

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 **9th day of September 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
 Rudy H. Garcia-Secretary
 R. Kevin Tenison-Director
 Jeff Keplinger-Director

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

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 AUGUST 12, 2009**

The **CHAIRMAN** stated to consider and approve minutes for Regular Meeting of August 12, 2009. A motion was made by **MR. GARCIA** to approve minutes and the motion was seconded by **MR. TENISON**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#5 **CONSIDER AND APPROVE THE APPOINTMENT OF A
REPLACEMENT OF A MEMBER OF THE BOARD OF DIRECTORS**

The **CHAIRMAN** stated to consider and approve the appointment of a replacement of a member of the Board of Directors. A motion was made by **MR. TENISON** to table this item and the motion was seconded by **MR. KEPLINGER**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#6 **CONSIDER AND PPROVE THE LAGUNA MADRE WATER DISTRICT
ANNUAL FINANCIAL REPORT PRESENTED BY THE FIRM OF
PATTILLO, BROWN, AND HILL, LLP**

The **CHAIRMAN** stated to consider and approve the Laguna Madre Water District Annual Financial Report presented by the firm of **PATTILLO, BROWN, AND HILL**. **JUDGE CARLOS CASCOS** with the firm of **PATTILLO, BROWN, AND HILL** presented the report on the annual audit for the **DISTRICT**. He indicated that the board had a copy of the Audit Report including a copy of the Management Letter. He reviewed the audit briefly and said that there were three parts in the Audit Report which included the Management Discussion Analysis which was prepared by **DISTRICT** staff based on the financial information from the prior year and the current year. He stated that the second part were the opinions and said that the **DISTRICT** had earned an unqualified opinion which was the best and highest that any CPA firm can give an entity. He mentioned that the third part was the actual financial statements. He highlighted the importance of adequate reserves or unrestricted fund and said that the **DISTRICT** had a little over \$4.2 million. He commented that it cost the **DISTRICT** about \$20,000.00 per day which was the amount of expenditures on an annual basis at year ending April 30, 2009. He also said that the **DISTRICT** had cash and investments of almost \$3.3 million. He stated that the unrestricted fund balance would cover about 213 days which was a strong fund balance. He also said that the cash at the end of the fiscal year was about \$3.3 million and would cover about 163 days. He mentioned the budget on revenues and expenditures and said the revenues came in close to what was anticipated but the expenditures were higher than budgeted. He asked that in the future they avoid over expenditures by gauge and grade in terms of the budgetary process.

He indicated that there was a \$900,000.00 unfavorable variance in terms of budgets which was a very important number. He mentioned the process of the audit in that they randomly select transactions since it would be impossible to review every single transaction. He said that they had reviewed the recommendations with management and they had responded to each recommendation and comments. He also said that next year they would evaluate the recommendations of the prior year findings. He stated that it was an honor and privilege to work on this engagement and said the *DISTRICT* had some fine employees. *JUDGE CASCOS* thanked the board and staff for their assistance during the engagement. *MR. SOTELO* commented on the deficit and said that a lot was because of *HURRICANE DOLLY* but would be reimbursed some monies by *FEMA* and that would be placed back into the emergency funds. *JUDGE CASCOS* also suggested they obtain the *GFOA* which adds to the bond ratings. A motion was made by *MR. GARCIA* and the motion was seconded by *MR. TENISON*. ***MOTION CARRIED UNANIMOUSLY.***

**ITEM# 7 CONSIDER AND APPROVE FINANCIAL STATEMENT FOR
MONTH ENDING JULY 31, 2009**

The *CHAIRMAN* stated to consider and approve Financial Statement for month ending July 31, 2009. *MR. CAPISTRAN* stated that the total Revenue year to date for the General Fund was \$2.3 million and expenditures were about \$1.5 million and almost \$800,000.00 in excess revenue over expenditures. He also mentioned the Debt Service Fund and said that year to date Revenue was \$123,000.00 and most of that was interest and expenditures was \$400,000.00 for payments on bonds. He stated that the Capital Projects Fund had revenues of \$40,000.00 and most was interest on investments. He also mentioned the 2007 Revenue Bond principle and interest payment of \$1.1 million. A motion was made by *MR. TENISON* to approve Financial Statement for month ending July 31, 2009 and the motion was seconded by *MR. KEPLINGER*. ***MOTION CARRIED UNANIMOUSLY.***

**ITEM#8 CONSIDER AND APPROVE PROPOSED TAX RATE FOR FY2009, TAKE
AN INDIVIDUAL RECORD VOTE, AND SCHEDULE A
PUBLIC HEARING TO SET TAX RATE**

The *CHAIRMAN* stated to consider and approve proposed Tax Rate for FY2009, take an individual record vote, and schedule a Public Hearing to set tax rate. *MR. SOTELO* stated that the proposed tax rate was the same as last year with .08 cents and were proposing to keep the rate the same. He said it would require an individual vote from each board member for notice purposes and need to call a public hearing for next meeting to adopt official tax rate. A motion was made by *MR. KEPLINGER* to approve proposed tax rate for FY2009, take an individual vote, and schedule a public hearing to set tax rate and the motion was seconded by *MR. GARCIA*. *MR. KEPLINGER* stated I, *MR. TENISON* stated I, *MR. FRIEDMAN* state I and *MR. GARCIA* stated I. The *CHAIRMAN* asked for a motion to schedule the Public Hearing for September 23, 2009 at 6:00 pm and. A motion was made by *MR. TENISON* to approve and the motion was seconded by *MR. GARCIA*. ***MOTION CARRIED UNANIMOUSLY.***

**ITEM#9 CONSIDER AND APPROVE RESOLUTION NO. 32-09-09 ADOPTING
THE REVISED WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN
FOR LAGUNA MADRE WATER DISTRICT**

The *CHAIRMAN* stated to consider and approve Resolution No. 32-09-09 adopting the revised Water Conservation and Drought Contingency Plan for Laguna Madre Water District. *MR. SOTELO* indicated that this resolution was discussed at the last workshop to be included with the plan for *TCEQ*. A motion was made by *MR. GARCIA* to approve Resolution No. 32-09-09 adopting the revised Water Conservation and Drought Contingency Plan and the motion was seconded by *MR. TENISON*. ***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*. ***MOTION CARRIED UNANIMOUSLY.***

ITEM# 11

ENGINEER'S REPORT

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

MR. SOTELO stated that there would not be an Engineer's Report this meeting. He mentioned that the **NORTH ISLAND UTILITY EXTENSION PROJECT** was finalized and said that there was approximately \$130,000.00 left in Escrow Account which would be diverted back to the developers. **MR. KEPLINGER** asked about the sale of water to un-annexed areas and **MR. MAGALLANES** indicated that he would research the possibility of selling water to these areas. **MR. SOTELO** stated that they could annex in that area but would not suggest it since customers had already paid a certain amount of money already. **MR. SOTELO** said that they may want to consider changing the fees.

ITEM#12

GENERAL MANAGER'S REPORT

- 1. LAGUNA VISTA WATER LINES**
- 2. WATER TOWER REPAIRS**
- 3. WATER LINE REPLACEMENT AT LAGUNA HEIGHTS**
- 4. SINK HOLE ON SPI**
- 5. WATER REUSE GRANT**

MR. SOTELO reported on the **LAGUNA VISTA WATER LINES** and said that they were about 80% complete on **PALM BLVD.** but took a lot longer than anticipated. He also said that they would continue to **BEACH BLVD.** then continue to **SOUTH PADRE ISLAND.** He also mentioned that they would start work on **WATER TOWER REPAIRS** on September 21, 2009. He indicated that **LAGUNA VISTA** would communicate with the **SOUTH PADRE ISLAND GOLF COURSE** on the logo they want painted on the **LAGUNA VISTA TOWER.** He also mentioned the grant from the county for **WATER LINE REPLACEMENT IN LAGUNA HEIGHTS.** He said that they had installed an 8" line on **PENNSYLVANIA ST.** He also said that they would anticipate starting work on those lines in the beginning of the year. He said that he met with **COMMISSIONER GARZA** and he was concerned with 3 fire hydrants in **LAGUNA HEIGHTS.** He said that no one accepts responsibility for replacement and maintenance of those fire hydrants and asked if the **DISTRICT** would accept the responsibility. He indicated that he told **COMMISSIONER GARZA** that what they could do was install water taps where fire hydrants should go. He informed the board that they may be receiving an official request concerning fire hydrants. He also mentioned the **SINK HOLE ON SPI** and said that they were able to fix but a lot of those sewer lines may not have been inspected so therefore had a lot of problems. He recalled the **WATER REUSE GRANT** application that they had submitted for grant money to do water reuse but were unsuccessful.

ITEM#13

ADJOURNMENT

The **CHAIRMAN** adjourned the meeting at **6:50 p.m.**

JEFF KEPLINGER, DIRECTOR

RUDY H. GARCIA, SECRETARY

MINUTES APPROVED THIS _____ DAY OF _____ 2009.

