

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 **10th day of December 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
Absent: Jeff Keplinger-Director

LMWD: Gavino Sotelo, General Manager; Arturo Martinez, Director of Operations; Pete Capistran, Finance Director; Carlos J. Galvan, Jr., Asst. Director of Operations; Javier Aguirre, 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
NOVEMBER 12, 2008 AND REGULAR MEETING OF NOVEMBER 12, 2008**

The **CHAIRMAN** stated to consider and approve minutes for Workshop of November 12, 2008 and Regular Meeting of November 12, 2008. A motion was made by **MR. GARCIA** to table minutes until next meeting and the motion was seconded by **MR. TENISON**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#5 **CONSIDER AND APPROVE AN AGREEMENT WITH
ESPEY CONSULTANTS, INC. FOR A MICROFILTRATION REVIEW
FOR WATER PLANT NO. 2**

The **CHAIRMAN** stated to consider and approve an agreement with Espey Consultants, Inc. for a Microfiltration Review for Water Plant No. 2. **MR. SOTELO** stated that the contract for this agreement had been reviewed by the attorney and the fee would be \$8,000.00 with **ESPEY CONSULTANTS, INC.** A motion was made by **MR. GARCIA** to approve agreement and the motion was seconded by **MR. TENISON**. **MOTION CARRIED UNANIMOUSLY.**

ITEM #6 **CONSIDER AND APPROVE REPORT FROM ESPEY CONSULTANTS, INC.
ON THE MICROFILTRATION REVIEW**

The **CHAIRMAN** stated to consider and approve report from Espey Consultants, Inc. on the Microfiltration Review. **MR. WAYNE HUNTER** with **ESPEY CONSULTANTS, INC.** approached the board and said that he would provide a powerpoint presentation. He began with an overview of why the **DISTRICT** should consider microfiltraion and how it works. He compared granular media filtration and microfiltration and their cycles. He indicated that particle removal was independent of feed water content. He mentioned other technology drivers such as: Robust disinfection; automation and ease of operation; expansion in small incremental additions; and site limited space for future expansion. He also showed a map of the rise of membrane filtration plants in Texas and their cumulative numbers. He presented the board with an overview of how microfiltration worked and its transmembrane pressure trends and deconcentrations. He mentioned that lessons were learned from the National Survey from more than 25 Water Treatment Plants compiled in the date base. He also mentioned that rules to live by were to build redundancy into the design; fill toolbox and allow chemically enhanced backwashes and plant for additional chemicals; and membrane integrity will make a project successful or break it. He suggested considering only reputable vendors and mitigate hydraulic surges and vacuum conditions including strainers.

He indicated that the role of membrane filtration at Water Plant #2 and showed them the functions and requirements microfiltration would provide. He also mentioned the current treatment capacities with the current units and with additional capacity. He stated that utilizing existing clarifiers reduces membrane system costs and plans were in place to rehab existing clarifiers. He also said that present operation is critical for the filters to properly operation and for regulatory compliance. He said that clarifier use with microfiltration is optional but preferred to extend membrane life. He explained anticipated budget for microfiltration which included a list of major items and source of funding. He stated that the benefits resulting from microfiltration would be: chemical costs to reduce from 20-40%; sludge disposal costs reduce with generation of less sludge; significant variation in incoming turbidity becomes reliably treated to meet all standard; and compliance for any future requirements for Cryptosporidium disinfection is in place. **MR. TENISON** made a motion to approve report and the motion was seconded by **MR. GARCIA**. **MOTION CARRIED UNANIMOUSLY**.

ITEM#7 CONSIDER AND APPROVE REPORT FROM DUNHAM ENGINEERING ON THEIR INSPECTION OF THE DISTRICT'S WATER STORAGE TANKS

The **CHAIRMAN** stated to consider and approve report from Dunham Engineering on their inspection of the District's Water Storage Tanks. **MR. SOTELO** made the presentation on **DUNHAM ENGINEERING** since they could not be present. He said that they had performed a very thorough inspection of each individual tank. He indicated that each report included estimated costs for each tank and all of them were in pretty poor condition and some need complete rehabilitation. He mentioned that an overall estimated cost for all the tanks would be about \$2.2 million to rehabilitate them. He said that there were plans to replace the tanks which were in the poorest condition. A motion was made by **MR. TENISON** to approve report and the motion was seconded by **MR. GARCIA**. **MOTION CARRIED UNANIMOUSLY**.

ITEM#8 CONSIDER AND APPROVE AN AGREEMENT WITH DUNHAM ENGINEERING FOR THE DESIGN AND CONSTRUCTION INSPECTION OF REPAIRS TO THE DISTRICT'S 4 WATER STORAGE TANKS IN ORDER TO MEET TCEQ REQUIREMENTS

The **CHAIRMAN** stated to consider and approve an Agreement with Dunham Engineering for the design and construction inspection of repairs to the District's 4 Water Storage Tanks in order to meet **TCEQ** requirements. **MR. SOTELO** indicated that **DUNHAM ENGINEERING** identified some immediate items with the tanks that need attention in order to meet **TCEQ** requirements. He said that the cost associated with those repairs were \$90,000.00 to meet **TCEQ** requirements. A motion was made by **MR. TENISON** to approve agreement with **DUNHAM ENGINEERING** for the design, construction, and inspection of repairs to 4 water tanks and the motion was seconded by **MR. GARCIA**. **MOTION CARRIED UNANIMOUSLY**.

ITEM#9 CONSIDER AUTHORIZING THE GENERAL MANAGER TO REQUEST PROPOSAL FROM ENGINEERING FIRMS FOR A STUDY OF THE DISTRICT'S WATER FLOWS AND STRATEGIC LOCATIONS OF ITS STORAGE FACILITIES

The **CHAIRMAN** stated to consider authorizing the General Manager to request proposal from Engineering Firms for a study of the District's water flows and strategic locations of its storage facilities. **MR. SOTELO** suggested that the proposal for this study was a tool that the **DISTRICT** needed to consider. A motion was made by **MR. GARCIA** to approve proposals from engineering firms for study of the District's water flows and strategic locations of its storage facilities and the motion was seconded by **MR. TENISON**. **MOTION CARRIED UNANIMOUSLY**.

ITEM#10 CONSIDER AND APPROVE QUARTERLY INVESTMENT REPORT FOR THE QUARTER ENDING OCTOBER 31, 2008

The **CHAIRMAN** stated to consider and approve Quarterly Investment Report for the Quarter Ending October 31, 2008. **MR. CAPISTRAN** reported that the bank account yield was at 1.01% and the ending value was \$4,393,058.00. He said that the overall interest was \$96,623.00. He indicated that 75% of the funds were now at 25% in bank accounts. He said that currently they had invested from the 2007 Revenue Bond and interest from **TEXPOOL** was at about 1% which will decrease. He also said that from the General Fund they had invested \$2.4 million at 3.65% and 3.50%. He mentioned that they had also invested another \$3.5 million from Debt Service Fund. A motion was made by **MR. GARCIA** to approve Investment Report for October 31, 2008 and the motion was seconded by **MR. TENISON**. **MOTION CARRIED UNANIMOUSLY**.

**ITEM#11 CONSIDER AND APPROVE FINANCIAL STATEMENT FOR
MONTH ENDING NOVEMBER 30, 2008**

The **CHAIRMAN** stated to consider and approve Financial Statement for month ending November 30, 2008. **MR. CAPISTRAN** stated that the General Fund Revenue at the end of November was at \$4 million and expenditures were \$3.4 million and excess revenues over expenses were \$600,000.00. He also mentioned the Debt Service Fund and said total revenues were at \$2.4 million and expenditures \$1 million with a balance of \$1.4 excess revenue over expenses. He mentioned the Capital Projects Fund had revenues of \$91,000.00 and expenditures were at \$800,000.00. A motion was made by **MR. TENISON** to approve Financial Statement for November 30, 2008 *and the motion was seconded by MR. GARCIA. MOTION CARRIED UNANIMOUSLY.*

ITEM#12 CONSIDER AND APPROVE ANNUAL TCDRS PLAN

The **CHAIRMAN** stated to consider and approve Annual **TCDRS** Plan. **MR. CAPISTRAN** introduced **MR. JOHN JOGUE** of the **TEXAS COUNTY & RETIREMENT SYSTEM** and said he would make a small presentation. **MR. JAGUE** indicated that he had reports of costs of living adjustments for all retirees. He mentioned that there were two options available which were the 3% rate and the 30% consumer price index based cost of living adjustment. He also said that it had been 8 or 9 years since the **DISTRICT** has provided cost of living adjustments for retirees. He said that the 3% flat rate would give every retiree a permanent one-time 3% increase unless another increase is approved by the board. He also mentioned the other option which was based on the Consumer Price Index and tied to inflation. He said that they looked at each retiree original annuity and compare it with a 100% Consumer Price Index. He also said that the cost for the 3% flat rate would be .29% added to the employer contribution rate and the 30% Consumer Price Index would be .32% added to the minimum required rate for the District to maintain the plan. He said that which ever they decide to approve as long the higher elected rate, the amount would not change for the District in 2009. He mentioned that 2010 unfortunately would be a different story because of the adverse market conditions. He also said that all plans at **TCDRS** would see an increase in rates for 2010. He also mentioned that the increase for the **DISTRICT** would be .29% added to the required rate for 2009 of 11.35% which would come to 11.64%. He also said that in dollars it would be a percentage of payroll maintained at an elected rate for 2009. A motion was made by **MR. ROWELL** to approve Annual **TCDRS** Plan and the motion was seconded by **MR. GARCIA. MOTION CARRIED UNANIMOUSLY.**

**ITEM#13 CONSIDER AND AWARD BID TO REPLACE CARPET
AT ADMINISTRATION BUILDING**

The **CHAIRMAN** stated to consider and award bid to replace carpet at Administration Building. **MR. CAPISTRAN** recommended to award to bid to the lowest bidder **THE CARPET HOUSE** from **PHARR, TEXAS** for a cost of \$10,662.22 for the first floor and \$4,468.40 for the second floor. A motion was made by **MR. ROWELL** to approve bid to replace carpet at Administration Building and the motion was seconded by **MR. TENISON. MOTION CARRIED UNANIMOUSLY.**

ITEM#14 CONSIDER AND AWARD PROPOSALS FOR AUDIT SERVICES

The **CHAIRMAN** stated to consider and award proposals for Audit Services. **MR. CAPISTRAN** recommended the board award proposal to **PATILLO, BROWN & HILL** for \$18,000.00 per year *versus* **LONG, CHILTON** for \$23,000.00 per year. A motion was made by **MR. TENISON** to award proposal for Audit Services and the motion was seconded by **MR. ROWELL. MOTION CARRIED UNANIMOUSLY.**

**ITEM#15 CONSIDER AND APPROVE PAYMENT OF ADDITIONAL AUDIT FEES
TO LONG CHILTON**

The **CHAIRMAN** stated to consider and approve payment of additional Audit Fees to Long Chilton. He asked for this item to be tabled until further notice. A motion was made by **MR. GARCIA** to table this item and the motion was seconded by **MR. TENISON. MOTION CARRIED UNANIMOUSLY.**

**ITEM#16 CONSIDER CANCELING THE MEETING SCHEDULED
FOR THE 24TH OF DECEMBER**

The **CHAIRMAN** stated to consider canceling the meeting scheduled for the 24th of December. A motion was made by **MR. TENISON** to cancel December 24th meeting and the motion was seconded by **MR. GARCIA. MOTION CARRIED UNANIMOUSLY**

ITEM#17 CONSIDER AND APPROVE AN ORDER ADDING LAND INTO THE LAGUNA MADRE WATER DISTRICT FOR THE PURPOSE OF PROVIDING WATER AND WASTEWATER SERVICES

The **CHAIRMAN** stated to consider and approve an Order Adding Land into the Laguna Madre Water District for the purpose of providing water and wastewater services. **MR. SOTELO** stated that this would be the final step to annex property from north of the Island but there was an addition two tracts to be annexed which were scheduled to go before the board of **SOUTH PADRE ISLAND**. A motion was made by **MR. ROWELL** to approve Order Adding Land and the motion was seconded by **MR. TENISON**. **MOTION CARRIED UNANIMOUSLY**.

ITEM#18 CONSIDER AND APPROVE RESOLUTION NO. 25-12-08 AMENDING RESOLUTION NO. 18-08-08 ACCEPTING A GRANT FROM CAMERON COUNTY FOR IMPROVEMENTS OF WATERLINES IN LAGUNA HEIGHTS

The **CHAIRMAN** stated to consider and approve Resolution No. 25-12-08 Amending Resolution No. 18-08-08 accepting a grant from Cameron County for improvements of waterlines in Laguna Vista. **MR. SOTELO** stated that Cameron County had requested changes in the original resolution and basically what changed was minor. The change was stated in the second paragraph adding Cameron County and specific amount paid for the engineering cost. A motion was made by **MR. GARCIA** to approve and the motion was seconded by **MR. ROWELL**. **MOTION CARRIED UNANIMOUSLY**.

ITEM#19 CONSIDER AND APPROVE AUTHORIZING NRS CONSULTING ENGINEERS TO PROCEED WITH THE PHASE I SCOPE OF SERVICES-PLANNING AND PRELIMINARY ENGINEERING DESIGN AND NECESSARY APPLICATION FOR TEXAS ENVIRONMENTAL INFRASTRUCTURE FINANCING (TEIF) FUND FOR PARTIAL GRANT FUNDING TO CONSTRUCT THE SOUTH PADRE ISLAND SEAWATER DESALINATION PLANT

The **CHAIRMAN** stated to consider and approve authorizing NRS Consulting Engineers to proceed with the Phase I Scope of Services Planning and Preliminary Engineering design and necessary application for **TEXAS ENVIRONMENTAL INFRASTRUCTURE FINANCING (TEIF)**, Fund for partial grant funding to construction of the South Padre Island Seawater Desalination Plant. **MR. NORRIS** addressed the board and said that the **TEIF** which was looking to authorize \$40 million in **TEXAS** through the **WATER RESOURCES DEVELOPMENT ACT** in federal government. He indicated that the requirements fit the - to a tea with a couple of exceptions. He said that the ranking of the criteria show that whether the project was identified in the state water plan and the seawater alternative was in the plan. He also said that another was if the proposed water was new water supply which it is. He said that they preferred construction projects over pre-construction projects. He mentioned that they should be looking at achieving 75% of grant funding for this type of project. He stated that if the board approved to proceed with the Phase I scope of service, planning, and preliminary engineering design and necessary application, it would show a by the General Manager and Board to actively participate in front of state and federal legislators. He indicated that the cost would be \$5000.00 for the grant application. **MR. NORRIS** said that it would take from 6-9 months or longer to receive permitting for the facility. He also said that it would not be an easy task but it could happen with sufficient information. A motion was made by **MR. TENISON** to approve authorizing **NRS CONSULTING ENGINEERS** to proceed with Phase I and the motion was seconded by **MR. ROWELL**. **MOTION CARRIED UNANIMOUSLY**.

ITEM#20 CONSIDER AND APPROVE CHANGE ORDER NO. 1 TO NORTH SOUTH PADRE ISLAND UTILITIES EXTENSION

The **CHAIRMAN** stated to consider and approve Change Order No. 1 to North South Padre Island utilities extension. **MR. NORRIS** stated that this item was for the North South Padre Island Extension and said that they could temporarily eliminate the pump station on the north end. He said that there was very little flow and they were installing a pressure sewer system that would pump to the other pumping station since it was a smaller subdivision. A motion was made by **MR. GARCIA** to approve Change Order No. 1 to North South Padre Island Utilities Extension and the motion was seconded by **MR. ROWELL**. **MOTION CARRIED UNANIMOUSLY**.

ITEM#21 CONSIDER AND APPROVE BID FOR PIPING MATERIAL

The **CHAIRMAN** stated to consider and approve Bid for Piping Material. **MR. MARTINEZ** stated that they had advertised and solicited sealed bids for Piping Material and four bidders responded.

ITEM#25

GENERAL MANAGER'S REPORT

A.) UPDATE ON LAGUNA VISTA LINE REPLACEMENT

B.) ASSISTANCE PROVIDED TO LAGUNA VISTA-DRAINAGE DITCH

C.) FENCING OF RESERVOIR 4

MR. SOTELO updated the board on the *LAGUNA VISTA LINE REPLACEMENT* and said that they had started the project and had met with their alderman to inform them of the project and were very well received. He said that one of the biggest problems in *LAGUNA VISTA* is drainage and some houses have developed lakes in their backyards due to the hurricane. He indicated that *LAGUNA VISTA* had no equipment and asked the *DISTRICT* for help with the drainage problem. He also updated the board on the fence at *RESERVOIR 4* that the property owner had requested. He said that the owner would fence the property, clean around the lake and plant 150 oak trees and would not cost the *DISTRICT* anything.

ITEM#26

ADJOURNMENT

The *CHAIRMAN* adjourned the meeting at **8:06 p.m.**

SCOTT D. FRIEDMAN, CHAIRMAN

RUDY H. GARCIA, SECRETARY

MINUTES APPROVED THIS _____ DAY OF _____ 2009.