

NUECES WATER SUPPLY CORPORATION

Minutes – Regular Meeting
April 12, 2016

Board Members Present:

Donald Lundmark
Alice J. Black
Ruth Ann Smith
Sherry Zimmerman

Board Members Absent:

Mike Benton

Staff Present:

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

Guests Present:

Noel Valdez – McCall,
Parkhurst & Horton

1. Call to Order.

Mr. Donald Lundmark, President, called the Regular Meeting to order at 10:18 a.m. at the South Texas Water Authority Boardroom, 2302 East Sage Road, Kingsville, Texas. A quorum was present.

2. Appointment of directors to fill vacancies on the Board of Directors.

Ms. Black appointed Ms. Ruth Ann Smith and Ms. Sherry Zimmerman to the Board of Directors to fill the terms expiring in 2019.

Mr. Lundmark stated that he is willing to serve as a Director but did not feel he could fulfill his obligations to serve as an officer of the Board. Ms. Smith made a motion to appoint Mr. Lundmark to the remaining vacancy with term ending in 2018. Ms. Black seconded and all voted in favor.

3. Citizen comment.

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

4. Election of officers.

Ms. Black nominated Ms. Smith as Secretary/Treasurer and moved that she be elected by acclamation. Mr. Lundmark seconded and the motion carried.

Ms. Smith moved to elect Mr. Benton as Vice-President by acclamation. Mr. Lundmark seconded and all voted in favor.

Mr. Lundmark made a motion to elect Ms. Black President by acclamation and Ms. Smith seconded. All voted in favor.

5. Approval of Minutes.

Mr. Lundmark made a motion to approve the minutes of the January 13, 2016 Regular Meeting and the March 7, 2016 Special Meeting as presented. Ms. Zimmerman seconded the motion. All voted in favor.

The order of the agenda was changed to accommodate the guest, Mr. Noel Valdez.

11. Amended Water Supply Contract with South Texas Water Authority.

Ms. Serrato introduced Mr. Noel Valdez of STWA's bond counseling firm McCall, Parkhurst & Horton L.L.P. and explained that Mr. Valdez was present in order to offer information on the amendments to the Water Supply Contract. Mr. Valdez reviewed the background of STWA's 2013 tax-exempt bonds. He explained the proposed changes and the Internal Revenue Service's interest in tax-exempt bonds. He said that Federal Law requires uniform rates and charges and prohibits take-or-pay requirements. He stated that the take-or-pay clause had been removed from the contract and that although there is no change in calculation of the Handling Charge, Special Services has been separated into its own budget. He stated that the most complicated of the amendments is in Section 14. General Provisions (B) Tax-Exempt Bonds which prohibits STWA's wholesale customers from entering into contracts that contain take-or-pay, contract minimums, output requirements, special rates and charges or similar provisions without providing STWA a 60-day notice of their intent to enter into such contracts. He added that this does not mean that the customers cannot enter into these contracts, but it affords STWA the opportunity to review the contract to assure that it does not jeopardize the tax-exempt status of STWA's bonds. In addition this clause applies to the customers' contracts with their own customers.

After discussing the amendments, Mr. Lundmark made a motion to approve the Amended Water Supply Contract with South Texas Water Authority. Ms. Smith seconded. 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 January 31, 2016

Treasurer's Report as of February 29, 2016

Treasurer's Report as of March 31, 2016

Account Activity for General Account for January 1, 2016 to March 31, 2016

Account Activity for Operations Account for January 1, 2016 to March 31, 2016

TEXPOOL Participant Statement for 01/01/2016 – 01/31/2016 for General Account

TEXPOOL Participant Statement for 01/01/2016 – 01/31/2016 for Security Deposit Account

NWSC Regular Meeting Minutes

April 14, 2016

Page 3

TEXPOOL Participant Statement for 02/01/2016 – 02/29/2016 for General Account
TEXPOOL Participant Statement for 02/01/2016 – 02/29/2016 for Security Deposit Account
TEXPOOL Participant Statement for 03/01/2016 – 03/31/2016 for General Account
TEXPOOL Participant Statement for 03/01/2016 – 03/31/2016 for Security Deposit Account

The following bills were presented for payment:

STWA Invoice S16-008 December 2015 Water Usage, Water Cost and Handling Charge	\$34,689.41
STWA Invoice S16-009 December 2015 General and Administration	\$11,837.90
STWA Invoice S16-011 December 2015 Taps and Repairs	\$ 5,408.75
STWA Invoice S16-013 Payroll expense for part-time employee (October, November and December 2015)	\$ 1,234.97
STWA Invoice S16-15 Payroll expense for stand by pay (October 1, 2015 through December 30, 2015)	\$ 359.71
STWA Invoice S16-017 Reimburse for T-1 circuit providing phone service through AT&T for the period of October 2015 through December 2015	\$ 71.34
STWA Invoice S16-025 January 2016 Water Usage, Water Cost and Handling Charge	\$34,312.43
STWA Invoice S16-026 January 2016 General and Administration	\$12,369.34
STWA Invoice S16-028 January 2016 Taps and Repairs	\$ 3,164.00
STWA Invoice S16-036 February 2016 Water Usage, Water Cost and Handling Charge	\$35,413.18
STWA Invoice S16-037 February 2016 General and Administration	\$12,770.29
STWA Invoice S16-039 February 2016 Taps and Repairs	\$11,811.00

Willatt & Flickinger, PLLC, Attorneys at Law \$ 293.50
Legal Services for March 2016

Mr. Lundmark 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. Appointment of Credentials Committee.

Ms. Smith made a motion to appoint Mr. William Staff, Mr. Lundmark and Ms. Smith to the Credentials Committee. Mr. Lundmark seconded the motion. All voted in favor.

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

Ms. Serrato reported that significant progress has been made on the improvements at the Driscoll Pump Station. She said the new pump has been installed and is running and she expects the project to be finalized by next month. She explained that STWA will be responsible for all expenses related to expansion of the pump station building and NWSC will reimburse STWA for all expenses associated with the additional pump. She added that this project will eliminate the conflict with TCEQ's Under Direct Pressure rule.

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

Ms. Serrato stated that she has been working on closing out this project and she is waiting on an invoice from HDR Inc. for drafting the as-built plans. She updated the Board on the situation with Haas-Anderson refusing to reimburse \$1,579.66 for a leak they created when installing a culvert without calling in for line locates. She stated that the invoice has been turned over to the Corporation's collection agency.

In addition she reported that a new bridge is being installed on FM 70 and field personnel have been excavating and have confirmed that the Corporation's waterline will not be affected by the large stone rip-rap that will be installed to stabilize the slope of the walls.

Ms. Serrato added that a Quit Claim Deed and Joint Use Agreement will need to be executed to finalize the Austin Bay/I-69 project and the necessary paperwork will be submitted when ready.

10. Update on KB Foundation failure to make necessary improvements and notice of disconnection of service.

Ms. Serrato stated that she consulted with legal counsel on this matter because it has been ongoing without any results. She stated that she has made repeated requests about the necessary improvements without any action from KB Foundation. Since sending her most recent letter, she has been contacted by IES's operator, Herman Ochoa, who has been providing updates on the

parts and equipment that have been ordered. Mr. Ochoa has also been consulting with an engineering firm on the improvements.

12. Disinfection By-Product Results and TCEQ Sampling.

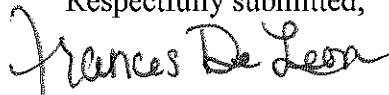
Ms. Serrato reported that a second notice was sent out to NWSC customers and members in response to TCEQ's notice of another Haloacetic Acid exceedance. She explained that although the results have improved, a high result within the average period has kept the running annual average above the MCL.

In addition, she stated that the most recent Trihalomethane result was somewhat high and could potentially result in the average exceeding the MCL. O&M Supervisor Jacob Hinojosa has verified that the chlorine to ammonia ratio is in the range of 4:1 – 5:1. He is also having field personnel perform additional flushing and has taken in-house samples in order to monitor the levels.

13. Adjournment.

With no further business to conduct, Mr. Lundmark made a motion to adjourn the meeting at 11:10 a.m. Ms. Zimmerman seconded. All voted in favor.

Respectfully submitted,


Frances De Leon
Assistant Secretary