payroll expense for Part-time Employee for April, May and June 2018	\$ 1,597.73
STWA Invoice S18-100 Payroll expense for Stand By for March 29, 2018 through June 27, 2018	\$ 367.71
STWA Invoice S18-102 Reimburse for Fiber optic phone service (04/19/2018 through 07/19/2018)	\$ 339.06
STWA Invoice S18-113 July 2018 Water Usage, Water Cost and Handling Charge	\$50,633.34
STWA Invoice S18-114 July 2018 General and Administration	\$13,486.21
STWA Invoice S18-116 July 2018 Taps and Repairs	\$ 8,592.10
STWA Invoice S18-126 August 2018 Water Usage, Water Cost and Handling Charge	\$48,330.10
STWA Invoice S18-127 August 2018 General and Administration	\$13,630.05
STWA Invoice S18-129 August 2018 Taps and Repairs	\$11,071.70
STWA Invoice S18-140 September 2018 Water Usage, Water Cost and Handling Charge	\$38,578.84
STWA Invoice S18-141 September 2018 General and Administration	\$14,559.37
STWA Invoice S18-143 September 2018 Taps and Repairs	\$ 3,477.50
STWA Invoice S18-145 Payroll expense for Part-time Employee for July, August and September 2018	\$ 1,887.84
STWA Invoice S18-147 Payroll expense for Stand By for June 28, 2018 through September 26, 2018	\$ 364.34
STWA Invoice S18-149 Reimburse for Fiber optic phone service (07/19/2018 through 09/19/2018)	\$ 330.76

Mercer Controls, Inc. \$11,416.00
Central and Sablatura Park Pump Station Pressure Control Probe System

Ms. Zimmerman made a motion to approve the Treasurer's Report and payment of the bills as presented. The motion was seconded by Ms. Smith. All voted in favor.

7. Fiscal Year 2018 Budget Amendments.

The Board reviewed the proposed Fiscal Year 2018 Budget Amendments. Ms. Serrato explained that water sales increased by \$24,500 and expenses increased by \$142,600 overall from the original budget. Total revenue is estimated at \$951,773.55, an \$87,956.66 increase from the original budget. Ms. Smith made a motion to approve the Fiscal Year 2018 Budget Amendments. Ms. Zimmerman seconded. All voted in favor.

8. South Texas Water Authority Fees and Charges – Corporation Fee Schedule.

Ms. Serrato presented three tables comparing the current and new fees and charges for services performed by STWA. The first table listed recurring and additional administrative fees. The total increase in the various fees in this category is 85 cents per connection per month. The second table listed STWA's Taps & Repairs service fees recouped by passing the cost along to the NWSC customers that benefit from those services. The third table listed Taps & Repairs services fees that are paid by the Corporation through rates charged to all customers. She stated that STWA increased the valve install, road bore, long service connection, line extension, residential meter testing, line repair and after hour call fees as part of their budget process and recommended that the Board consider those fees when reviewing the proposed FY 2019 budget.

9. Positive Pay, Treasury Pro and Remote Deposit Capture services provided by Kleberg Bank.

Ms. Serrato stated that Kleberg Bank approached staff about three services they provide – Positive Pay, Corporate Lite and Remote Deposit Capture – at a cost of \$165 per month for the package, \$75 per month for Corporate Lite or \$50 a month for Positive Pay. Positive Pay is a monitoring service for fraud prevention. Corporate Lite provides remote access to the designated administrator for making changes on the accounts. Remote Deposit Capture would involve using a device to capture check information images from water payments received at the office. The check images would be transmitted to the bank at the end of the day for an immediate same-day deposit. Kleberg Bank will provide the equipment and service at no cost if NWSC chooses two of the services. After discussing the services, the Board decided to leave the accounts as they are. No action was taken by the Board.

10. Proposed Fiscal Year 2019 Budget and retail water rates

Ms. Serrato presented proposed Fiscal Year 2019 Budgets based on the current rates as well as three other versions based on various monthly minimums and tier rates. Ms. Serrato reminded the Board that the expenses related to the Driscoll Relief Route should be 100% reimbursable

and that \$50,000 in matching funds will be needed for the Cyndie Park project. She added that in another agenda item, she will be asking the Board to consider replacing remote read meters. Ms. Smith made a motion to choose option C which raises the water rate 25 cents and the monthly minimum 85 cents. Ms. Zimmerman seconded. All voted in favor.

11. Resolution 18-06. Resolution adopting the recommended Fiscal Year 2019 Budget.

Ms. Smith made a motion to adopt the Fiscal Year 2019 Budget based on Option C raising the water rates 25 cents and raising the monthly minimum by 85 cents. Ms. Zimmerman seconded. All voted in favor.

12. Cyndie Park Projects – 4” Transmission Line and New Banquete Pump Station – Authorization for Board President to Sign Any and All Closing Documents to Finalize the Cyndie Park 2 Application.

Ms. Serrato reported that work continues on the Cyndie Park I and Cyndie Park II applications to the Texas Public Utility Commission. In addition, the 4” transmission line is complete, the design for the new Banquete Pump Station for NWSC’s customers is complete however publishing for construction bids has not yet been authorized. She added that staff has been working on notices to Cyndie Park II residents to provide information on the processes for applying for membership and annexation. Ms. Serrato requested authorization for the Board President to sign any and all closing documents to finalize the Cyndie Park II application. Ms. Zimmerman made a motion that the Board President be authorized to sign any and all closing documents to finalize the transfer of the Cyndie Park II CCN area to the Corporation in accordance with approval by the Texas Public Utility Commission. Ms. Smith seconded. All voted in favor.

13. All matters pertaining to NWSC waterline adjustments for TxDOT Relief Route in Driscoll, Texas.

Ms. Serrato reported that TNP, TxDOT’s consultant, is no longer involved in the project and Lance Bornstein of TxDOT is the point of contact. Right of Way Service has been contacting landowners regarding easements and one of them wants payment on a per lineal foot basis leaving it uncertain at this point whether the line will need to be placed in public right of way or if the owner will reconsider. In addition, there is an issue with the City of Driscoll and an outside city limit customer that may be transferred to NWSC. A cost analysis is being prepared to determine if it is more cost effective to eliminate Driscoll’s line and transfer the customer to NWSC by constructing an extension of NWSC’s existing line or make the adjustments to the City’s line which will be affected by the overpass at FM 665 and CR 79. NWSC will not be responsible for these costs. Ms. Serrato stated that there was no Board action necessary.

14. Walker Partners Proposal for Turnkey Engineering Service related to wholesale water service for AquaTexas to provide service to Golden Acres including but not limited to design of necessary waterline(s), easement acquisition, bid advertisement and construction inspection.

Ms. Serrato presented Walker Partners Service Agreement in the amount of \$223,000 for preliminary and final design, bidding tasks, construction administration, acquisition of easements, and subsurface utility engineering for construction of a parallel 3" waterline on CR 77 between FM 70 and CR 6. Ms. Serrato explained that the proposal was submitted by Mr. Daniel Frazier in Mr. Aaron Archer's absence. Mr. Archer has requested an opportunity to resubmit the proposal because of the high cost proposed by CobbFendley for subsurface engineering. Mr. Lundmark made a motion to authorize execution of the Walker Partners Service Agreement contingent upon Mr. Archer providing a satisfactorily reduced proposal. Ms. Zimmerman seconded. All voted in favor.

15. John Womack & Co., P.C. Letter of Engagement for Auditor Services.

Ms. Serrato presented the John Womack & Co., P.C. Letter of Engagement for auditor services for the fiscal year ending December 31, 2018. The letter quotes a cost of \$5,100 which is a \$225 increase over last year.

After the Board's review of the document, Ms. Zimmerman made a motion to accept the engagement letter for FY 2018 audit services with John Womack & Co., P.C. in the amount of \$5,100. Ms. Smith seconded the motion. All voted in favor.

16. Bank Depository Agreement.

Ms. Serrato presented an Agreement to Extend Corporation Depository Contract between Kleberg Bank and Nueces Water Supply Corporation. She stated that staff has been satisfied with the services provided by Kleberg Bank and noted that Kleberg Bank does not charge NWSC any fees. She added that the agreement extends the contract for two years expiring September 13, 2020.

Ms. Smith made a motion to renew the Bank Depository Agreement with Kleberg Bank for two years. Ms. Zimmerman seconded. All voted in favor.

17. Annual Meeting Schedule and Election Procedures.

Ms. Serrato stated that per State requirements, the Board must review election procedures for the Annual Membership meeting. She added that Ms. Smith's and Ms. Zimmerman's positions are up for election in April of 2019 and both have indicated that they would like to continue serving on the Board. The Board reviewed the proposed schedule and election procedures. Ms. Serrato stated that upon approval, staff can move forward with following the timeline to provide notices and begin the process of holding the Annual Membership Meeting and election. Mr. Lundmark

made a motion to approve the procedures and timeline and authorize mailing out the notices regarding applications for Board of Director. Ms. Smith seconded and all voted in favor.

18. Water Supply Contract with South Texas Water Authority – Amendment to Provide Maximum Hourly Purchase Rate that when Combined with Actual Service Pump Capacity is at least 2.0 gpm per Connection or at least 1000 gpm and able to Meet Peak Hourly Demands, whichever is Less.

Ms. Serrato stated that as part of the Sale, Transfer, Merger Application for the Cyndie Park projects, the PUC requested a TCEQ letter stating that NWSC had complied with its 2011 Enforcement Order. A copy of the contract between NWSC and STWA was provided, but TCEQ questioned whether the contract complies with 30 TAC 290.45 pertaining to a Maximum Hourly Purchase Rate. Ms. Serrato consulted with legal counsel Bill Flickinger who recommended amending the contract between STWA and NWSC to comply with 30 TAC 290.45. She presented the First Amendment to Amended and Restated Water Supply Contract Between South Texas Water Authority and Nueces Water Supply Corporation and recommended approval of the Amendment to address the TCEQ review, the PUC requirement and the TCEQ Enforcement Order. She added that the STWA had reviewed the Amendment at their October 23, 2018 meeting and authorized the Board President to execute the document. Mr. Lundmark made a motion to approve the Contract Amendment, Ms. Smith seconded the motion and all voted in favor.

19. City of Bishop Revised Water Supply Contract – License Agreement for Bishop East PS Property.

Ms. Serrato stated that during negotiations on the Wholesale Water Supply Contract between the City of Bishop and South Texas Water Authority, the License Agreements were removed from the contract at the City's request and are now being considered as separate documents. STWA will be considering the Water Supply Contract and the License Agreement at their December 4, 2018 meeting. She presented the License Agreement between the City of Bishop and NWSC for the pumps, hydropneumatics tanks, piping and ground storage tank and stated that legal counsel recommends approval of the Agreement. Ms. Smith made a motion to approve the License Agreement. Mr. Lundmark seconded the motion. The motion passed by unanimous vote.

20. Replacement of Remote Read Meter and/or Registers.

Ms. Serrato presented quotes for meter replacement from HydroPro Solutions and Mueller. She explained that in recent months, the monthly process of reading meters has grown from one day to two days for reading meters plus a third day for re-reads. In addition, the last three months have averaged 75 estimated readings and 58 manual reads. For that reason, staff began researching purchasing registers from HydroPro for replacing those that are beyond the 100% reimbursement period as well as the purchasing meters and remote devices from another manufacturer. The Board voiced concerns about remaining with the HydroPro system due to the continued issues. Ms. Serrato stated that meter replacement can be done a section at a time. At

the Board's request, Ms. Serrato agreed that staff would seek references from other businesses using the Mueller system for discussion at a future meeting. No action was taken by the Board.

21. Petition to Texas Public Utility Commission to Transfer CCN Area to the City of Bishop pursuant to the Agreement Transferring Retail Water Service Area between NWSC and the City of Bishop effective July 26, 2018.

Ms. Serrato stated that Bill Flickinger was contacted by an attorney on behalf of Bishop Courts about the transfer of the CCN to the City of Bishop. She provided an email from Mr. Flickinger which included the recommended motion to proceed with the PUC process. Mr. Lundmark moved that the Board President be authorized to sign a Petition to the Texas Public Utility Commission for transfer of the CCN area described in the Agreement Transferring Retail Water Service Area between the Corporation and the City of Bishop, subject to approval of the Petition by the Corporation's Attorney and General Manager. Ms. Zimmerman seconded the motion and all voted in favor.

22. Possible Temporary Water Service to Cyndie Park 2 WSC.

Ms. Serrato stated that this item had been placed on the agenda in order to address the issue of providing temporary water service to Cyndie Park 2 WSC until annexations occur; however, after further discussion, legal counsel Bill Flickinger recommends not providing temporary water service. Ms. Serrato explained that problems could be created if residents began receiving water but did not seek annexation because it would be a difficult situation to withdraw water service from them once it was established. No action was taken by the Board.


23. STWA Board Consideration of High Touch Technologies Computer System Support and Financial Impact on NWSC.

Ms. Serrato presented an analysis on a proposal from High Touch Technologies which will be presented for consideration by the South Texas Water Authority Board at their next meeting. The proposal includes monitoring and technical support for the various office computers used by STWA and the Corporations. The analysis provides a list of each of the computers and the percentage allocated to the Corporations showing that if STWA approves the three-year agreement, NWSC's annual cost would be \$3,075 per year. The Board voiced no concerns.

24. Adjournment.

With no further business to conduct, Ms. Zimmerman made a motion to adjourn the meeting at 12:12 p.m. Ms. Smith seconded and all voted in favor.

Respectfully submitted,


Frances De Leon
Assistant Secretary