

MINUTES OF WORKSHOP MEETING
BOARD OF DIRECTORS
LAGUNA MADRE WATER DISTRICT

The **WORKSHOP MEETING** of the **LAGUNA MADRE WATER DISTRICT** was held at the Administration Office of the District, 105 Port Road, Port Isabel, Texas on the **12th day of November 2008** at the hour of **5:00 p.m.** pursuant to written notice as prescribed by law.

ITEM#1 **QUORUM**

The **CHAIRMAN** called the **WORKSHOP MEETING** to order at **9:00 a.m.** and he determined the Notice of the Workshop had been duly posted in accordance with the law and the following present constituted a quorum:

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

L.M.W.D.: Gavino Sotelo, General Manager; Arturo Martinez, Director of Operations; Carlos Galvan, Jr., Asst Director of Operations; Pete Capistran, Director of Finance; Maribel Hinojosa, Asst to the General Manager.

ITEM#2 **PLEDGE OF ALLEGIANCE**

The **CHAIRMAN** stated for everyone to recite the Pledge of Allegiance.

ITEM#3 **CONSIDER AND DISCUSS FINAL PROJECTS AND COSTS**
FOR REVENUE NOTES

The **CHAIRMAN** stated to consider and discuss final projects and costs for Revenue Notes. **MR. SOTELO** reviewed the Capital Improvement Projects and asked the board to recall that the last time they had met they had come up with total costs of \$7.9 million and did not include contingencies. He said that in the original proposal they had budgeted some money to replace the office building and lab at **WATER PLANT NO. 2** for \$75,000.00. He also said that they had budgeted \$1.5 million to rehab clarifier and \$300,000.00 to replace the splitter box and \$750,000.00 for chemical and electrical work. He indicated that they had also discussed changing the filtration system used at **WATER PLANT NO. 2** from conventional to micro-filtration system. He said that it would allow the treatment of another two million gallons of water which is what **WATER PLANT NO. 1** is presently treating during peak period. He also said that they could also have better quality water by going into micro-filtration which was very critical. He recommended that they install the micro-filtration now and use the money for the building, splitter box, mechanical and electrical improvements to pay for some of the cost. He said that the cost for the micro-filtration system for **WATER PLANT NO. 2** was approximately \$3.8 million. **MR. SOTELO** indicated that electrical costs would increase but more water would be going through the plant thus eliminating the need to have **WATER PLANT NO. 1** costly in operation. **MR. KEPLINGER** asked **MR. SOTELO** if his recommendation was to shut down **WATER PLANT NO. 1** completely. **MR. SOTELO** responded that he recommended to use **WATER PLANT NO. 1** in case of emergencies or as a back-up. **MR. KEPLINGER** asked how much they had spent on **WATER PLANT NO. 1** to rehab and **MR. SOTELO** responded about \$2.5 million. **MR. SOTELO** indicated that regardless of what they decide, the clarifiers would have to be rehabilitated. He also said that having additional capacity was good planning. **MR. KEPLINGER** indicated that there was a steady growth but not a major growth. **MR. SOTELO** suggested that they needed to replenish the building at **WATER PLANT NO. 2** and it could be done now with the \$75,000.00 from the bond issue and since the truck barn and storage building at **WATER PLANT NO. 1** were insured the insurance would be paying \$143,000.00 and \$57,000.00. He recommended taking the money from the insurance and build half the size of a storage facility at the warehouse. He mentioned that **TCEQ** does require a pilot plant for the micro-filtration system and that could cost approximately \$300,000.00. He said that there was about \$80,000.00 from the **USDA** had not been spent and they said that the money could be utilized. He also said that the first payment on the bond issue would not be until 2010 thus the million dollar Debt Service payment that would have been made in 2009 would be delayed until 2010. He asked the board to review information on some projects that they had been working on including the budget. He said that they would be able to rehabilitating the manholes and replacing valves since no payment would be due until 2010. He said that the only problem would be that the bond package went from \$8 million to \$10 million. He said that it included contingencies and engineering fees. He also reviewed the debt payment and said it would be \$945,000.00 for 20 years. He indicated that the contingencies and engineers pertained only to projects for **WATER PLANT NO. 2** since the rest would be planned in-house. **MR. KEPLINGER** stated, "The District would be paying 20 years at \$945,000.00 which was \$18 million nine hundred thousand dollars for \$9 million dollars worth of projects." He said that it was almost twice as much and did not make much sense to him.

MR. SOTELO said that in order to fulfill the projects they must go through a bond issue since they do not have the cash. **MR. KEPLINGER** suggested that they go from one year to the next and save a little at a time. He said to go ahead with the clarifiers for next year and work our way back to \$1.1 or \$1.2. **MR. SOTELO** mentioned that if they go that route then they would have to do the splitter box and the mechanical and electrical improvements. **MR. SOTELO** reminded the board that the recommendation was made long ago to shut down **WATER PLANT NO. 1** and use the money for improvements to **WATER PLANT NO. 2**. **MR. KEPLINGER** said that it was not making any sense to him. The **CHAIRMAN** said, "I have no problems moving forward and placing all the work in one package and getting it done, when there is no doubt the work needs to be done. If we take steps and not leaps then we will all be 150 years old before this gets done." **MR. KEPLINGER** asked about water re-use and water conservation issues. **MR. SOTELO** stated that part of the project to extend the line north on **SOUTH PADRE ISLAND** included re-use lines and which also was included in the bid. **MR. KEPLINGER** said that he did not think **ANDY BOWIE WASTEWATER PLANT** produces enough and thought it was an overkill. **MR. MARTINEZ** said that the line would be an 8" line but they would use a 12" for sewer. **MR. ROWELL** said that his only fear would be if they do it incrementally it would be considered more with the increased cost. The **CHAIRMAN** stated that they would be getting a lot of work done for less money since contractors were ready to negotiate. **MR. KEPLINGER** asked about the \$1 million issuance fee. **MR. SOTELO** responded that it was a little under a million which was for bond insurance, attorney fees, etc. He also said there was only one insurance company insuring bonds and they were very selective. He mentioned that the last time a bond issue was made they paid about \$100,000.00 and now it looks like four times as much. **MR. ROWELL** asked if they were set fees and **MR. SOTELO** responded no. **MR. KEPLINGER** stated, "I'm just not comfortable spending \$18.9 million to get \$9 million worth of project." **MR. KEPLINGER** asked how the microfiltration would affect the operating expenses and **MR. SOTELO** responded that the electrical was what would increase the most. He also suggested that if the District hire anyone for the microfiltration system it should be experienced engineers who have dealt with microfiltration before. **MR. SOTELO** stated that he could schedule another workshop to explain further on microfiltration so that the board is convinced that it would be beneficial to the general public. **MR. SOTELO** suggested that the board have another workshop and bring in some experts on microfiltration versus a conventional plant. **MR. SOTELO** indicated that **MR. WAYNE HUNTER** of **ESPEY CONSULTANTS** could be hired to perform an analysis of filtration versus conventional. The **CHAIRMAN** asked **MR. SOTELO** to move forward with the plan to analyze filtration by **ESPEY CONSULTANTS**.

The **CHAIRMAN** adjourned the meeting at **5:40 p.m.**

SCOTT D FRIEDMAN, CHAIRMAN

RUDY H. GARCIA, SECRETARY

MINUTES APPROVED THIS _____ DAY OF _____ 2008.