

**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 **8<sup>th</sup> day of April 2009** 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- arrived at 6:05 pm  
R. Kevin Tenison-Director  
Jeff Keplinger-Director

LMWD: Gavino Sotelo, General Manager; Pete Capistran, Finance Director; Maribel Hinojosa, Assistant to General Manager.

**ITEM #2** **PLEDGE OF ALLEGIANCE**

The **CHAIRMAN** asked everyone to recite the Pledge of Allegiance.

**ITEM#3** **INVITATION TO 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 OF MARCH 25, 2009**

The **CHAIRMAN** stated to consider and approve minutes for Regular Meeting of March 25, 2009. A motion was made by **MR. ROWELL** to approve minutes and the motion was seconded by **MR. KEPLINGER**. **MOTION CARRIED UNANIMOUSLY.**

**ITEM#5** **CONSIDER AND APPROVE RESOLUTION NO 26-04-09 ADOPTING  
THE DISTRICT'S OPERATING BUDGET FOR FISCAL YEAR 2009-2010**

The **CHAIRMAN** stated to consider and approve Resolution No. 26-04-09 Adopting the District's Operating Budget for Fiscal Year 2009-2010. **MR. SOTELO** stated that the budget proposal for next year was \$7,014,846.00 which was a reduction of \$400,000.00 from the previous budget. He indicated that revenues were down and they were not able to do a lot of projects they hoped to do. He stated that the two major projects were the clarifiers for **WATER PLANT NO. 2** and the **WATER TOWER REPAIRS**. He said that the Emergency Fund originally had \$1 and a half million but spent \$300,000.00 on **HURRICANE DOLLY**. He stated that they could use the \$1.2 million for the clarifiers or the water towers. He indicated that if they use that money for the clarifiers it was not reimbursable by **FEMA** so that would deplete the Emergency Fund in case of another storm. He also said he had looked into a one-year note but the problem was that revenues were as such and we may have difficulty paying the note. He also said that financial advisor suggested that we go ahead use the \$3.8 million in fund balance and that would give us the authority to operate for six months in the event of no income. He said that revenues should increase by the summer and more projects would be able to move forward. He said that there was plenty of time deciding since the clarifier project would take quite some time possibly one to two years. He mentioned that in the meantime he had asked **NRS ENGINEERS** to make a thorough inspection of **WATER PLANT NO. 2** and pay particular attention to the clarifiers. He mentioned that they were not presently in a position to issue any long time debt since revenues were not coming in but still was something to look at. He said that he did not have a cost yet on the clarifiers. He recommended to the board to go ahead and use the money from the Emergency Fund to make repairs to the water towers which would cost about \$1.3 million then get reimbursed by **FEMA**. He said that he would come back to the board on the cost of the clarifiers at a later date but either way he thought they would have to cut into the fund balance. **MR. KEPLINGER** suggested using part of the \$1.8 million from the 2007 Revenue Bonds and something that they could consider. **MR. SOTELO** stated that they had requested to use money from the bonds to use elsewhere months ago and **TCEQ** still has not responded.

**MR. JAKE WHITE** said that he had contacted them and they said they were still reviewing the application and thought there was really nothing they could do to speed up the process. **MR. SOTELO** assured the board that he would make some calls since what **MR. KEPLINGER** suggested could be an option. He stated that they had cut out a water module from the budget also which would have helped with determining outcomes for each project and have a positive impact on the system. He also said that eventually they would have to perform a complete study of the water system. He concluded by saying that the clarifiers and water towers were priority at this time. A motion was made by **MR. TENISON** to approve Resolution No. 26-04-09 and the motion was seconded by **MR. KEPLINGER**. **MOTION CARRIED UNANIMOUSLY.**

**ITEM#6            CONSIDER AND APPROVE SURPLUS ITEM BID 09-03-00**

The **CHAIRMAN** stated to consider and approve Surplus Item Bid 09-03-00. **MR. MARTINEZ** stated that they had advertised and sold to the highest bidder and three responded. He said that **RICARDO BELLA, III** bid on Item #1 and #29 only for \$5.00 each; **MARCEY SHANNON** was the highest and recommended bidder on Items 1, 17, 20, 26, and 29 for \$225.00; and **SOFIA OCHOA** was the only bidder and recommended bidder on Item #38 for \$401.00. A motion was made by **MR. TENISON** to approve highest bidders for Surplus Items and the motion was seconded by **MR. ROWELL**. **MOTION CARRIED UNANIMOUSLY.**

**ITEM#7            CONSIDER AND APPROVE ANNUAL CHEMICAL BID CH09-03-00**

The **CHAIRMAN** stated to consider and approve Annual Chemical Bid CH09-03-00. **MR. MARTINEZ** stated that they had advertised and solicited bid for the annual supply of chemicals to be purchased as needed between May 1, 2009 and April 30, 2010. He stated that **POLYDYNE, INC.** was the lowest and recommended bidder for Item #1 Polymer, 55 gallon drums at \$517.00 per drum; **ACETYLENE OXYGEN COMPANY** was the lowest and recommended bidder for Item #2 Calcium Hypochloride, 100 lb. containers at \$135.50; Items #3 Sulfur Dioxide, gas to cylinder for \$695.00 per ton, Item #4 Chlorine Gas for \$680.00 per ton; **GENERAL CONSTRUCTION** was the lowest and recommended bidder on Item#5 Ammonia Sulfate at 0.099 per lb. and **ALTIVIA CORPORATION** did not meet bid requirements; Item #6 Liquid Alum Sulfate for 0.078 lb.; **AMCHEM INC.** was the lowest and recommended bidder for Item #7 Potassium Permanganate at 2.77 per lb.; and **VALLEY SOLVENTS & CHEMICALS** was the lowest and recommended bidder for Item #8 Caustic Soda for 0.2175 per lb. A motion was made by **MR. GARCIA** to approve Chemical Bid and award to above mentioned bidders and the motion was seconded by **MR. TENISON**. **MOTION CARRIED UNANIMOUSLY.**

**ITEM#8            CONSIDER AND APPROVE INSTRUMENTATION BID IS09-03-00**

The **CHAIRMAN** stated to consider and approve Instrumentation Bid IS09-03-00. **MR. MARTINEZ** stated that they had advertised and solicited bids to four bidders and only one responded. **VALLEY INSTRUMENTS** was the only bidder for maintain and service and calibrate equipment. He said that they recommended awarding the bid to **VALLEY INSTRUMENTS** for \$10,560.00 for one year and \$110.00 per for service on emergency calls. A motion was made by **MR. TENISON** to approve Instrumentation Bid and the motion was seconded by **MR. KEPLINGER**. **MOTION CARRIED UNANIMOUSLY.**

**ITEM#9            CONSIDER AND APPROVE CONSTRUCTION CONTRACT AWARD FOR ROOF REPAIR PROJECT BID RRP09-03-00**

The **CHAIRMAN** stated to consider and approve Construction Contract Award for Roof Repair Project Bid RRP09-03-00. **MR. SOTELO** stated that **MR. WAYNE HUNTER** from **ESPEY CONSULTANTS** handled the bidding and was present tonight. **MR. HUNTER** indicated that they had assisted in the design for three projects one of which was the roofing repairs and were initiated for all building with damage. He said that they had retracted a portion of the roofing required for the **WATER PLANT NO. 2** since those buildings additionally had structural wall repairs which would be covered by **FEMA**. He said that essentially all this work would be insured and was approved by **FEMA** 75%. He indicated that they opened bids for the Roof Repair on April 5, 2009 and it was estimated at \$31,330.00 and received two local bids. He said that both bids had technical flaws but both were adjusted and the lowest bid reduced by \$400.00 following bid tabulation and the higher bid went up \$200.00. He said that the apparent low bidder was the firm of **H2O CONSTRUCTION SERVICES** and they would be using a roofing company. He said that the project had some construction modifications particularly to the Office Building. He also said that they had performed a review of the companies past jobs and they received a very high rating. **MR. HUNTER** recommended to the board that they award this Construction Contract to **H2O CONSTRUCTION SERVICES** in the amount of \$22,563.50.

A motion was made by **MR. TENISON** to approve Construction Contract Award for Roof Repair Project bid to **H20 CONSTRUCTION SERVICES** and the motion was seconded by **MR. ROWELL**. **MOTION CARRIED UNANIMOUSLY**

**ITEM#10**                      **CONSIDER AND APPROVE DISBURSEMENTS**

The **CHAIRMAN** stated to consider and approve Disbursements. A motion was made by **MR. TENISON** to approve Disbursements including Supplemental List and the motion seconded by **MR. GARCIA**. The **CHAIRMAN** abstained on Check #002225. **MOTION CARRIED**.

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

1. **DESALINATION PROJECTS UPDATE**
2. **FUNDING UPDATE**
3. **NORTH ISLAND UTILITY EXTENSION**

**MR. JAKE WHITE** updated the board on the status of the **DESALINATION PILOT** and said that it has continued to run 24 hours a day and plan to perform a clean-in-place procedure on the micro filtration pre-treatment system and the reverse osmosis system. He said that it was not a necessity but since they were proceeding into Stage 2 it was a requirement by **TCEQ**. He said that Stage 2 had a minimum requirement of 30-days of continuous operation which would follow 30 more days into Stage 3. He indicated that he would present the board with some testing data at the next board meeting. He also informed the board on the **FUNDING UPDATE** and said that they had attended a **TWDB** in Austin and the discussed their methodology about moving forward with funding and how it would be allocated. He mentioned the **CLEAN WATER STATE REVOLVING FUND** and the **DRINKING WATER STATE REVOLVING FUND** and for the most part the **DISTRICT** put in application were for the **DRINKING WATER STATE REVOLVING FUND**. He said that there were 690 projects and \$5.1 billion dollars worth of projects had been applied for with only \$169 million worth of funding available. He said that the **TWDB** would break up the funding by a 50% grant and 50% low or no interest loans. He also said that if the **DISTRICT** was selected there was a potential for a 100% project or 100% low or no interest project or combination of the two. He also said that the **TWDB** and the **TCEQ** were in the process of reviewing projects and putting together the intended use plan by next month. The **CHAIRMAN** said that he and **MR. SOTELO** had discussed the issue with several people who are not even from this area and most interested in the project. **MR. MEYERS** updated the board on the **NORTH ISLAND UTILITY EXTENSION** and said that the contractor was moving along at a good pace and now at 80% complete. He said that he expects to complete laying out the entire pipeline in the next 30 days and then would begin preparing for the testing phase. He also said that the contractor was ahead of schedule at this point and funding was still at the \$3.2 million from the developers and a contingency of \$200,000.00 and not allocated to any item. He mentioned that they had asked the contractor about putting the wet-well and receiving manhole for south liftstation at a cost of \$180,000.00. He said that they would be recommending that to be done with the \$200,000.00 worth of funding for this project to move forward. The board agreed that they should move forward with the project as mentioned by **MR. MYERS**. He also said that they had completed all mitigation work on the dunes west side of the road and was pending final review by the county. He also mentioned that they were still working with the water requirements on the **SUBSEA 7 PROJECT** and their engineers and would be presenting a couple of alternatives to meet their needs. **MR. TENISON** stated that he was in contact with a friend from the **UNIVERSITY OF TEXAS** and she was interested in the **DESALINATION PROJECT** and how there could be a possibility of an educational section on the project.

**ITEM#12**                      **ADJOURNMENT**

The **CHAIRMAN** adjourned the meeting at **6:40 p.m.**

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**SCOTT D. FRIEDMAN, CHAIRMAN**

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**RUDY H. GARCIA, SECRETARY**

MINUTES APPROVED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ 2009.

