

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 June 2009** at the hour of **6:00 p.m.**, pursuant to written notice as prescribed by law.

ITEM #1 **QUORUM**

The **SECRETARY** 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: Rudy H. Garcia-Secretary
R. Kevin Tenison-Director
Jeff Keplinger-Director
Absent: Scott D. Friedman-Chairman
Clifford Rowell-Vice Chairman

LMWD: Gavino Sotelo, General Manager; Arturo Martinez, Director of Operations; Pete Capistran, Finance Director; Maribel Hinojosa, Assistant to General Manager; Juan Magallanes, Attorney.

ITEM #2 **PLEDGE OF ALLEGIANCE**

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

ITEM#3 **INVITATION TO AUDIENCE FOR DISCUSSION**

The **SECRETARY** 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 MAY 13, 2009 AND MAY 27, 2009**

The **SECRETARY** stated to consider and approve minutes for Regular Meeting of May 13, 2009 and May 27, 2009. A motion was made by **MR. TENISON** to approve minutes and the motion was seconded by **MR. KEPLINGER**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#5 **CONSIDER AND APPROVE QUARTERLY INVESTMENT REPORT
FOR QUARTER ENDING APRIL 30, 2009**

The **SECRETARY** stated to consider and approve Quarterly Investment Report for Quarter Ending April 30, 2009. **MR. RICHARD LONG** from **ESTRADA, HINOJOSA** presented the board with the report. He indicated that the summary page from a numerical standpoint the portfolio was decreased from \$18 million to about \$14 million. He also said that most of that came from the project fund, bond money, and interest and sinking fund. He stated that the good news was that under yield the bank account and pool yields were below 50 basis points which were terrible but **MR. CAPISTRAN** was able to lock in all the cd's with an average yield of about 2.85% and said that overall the average portfolio was about 2.40%. He also said that the **DISTRICT** was outperforming a majority of peers with about \$100,000.00 worth of interest income for the quarter. He indicated that the stock market was getting a little bit of traction but would not a whole lot. He also mentioned the securities holdings with **IBC** as a regular checking account and some monies still at **COMPASS** and **TEXPOOL** was the main poll and fortunately those amounts were small. He said that unfortunately as soon as the 2 or 3% cd's mature they would be back in at 1 and ½ but it was still worthwhile to take a look at cash flow and roll as much over into cd's. He also mentioned the three funds that spent money last period were the Series 2007 Revenue Bonds, Construction 2007, and the Universal Tax Interest & Sinking which had reductions. He said that he wished he could share the **DISTRICT'S** portfolio with state with at 80% in cd's and a good balanced portfolio. A motion was made by **MR. TENISON** to approve Quarterly Investment Report for Quarter Ending April 30, 2009 and the motion was seconded by **MR. KEPLINGER**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#6 CONSIDER PRESENTATION BY FERRIS & FLINN ON THE CHALLENGE GRANT APPLICATION FOR WASTEWATER RESUSE PROJECT

The **SECRETARY** stated to consider presentation by Ferris & Flinn on the Challenge Grant Application for Wastewater Reuse Project. **MR. DAVID FLINN** from **FERRIS & FLINN** approached the board and said that the project would consist of 3 Wastewater Reuse Systems: 1.) **ANDY BOWIE WWTP** @ \$1.46 million; **LAGUNA VISTA WWTP** @ \$1.45 million; **PORT ISABEL** @ \$2.48 million. He said that each system would produce 336 acre feet or 0.3 million gallons per day of type unrestricted reclaimed water totaling 1,008 acre feet or 0.9 million gallons per day. He mentioned that the benefits for the **DISTRICT** were to conserve raw water resource by creating 1,009 acre feet of reclaimed water; energy savings through the reduction of raw water pumps; provide landscape irrigation water to customers at a lower cost; rehabilitation of 783 manholes currently being completed as budget funds are available. He also said that it would reduce groundwater infiltration into sanitary sewer collection system which would reduce wastewater treatment costs. He provided the board with a current and projected water market table which showed the acre feet for **ANDY BOWIE WWTP** Reuse Water Improvements; **LAGUNA VISTA WWTP** Reuse Improvements; **PORT ISABEL WWTP** Reuse Water Improvements. A motion was made by **MR. TENISON** to approve presentation and the motion was seconded by **MR. KEPLINGER**. **MOTION CARRIED UNANIMOUSLY.**

ITEM# 7 CONSIDER AND APPROVE RESOLUTION NO. 29-06-09 AGREEING TO CERTAIN REQUIREMENTS OF A CHALLENGE GRANT: WATER MARKETING AND EFFICIENCY GRANTS FOR THE AMERICAN RECOVERY REINVESTMENT ACT OF 2009

The **SECRETARY** stated to consider and approve Resolution No. 29-06-09 agreeing to certain requirements of a Challenge Grant: Water Marketing and Efficiency Grants for the American Recovery Reinvestment Act of 2009. **MR. FLINN** mentioned that there was a deadline in July 2009 to apply and award monies and we would have until September 2010 to build. A motion was made by **MR. TENISON** to approve Resolution No. 29-06-09 and the motion was seconded by **MR. KEPLINGER**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#8 CONSIDER AND APPROVE WORK ORDER AUTHORIZING NRS ENGINEERS TO BEGIN DESIGN OF IMPROVEMENTS TO WATER PLANT #2

The **SECRETARY** stated to consider and approve work order authorizing NRS Engineers to begin design of improvements to Water Plant #2. **MR. SOTELO** said this project would be for a contract with **NRS ENGINEERS** to design improvements to Water Plant #2. He said that there would have to be something in place in order for us to qualify for the stimulus funds. A motion was made by **MR. TENISON** to approve. **MR. KEPLINGER** said that he would not second the motion until all board members were present. **MR. TENISON** then made a motion to table this item and the motion was seconded by **MR. KEPLINGER**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#9 CONSIDER AND APPROVE DISBURSEMENTS

The **SECRETARY** stated to consider and approve Disbursements. A motion was made by **MR. KEPLINGER** to approve Disbursements including Supplemental List and the motion seconded by **MR. TENISON**. **MOTION CARRIED UNANIMOUSLY.**

ITEM# 10 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 the pre-treatment system had moved to Stage 3 of the **TCEQ** testing. He also said that testing on the microfiltration system resulted in a complete absence of irreversible fouling. He said that the point of Stage 3 was to evaluate the fouling potential in the membranes even further and they would continue to monitor the progress. He mentioned the **FUNDING UPDATE** and said that the **TEXAS WATER DEVELOPMENT BOARD** continued to come out with additional survey requests specifically related to the **DRINKING WATER STATE REVOLVING FUND**. He indicated that the most recent survey was associated with Green Technology and have responded to the survey. He said that at the **DESALINATION PILOT** the green component would be the Wave Energy and at the **MICROFILTRATION PLANT** the green component would be Energy Efficient Pumps & Motors.

He said that the **TEXAS WATER DEVELOPMENT** through the **EPA** looks at replacing old inefficient pumps and motors with newer models as a green component as long as there was a 20% reduction in energy consumption. He updated the board on the **NORTH ISLAND UTILITY EXTENSION** and said that all 3 lines were in place and the contractor was performing pressure testing of all lines and anticipated completion by the end of this month.

ITEM#11

GENERAL MANAGER'S REPORT

1. **LAGUNA VISTA**
2. **SUBSEA 7**
3. **WATER TANKS**
4. **LIFT STATION 11**

MR. SOTELO reported on a sinkhole on a very deep line on **SOUTH PADRE ISLAND** which was repaired. He provided the board with information on the status of projects which some were made with the 2007 Bond Issue. He said that they hoped to have the water tower on **SOUTH PADRE ISLAND** replaced by 2011 or 2012. He mentioned \$400,000.00 for Reuse and were still in discussion with providing the lines for **LONG ISLAND VILLAGE**. He also said that there were \$757,000.00 in contingency and used most of it to be able to make the difference up for the **ISLAND BLANCA** contract and for the other wastewater treatment facilities. He said that there was \$167,500.00 not utilized and would be able to use this money for future projects. He mentioned \$871,000.00 for Engineering which would all be used. He also said that \$500,000.00 for the Desalination Study and added \$200,000.00 in 2007 to pay for the intake costs and also received \$238,000.00 from a state grant with a total project of \$979,000.00. He said that there was a deficit at the end of the column but to the original bond amount not to the amount of money later put in. He asked the board to recall the \$1.4 million for the water meters and have used \$875,000.00 but most would be reimbursed. He said that they expected to have about \$2.4 million left over of which \$1.825 for the water tower. He said that he had received a cost estimate for the water tower of \$1.6 million. He also mentioned other projects such as total cost of the construction projects and the majority was caused by the hurricane and most of which is reimbursable by **FEMA** of \$1.1 million and also by our insurance company about \$267,000.00. He informed the board that the **DISTRICT** has already been reimbursed some by **FEMA** but more should be reimbursed soon. He also mentioned some of the projects that were not reimbursable such as \$1.5 million for the water plant clarifier if the entire clarifier was replaced. He also said that the **LAGUNA VISTA & LAGUNA HEIGHTS TANKS** were not reimbursable by **FEMA** which would cost \$315,000 and \$118,000.00. He said that **FEMA** determined that the particular damages were not caused by the hurricane. He said that the engineer costs of \$180,000.00 to **DUNHAM ENGINEERS** for all five counts were not reimbursable either. He mentioned the water line extension to service **SUBSEA 7** at a cost of \$128,000.00 plus another \$18,000.00 for engineering fees and hoped to recover all costs but at the time they say they have no funds available. He mentioned the replacing of manholes and said that they still have a lot of manholes that need replacements. He indicated that they had taken care of some minor odor control issues but said that they hoped to do a lot more this year. He stated that that water consumption had increased in the past couple of months especially on **SOUTH PADRE ISLAND** and was partially optimistic about revenues.

ITEM#12 EXECUTIVE SESSION AS PERMITTED BY THE OPEN MEETING ACT, V.T.C.A., GOVERNMENT CODE SECTION 551.001 ET SEQ., UNDER SECTIN 551.071 WHICH AUTHORIZES THE HOLDING OF SUCH CLOSED OR EXECUTIVE SESSION: CONSULTATION WITH ATTORNEY ON PENDING OR CONTEMPLATED LITIGATION: A.) DISCUSS GARCIA FAMILY CONTRACT

The board went into Executive Session at 6:52 p.m.

The board came out of Executive Session at 7:10 p.m.

ITEM#13 CONSIDER AND APPROVE EXECUTIVE SESSION ITEMS, IF NECESSARY

The **SECRETARY** stated that there was no action taken on Executive Session Item. A motion was made by **MR. TENISON** and the motion was seconded by **MR. KEPLINGER**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#14

ADJOURNMENT

The *SECRETARY* adjourned the meeting at *7:11 p.m.*

SCOTT D. FRIEDMAN, CHAIRMAN

RUDY H. GARCIA, SECRETARY

MINUTES APPROVED THIS _____ DAY OF _____ 2009.