

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 **12th day of November 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
Jeff Keplinger-Director
Rudy H. Garcia-Secretary
Absent: R. Kevin Tenison-Director

LMWD: Gavino Sotelo, General Manager; Arturo Martinez, Director of Operations; Pete Capistran, Finance Director; Carlos J. Galvan, Jr., Asst. Director of Operations; 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 WORKSHOP OF
AUGUST 27, 2008 AND REGULAR MEETING OF OCTOBER 8, 2008**

The **CHAIRMAN** stated to consider and approve minutes for Workshop of August 27, 2008 and Regular Meeting of October 8, 2008. A motion was made by **MR. ROWELL** to table minutes until next meeting and the motion was seconded by **MR.KEPLINGER**. **MOTION CARRIED UNANIMOUSLY**.

ITEM#5 **CONSIDER AND APPROVE AUDIT REPORT FOR
FISCAL YEAR APRIL 30, 2008**

The **CHAIRMAN** stated to consider and approve Audit Report for Fiscal Year April 30, 2008. **MR. JUAN MENDOZA** of **LONG CHILTON** approached the board and introduced their lead auditor **MS. TRISH AYERS**. **MR. MENDOZA** began with the independent auditor's report gave the opinion on the financial statements and was glad to report that it was a clean opinion. He indicated that the financial statement present fairly the financial position of the **DISTRICT** as of April 30, 2008. He mentioned that the auditor's report on the financial statements as followed by management discussion analysis which was a summary in narrative form of the some of the most important aspects throughout the year. He also said that some of the highlights were that net assets exceeded liability by \$54.5 million and added to keep in mind that this was a government-wide financial statement and not just fund statements. He stated that the General Fund increased by \$1.6 million and fiscal year 2008 the **DISTRICT** reported combined fund balances of all internal funds of \$18.9 million of which \$3.8 million is available for spending, unreserved and undesignated by the board. He reviewed a summary of a condensed financial statements in comparative format from last year to this year. He said that total assets last year were \$43 million and this year they increased to \$73 million. He also said that the increased happened in capital assets which was about \$30 million. He indicated that revenues and expenditures for the entity as a whole and total revenue increased slightly by \$100,000.00 over last year from \$11.1 to \$11.2 million. He also said that the expenditures went from \$7.6 million to \$7.1 million and net increase overall government-wide was \$3.4 million. He mentioned that the net assets had a period adjustment of \$29.5 million which was a result from a physical inventory of all assets. He said that the majority of this was infrastructure assets which had not been inventoried in the past. He reviewed the comparison of the General Fund which was the operating fund for the **DISTRICT**. He said that the revenues increase by \$402,000.00 and expenditures increased by \$910,000.00. He also said that there was an overall increase of \$1.9 million in the fund but compared to last year there was a decrease of about a half a million.

He also mentioned the transfers over to the other funds and said that one of the debts was that payments come from revenue of the **DISTRICT**. He reviewed the financial statement of the **DISTRICT** by fund with the adjustments to get to the government wide which was the consolidated. He also mentioned the revenue and expenditures of each fund and said that the debt service was money set aside for the payment of principle and interest on bonds. He mentioned that capital projects were funds set aside for construction and improvement which were restricted funds and not available to use for general day to day operations. He said that the report also included the notes to the financial statements which were narrative to most important items in the balance sheets and income statement. He mentioned the compliance and internal controls and other matters in accordance with government auditing standards. He said that there was one finding in each one. He said that the first finding was that numerous adjustments had to be made during the course of the audit which resulted in a material change to the financial statements. He said that recommendations were made that procedures need to be reviewed and general ledger reconciled on a month to month and not at the end of the year. He said that management responded back that adjustments were to be made and correcting ending balances every month. He also said that the net profit was changed by about \$800,000.00 which was a significant adjustment. He also said that the next finding was on compliance on the Quarterly Investment Reports. He indicated that these reports must be signed by all Investment Officers and a couple were found with no signatures or with only one signature. He thanked the board and management for the opportunity to serve the **DISTRICT** as independent auditors for the year ending April 30, 2008. A motion was made by **MR. KEPLINGER** to approve audit report and the motion was seconded by **MR. ROWELL**. **MOTION CARRIED UNANIMOUSLY**.

ITEM#6 CONSIDER AND DISCUSS AN UPDATE ON THE REPORT ON DAMAGES CAUSED BY HURRICANE DOLLY

The **CHAIRMAN** stated to consider and discuss an update on the report on damages caused by Hurricane Dolly. **MR. WAYNE HUNTER** of **ESPEY CONSULTANTS** updated the board on **FEMA** and the **DISTRICT'S** insurance company and the game plan to get them to resolve. He said that they had established a mission. He indicated that the mission was to maximize reimbursement to use for achieving pre-disaster conditions. He indicated that they had made a submission which reflected the most current data as a result of all adjustments and discussions with **FEMA** and insurance company. He said that the deadline for claims was met on October 24, 2008 for **FEMA** reimbursement. He also said that the next probable deadline was that **FEMA** is given 45 days to consider the proposed claims. **MR. HUNTER** said that negotiations were made almost entirely electronically. He said that the total damages previously reported were \$1.34 million and now were \$1.76 million. He also said that there were additional items that came forth and estimates were refined in accordance with **FEMA** guidelines. He said that they were able to establish a higher estimate. He mentioned the total estimated insurance and net uninsured damages. He said that the total uninsured loss was \$1.495 million of which **FEMA** would reimburse 75%. He said that he had categorized the improvements and felt confident on all the repairs and the costs. He indicated that the biggest items were the elevated tanks since they were not insured and was a big part of the total amount. He mentioned some of the items which were the roof replacement for \$100,000.00 interior and exterior structural of the Administration Building; \$100,000.00 for equipment repairs; \$45,000.00 for fencing; and two total loss buildings which accounted for \$237,000.00 in damages. He mentioned engineering support for about 3% of the total roughly about \$50,000.00. He stated that there was an issue with the insurance company for a certain type of wind driven damage and they had suggested for building settlements. He said that they were still discussing that issue with the insurance company. He said that **FEMA** considerations were under way. **MR. HUNTER** stated that the insurance reimbursement of \$371,800.00 was probably what would be reimbursed for sure. He also said that **FEMA** would probably reimburse an estimated \$1.1 to \$1.3 million. He indicated that **FEMA** payment to the **DISTRICT** expenses would be in 6-8 months after all costs were incurred.

ITEM#7 CONSIDER AND APPROVE THE AMOUNT NOT TO EXCEED \$12,000,000 TO BE PLACED IN RESOLUTION 21-10-08 AUTHORIZING AN APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY PREVIOUSLY APPROVED ON OCTOBER 8, 2008

The **CHAIRMAN** asked that Item #7 be tabled. A motion was made by **MR. KEPLINGER** to table this item until further notice and the motion was seconded by **MR. ROWELL**. **MOTION CARRIED UNANIMOUSLY**.

ITEM#8 CONSIDER AND APPROVE RESOLUTION NO. 23-11-08 ADOPTING AMENDMENT NO. 1 AMENDING THE BUDGET FOR FISCAL YEAR 2008-2009

The **CHAIRMAN** stated to consider and approve Resolution No. 23-11-08 adopting Amendment No. 1 amending the budget for fiscal year 2008-2009. A motion was made by **MR. ROWELL** to approve Amendment No. 1 and the motion was seconded by **MR. GARCIA**. **MOTION CARRIED UNANIMOUSLY**.

**ITEM#9 CONSIDER AND APPROVE FINANCIAL STATEMENT FOR
MONTH ENDING OCTOBER 31, 2008**

The **CHAIRMAN** asked the board to table this Item #9 until further notice. A motion was made by **MR. GARCIA** and seconded by **MR. KEPLINGER**. **MOTION CARRIED UNANIMOUSLY.**

**ITEM#10 CONSIDER AND APPROVE TO DECLARE SURPLUS ITEMS
AND SALE THEROF**

The **CHAIRMAN** stated to consider and approve to declare Surplus Items and sale thereof. **MR. MARTINEZ** stated that he had provided the board with a revised list of the items and said that staff recommended that the board allow the auction or sell to highest bidders. A motion was made by **MR. GARCIA** to declare surplus items and sale thereof and the motion was seconded by **MR. ROWELL**. **MOTION CARRIED UNANIMOUSLY.**

**ITEM#11 CONSIDER AND APPROVE PROPOSED LOW PRESSURE SEWER
SYSTEM FOR LAS OLAS SUBDIVISION**

The **CHAIRMAN** stated to consider and approve proposed Low Pressure Sewer System for Las Olas Subdivision. **MR. MARTINEZ** stated that this development was proposing to use a Low Pressure Sewer System for **LAS OLAS SUBDIVISION**. He said that they had confirmed with other entities and found that the system would work at this location. He said that staff recommended that the board allow this type of system to be installed for this development with the understanding that the developers place the responsibility of operations and maintenance of the system to the owners. A motion was made by **MR. KEPLINGER** to approved proposed Low Pressure Sewer System for **LAS OLAS SUBDIVISION** and the motion was seconded by **MR. GARCIA**. **MOTION CARRIED UNANIMOUSLY.**

**ITEM#12 CONSIDER AND APPROVE RESOLUTION NO. 24-11-08 AMENDING
RESOLUTION NO. 22-10-08 AUTHORIZING THE GENERAL MANAGER SUBMIT A
REQUEST TO TCEQ FOR THE USE OF PROCEEDS FROM THE DISTRICT'S
REVENUE NOTES SERIES 2007**

The **CHAIRMAN** stated to consider and approve Resolution No. 24-11-08 amending Resolution No. 22-10-08 authorizing the General Manager submit a request to **TCEQ** for the use of proceeds from the District's Revenue Notes Series 2007. **MR. SOTELO** stated that this amendment would allow the use of \$600,000.00 to replace Liftstation No. 11 and part for the Pilot Study. He also said that they would also utilize the \$80,000.00 from the **USDA PROJECT** and \$20,000.00 from the Asset Replacement Fund. A motion was made by **MR. ROWELL** to approve Resolution No. 24-11-08 and the motion was seconded by **MR. GARCIA**. **MOTION CARRIED UNANIMOUSLY.**

**ITEM#13 CONSIDER AND APPROVE NORTH SOUTH PADRE ISLAND
WATER AND WASTEWATER UTILITY EXTENSION BID**

The **CHAIRMAN** stated to consider and approve North South Padre Island Water and Wastewater Utility Extension bid. **MR. SOTELO** stated that five bids had been received and **JIMMY CLOSNER & SONS CONSTRUCTION** was the low bidder with a base bid of \$2,290,057.50. He mentioned that there was \$3.2 million in escrow accounts place by the developers to pay for the project. He said that the bid did not include contingencies. He also recommended Alternate Bid Items for the 12" Reuse line which included bid items 3A, 4A, 5A, 6A, 7A and 14A on the bid tabulation for an additional \$674,375.00. He stated that the total bid award would be \$2,964,432.50. A motion was made by **MR. ROWELL** to approve North South Padre Island Water and Wastewater Utility Extension Bid and the motion was seconded by **MR. GARCIA**. **MOTION CARRIED UNANIMOUSLY.**

**ITEM#14 CONSIDER AND APPROVE ENTERING INTO A CONTRACT WITH
CAPEX CONSULTING GROUP FOR A WATER AND WASTEWATER RATE STUDY**

The **CHAIRMAN** stated to consider and approve entering into a contract with **CAPEX CONSULTING GROUP** for a Water and Wastewater Rate Study. **MR. SOTELO** said that the representative from **CAPEX CONSULTING GROUP** could not make it but asked approval for contract with this company for the amount of \$23,000.00. He indicated that the timeline would be about 60 days and this company came highly recommended. A motion was made by **MR. ROWELL** to approve entering into a contract with **CAPEX CONSULTING GROUP** and motion was seconded by **MR. KEPLINGER**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#15**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. KEPLINGER* to approve Disbursements and the motion was seconded by *MR. ROWELL*. The *CHAIRMAN* abstained. ***MOTION CARRIED.***

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

- 1. REPAIRS TO 36 INCH WATER LINE IN LOS FRESNOS**
- 2. CROSS TRAINING OF EMPLOYEES**
- 3. OPENING CEREMONY FOR DESAL PLANT AND UPDATE OF PROGRESS OF PLANT**
- 4. GIS SYSTEM**
- 5. DISPOSAL OF BUS BARN**

MR. SOTELO reported on the repairs to the 36 inch water line and said that they had asked for a quote from a contractor for \$42,000.00. He said that there were two others that they were still working on. He also mentioned that employees have been cross training in all departments. He said that the opening ceremony for the *DESAL PLANT* was scheduled for December 11, 2008 at 3:00 pm and a letter sent to the governor asking him to be the keynote speaker. He updated the board on the plant and said they would have drinkable water available for everyone to taste at the site. He also mentioned the *GIS SYSTEM* and said that they had already purchased the software and equipment but it should be a lengthy process. He stated that the disposal of the Bus Barn and said that they had asked for an appraisal of the property. He also indicated that they were considering locating the facility to the warehouse and possibly selling the property. He mentioned that in case the Administration Offices need expanding they could consider building to the back of the property.

ITEM#17**ADJOURNMENT**

The *CHAIRMAN* adjourned the meeting at **6:55 p.m.**

SCOTT D. FRIEDMAN, CHAIRMAN

RUDY H. GARCIA, SECRETARY

MINUTES APPROVED THIS _____ DAY OF _____ 2008.