

**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 **25<sup>th</sup> day of June 2008** 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:

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

LMWD: Gavino D. Sotelo, General Manager; Maribel Hinojosa, Asst. to the General Manager; Pete Capistran, Director of Finance; Carlos Galvan, Jr.; Asst. Director of Operations; Jake White, NRS Engineers; Mike Myers, NRS Engineers; Gilberto Hinojosa, 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. No one responded.

**ITEM#4** **CONSIDER AND APPROVE MINUTES FOR REGULAR MEETING JUNE 11, 2008**

The **CHAIRMAN** stated to consider and approve minutes for Regular Meeting of June 11 28, 2008. A motion was made by **MR. GARCIA** to approve minutes and the motion was seconded by **MR. TENISON**. **MOTION CARRIED UNANIMOUSLY.**

**ITEM#5** **CONSIDER AND APPROVE THE PURCHASE OF FOLDER/INSERTER/SEALER MACHINE**

The **CHAIRMAN** stated to consider and approve the purchase of Folder/Inserter/Sealer Machine. **MR. CAPISTRAN** informed the board that this machine would be folding the 8 ½ x 11 paper, inserting and sealing the envelope which would be the future bill for customers. He also said that there were three bids and recommended the lowest being from **PITNEY BOWES** for \$12, 884.00 with an annual maintenance cost of \$1,126.00. **MR. TENISON** made a motion to approve the purchase of a Folder/Inserter/Sealer Machine and the motion was seconded by **MR. KEPLINGER**. **MOTION CARRIED UNANIMOUSLY.**

**ITEM#6** **CONSIDER AND APPROVE THE PURCHASE OF ONE LASERJET PRINTER FOR THE FINANCE DEPARTMENT**

The **CHAIRMAN** stated to consider and approve the purchase of one Laser Jet Printer for the Finance Department. **MR. CAPISTRAN** said that this LaserJet Printer would used to print bills and would also replace two **IBM** Printers which were at least ten years old. He indicated that the printer would also be used to print Payroll and Accounts Payable checks. He said that three bids came in and he recommended the lowest bid which was from **HEWLETT PACKARD** for \$1,779.99. A motion was made by **MR. ROWELL** to approve the purchase of one LaserJet Printer for the Finance Department and the motion was seconded by **MR. TENISON**. **MOTION CARRIED UNANIMOUSLY.**

**ITEM#7** **CONSIDER AND APPROVE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM ANNUAL PLAN REVIEW**

The **CHAIRMAN** stated to consider and approve Texas County & District Retirement System Annual Plan Review. **MR. JOHN JAGOU** representative from **TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM** also known as **TCDRS** would make a presentation on the District's account. **MR. JAGOU** stated that the **LAGUNA MADRE WATER DISTRICT** had been part of the **TCDRS** since 1985. He said that he would review the plan on how the **DISTRICT** maintains and pays for their Retirement Plan.

He indicated that the board defines what the benefits are for each employee and also decides on cost of living adjustments provided for the retirees to help them offset the affects of inflation. He said that these decisions were made each year at the end of the year involving any changes that the board may want. He explained how the **DISTRICT** pays for the Retirement Plan and how they save in advance. He said that the **DISTRICT** employees and the **DISTRICT** contributions to **TCDRS** become part of a trust and used to pay out employee benefits. He stated that the cost was spread over the career of each employee. He said that they had an expected rate of return on investments and every employee was mandated to receive a 7% interest credit to their account each year. He also said that they had been able to meet that goal for the past four years. He explained that in their packet they had some informative charts which show the plan over the past four years on employer rate. He said that if they were interested in increasing the benefits or provide cost of living adjustment for retirees they could pre-fund that by paying a higher elective rate. He also said that the **DISTRICT** had maintained a rate of 11.9% in 2007. **MR. ROWELL** asked how long they had to be at the **DISTRICT** to be vested and **MR. JAGOU** responded eight years. He also said that starting in 2009 **TCDRS** would allow employers to lower the vesting to five years but it would be a permanent change. He then explained the funding ratio and said that it had grown and had been steadily increasing over the past five years. He said that the **DISTRICT'S** plan was very healthy by maintaining the level of benefits which was at an 85% funded. He also said that the **DISTRICT** could consider making additional contributions such as paying the higher elected rate or make a lump sum contribution which would help pay the unfunded liability. **MR. ROWELL** asked how it would affect the **DISTRICT** if they elected to make a Cost of Living Adjustment (**COLA**). **MR. JAGOU** responded that there were two kinds of Cost of Living Adjustments. He said that one was a flat rate **COLA** and the other was a percentage **COLA**. He explained that when the board authorized a **COLA**, it would be a one time permanent increase to a retirees check. He said that it would increase unfunded liability and it would also add a layer of 15 years to be paid off. He informed the board that if they authorized a **COLA** to retirees the increase to the plan would be based on a percentage of payroll. He also informed the board that the basic benefits provision was that employees deposit 7% which was the maximum allowable and the matching rate was 200% which the board could raise or lower. He said that the only way that the employee would receive the match until they take the retirement benefit from the **DISTRICT**. He indicated that the 2 to 1 match and total retirement fund was determined of how much the employee would receive for the rest of their life. He said that **TCDRS** guarantees lifetime income if the retirement was taken from the **DISTRICT**. He said that they determined the amount by looking at life expectancy, the 7 pay-out options available, and then the 75% interest was rolled in through their life expectancy based on the balance. He said that the amount could never be decreased but only increased on authorization from the board. **MR. JAGOU** informed the board that they had until December to make any changes on the plan and he could provide any necessary numbers that the board requested. **MR. SOTELO** asked about other pension plans and how to keep from going broke. **MR. JAGOU** responded that the **TCDRS** were more diversified and were 97% funded throughout the entire system not counting reserves. He said that they were well over 100% funded and safeguards were in place to off-set the impact of damages for well over a few years. He also commended the board on taking the pro-active approach and invites a representative from **TCDRS** to make presentations such as this one. He also said each plan was independent and the level of benefits pertains only to **LAGUNA MADRE WATER DISTRICT** employees. He also mentioned that **TCDRS** were diversified with domestic equities, international equities, and fixed incomes. He informed the board that the **DISTRICT** was at 85% and well above average in the plan. He mentioned that the actuarial value of assets were \$5 million and the actuarial accrued liabilities were \$5.8 million at that higher elected rates. He said that if the **DISTRICT** continued with the higher elected rates it would bring down the unfunded liability. The board thanked **MR. JAGOU** for his presentation and did not take action until changes were presented. A motion was made by **MR. ROWELL** to approve plan review and the motion was seconded by **MR. KEPLINGER**.

**ITEM#8**                    **CONSIDER AND APPROVE FINANCIAL STATEMENT FOR**  
**MONTH ENDING MAY 2008**

The **CHAIRMAN** said to consider and approve Financial Statement for month ending May 2008. **MR. CAPISTRAN** reported that the General Fund had Revenues of \$7,580,807.00 and Revenues were at \$303,160,000.00. He also said that the expense side there was a budget of \$6,684,885.00 and a negative expense reversed since it was the beginning of each year. He also said that the year to date was \$654,308.00 and the majority was \$590,000.00 on Chemicals for the entire year. He mentioned the Debt Service Fund and said that Revenue was \$36,000.00 for the month and expenditures were \$234,674.00. He also said that they had made payments for the 2000 Cash Bonds paid out the principle and interest of \$220,000.00. He then said that the Capital Projects Fund did not have very much to spend but had a 2007 Revenue Bond that was paid off \$154,000.00. A motion was made by **MR. ROWELL** to approve Financial Statement for month ending May 2008 and the motion was seconded by **MR. GARCIA**. **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 CONSIDER AND APPROVE WASTEWATER IMPROVEMENTS BID**

The **CHAIRMAN** stated to consider and approve Wastewater Improvements Bid. **MR. MEYERS** informed the board on the bids that were taken on the **WASTEWATER IMPROVEMENTS PROJECT**. He said that initially it was for **ANDY BOWIE WASTEWATER PLANT** location only but in the past it had been amended to include the **PORT ISABEL** and **ISLA BLANCA PLANTS** facilities. He said that the scope of the work for the **ANDY BOWIE PROJECT** was to increase the capacity of the plant with an addition of a new clarifier. He said that it would double the capacity to 1.5 million gallons per day and also required the discharge permit for de-chlorination system which was included in the bid. He also said that **ANDY BOWIE** was the bulk of the bid on this particular project. He reported they plan was to remove the existing clarifier mechanisms on the two addition plants and install two new mechanisms in the two clarifiers to replace the steel with stainless steel mechanisms. He said that the bids were received on May 8, 2008 with only two bidders which were **LEM CONSTRUCTION** and **WRIGHT CONSTRUCTION**. He said that **LEM CONSTRUCTION** was the low bidder with a total of \$3.28 million and **WRIGHT CONSTRUCTION** came in at almost \$1 million more. He also said that both contractors were from the **HOUSTON** area. He mentioned that there could be some potential savings for going from stainless steel to galvanize of around \$200,000.00 and \$50,000.00 on replacing the weirs from stainless to fiberglass. **MR. SOTELO** said that the only thing that was left out from the budget was the belt-press since there was not a need for it at that time. He also mentioned that they had initiated a Preventive Maintenance Program for all plants. **MR. KEPLINGER** asked about the sludge problems and **MR. SOTELO** responded that they had made some improvements on how they handle the sludge. **MR. SOTELO** asked the board for approval on the bids as they came in with the understanding that they would go back and negotiate with the contractors on reducing some of the costs. He said that they would come before the board again with a change order. A motion was made by **MR. TENISON** to approve Wastewater Improvements Bids with the understanding of negotiating with the contractor on reducing some of the costs and the motion was seconded by **MR. GARCIA**. **MOTION CARRIED UNANIMOUSLY.**

**ITEM#11****ENGINEER'S REPORT**

**MR. JAKE WHITE** reported on the **SEAWATER DESALINATION PROJECT** and said that he had handed them a report on the items that have been completed to date and the items that are left to be completed that would allow them to arrive at the testing phase of the project. He indicated that most of the items were items that were updated on a monthly basis with the exception of four items that were new and recent developments. He said that the **SEAWATER RO ELEMENTS** had been procured and were separate from the RO tray and skid. He also said that the micro-filtration unit had been procured which was one of the pre-treatment units along with the conventional unit. He said that the items were received but not yet delivered to the site. He mentioned that they had the site fence installed and also delivered and installed some of the site piping and tanks as well as electrical panel. He also said that one of the photos showed the RO Skid with the fence along side the job trailer. **MR. WHITE** said they had spoken with the contractors last week and they said they were finalizing a job at the moment and he should be completed with it this week. He said they were pushing the contractor and also discussing the option to pull bond from the project and remove him from the job. He reminded the board that the contractor bid at just under \$200,000.00 to install the line and the second bidder was \$800,000.00. He said that the intake pump was lined up and once the boring contractor mobilizes then we should start testing the raw water. The board suggested a face to face meeting with the contractor and **MR. WHITE** said that it could be the next step. **MR. SOTELO** said that it had to be the next step. **MR. WHITE** also reported on the **ANNEXATION** on the North end of the Island. **MR. MEYERS** indicated that they had been gathering survey information and mapping for the design drawings. He also said that they were working with the **GLO** and county requirements for mitigation and our options. **MR. SOTELO** also mentioned that he had received another annexation request.

**ITEM#12 CONSIDER AND DISCUSS HURRICANE PREPAREDNESS PLAN**

The **CHAIRMAN** stated to consider and discuss the Hurricane Preparedness Plan. **MS. MARIBEL HINOJOSA** said that they were in the process of update the Hurricane Preparedness Plan. She mentioned that the **LMWD** has in place a Hurricane Operation Manual which includes the basic procedures and responsibilities needed to follow before, during and after a hurricane falls. She mentioned who would be involved including city officials and board members would be informed of all activities on the plan. She also said that Emergency Management Team would be responsible that duties established in the plan are properly executed.

She indicated that the *LMWD* personnel has an obligation to its customers and needed to ensure that water and wastewater services are rapidly restored to our customers and guarantee that quality remains regardless of weather conditions. She said that there is no doubt that accomplishing our goal can result challenging for our team and the General Manager needs to ensure that key personnel not only are aware of the plan but also trained in their respective roles. She emphasized that the *LMWD* needs to ensure in case of power failure in the water/wastewater treatment facilities to be prepared with a disaster recovery plan that needs to be communicated to the personnel. *MR. ROWELL* mentioned the evacuation process and how it was a problem on *SOUTH PADRE ISLAND* because of hotel cancellations. He also said that handicapped people would also have a problem during evacuation and shutting down the water/wastewater system. She concluded by say that all procedures would be coordinated with city officials.

**ITEM#13**

**GENERAL MANAGER'S REPORT**

*MR. SOTELO* reported that the *ANNUAL EMPLOYEE & FAMILY PICNIC* was a success this year and looked forward to next year.

**ITEM#14**

**DIRECTORS' REPORT**

*MR. KEPLINGER* asked about the sludge lagoon at Water Plant No. 2. *MR. SOTELO* responded that when the bids came in they were three times higher than expected. He said that they are in the process of drying out the lagoon rather than build a new one. *MR. KEPLINGER* also mentioned that there was a muddy smell coming from the sludge lagoon. He also asked about going paperless for agenda purposes and *MR. SOTELO* said that he would start working on that for this year and ensured the board that the *DISTRICT* does recycle paper. *MR. TENISON* asked about Water Conservation and *MR. SOTELO* assured him that they would be advertising in the local newspaper and passing out brochures.

**ITEM#15**

**ADJOURNMENT**

The *CHAIRMAN* adjourned the meeting at 7:55 p.m.

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**SCOTT D. FRIEDMAN, CHAIRMAN**

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**RUDY H. GARCIA, SECRETARY**

MINUTES APPROVED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ 2008.