

MINUTES OF REGULAR MEETING
BOARD OF DIRECTORS
LAGUNA MADRE WATER DISTRICT

The **REGULAR MEETING** of the **LAGUNA MADRE WATER DISTRICT** was held at the Administration Office of the District at 105 Port Road, Port Isabel, Texas on the **22nd day of August 2007** at the hour of **6:00 p.m.**, pursuant to written notice as prescribed by law.

ITEM #1 **QUORUM**

The **CHAIRMAN** called the meeting to order and he determined the Notice of the Meeting had been duly posted in accordance with the law and the following present constituted a quorum:

Jeff Keplinger - Chairman
Scott D. Friedman - Vice-Chairman
Rudy H. Garcia - Secretary
R. Kevin Tenison - Director
Clifford Rowell -Director

LMWD: Gavino D. Sotelo, General Manager; Arturo Martinez, Director of Operations; Carlos J. Galvan, Jr., Asst. Director of Operations; Bill Norris, NRS Engineers; Jake White, NRS Engineers; J.A. Magallanes, Attorney.

ITEM #2 **PLEDGE OF ALLEGIANCE**

The **CHAIRMAN** asked everyone to recite the Pledge of Allegiance.

ITEM#3 **INVITATION FOR AUDIENCE FOR DISCUSSION**

The **CHAIRMAN** asked if there was anyone in the audience, not already on the agenda, who would like to address the board.

ITEM#4 **CONSIDER AND APPROVE MINUTES FOR
REGULAR MEETING OF AUGUST 8, 2007**

The **CHAIRMAN** stated to consider and approve minutes for Regular Meeting of August 8, 2007. A motion was made by **MR. ROWELL** to approve minutes and the motion was seconded by **MR. FRIEDMAN**. **MOTION CARRIED UNANIMOUSLY.**

TEM#5 **CONSIDER ENTERING INTO A CONTRACT WITH ALAN PLUMMER
ASSOCIATES, INC. FOR REVIEW OF DISTRICT'S OPERATIONS**

The **CHAIRMAN** stated to consider entering into a contract with Alan Plummer, Inc. for review of District's operations. **MR. ROWELL** made a motion to approve. **MR. MAGALLANES** said that he had reviewed the agreement but there were a couple of objections he and **MR. SOTELO** agreed upon and he would provision them. He would like board to approve the agreement subject to counsel's approval. **MR. ROWELL** amended his motion to approve agreement subject to counsel's approval and the motion was seconded by **MR. GARCIA**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#6 **CONSIDER AND DISCUSS PEER REVIEW REPORT
BY FREESE & NICHOLS**

The **CHAIRMAN** stated to consider and discuss Peer Review Report by Freese & Nichols. **MR. STEFAN SCHUSTER** from **FREESE & NICHOLS**. **MR. SCHUSTER** stated his findings on the Brackish Groundwater Peer Review. He started by reviewing reports from **R.W. HARDEN & ASSOCIATES**, **NRS ENGINEERING**, **COBBLESTONE ENGINEERING**, **CITY OF CORPUS CHRISTI**, and the **UNIVERSITY TEXAS AT AUSTIN**. He said that the overall quick summary was that he agreed with most of the recommendations made by the review conducted. He said that the best chances for finding brackish groundwater was in the **LOS FRESNOS** and **LAGUNA VISTA** area but not much opportunity for fresh water on **SOUTH PADRE ISLAND** for a variety of reasons. He also said that one of their main recommendations would be to look for additional supplies on **SOUTH PADRE ISLAND**. He indicated that they were interested in investigating on going deeper into drilling test holes. He reviewed the geology of **SOUTH PADRE ISLAND** and said that it was a barrier island in the **TEXAS COASTAL PLAN** bound on the west by **LAGUNA MADRE** and on the east by the **GULF OF MEXICO**. He said that it could be divided into five general environments: a sand and shell beach, a stable ridge of fore-island dunes, vegetated flats, shifting back island dune, and plains of wind-tidal flats. He said that during the last glaciations or low stand, sea level was approximately 295 to 525 feet below current mean sea level.

He also said it resulted in rapidly down-cutting streams that formed incised valley and transported amounts of sediment approximately 50 miles southeast of the current seashore. He indicated that glacial melt was brought sea levels to within 16.4 feet of mean sea level. He stated that the sea levels reached current mean sea level and shorelines began to develop sand bars from previous deltaic sediments and stream deposits. He said that through long-shore currents, reworking sands, and wind erosion processes, the sand bars began to merge, forming barrier island and continues to be reshaped. He continued and said that previous scientific investigations describe the barrier island complex as a minor alluvial aquifer. He also said that these studies show the barrier island complex generally yields small quantities of brackish water to shallow wells on **SOUTH PADRE ISLAND**. He also said that pump tests in shallow wells conducted through the **UNIVERSITY OF TEXAS** found hydraulic conductivities of 2.46 x 10 feet. He said that slug tests found a range of hydraulic conductivities across the island with measured high values from the fore-island dunes province to lower values from the wind tidal province. He also reviewed the Brackish Groundwater Test Drilling Programs conducted in Cameron County, September 2004 and said that the purpose of the investigation and report were to document the work conducted assessing the availability and quality of brackish groundwater in the Gulf Coast aquifer in northern Cameron County along State Highway 100 between **LOS FRESNOS** and **LAGUNA VISTA**. He also said that the objective of the work was to provide preliminary assessment of the ability of the Gulf Coast aquifer to provide a brackish raw water source of up to four million gallons per day suitable for use in the planned **DISTRICT** brackish groundwater treatment facility. He indicated that the study concluded that based on field observations, previous investigations, and the hydrologic conditions, the shallow gravels between 160 and 300 feet would provide the greatest probability of brackish groundwater that would satisfy the quality and quantity requirements for the project. He mentioned that due to the shallow nature and potential limited aerial extent of the gravels, the study recommended that further test wells (up to 30) be developed to support at 7-10 well production site. He also mentioned the Test Drilling Program conducted in June 2005 and said that the purpose of the report was to document the work conducted in assessing the availability and quality of saline groundwater in the Gulf Coast aquifer on **SOUTH PADRE ISLAND** between **ANDY BOWIE PARK** and beach access No. 6. He said that three test wells were drill and logged to 400 feet of depth and said that geophysical logs indicated several sand horizons that may be favorable for aquifer characteristics. He said that the study concluded that based on field observation and testing that the only zone that has the potential to meet the long-term needs of the **DISTRICT** are the shallow sands from the surface down to about 20-25 feet. He stated that technologies to consider were: Ranney Collectors, infiltration galleries, or single screen horizontal wells. He also mentioned several other studies including one from **UT AUSTIN** which included the hot and dry climate and a low hydraulic gradient which provide density inversion and density-induced flow that are observed in field studies. He said that results showed that a hot and dry climate induced high evaporation rates that increased conductivity, decreased the water table, and developed density inversions. He stated that the reviews concur with the following recommendations already made in peer report: 1.) **DISTRICT** should consider testing other sites along **SOUTH PADRE ISLAND** in case a more favorable sand strata may be present; 2.) Evaluation of other sites for substratum intake should include several soil borings per site to identify depth intervals having coarser sands and piezometers should be installed in one or more of these soil boring; 3.) Each promising sand layer should be tested by installation of at least one well point and each well point should be pumped and the drawdown measured in piezometers; 4.) Evaluated the costs of treating higher TDS water against significantly reduced cost of installing conventional vertical wells in deeper zones of the Gulf Coast aquifer; 5.) Initiate further test drilling at maximum of 15 sites and construct up to 4 test wells to confirm the extent of the gravels and their water quality to meet project demands. **MR. SCHUSTER** concluded by say that the cheapest was the existing water source and the **DISTRICT** should consider implementing an aggressive conservation program to stretch existing water resources as far as possible. He also mentioned that reuse and water recycling would be cost effective and provide for multiple options for future water supplies and rainwater harvesting could also provide limited options for off-setting peak municipal demands. He indicated that the **DISTRICT** should also drill additional test holes and explore potential aquifers at greater depths from 600-800 feet. He also suggested the investigation of potential occurrences of upper and lower Chicot sand or Gulf Coast aquifers at greater depths, both on **SOUTH PADRE ISLAND** and inland near **LOS FRESNOS**. The **CHAIRMAN** thanked **MR. SCHUSTER** for his report.

ITEM#7 CONSIDER AND DISCUSS PROPOSED TAX RATE FOR 2007 AND SCHEDULE A PUBLIC HEARING TO SET TAX RATE

The **CHAIRMAN** stated to consider and discuss proposed Tax Rate for 2007 and schedule a Public Hearing to set tax rate. **MR. SOTELO** stated that he had provided the board with information from the Appraisal District rates on the most recent appraised values. He also said that the net taxable value would be \$2.86 million. He mentioned that presently tax rate was about .097 cents which was about .10. He said that in able to get the same avenue needed to pay off the debt, they would go down to .0808 cents. He also said that the purposed was for to set a Public Hearing and approve the proposed tax rate. The board asked if they needed two public hearings and **MR. SOTELO** responded that they only needed one public hearing. **MR. SOTELO** recommended that the public hearing be held at the next Regular Meeting in September and adopt it at the following meeting in September. He also said that they would place a notice in the paper for the Public Hearing date.

MR. SOTELO stated that the public hearing could be held during the meeting or prior to the meeting. The **CHAIRMAN** asked if the public hearing had to be held separate from the regular agenda and **MR. SOTELO** responded no. The **CHAIRMAN** asked for a motion to set the Public Hearing for September 12, 2007 at 6:00 pm. **MR. ROWELL** made a motion to set the Public Hearing for September 12, 2007 at 6:00 pm and the motion was seconded by **MR. FRIEDMAN**. **MOTION CARRIED UNANIMOUSLY**.

ITEM#8 **CONSIDER AND APPROVE 07-07-05 VEHICLE BID**

The **CHAIRMAN** stated to consider and approve 07-07-05 Vehicle Bid. **MR. MARTINEZ** said that they had advertised and solicited sealed bids from nine vendors for the replacement of six vehicles with only three vendors responding. He recommended awarding the bid to the lowest bidder for Item#1 to **PLANET FORD 6** in the amount of \$26,446.00 and the lowest bidder for Item #2 to **RODRIGUEZ FORD** in the amount of \$17,595.00. He also said that the total cost per item would be \$44,041.00. A motion was made by **MR. GARCIA** to approve Vehicle Bid 07-07-05 and the motion was seconded by **MR. TENISON**. **MOTION CARRIED UNANIMOUSLY**.

ITEM#9 **CONSIDER AND APPROVE DISBURSEMENTS**

The **CHAIRMAN** stated to consider and approve disbursements and those copies of the disbursements had been circularized to all the Board Members prior to the meeting to be reviewed. A motion was made by **MR. ROWELL** to approve disbursements and the motion was seconded by **MR. TENISON**. **MOTION CARRIED UNANIMOUSLY**.

ITEM#10 **ENGINEER'S REPORT**

MR. JAKE WHITE reported on the **REVENUE BOND PROJECT** schedule as if exists presently. He said that the items which were included in the **REVENUE BOND** were the **PILOT STUDY** and **FEASIBILITY STUDY** for the **SEAWATER RO, WASTEWATER TREATMENT PLANTS, ELEVATED STORAGE TANK**, and the **ANDY BOWIE REUSE**. He said that he had also included a line item for project budget as it existed in the bond application with only one change was the project budget for the **SEAWATER RO PILOT STUDY**. He mentioned that when the revised budget of \$779,000.00 it entailed \$400,000.00 of **DISTRICT** funds and the bond application report was for \$500,000.00 of **DISTRICT** money. He also said that there was about \$140,000.00 of in-kind services as well as \$230,000.00 from the **TEXAS WATER DEVELOPMENT BOARD**. He said that the status of the **RO PILOT STUDY** was considered still in the stage of design but contingent upon the type of in-take and how the raw would be taken into the pilot plant. He also mentioned that the time-frame from the final decision to starting up the plant was roughly about four months with the project set to run for a total of six months. He mentioned that they had a permit from the **ARMY CORPSE OF ENGINEERS** for the temporary in-take with a 4" line into the gulf. He said that the status on the **WASTEWATER TREATMENT PLANTS PROJECT** was currently in the bidding phase and expected to begin construction in October 2007 with approximately 14-months of construction time for all three plants. He also mentioned that the **ANDY BOWIE RE-USE** was pending development on north end of **SOUTH PADRE ISLAND** and it was decided not go forward with bidding. He said that the same was pending on the **NORTH ISLAND ELEVATED STORAGE TANK**. He said that a preliminary date was set to make a decision by March 2008. He said that the time-frame for construction of an elevated water storage tank was roughly about one year and the reuse about four months. **MR. WHITE** also reported on the **36" RAW WATER LINE** in **LOS FRESNOS** and said that they had located the city engineer to look into possibility to re-locating the line on a temporary basis to facilitate construction on the **DISTRICT** end but had not received a response yet. He said that they had set up a meeting with them tomorrow afternoon. He also said that the project had been bid by **LOS FRESNOS** for the project but more information would be known tomorrow afternoon at the set meeting. He also said that the **LAGUNA VISTA LINE** was in progress and would be completed in about six weeks.

ITEM#11 **REPORT ON FINANCIAL STATEMENT FOR MONTH**
ENDING JULY 31, 2007

MR. SOTELO reported on the Financial Statement for the month ending July 31, 2007. He said that the projected revenues were \$8.9 million and the report showed they were slightly under but would be okay by the end of the year. He also said that the good news was that even though revenues were down, expenses were also down. He said that year to date revenue over expenditures was \$773,641.00. He mentioned that there was still some capital items not purchased yet. He also said that he expected revenue to increase on the next cycle.

ITEM#12

GENERAL MANAGER'S REPORT

MR. SOTELO mentioned that we were very lucky to be spared of Hurricane Dean and was glad to see that crews were all ready and prepared. He also said that the **LONG ISLAND PROJECT** would be able to perform the project under the original permit with the **CORPSE OF ENGINEERS**. He indicated that they were in discussions with **LONG ISLAND** on re-use water to reduce their costs. He also said that the savings to them would be about \$50,000.00 per year by using re-use water. He mentioned plans to hold a Workshop on the second or third Saturday in September to discuss Re-Use Program and Desalination Project. He recommended the Workshop be held on Saturday, September 15, 2007. He also mentioned that the new website now included agendas and minutes. The **CHAIRMAN** asked about **WATER PLANT NO. 2**. **MR. SOTELO** said that it was going fine and were meeting with employees to review a list of items. He also mentioned the purchase of a generator for the main office and said that he was looking into placing it in the budget.

ITEM#13

DIRECTORS' REPORT

MR. TENISON mentioned that **LAGUNA MADRE LEADERSHIP** was looking for participants to join their program and wondered if anyone was interested.

ITEM#14 EXECUTIVE SESSION AS PERMITTED BY THE TEXAS OPEN MEETINGS ACT, TEXAS GOVERNMENT CODE, SECTION 551.001 ET. SEQ., UNDER SECTION 551.071 (1) (A) WHICH AUTHORIZES THE HOLDING OF SUCH CLOSED OR EXECUTIVE SESSION(S):

**551.071 (1) (A) Consultation with Attorney-On pending or contemplated litigation to wit:
Damage to property at Water Plant No. 1**

*The board went into Executive Session at 6:42 pm.
The board came out of Executive Session at 7:56pm.*

ITEM#15 CONSIDER AND APPROVE EXECUTIVE SESSION ITEMS, IF NECESSARY

No action taken, matter referred to General Manager and Attorney.

ITEM#16

ADJOURNMENT

The **CHAIRMAN** adjourned the meeting at 7:57 p.m.

JEFF KEPLINGER, CHAIRMAN

RUDY H. GARCIA, SECRETARY

MINUTES APPROVED THIS _____ DAY OF _____ 2007.

