

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 **22nd day of August 2009** at the hour of **9:00 a.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
Jeff Keplinger, Director
Rudy H. Garcia, Director
R. Kevin Tenison, Director

L.M.W.D.: Gavino Sotelo, General Manager; Arturo Martinez, Director of Operations; Pete Capistran, Director of Finance; Maribel Hinojosa, Asst to the General Manager.; Bill Norris, NRS Engineers; Mr. Bob Fudge.

ITEM#2 **PLEDGE OF ALLEGIANCE**

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

ITEM#3 **DISCUSS WATER CONSERVATION PLAN**
DISCUSS CAPITAL NEEDS FY 2009-2015, COSTS OF PROJECT AND METHODS OF FINANCING
DISCUSS RATE ADJUSTMENTS

The **CHAIRMAN** stated that for the Workshop to begin. **MS. MARIBEL HINOJOSA** began with the **WATER CONSERVATION PLAN** and said that in 2008 the **TCEQ** sent a notification to all water suppliers that plans needed to be submitted by May 1, 2009. She also said that the **TEXAS ADMINISTRATIVE CODE, CHAPTER 288** required that water systems providing water services to 3,300 or more connections should submit a revised plan and an implementation report. She also said that the objective of this Water Conservation Plan was to promote water conservation; to determine and control unaccounted water usage; to reduce the loss and waste of water; and maintain accurate information of water usage. She mentioned the 5-year target and goals for the **LMWD** and said that for the FY 2009-2010 the goal was to achieve municipal use of 166 gallons per capita per day for the first five years. She also said that the **LMWD** would conduct a water audit that will determine the efficiency of the system and once the audit was conducted, a water loss goal would be established. She said that the 10-year target and goals for the **LMWD** and said that beginning the FY 1019-2020, the goal was to achieve a municipal water use of 153 gallons per day and once the audit was completed the **DISTRICT** would be able to establish a long term goal. She also mentioned the triggering criteria and phases and actions of the plan. She indicated that the purpose of the Drought Contingency Plan was to conserve and protect the available water supply for domestic water use, sanitation, and fire protection, and to minimize the impact of water shortage during emergency conditions. **MS. HINOJOSA** said that she had scheduled training for employees in September. **MR. NORRIS** commented that the **DISTRICT** should look at gallons per capita which the state average was 150 and the **DISTRICT** was at 700 or 800. He said that the **DISTRICT** should quantify the permanent population and tourist population for funding purposes. **MR. SOTELO** said that the water reuse line at the end of the island would be in our favor and also the line to LONG ISLAND. The **CHAIRMAN** stated to continue discussion of the **CAPITAL NEEDS FY 2009-2015, COSTS OF PROJECT AND METHODS OF FINANCING**. **MR. SOTELO** began with the needs to the **RIVER PUMP STATION** with proposed changes beginning in the year 2012 or 2015. He addressed the **RAW WATER LINE AT CUATES PUMP STATION** and said that the original cost was \$10 million including the pump station at RESERVOIR #4 up to **CUATES**. He said that there was a bottleneck at **CUATES** and preliminary numbers were \$20 million for another line or 36" line from **CUATES** to **WATER PLANT NO. 2**. He said that the distance was almost the same from both locations. He said there were two lines with a 24" line from **CUATES** to a 16" line into **WATER PLANT NO. 2** and a 15" line from **CUATES** to 20" line into **WATER PLANT NO. 2**. He indicated that improvements to **CUATES** were about 20 some years ago but the critical area was from **CUATES** back to the river. **MR. KEPLINGER** asked if there were certain areas with leaks and **MR. SOTELO** responded that the problem was not so much leaks but the amount of water pumped through but most leaks were in the **LOS FRESNOS** area. **MR. NORRIS** commented that they should figure a way to increase capacity or find alternative methods and it was either capital expenditure and bring water in or capital expenditure to improve system or reduce and find an alternative. He suggested on the slip between **RESERVOIR #4** and **CUATES** since he did not think all the line was bad and then purchase some right of way and allow for low pressure irrigation system.

MR. SOTELO he asked **ESPEY CONSULTANTS** about repairing only the line from **LOS FRESNOS** to **CUATES** and he would work out some numbers. **MR. NORRIS** indicated said that they could maybe spend half a million slip-lining some of the major streets. **MR. SOTELO** mentioned the clarifier replacements at about a million and a half but had looked at not replacing the whole system. **MR. NORRIS** indicated that repairs would cost just as much as any mechanisms but could look at major structural. **MR. SOTELO** also mentioned the filtration system and said that a lot of chemicals were being used at trying to meet all state requirements. He said that the approximate cost was about \$7 million but it would also give the **DISTRICT** the capability of expanding treatment amount provided by the plant. **MR. NORRIS** commented that micro-filtration would remove everything. He mentioned the advantages of the micro-filtration and said that it gave a lot better faith that it would work and the largest advantage would be that as regulations change, conventional methods would eventually be more difficult. **MR. SOTELO** then mentioned \$642,000.00 for the **WATER STORAGE TANK** and that would be reimbursed 70% from **FEMA**. He also said that **FEMA** would not be reimbursing all the tanks repaired but only the two on **SOUTH PADRE ISLAND** and the one in **PORT ISABEL**, so proposed taking out the \$642,000.00. **MR. KEPLINGER** asked about the couple of million from the 2007 Revenue Bond Issue and **MR. SOTELO** responded that they had used it for the water tower on **NORTH END SOUTH PADRE ISLAND**. He also said that \$400,000.00 was left from the water meters that **TCEQ** approved use for other purposes and they would propose to use half or all of that money for **LIFTSTATION NO. 11**. **MR. SOTELO** stated two revenue bonds that included a Debt Service Fund created with \$2 million not utilized and just left in there. He also that there was \$2 million in the revenue side and had turned everything over to the attorney to identify the balance and whether it was revenue or tax money. He indicated that there was a surety bond to replace the Debt Service Fund for the 1986 Revenue Bond but thought that the money was never taken out. He said that the attorney would check with the **STATE COMPTROLLER** and with the auditors at that time. He stated that they may have to go back and pay the **IRS** for arbitrage. He said that they have yet to hear from the attorney. **MR. SOTELO** mentioned the **DESALINATION PLANT** and said that \$12 million was the last cost or a \$27 million debt to consider. He asked the board to review the report by **ESTRADA HINOJOSA & COMPANY** which had the maximum amount of revenue debt that could be issued. He said that they came back with \$17 million which would still meet the coverage requirements from the ratings and investment agencies. He said that there were still some outstanding GO Debts but quite small. He indicated that the problem with issuing that amount of money was that it took away the capability of performing projects on an annual basis. He said that he would like to be able to retain some money to be able to do line replacements and such. He said that the new rates would bring in approximately \$300,000.00 additionally per year. He stated that the maximum for the **DESALINATION PLANT** on the GO side, the maximum on the .08 without a tax increase was about \$37 million. He said that the first option of \$25 million required that the **DISTRICT** to call upon an election this coming May. He said that otherwise we would have to lower the tax rate as exists. He also said that the problem with a Bond Election was that next year there would be a Board Election. He said that they could go either way. **MR KEPLINGER** stated that he would rather keep the tax rate the same and go with the GO side. The **CHAIRMAN** suggested to never borrow more than 70% of revenue capacity. **MR. SOTELO** suggested paying off the bonds and buying another year then having an election in November 2010. **MR. KEPLINGER** agreed that most of the burden should be on the GO bonds. **MR. SOTELO** suggested to issue revenue bonds for **WATER PLANT NO. 2** and wait for the following year for the GO Bonds for the other projects including the **DESALINATION PLANT**. He informed the board that he had made presentations at **PORT ISABEL, LAGUNA VISTA, and SOUTH PADRE ISLAND** on the new water rates and was received very well from all three communities. **MR. NORRIS** informed the board on the **DESALINATION PILOT PLANT** and said that operation was a minimum was about 90 days and about 4-months for **TCEQ** approval. He also said that they would allow only for a pre-pilot submission and were in the process of placing a pre-qualification together which would be pretty close to the design. He mentioned the three major portions to the project which were the clarifier; micro-filtration. **MR. SOTELO** stated to keep in mind that these projects included only the water side which were the most critical. He mentioned the wastewater side included primarily replacements of lines and improvements to liftstations. He said that they would come back to the Board in September to issue a reimbursement resolution and also to call revenue bond and next year discuss the GO Bond and a better plan. He also mentioned that they hoped for revenue bonds from the rates as opposed to GO bonds. **MR. KEPLINGER** asked how long they had to spend the 2007 money and **MR. SOTELO** responded that they had about five years. He also said that they would be scheduling plans for the water tower on **SOUTH PADRE ISLAND**. **MR. SOTELO** also discussed they were looking into alternate sources of power including not only wave but also wind and solar power. He stated that they would begin maybe with a wind mill at the **RIVER PUMP STATION**. He said he had some concerns with environmental issues. The **CHAIRMAN** and the board agreed on proceeding with the bond issue. **MR. SOTELO** said that they would come back to the board with a final number. The **CHAIRMAN** asked for a motion to adjourn workshop. A motion was made by **MR. GARCIA** and seconded by **MR. KEPLINGER**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#4

ADJOURNMENT

The *CHAIRMAN* adjourned the meeting at *10:29 am*.

JEFF KEPLINGER, DIRECTOR

RUDY H. GARCIA, SECRETARY

MINUTES APPROVED THIS _____ DAY OF _____ 2009.