

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 **28th day of May 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
Rudy H. Garcia - Secretary
R. Kevin Tenison - Director
Jeff Keplinger - Director
Absent: Clifford Rowell - Vice-Chairman

LMWD: Gavino D. Sotelo, General Manager; Arturo Martinez, Director of Operations; Carlos Galvan, Jr., Asst. Dir. Of Operations; 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. No one responded.

ITEM#4 **CONSIDER AND APPROVE MINUTES FOR SPECIAL MEETING MAY 14, 2008**

The **CHAIRMAN** stated to consider and approve minutes for Special Meeting of May 14, 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 DISCUSS SUMMARY REPORT BY
PLUMMER AND ASSOCIATES ON THE ASSET EVALUATION PROJECT**

The **CHAIRMAN** stated to consider and discuss Summary Report by Plummer and Associates on the Asset Evaluation Project. **MR. SOTELO** indicated that **MR. JOHN D'ANTONI** was present to report on a summary of the process used including some of the findings. He mentioned that he planned on a workshop later in the month to review the findings. **MR. D'ANTONI** said that he would review the process and results of the assessment. He said that the process had taken longer than anticipated primarily because of delay waiting for data out of the District's **INCODE SYSTEM**. He said that he had placed the project on hold while the **INCODE SYSTEM** was upgraded. He reviewed the goals and objectives which were developed. He indicated that they focused on inventory and were based on staff assessments and interviews and they would like to correlate with operation maintenance data. He reminded the board of the mission statement they had developed for the **DISTRICT** which was, "To proactively serve our customers by providing safe, reliable, high-quality water and wastewater services." He said that the statement was the ground of which the study was built upon. He mentioned that one of the goals that applied the most to what they were trying to accomplish was infrastructure. He said that included improving water and wastewater plants, replace old and undersized lines, improve liftstations, implement a valve replacement program, and improve mapping and inventory. He also said that there were some management goals and objectives were to enhance internal and external communications while incorporating new technology and training to improve overall accountability. He also said that objectives were to enhance relationships with our customers and neighboring districts through improved communications. He stated that another objective was to increase training to improve customer service and provide affordable service by controlling costs and developing alternative funding. He indicated that the process included physical inspection of the water and wastewater utility systems. He also said that staff and Management Facility Team were imperative in the results of the assessment. **MR. D'ANTONI** suggested that the board meet for another workshop at their convenience. He pointed out that this type of investment would run on a good 10-year program and they may address the majority in that period of time. He also said that they needed to review the most effective ways for long-term achievement. The board thanked **MR. D'ANTONI** and scheduled the next workshop for June 14, 2008 at 9:00 am.

ITEM#6**CONSIDER AND APPROVE INVESTMENT REPORT FOR
QUARTER ENDING APRIL 30, 2008**

The **CHAIRMAN** stated to consider and approve Investment Report for Quarter Ending April 30, 2008. **MR. CAPISTRAN** introduced **MRS. SUSAN ANDERSON** of **ESTRADA HINOJOSA** and said that she would be giving the presentation of the Investment Report and also Cash Analysis for the last 18-months. **MRS. ANDERSON** started with a brief overview of the market and said that it had been a very difficult economy lately. She said that most property values are falling and many people are over their heads. She said that the **FEDERAL OPEN MARKKETS COMMITTEE** has tried to orchestrate a recovery of the economy by lowering the short-term interest rates but unfortunately the one thing they cannot control is the price of fuel. She indicated that during the first quarter there were a number of crisis that developed and the most dramatic financial institution was **BEAR-STERNS** which had been impacted by the sub-prime exposure that they had. She said that it was critical that the **DISTRICT'S** portfolio include getting the funds invested and laddered. She said that she and **MR. CAPISTRAN** worked and produced a report with a graph. She reviewed the Quarter Ending April 30, 2008 and asked them to turn to the summary and said that between the end of January and end of April the balances decline. She said that reason was because of project expenditures and most came from Revenue Bond 2007 monies and also some Interest & Sinking Fund payments. She also reviewed the average yield for the portfolio this quarter was 2.38% and for the fiscal year to date was 3.06%. She indicated that there was a 100 basis point differential between the quarter over the fiscal year. She also said that the **TEXPOOL** yield had been a 4.22% over the entire yield but their yields had reduced and now a 2.34%. She asked the board to focus on the treasury yield curbs which have declined. She indicated that the bulk of investments were in **TEXPOOL** which was a short-term pool and more susceptible to interest rate declines. She said that the recommendation was to develop a ladder. She reviewed a graph of all cash flows over an 18-month period of time and said that it showed the balances and how they never have gone below \$2 million fund balance. She said that she recommended taking 50% safely out for one year and target those funds to invest out. She suggested treasuries, agencies and certificates of deposits as likely candidates. She also said that a 15% balance was recommended in a liquid account and that allows funds in case of an emergency. She explained that this particular graph was to get an idea of how the money was spent historically. A motion was made by **MR. KEPLINGER** to approve Investment Report and the motion was seconded by **MR. TENISON**. **MOTION CARRIED UNANIMOUSLY**. The **CHAIRMAN** asked to skip down to Item#8.

ITEM#8**CONSIDER AND APPROVE RESOLUTION NO. 14-05-08 TO JOIN
TEXASTERM LOCAL GOVERNMENT INVESTMENT POOL**

The **CHAIRMAN** stated to consider and approve Resolution No. 14-05-08 to join TexasTerm Local Government Investment Pool. **MRS. ANDERSON** continued with this item and said that the reason for this resolution was because the bulk of investments were in one asset. She said that the **DISTRICT** should not have the bulk of investments in one place. She stated that they had discussed diversification of assets but she would also like to have two buckets to place overnight funds into. A motion was made by **MR. KEPLINGER** to approve Resolution No. 14-05-08 and the motion was seconded by **MR. TENISON**. **MOTION CARRIED UNANIMOUSLY**. The **CHAIRMAN** went back to Item #7.

ITEM#7**CONSIDER AND APPROVE FINANCIAL STATEMENT FOR
MONTH ENDING APRIL 30, 2008**

The **CHAIRMAN** stated to consider and approve Financial Statement for month ending April 30, 2008. **MR. CAPISTRAN** reported total assets of \$7,383,264.00 and total liabilities of \$796,563.00. He also said that the total fund balance was \$6,586,700.00. He continued with the Debt Service and said there were total assets of \$1,716,466.00 and total liabilities of \$1,833,541.00 and total Debt Balance of \$3,550,008.00. He stated that Capital Projects had total assets of \$9,319,437.00 and total liabilities of \$821,201.00 with a total fund balance of \$8,498,235.00. He also said that the General Fixed Assets had a total of \$52,736,987.00 and the General Long-Terms Debt was \$20,101,449.00. He indicated that the Agency Fund had a total of \$68,587.00 of Deferred Compensation. He also reported that the Financial Statement for the General Fund had a Revenue Balance of \$8,121,547.00 and total expenditures of \$6,202,395.00 with a surplus of \$1,919,151.00. He stated that the Debt Service had a balance of \$2,436,889.00 and total expenditures of \$3,385,626.00. He also reported that there was a deficit of \$948,737.00. He said that Capital Projects Revenues were \$583,320.00 and total expenditures were \$279,389.00 with a surplus of \$303,930.06. A motion was made by **MR. GARCIA** to approve Financial Statement for month ending April 30, 2008. **MOTION CARRIED UNANIMOUSLY**.

ITEM #9 CONSIDER AND APPROVE RESOLUTION NO. 15-05-08 AUTHORIZING THE ESTABLISHMENT OF AN ACTIVE AND CONTINUING RECORDS MANAGEMENT PROGRAM AND DESIGNATING THE RECORDS MANAGEMENT OFFICER

The *CHAIRMAN* stated to consider and approve Resolution No. 15-05-08 authorizing the establishment of an active and continuing Records Management Program and designating the Records Management Officer. *MR. CAPISTRAN* indicated that this resolution would be authorizing him to be Records Management Officer which needed to be submitted to the state. He said that this form needed to be submitted before requesting destruction of 540 boxes in storage. A motion was made by *MR. TENISON* to approve Resolution No. 15-05-08 and the motion was seconded by *MR. KEPLINGER*. ***MOTION CARRIED UNANIMOUSLY.***

ITEM#10 CONSIDER AND APPROVE PARSON'S ROOFING CONTRACT THROUGH BUYBOARD FOR WATER PLANT NO. 2

The *CHAIRMAN* stated to consider and approve Parson's Roofing Contract through Buyboard for Water Plant No. 2. *MR. GALVAN* stated that they had performed a thorough inspection of the Water Plant No. 2 roofing and found that both the plant and two pump stations needed repairs. He said that repairs would include mechanically attached ½ inch insulation board over the existing roof system with a 15-year warranty for a total of \$16,866.00 for all three buildings. A motion was made by *MR. TENISON* to approve *PARSON'S ROOFING* Contract and the motion was seconded by *MR. GARCIA*. ***MOTION CARRIED UNANIMOUSLY.***

ITEM#11 CONSIDER AND APPROVE RESCINDING ANNUAL SUPPLY OF CHEMICAL BID WITH AMCHEM, INC. FOR PURCHASE OF CAUSTIC SODA AND AWARD BID TO VALLEY SOLVENTS & CHEMICALS SECOND LOWEST BIDDER

The *CHAIRMAN* stated to consider and approve rescinding Annual Supply of Chemical Bid with Amchem, Inc. for purchase of Caustic Soda and award bid to Valley Solvents & Chemicals second lowest bidder. *MR. SOTELO* recommended approval since the difference was around \$12,000.00 and lower than originally stated. A motion was made by *MR. TENISON* to rescind bid and award bid to the second lowest bidder *VALLEY SOLVENTS* and the motion was seconded by *MR. KEPLINGER*. ***MOTION CARRIED UNANIMOUSLY.***

ITEM#12 CONSIDER AND APPROVE DECLARING SURPLUS ITEMS LIST AND SALE THEREOF

The *CHAIRMAN* stated to consider and approve declaring Surplus Items List for sale thereof. *MR. MARTINEZ* stated that staff recommended declaring Surplus Items List so that they may auction them off to the highest bidder. He also said that they would be advertising in the local paper for two consecutive weeks before accepting bid. A motion was made by *MR. TENISON* to approve declaring surplus items list and sale thereof and the motion was seconded by *MR. GARCIA*. ***MOTION CARRIED UNANIMOUSLY.***

ITEM#13 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. GARCIA* to approve disbursements and the motion was seconded by *MR. TENISON*. ***MOTION CARRIED UNANIMOUSLY.*** *MR. MARTINEZ* stated that he would like the board to ratify the expense to *ROVAN'S* since the checks were already dispensed and over \$5,000.00. *MR. KEPLINGER* amended his motion to include expenditures to *ROVAN'S* and the motion was seconded by *MR. TENISON*. ***MOTION CARRIED UNANIMOUSLY.***

ITEM#14 CONSIDER REJECTING SLUDGE LAGOON IMPROVEMENTS BID FOR WATER PLANT NO. 2

The *CHAIRMAN* stated to consider rejecting sludge Lagoon Improvements Bid for Water Plant No. 2. *MR. JAKE WHITE* of *NRS ENGINEERS* recommended that the board reject the bids received for the Sludge Lagoon Project at Water Plant No. 2 due to them coming in over the expected budget. He also said that the project that was bid out was the original design that was performed back in 1994 and at that time the General Manager wanted to break up the project in several pieces. He also said that it was bid out as part of the Water Plant rehabilitation under *R.P. CONSTRUCTION*. He said that a decision was made for a local contractor to perform some of the cleaning out of the existing sludge lagoon and the remaining portion by *R.P. CONSTRUCTION*. He stated that the local contractor was unable to complete his work and therefore the remaining portion of the project was removed from the *R.P. CONSTRUCTION* contract. He indicated that at this point they were working under the budget that was originally for the Water Plant Improvements under the *USDA GRANT*.

He said that the project that was bid out was an expanded scope with main intent to see exactly where the bids would come in. He recommended rejecting the bids and go through a series of evaluations with the **DISTRICT** and continue with the project. A motion was made by **MR. TENISON** to reject Sludge Lagoon Improvement Bid and the motion was seconded by **MR. GARCIA**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#15 **ENGINEER'S REPORT**

MR. JAKE WHITE updated the board on the status of the **SEAWATER DESALINATION FEASIBILITY/PILOT STUDY** and said that the contractor scheduled to mobilize to the site next week. He also said that the project hinges on the intake line installation and he would be updating the board on the plan of action next meeting. He also said that the contractor had received the pipe and welded it together a spool 6" pipe and .6 inches thick. He also updated the board on the **LONG ISLAND REUSE LINE** and said that the survey had been completed and were working on acquiring easements as well as the permits for the road crossings. He stated that they were evaluating the current set up of liftstations and force mains and gravity lines in **LAGUNA VISTA** for best routing options for new developments to the **LAGUNA VISTA WASTEWATER PLANT**.

ITEM#16 **GENERAL MANAGER'S REPORT**

MR. SOTELO reported on Liftstation No. 11 and said that power was out and **AEP** reported a wire loose on the transformer and that caused sewer lines to back-up. He said that the liftstation would be relocated soon. He also said that **SOUTH PADRE ISLAND BIRDING CENTER** had requested they be allowed to use a portion of the **ANDY BOWIE WASTEWATER PLANT** to build some ponds and allow water to be diverted to their facilities then meandered into the bay. He mentioned that the only problem would be to amend the permit with the state and if the board approved by the board they would have to pay all costs connected to the application. He said that he would report back to the board after they have all information. He also reminded the board of the Annual Employee Picnic on June 21st at the Boys & Girls Club.

ITEM#17 **DIRECTOR'S REPORT**

The **CHAIRMAN** said that the **ASSOCIATION OF WATER BOARD DIRECTORS'** would be holding their annual conference in July in **SAN ANTONIO**. **MR. TENISON** mentioned that since the **DISTRICT** based most construction on peak usage they should consider on focusing on conservation in July. He recommended educating the public on reducing consumption during the summer months and July exclusively. **MR. SOTELO** responded that he would look into it and report back to the board next meeting.

ITEM#18 **EXECUTIVE SESSION AS PERMITTED BY THE OPEN MEETING ACT, V.T.C.A., GOVERNMENT CODE SECTION 551.001 ET SEQ., UNDER SECTION 551.071 WHICH AUTHORIZES THE HOLDING OF SUCH CLOSED OR EXECUTIVE SESSION(S):**

Consultation with Attorney: Pending or contemplated litigation to wit:
(A.) Contemplated Litigation against Amchem, Inc. 551.071 (1) (a)

No Executive Session held.

ITEM#19 **CONSIDERATION AND ACTION ON EXECUTIVE SESSION ITEM, IF NECESSARY**

No Executive Session held.

ITEM#20 **ADJOURNMENT**

The **CHAIRMAN** adjourned the meeting at **7:18 p.m.**

SCOTT D. FRIEDMAN, CHAIRMAN

RUDY H. GARCIA, SECRETARY

MINUTES APPROVED THIS _____ DAY OF _____ 2008.

