

NUECES WATER SUPPLY CORPORATION

Minutes – Regular Meeting  
April 14, 2015

Board Members Present:

Mike Benton  
Alice J. Black  
Donald Lundmark

Board Members Absent:

None

Staff Present:

Carola Serrato  
Frances De Leon  
Jo Ella Wagner  
Jacob Hinojosa  
Monica Ayarzagoitia

Guests Present:

Brett Kastner – ADK  
Ronnie Spencer – ADK

1. Call to Order.

Mr. Donald Lundmark, Vice-President, called the Regular Meeting to order at 10:20 a.m. at the South Texas Water Authority Boardroom, 2302 East Sage Road, Kingsville, Texas. A quorum was present.

2. Citizen comment.

Mr. Lundmark opened the floor for citizen comments. No comments from the public were made. Ms. Black then made a motion to move forward to Item #10. Mr. Benton seconded and all voted in favor.

3. Election of officers.

Ms. Black made a motion to move forward to item 10 to accommodate the guests who were present to discuss that item. Mr. Benton seconded. All were in favor.

10. All matters pertaining to TxDOT Upgrades to Hwy 77 to I-69 standard from Driscoll to Kingsville and from Robstown to Driscoll.

Mr. Ronnie Spencer of ADK Environmental addressed the Board. He stated that there had been some delays on the project and some were weather-related. He said the first delay was due to some concrete slabs that needed to be removed. In addition, he said time was taken for conducting several density tests of the top 21 inches of soil which were unnecessary. He said they spent an additional \$8,000 for sand which was not needed. He explained that there had been confusion over the specifications for backfill and additional material had to be ordered. Ms. Serrato informed him of the process for submitting change orders and told the Board that

ADK was aware of the possibility of liquidated damages. She said that STWA was able to work on the 42" line without weather delays and questioned why ADK was not able to work on the 2" line and complete the project within the 45 days allotted. She also explained that when soil tests are performed, the contractor is responsible for the cost of the testing on failed inspections. She reviewed the additional costs that were incurred as a result of exceeding the contract date which included HDR's additional services in the amount of \$12,372.75, \$504.00 for failed tests and \$327.85 in additional inspections by field employees. She said she would discuss the matter of the change in the backfill material with HDR. Mr. Spencer provided copies of paid invoices for ADK's expenses on the project and then he and Mr. Kastner left the meeting.

Ms. Serrato pointed out that ADK had only 14 days remaining when they began work on the project. She added that NWSC should not be responsible if additional work was required. She told the Board they could approve payment minus the amount for liquidated damages or another amount in between. Mr. Benton said he felt additional information was needed before the Board makes a decision. He then made a motion to table this item. Ms. Black seconded the motion. All were in favor. Ms. Serrato said she would contact HDR regarding ADK's claim.

3. Election of officers.

Mr. Benton made a motion to appoint Mr. Lundmark as President, Mr. Benton as Vice-President and Ms. Black as Secretary/Treasurer. Ms. Black seconded. The motion passed by unanimous vote.

4. Approval of Minutes.

Ms. Black made a motion to approve the minutes of the March 2, 2015 Regular Meeting as presented. Mr. Benton seconded the motion. All voted in favor.

5. Treasurer's Report/Payment of Bills.

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

Treasurer's Report as of February 28, 2015

Treasurer's Report as of March 31, 2015

Account Activity for General Account for February, 2015

Account Activity for General Account for March, 2015

Account Activity for Operations Account for February 1, 2015 to March 31, 2015

TEXPOOL Participant Statement for 02/01/2015 – 02/28/2015 for General Account

TEXPOOL Participant Statement for 02/01/2015 – 02/28/2015 for Security Deposit Account

TEXPOOL Participant Statement for 03/01/2015 – 03/31/2015 for General Account

TEXPOOL Participant Statement for 03/01/2015 – 03/31/2015 for Security Deposit Account

The following bills were presented for payment:

STWA Invoice S15-028	\$ 359.54
Reimbursement for T-1 circuit providing phone service through AT&T (October 2013 through December 2014)	
STWA Invoice S15-036	\$21,752.71
February 2015 Water Usage, Water Cost and Handling Charge	
STWA Invoice S15-037	\$11,670.45
February 2015 General and Administration	
STWA Invoice S15-039	\$ 4,254.25
February 2015 Taps and Repairs	
STWA Invoice S15-047	\$23,594.21
March 2015 Water Usage, Water Cost and Handling Charge	
STWA Invoice S15-048	\$15,836.64
March 2015 General and Administration	

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

6. Appointment of Credentials Committee.

Ms. Serrato stated that a Credentials Committee needs to be appointed to review the process for next year's Annual Membership Meeting. Mr. Lundmark said Mr. Bill Staff had indicated he would be willing to assist. Ms. Black made a motion to appoint Mr. Benton, Ms. Black and Mr. Staff, if he is willing to serve, to the Credentials Committee. Mr. Benton seconded. All voted in favor. Mr. Lundmark said he would speak with Mr. Staff about the appointment.

7. Appointment of directors to fill two vacancies on the Board of Directors.

Ms. Serrato reminded the Board that they have 60 days from April 14<sup>th</sup> to appoint directors and she stressed the importance of filling the two vacancies in order to have a better chance of establishing a quorum when needed. She added that staff does not contact persons to ask if they are interested in serving on the Board because it could be viewed as a conflict of interest. The Board did not have any nominations at this time. No action was taken.

8. Joint Project with South Texas Water Authority – Pump Station Improvements at the Driscoll Pump Station.

Ms. Serrato reported that at the March 11<sup>th</sup> meeting with the TCEQ, it was confirmed that the TCEQ is withholding approval of the plans for the pump station improvements at the Driscoll

Pump Station because of TCEQ's Enforcement Action against STWA regarding the disinfectant residual on the 42" waterline. She added that STWA argued that the purpose of adding the pump is merely to eliminate the under direct pressure rule issue in accordance with TCEQ's previous letter outlining a solution, but TCEQ will not approve the plans based on NWSC purchasing water from an entity that claims it is not a public water system. She said that TCEQ has also refused to approve plans for the Kingsville projects and STWA is considering proceeding with the projects without TCEQ approval. No action was taken by the Board.

9. Long Term Wholesale Water Supply Contract with South Texas Water Authority, Corporation Legal Counsel and Negotiations Committee.

Ms. Serrato stated that since Mr. Staff is no longer serving on the Board, a replacement could be selected if the Board desired. She said Mr. Staff and Mr. Lundmark currently serve on the committee. Mr. Lundmark said he will ask Mr. Staff if he is interested in staying on the committee.

10. All matters pertaining to TxDOT Upgrades to Hwy 77 to I-69 standard from Driscoll to Kingsville and from Robstown to Driscoll.

This item was discussed earlier in the meeting.

11. Tariff amendment – Section E-13 (Due Dates, Delinquent Bills and Service Disconnection Date.

Ms. Serrato presented a proposed modified Section E, Item 13 of the Corporation Tariff pertaining to Due Dates, Delinquent Bills and Service Disconnection Date. She said staff is recommending the modifications because of the changes with the new billing system, the ability to receive online payments, and delays in mail delivery by the U.S. Postal Service. She read the proposed changes. Ms. Wagener suggested also replacing part of the sentence "Payments made by the drop box will be considered late if not received in the Corporation's office on or before the due date" to "...if not received in the Corporation's office before the due date or by 4:59 p.m. on the due date." Ms. Serrato explained that if the changes are approved, staff will no longer need to inspect each piece of mail for a postmark to determine if manual adjustments are necessary. The changes would also make the late charge and service fee/cutoff charge uniform for all customers regardless of whether payments are made in person, by drop box, by mail or online. Mr. Benton made a motion to approve the modified Tariff language for Section E, Item 13. Ms. Black seconded and all voted in favor.

12. Credit card payment fees and Finance Code restrictions on which entities and by what means the fees may be charged.
  - Third Party Provider Agreement

Ms. Serrato stated that after the Board approved the service agreement with Bankcard Associates in January 2015, an Advisory Bulletin (dated March 27, 2015) was sent by the Texas Rural Water Association and issued by the Texas Office of Consumer Credit Commissioner. The

article outlines restrictions on charging customers a fee for using a credit card to pay utility bills. She discussed the information with Bill Flickinger of Willatt & Flickinger and suggested the following actions in order to comply with the bulletin:

1. Acceptance of cash, personal check, cashier's check and money order payments at the front counter.
2. Acceptance of online payments by credit card using a third party provider that will process two transactions in order to separate the charges for payment to the Corporation for utility services and to the third party provider for the surcharge/processing fee.
3. Posting a notice on the Corporation's website advising customers that they can pay the bill in the office by cash, check, cashier's check or money order or by mail or night drop without being charged any fees.
4. Setting up a computer in the lobby for customers wishing to pay online in the office.

Ms. Serrato said that customers will be charged a flat amount of \$3.50 and added that staff is awaiting a new agreement from Bankcard Associates. The Board agreed to table this item until the agreement is received.

13. Update on Logics billing system.

Ms. Serrato stated that staff continues working with Logics on resolving some issues with the billing system and reviewed a list of questions that were referred to software trainer Karla Taylor during a recent phone call. She said she would keep the Board update on progress of the transition.

14. Pass through Water Supply Agreement with the City of Bishop and South Texas Water Authority for service to a property on the east side of US Highway 77 in Bishop.

Ms. Serrato reported that the City of Bishop has decided to discontinue servicing the property. She added that legal counsel recommends waiting for the property owner to approach the Corporation for service. The Board agreed to take no action and let the matter develop.

15. Report on field personnel changes.

Ms. Serrato reported that Cameron Whittington is no longer employed by South Texas Water Authority. She said that Jacob Hinojosa has been assigned as the O&M Supervisor, and Dony Cantu has replaced Mr. Hinojosa as Field Foreman. She added that one point of concern under Mr. Whittington's supervision was that flushing of the system was not occurring as he reported. She said she wanted to make the Board aware that the most recent Total Trihalomethanes sample came in at 76.4 resulting in a 79.9 running quarterly average which may require sending out notices to the customers. She explained that the next sample needs to come in at 35 or below in order to keep the average from exceeding the MCL of 80 ppb and avoid a violation.

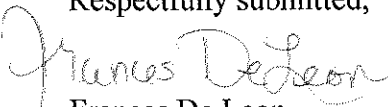
16. Free chlorine burn.

Ms. Serrato stated that STWA will be conducting a free chlorine burn on STWA's 42" waterline to clean out the system of nitrification. She said that quarterly samples will not be performed during the chlorine burn and added that the burn would also benefit the Bishop system.

17. Adjournment.

With no further business to conduct, Mr. Benton made a motion to adjourn the meeting at 11:57 a.m. Ms. Black seconded the motion. The motion carried.

Respectfully submitted,



Frances De Leon  
Assistant Secretary