

MINUTES
Regular Meeting
Laguna Madre Water District
Board of Directors
Wednesday, October 10, 2018
5:30 PM – 6:52 PM
Board Room

ITEM #1 QUORUM

PRESENT: Chairman, Scott D. Friedman
 Secretary, Doyle Wells
 Director, Herb Houston
 Director, Alex Avalos

ADMINISTRATIVE STAFF: General Manager, Carlos J. Galvan, Jr.
 District Engineer, Charles Ortiz
 Purchasing Agent, Enrique Samaniego
 Director of Finance, Eddie Salazar
 Attorney, Eddie Lucio, III

ABSENT: Vice Chairman, Rick Wells
 Director of Operations, Robert Gomez

Items read in the following order: 1,2,3,4,7,5,6,8,9,10,11,12,13,14,15,16

ITEM #2 INVOCATION AND PLEDGE OF ALLEGIANCE

The meeting began with the Pledge Allegiance and an Opening Prayer.

ITEM #3 INVITATION TO THE AUDIENCE FOR PUBLIC COMMENT

- No one in the audience responded
- No comments from Board or Staff

ITEM #4 CONSIDER AND DISCUSS FOR POSSIBLE APPROVAL THE MINUTES OF THE REGULAR MEETING ON SEPTEMBER 26, 2018. (C. GALVAN) 🇺🇸

Moved by **H. HOUSTON**, seconded by **D. WELLS**:

Move to approve.

MOTION CARRIED

ITEM #5 GENERAL MANAGER'S REPORT

- WATERMASTER REPORT ♣
- EARLY VOTING LOCATIONS ♣

REPORT:

WATERMASTER REPORT:

- Level storage rose to 51.94%
- Expecting more rain to fill-up reservoirs
- On the Water Conservation Plan, the District's current conservation measures of stage 2, will get lifted
- Since its borderline waiting a couple of weeks before advertising, waiting on an updated report.

EARLY VOTING LOCATIONS

- Early Voting locations posted on the District's website
- Early Voting locations for our area: Port Isabel City Hall, Laguna Vista Town Hall, and South Padre Island City Hall
- For Early Voting, voters may vote at any Early Voting Location in the County
- Port Isabel – Early Voting conducted for the entire Early Voting period (11 days)
- Laguna Vista and South Padre Island – Early Voting period is divided, Laguna Vista has the first weeks (6 days), and South Padre Island will be the second week (5 days)

GENERAL MANAGER'S REPORT

ITEM #6 DIRECTOR OF FINANCE REPORT

- NOTICE TO ALL CUSTOMERS OF NEW RATES
- UPDATE REGARDING METER REIMBURSEMENT RESOLUTION ♣

REPORT:

NOTICE OF FINANCE OF NEW RATES

- Notice of new rates sent to District Customers in Spanish and English
- Comparison rate for minimum consumption on a 5/8" meter calculation: old rate \$25.85; new rate \$30.56

UPDATE REGARDING METER REIMBURSEMENT RESOLUTION

- No need for changes on the resolution for meter reimbursement agreement
- Bond Counsel verified the resolution covers the full amount of funding (up to 3.1 million)

DIRECTOR OF FINANCE REPORT

ITEM #7 CONSIDER AND APPROVE TO ADOPT A PLAN OF FINANCE TO FUND WATER METER PROJECT AND OTHER IMPROVEMENTS (E. SALAZAR) ♣

This item was taken out of order and discussed after item #4 of the agenda.

DISCUSSION:

- Update on September 26, Board approval to seek financing for the AMI Meters through the Texas Water Development Board (TWBD):
 - For possible finance through the TWBD will involve:
 - stopping the work

ITEM #7

CONTINUED

- Project delay of roughly two months with proceeds available after expected completion of installation
 - This timeline will expect full payment made by the general fund with expectations of reimbursement once proceeds are available
 - Why stop the work? TWBD financing requires the district to comply with several federal regulation requirements (American Steel Act and Davis Bacon Act.) TWDB gets their financing from the federal government
 - Some of the federal regulations will add additional cost to the project and reduce the expected savings from the lower interest rate. Davis Bacon Act will add about \$80,000 to the installation cost
 - An important factor to consider by delaying the timeline: The current status of the system is affecting billing, and customer service. The current state of the failing meter system and equipment keeps rising. Meter reading failures are increasing per month (from September 2017 to September 2018 increased from 250 faulty meters to 1,277.
- Banks make private Placement Notes. Don't have as many regulations
 - Presentation on Plan of Finance for proposed Water and Sewer Revenue Debt 2018 by Finance Counsel for the District, Noe Hinojosa with Estrada Hinojosa Investment Banks followed by questions and answers
 - For Private Placement:
 - Ten years financing
 - Project fund: \$2,500,000, Par Amount \$2,940,000
 - Rate: 3.60% (conservative rate). The expected interest rate will be about 3.1%
 - Total interest cost: \$540,882
 - For TWDB financing:
 - Quote: about 2.43%
 - Because of the water meters issues, Private Placement is the better option
 - Discussion ensued regarding the difference (in amount) between the private placement and TWBD
 - The loss in revenue due to faulty meters
 - Board can reject all the bids if not satisfied with the interest rates
 - Staff's recommendation is to go with the Private Placement
 - Is there an advantage if paying the interest cost? Protect the cash and reserve it.

Moved by **H. HOUSTON**, seconded by **D. WELLS**:

Move to approve staff's recommendation to go out for private placement bids.

MOTION CARRIED

ACTIONS:

- **On October 24, Board adopts Notes Resolution to issue Revenue Notes**
- **On November 14, Board adopts Bond Resolution to issue Revenue Bonds to be purchased by TWDB**

ITEM #8 CONSIDER AND DISCUSS THE ADDITIONAL PAYMENT OF \$300,000 TOWARDS THE TCDRS 2019 PLAN ASSESSMENT'S UNFUNDED LIABILITY PORTION AND POSSIBLE ACTION, IF NECESSARY. (E. SALAZAR) ♣

DISCUSSION:

- The due date for Payment of \$300,000 towards the TCDRS 2019 Plan Unfunded Liability portion is December 31, 2018
- At the Regular Meeting on September 24th, TCDRS Representative advised the District's Plan is healthy.
- On September 24th meeting the Board then requested an agenda item for discussion of the \$300,000 payment
- Staff's recommendation is reducing the lump sum payment to \$150,000 and use the balance to finance capital projects currently identified. Discussion ensued.
- Board member suggestion: take care of step increases on the District's salary base
- Unfunded Liability owed is 2 million
- Money owed to TCDRS, pay now or pay over time
- Board member suggestion: increase the amount on the percentage, above what is being paid now to pay it back quicker
- Board took no action at this time

DISCUSSION ITEM

ITEM #9 CONSIDER AND REMOVE FROM THE TABLE THE FOLLOWING ITEM TABLED AT THE REGULAR MEETING ON SEPTEMBER 26, 2018:

CONSIDER AND DISCUSS FOR POSSIBLE APPROVAL OF THE 5-YEAR CAPITAL IMPROVEMENT PLAN. (C. ORTIZ)

Moved by **D. WELLS**, seconded by **H. HOUSTON**:

Motion, to remove from the table.

MOTION CARRIED

ITEM #10 CONSIDER AND DISCUSS FOR POSSIBLE APPROVAL OF THE 5-YEAR CAPITAL IMPROVEMENT PLAN. (C. ORTIZ)

DISCUSSION:

- Plan for the 2018-2019 year
- Topics discussed:
 - Discussion on Desalination Facility, Proposition 2
 - Discussion on Microfiltration
- Recommendation for a possible workshop to cover all the projects
- Suggestion: highlight projects that are unfunded (color code)
- Withdrew motions to table the item and Board decided no action taken

NO ACTION

ITEM #11 CONSIDER AND DISCUSS FOR POSSIBLE APPROVAL ELECTRICAL ENGINEERING SERVICES FOR A PROPOSED BACKUP GENERATOR AT LMWD'S MAIN OFFICE. (C. ORTIZ) ♣

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DISCUSSION:

- The Main office recently had some power outages; the flickering blew out some switches
- Port Isabel sewer plant pulled out a 200kW generator that can be brought over for the Main Office
- Discussion ensued regarding Proposals for the Engineering Services from Square E Engineering, LLC
 - Juan Pablo Cantu from Square E Engineering was at the meeting for questions and answers
 - Proposal Amount for electrical engineering design and Inspection services \$11,500.00
 - Estimated cost amount for Emergency Generator Installation \$ 98,750.00
- Today's request is for compensation on Engineering Assistance for electrical engineering services, an amount not to exceed \$11,500.00
- Board suggestion:
 - 50kW is what is needed
 - Make calls to companies that do that type of work, tell them what is needed and if interested in making a bid
 - Staff can build it
 - 200kW generator is too big
 - This items need's assessment beforehand
- Generator from Port Isabel Sewer Plant is in much better condition than Isla Blanca's Sewer Plant could put it to better use there

Moved by D. WELLS, seconded by A. AVALOS.

Move to deny.

MOTION CARRIED

ITEM #12 CONSIDER AND DISCUSS FOR POSSIBLE APPROVAL OF BOARD TRAVEL TO ATTEND THE ASSOCIATION OF WATER BOARD DIRECTORS FALL SEMINAR ON OCTOBER 30, 2018, IN HOUSTON, TEXAS; AND THE 2019 MID-WINTER CONFERENCE ON JANUARY 25-29, 2019, IN AUSTIN, TEXAS. (C. GALVAN) ♣

A motion made by **D. WELLS**, seconded by **A. AVALOS**:

Motion, move to approve

MOTION CARRIED

ITEM #13 CONSIDER AND DISCUSS FOR POSSIBLE APPROVAL OF TML PROPERTY AND LIABILITY INSURANCE RENEWAL. (E. SALAZAR) ♣

A motion made by **D. WELLS**, seconded by **H. HOUSTON**:

Motion, move to approve.

MOTION CARRIED

ITEM #14 CONSIDER AND DISCUSS FOR POSSIBLE APPROVAL OF THE FINANCIAL REPORT FOR AUGUST 2018. (E. SALAZAR) ♣

DISCUSSION:

- Water & Wastewater Revenue down \$290,000 compared to last year
- What about sellable treated water, is down the same amount?

A motion made by **H. HOUSTON**, seconded by **D. WELLS**:

Motion to approve the report.

MOTION CARRIED

Actions:

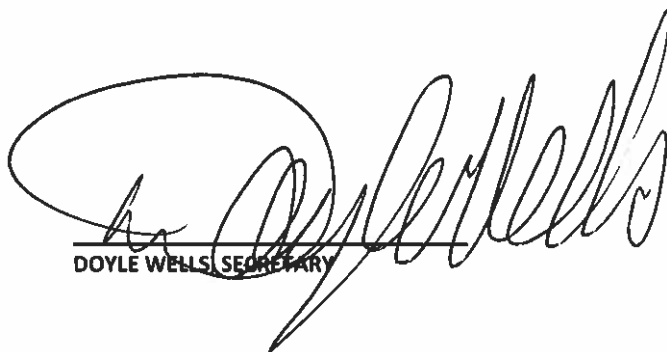
- For the next regularly scheduled meeting, report on water sales and water revenue comparison (include September end of the year, revenue, gallons used, and expenditures).

ITEM #15 CONSIDER AND REVIEW EXPENDITURES FOR SEPTEMBER 16-30, 2018 (C. GALVAN)

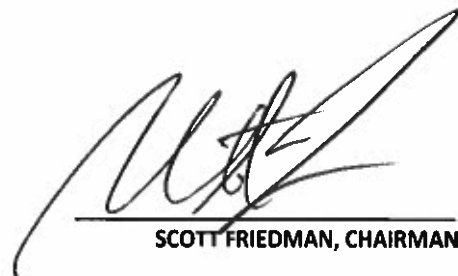
EXPENDITURE ACKNOWLEDGED

ITEM #16 ADJOURNMENT

The **CHAIRMAN** adjourned the meeting at **6:52 PM**.



DOYLE WELLS, SECRETARY



SCOTT FRIEDMAN, CHAIRMAN

MINUTES APPROVED THIS 24th DAY OF OCTOBER 2018.