

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 December 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
Albert Barberena- Director
Absent: 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 WORKSHOP OF
OCTOBER 28, 2009 AND REGULAR MEETING OF NOVEMBER 11, 2009**

The **CHAIRMAN** stated that there was consideration and action on approving minutes of Workshop of October 28, 2009 and Regular Meeting of November 11, 2009. He said that copies of the minutes had been circularized to all the Board Members prior to the meeting to be reviewed. A motion was made by **MR. GARCIA** to approve the minutes and the motion was seconded by **MR. TENISON**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#5 **CONSIDER AND APPROVE ANNUAL TCDRS PLAN**

The **CHAIRMAN** stated to consider and approve Annual **TCDRS** Plan. **MS. KRISTINA ACUNA**, representative from the **TCDRS** approached the board and began with her presentation. She reviewed how the **DISTRICT** paid for its retirement benefits; the **DISTRICT'S** current benefits and determining the cost of plan changes; and the retirement benefits the board may select or alter. She also said that the board established a retirement benefit plan for the **DISTRICT** employees and contributions to **TCDRS** become part of the trust and used to payout employees' annuities. She indicated that the better the benefits promised to employees, the more the **DISTRRICT** must contribute to save for those benefits down the road. She explained the pension funds and said employee and employer dollars were kept in separate accounts until a benefit was paid out. She said that employee contributions would be at 7% plus interest employers initial contribution would be at 12.21% plus earnings for the year 2010. She explained that the employer rates were directly linked to the plan benefits and increasing plan benefit levels would result in a rate increase. She also said that benefit reductions do not apply to benefits employees have already earned. She stated to keep in mind that rate stability comes with stability in benefit levels. She reviewed the retirement eligibility; cost-of-living adjustments for retirees; and survivor annuity death benefits. She also reviewed additional contributions as an annual lump-sum contribution which would help pay down the **DISTRICT'S** annual payment. She said that electing a higher monthly rate would help pay down the annual payment and may insure a stable budget amount. She also said that these contributions would allow to pre-fund benefits and also act as a cushion against future negative plan experience. A motion was made by **MR. TENISON** to approve Annual **TCDRS** Plan with no changes in rates and the motion was seconded by **MR. BARBERENA**. **MOTION CARRIED UNANIMOUSLY.**

**ITEM#6 CONSIDER AND APPROVE FINANCIAL STATEMENT FOR
QUARTER ENDED NOVEMBER 30, 2009**

The **CHAIRMAN** stated to consider and approve Financial Statement for Quarter Ended November 30, 2009. **MR. CAPISTRAN** stated that General Fund year to date actual Revenue was \$4,631,047.00 and expenditures were \$4,302,464.00 with net excess revenue over expenditures of \$328,583.00. He also mentioned that there were \$356,621.00 in encumbrances and at a break even point between expenditures and revenues. He indicated that the Debt Service Fund had a balance of \$1,687,270.00 in revenues and expenditures of \$718,389.00 leaving a surplus of \$968,881.00. He also mentioned the Capital Projects Fund and said that the year to date on Revenues were \$86,293.00 and expenditures of \$1,523,589.00. He also said that the majority of the expenditure was for the 2007 Revenue Bond principle and interest payment. A motion was made by **MR. TENISON** to approve and the motion was seconded by **MR. GARCIA**. **MOTION CARRIED UNANIMOUSLY.**

**ITEM#7 CONSIDER A PRESENTATION BY MR. ANTONIO FERNANDEZ WITH
SOUTH TEXAS CONSULTING FOR THE LAGUNA MADRE WATER DISTRICT TO
PARTICIPATE IN THE LONG ISLAND TAX INCREMENT REINVESTMENT ZONE**

The **CHAIRMAN** stated to consider presentation by **MR. ANTONIO FERNANDEZ** with **SOUTH TEXAS CONSULTING** for the **LAGUNA MADRE WATER DISTRICT** to participate in the **LONG ISLAND TAX INCREMENT REINVESTMENT ZONE**. **MR. SOTELO** mentioned that basically what this proposal would require **TEXAS** entities to forego future tax revenues for any new development. He said that once the development took place then any additional taxes would go to reimburse the developer for all infrastructures. He said that the item was not an action item since he does not have the cost for participation in the Tax Increment Reinvestment Zone. **MR. FERNANDEZ** proceeded with the presentation and said this proposal was petitioned by property owner. He said that the participation could be negotiated since the area was a blank area of about 1,500 lots and by thus investing the **DISTRICT** would have 1,500 meters. He also said that they could invest at 80% then the **DISTRICT** would get back 20% back in ad valorem taxes. He stated that there would be a 10-15 year TIFT with 100% participation. He said that the development would be in done in 6 phases and out of the six years there would be properties sold with homes valued at \$500,000.00 each. He mentioned that they were regulated by the **STATE COMPTROLLER'S OFFICE**. **MR. ANTONIO FERNANDEZ** began his presentation and said that he was with **SOUTH TEXAS CONSULTING** from **MISSION, TX** and performs sustainable developments for the area and renewable energy type and green projects. He said that **LONG ISLAND** would be the first green community developed in South Texas. He also said that want to create a partnership in South Texas and according to the state they were also an enterprise zone. He said that their mission was to create a tax increment reinvestment zone for blighted area or an area with a lot of sand to the area. He said that it was considered a spoiled area. He indicated on a slide that there was nothing out there other than **OUTDOOR RESORT** or **LONG ISLAND**. He said that they would elevate the area about 7 feet and build three sky-rises on about 1,500 lots. He also said that it would be powered by a geo-thermal power plant and the very first in the **STATE OF TEXAS**. He said that it would be able to produce 6 mega-watts of energy and the first green community power by renewable energy thus providing electrical services for developing communities and school districts at .06 cents per kilowatt hour. He said that without the Tax Increment Tax they would not be able to support the green community project. He said it would be a sustainable development for producing electricity and water in the form of laboratory quality and chilled water to run air-conditioning. He also said that it would also be the first hurricane resisting community in the **STATE OF TEXAS**. He urged the board to support this project as it would be good for the entire community including jobs available to start the project. **MR. SOTELO** indicated that this project would not be able to go forward without a **TIFT** since banks were not loaning money for something of this magnitude. He said that the benefit for the **DISTRICT** would be water sales. **MR. FERNANDEZ** mentioned that he would send the board the pros and cons of **TIFT** projects. He also mentioned a failed **TIFT** Project in the valley named **SUPERSPLASH WATERPARK** which went under because of poor management. The **CHAIRMAN** thanked **MR. FERNANDEZ** for his presentation.

**ITEM#8 CONSIDER AND APPROVE AN ORDER ADDING LAND TO
THE DISTRICT'S BOUNDARIES**

The **CHAIRMAN** stated to consider and approve an Order Adding Land to the District's Boundaries. **MR. SOTELO** indicated that this property was for the **POLSKY PROPERTY** which came before the board several months ago on a small track of land. He said that this would allow this property to connect utilities on the north part of the island once all fees are paid.

MR. NOEL VALDEZ from **MCCALL, PARKHURST AND HALL** approached the board and said that they have taken steps to annex this particular property into the **DISTRICT**. He said that the petition was submitted by **MR. POLSKY** and was reviewed to make sure it was accordance to state statue and the **DISTRICT'S ANNEXATION POLICY**. He stated that the board then petitioned the **TOWN OF SOUTH PADRE ISLAND** to consent to the annexation as required and a resolution to that affect. He then said that the last step would be for the board to consider final acceptance of the petitioned land to be annexed into the **DISTRICT**. He said that he would then take the order to be considered and approved then take petition and file with **CAMERON COUNTY CLERK** and **TCEQ** to conclude final annexation. **MR. GARCIA** asked **MR. MAGALLANES** if he had reviewed the petition and he answered he had not reviewed this particular one but was sure it had been reviewed by **MR. VALDEZ**. **MR. SOTELO** mentioned that he hoped the board understood the long process of annexing land. A motion was made by **MR. TENISON** to approve Order Adding Land to the District's Boundaries and the motion was seconded by **MR. GARCIA**. **MOTION CARRIED UNANIMOUSLY**.

ITEM#9 CONSIDER AND APPROVE RESOLUTION NO. 38-12-09 REQUESTING FINANCIAL ASSISTANCE FROM THE TEXAS WATER DEVELOPMENT BOARD FOR THE SOUTHEASTERN CAMERON COUNTY UNSERVED AREAS WATER AND WASTEWATER FACILITIES PLANNING GRANT PROGRAM

The **CHAIRMAN** stated to consider and approve Resolution No. 38-12-09 requesting Financial Assistance from the **TEXAS WATER DEVELOPMENT BOARD** for the **SOUTHEASTERN CAMERON COUNTY** for unserved areas water and wastewater facilities Planning Grant Program. **MR. WAYNE HUNTER** from **ESPEY CONSULTANTS** presented the board with a background of the **TEXAS WATER DEVELOPMENT BOARD** which provides 50% for regional water and wastewater facilities studies. He said that Southeast Cameron County had substantial areas lying in overlapping jurisdictions or only county jurisdictions. He also mentioned that future service options needs to consider jurisdictions, planned facilities of existing service providers, and consensus development for unserved areas. He explained some characteristics of unserved areas in Southeast Cameron County and adjacent to city limits of multiple parties. He also said that likely can be served by multiple entities but not infrastructure to date. He also said that there was periodic developer interest with no consensus on how services would be delivered. He mentioned the objectives for **TWDB** Regional Water and Wastewater Planning Grants were: 1.) Development of a problem statement; 2.) Inventory of existing conditions and forecast of future conditions and needs; 3.) Formation of planning alternatives; 4.) Evaluation and comparison of each planning alternative and 5.) Selection of the best planning alternative and development of implementation plan. He also mentioned the benefits for entities providing services were: 1.) A plant subjected to input by all parties that can be presented or considered for future development; 2.) Reduces potential for duplicative infrastructure; 3.) Identification of improvements that can provide contingent benefits to other parties; 4.) State participation lowers cost by 50% and individual costs are shared; 5.) Improves flexibility for current service providers and provides a basis for securing funding as a regional plan. He indicated that the **TWDB** Grant consideration process consisted of resolutions and supporting letters collected prior to December 17, 2009 and applications received December 17, 2009. He also said that **TWDB** consideration of all applications were give a maximum dollar amount to be funds and an initiation of study, if funded, in late first quarter of 2010. He also detailed the costs of pro-ration for the **TWDB** at 0.5% or \$69,954; North unserved areas for **LAGUNA MADRE WATER DISTRICT** at 0.12 or \$16,789; **EAST RIO HONDO WSC** at 0.02% or \$2,798; **CITY OF LOS FRESNOS** at 0.02% or \$2,798. He also mentioned the South unserved area for **LAGUNA MADRE WATER DISTRICT** at 0.17 or \$23,784 and **PORT OF BROWNSVILLE** at 0.17% or \$23,784. A motion was made by **MR. TENISON** to approve Resolution No. 38-12-09 and the motion was seconded by **MR. GARICA**. **MOTION CARRIED UNANIMOUSLY**.

ITEM#10 CONSIDER AND APPROVE CHANGE ORDER NO. 2 FOR WATER TREATMENT PLANT NO. 2 HURRICANE DAMAGE REPAIR PROJECT

The **CHAIRMAN** stated to consider and approve Change Order No. 2 for Water Treatment Plant No. 2 Hurricane Damage Repair Project. **MR. WAYNE HUNTER** approached the board and said that the **DISTRICT** had awarded 3 construction contracts for various elements of damaged facilities and one entailed a lot of improvements at **WATER PLANT NO. 2**. He said that the contract was awards **H2O CONSTRUCTION** and during the performance one change order had already been approved for a corroded area not discovered earlier and some additional provisions was done on one of the building to improve roofing structure.

He also said that in that construction contract for this particular project we specifically structured a windstorm insurance inspection at the conclusion and made it responsibility of the contractor to bring back that certification on quality of their work. He said that from all 3 construction projects the only time in which windstorm came back was for some roof supports for hatches in one of the buildings be reinforced with some additional structure. He indicated that he had asked the designer for a price and they went off and designed and installed improvements without submitting pre-pricing. He said that on the positive side the hatchets were reinforced as needed with no technical problem and windstorm certified as suitable but on the negative side was that the contractor then came back with a request for change order. He said that they had explained to the contractor that the **DISTRICT** had no obligation to honor the change order in the amount of \$3,104.54. He said that he reviewed and evaluated the value to the **DISTRICT** and admonished the contractor for taking a short cut and prepared a recommendation to the board. He said that the **DISTRICT** had benefited from the improvement but did not think the contractor should gain profit therefore eliminated the profit markup by the contractor and reduced the amount to \$2,882.46. He also added that 75% of the amount would be reimbursable by **FEMA**. A motion was made by **MR. TENISON** to approve Change Order No. 2 and the motion was seconded by **MR. BARBERENA**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#11 CONSIDER AND APPROVE CHANGE ORDER NO. 1 TO
ELEVATED WATER STORAGE TANK NO. 4 REHABILITATION PROJECT

The **CHAIRMAN** stated to consider and approve Change Order no. 2 to Elevated Water Storage Tank No. 4 Rehabilitation Project. **MR. MARTINEZ** stated that **DUNHAM ENGINEERING** proposed Change Order No. 1 to the **LAGUNA VISTA WATER STORAGE TANK**. He said that during the abrasive blasting cleaning of the interior tank approximately 60 holes were discovered by the contractor and verified by inspector. He indicated that the results were Work Item #1 for change order would increase the total contract by \$6,250.00 and also included was Work Item #2 which included a not to exceed total cost of \$2,500.00 for additional work that may come up as they continue sandblasting. A motion was made by **MR. GARCIA** to approve Change Order No. 1 and the motion was seconded by **MR. BARBERENA**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#12 CONSIDER AND APPROVE CHANGE ORDER NO. 2 TO
ELEVATED WATER STORAGE TANK NO. 3 REHABILITATION PROJECT

The **CHAIRMAN** stated to consider and approve Change Order No. 2 to Elevated Water Storage Tank No. 3 Rehabilitation Project. **MR. MARTINEZ** stated that **DUNHAM ENGINEERING** had found only 2 holes in the inside of tank when sandblasting and the contract would increase from \$359,600.00 to \$360,185.00 with an additional not to exceed fee of \$2,500.00 for outside of the tank. A motion was made by **MR. TENISON** to approve Change Order No. 2 and the motion was seconded by **MR. BARBERENA**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#13 CONSIDER AND APPROVE AGREEMENT WITH
DUNHAM ENGINEERING FOR REHABILITATION OF ELEVATED STORAGE
TANKS NO. 2 AT ANDY BOWIE AND NO. 5 AT LAGUNA HEIGHTS

The **CHAIRMAN** stated to consider and approve Agreement with Dunham Engineering for Rehabilitation of Elevated Storage Tanks No. 2 at Andy Bowie. **MR. MARTINEZ** stated that **DUNHAM ENGINEERING** proposed to perform professional services for the design plans and construction inspection services for rehabilitation of **ANDY BOWIE ELEVATED STORAGE TANK NO. 2** for a total fee of \$50,000.00 on Phase I of the design. He also said that it would also include a not to exceed fee of \$12,500.00 for the inspection and construction of the tank. He said that they had reviewed the preliminary plans and they would be going out for bids in January and start construction around February or March. He said that since this would take place during Spring Break the plan would be to add some variable frequency drives to the high water service pumps to allow additional pressure to the island. He also said that **DUNHAM ENGINEERING** had proposed to perform professional services to the design and construction inspection of the **LAGUNA HEIGHTS WATER STORAGE TANK NO. 5** for a fee of \$30,000.00 for the design/construction and \$10,000.00 for inspection fee. **MR. GARICA** asked about the **PORT ISABEL WATER STORAGE TANK #1** and **MR. SOTELO** stated that Tank #1 would be the most expensive to rehabilitate at \$500,000.00 estimate. He also said that they were reviewing the estimate and questioned the location of the tank and whether it was really needed. He said he would be looking into other options to build another water tower. A motion was made by **MR. TENISON** to approve agreement with **DUNHAM ENGINEERING** for rehabilitation of Tank No. 2 and Tank #5 and the motion was seconded by **MR. GARCIA**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#14 CONSIDER AND APPROVE CLARIFIER WALKWAY PLATFORM BID

The **CHAIRMAN** stated to consider and approve Clarifier Walkway Platform Bid. **MR. MARTINEZ** stated that sealed bids had been solicited for the replacement of a wooden platform walkway at **WATER PLANT NO. 1** and two bidders responded. He said that during **TCEQ** Inspection the **DISTRICT** was cited for the replacement of this particular platform. He stated that staff recommended board approval and award contract to **CORROSION PRODUCTS OF TEXAS** for \$29,501.00. He said that the material for the platform would be fiberglass and would last a lot longer than wooden. A motion was made by **MR. TENISON** to approve Clarifier Walkway Platform Bid and the motion was seconded by **MR. BARBERENA**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#15 CONSIDER AND APPROVE AGREEMENT WITH CAMERON COUNTY FOR USE OF PROPERTY FOR A SEAWATER DESALINATION PILOT PLANT

The **CHAIRMAN** stated to consider and approve Agreement with Cameron County for use of property for a Seawater Desalination Pilot Plant. **MR. JAKE WHITE** of **NRS ENGINEERS** stated that this agreement was similar with another agreement entered into with **CAMERON COUNTY** for the original location site of the **DESALINATION PILOT FACILITY** at **ANDY BOWIE PARK**. He said that this agreement was an extension of the previous lease agreement extended until December 9, 2010. He said that this agreement would be to facilitate the piloting of the Sea-Energy/Wave-Energy Production Pilot. **MR. GARCIA** asked if there was any cost and **MR. WHITE** responded no. A motion was made by **MR. GARICA** to approve agreement with **CAMERON COUNTY** for use of property for a Seawater Desalination Pilot Plant and the motion was seconded by **MR. BARBERENA**. **MOTION CARRIED UNANIMOUSLY.**

ITEM#16 CONSIDER AND APPROVE DISBURSEMENTS

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

ITEM# 17 ENGINEER'S REPORT

1. **DESALINATION PROJECTS UPDATE**
2. **IMPROVEMENT AT WATER PLANT NO 2**
3. **MICRO FILTRATION IMPROVEMENTS/PILOT STUDY**

MR. JAKE WHITE of **NRS ENGINEERS** continued discussion on the **SEA-ENERGY WAVE-ENERGY PILOT** and said that the company proposing to operate this particular project was putting together a detailed plan of action. He also said that this plan of action would be presented to the board before approval for this pilot. He said that they would meet to discuss details with the company in late January followed by a presentation to this board. He indicated that he expected the pilot to begin operating sometime before the end of 2010. He said that they would be using the current intake pipeline and screen currently being used now. He also said that they were putting together the final report for the feasibility of **SEAWATER DESALINATION PROJECT**. He said that a draft report was due for the **TWDB** by the end of this month followed by final in February 2010. He continued with **WATER PLANT NO. 2** and **MICRO/FILTRATION IMPROVEMENTS/PILOT PLANT** and said that the pilot system and pilot unit had a scheduled delivery for early January. He also said that they would be tracking the pilot up and running; submission of previously submitted piloting data on similar water quality; and submission of clarifier mechanism improvements to **TCEQ** as well as the physical design of the facility. The **CHAIRMAN** thanked **MR. WHITE** for his report.

ITEM#18 GENERAL MANAGER'S REPORT

1. **RAW WATER LINE CONFLICT ON FM 510 & HWY. 100**
2. **WATER LINE SUPPORT SYSTEM UNDER QUEEN ISABELLA MEMORIAL CAUSEWAY**
3. **DESAL PLANT SCOPING CONFERENCE**
4. **DEVELOPMENT OF PINNELL PROPERTY**

MR. SOTELO reported on they received a request from the **TEXAS DEPT OF TRANSPORTATION** to relocated three lines on **FM 510 & HWY. 100** since they were in conflict with their project to improve the drainage system. He said that he sent them an email that this was a total surprise and the **DISTRICT** did not have the funds for this relocation which would be around \$80-90,000.00.

He expected to hear from them soon. He also reported that the **TEXAS HIGHWAY DEPT** was doing some work on the **QUEEN ISABELLA MEMORIAL CAUSEWAY** and they have asked the **DISTRICT** to inspect the water line under the causeway. He said that the **DISTRICT** would have to replace the rusted out mechanisms that hold the lines under the causeway. He said that they would come back to the board with a cost estimate. He mentioned that they would like the **DISTRICT** to give them the specifications so they can make that part of the contract. He also mentioned the meeting on the **DESAL PLANT SCOPING CONFERENCE** and said that there was a lot of participation including environmentalists. He stated that a lot of concerns were about the intake and impact on fish but all questions were answered. He also said that he and **MS. HINOJOSA** had met with the **BUREAU OF RECLAMATION** to discuss an opportunity for a grant application on the Re-Use Project. He said that they would be glad to help walk us through the process. He also reported on the **PINNELL PROPERTY** and said that he had met with **MR. RANDY WHITTINGTON** and said that they had hired a land use company to give them a plan on their property. He said that their taxes would be increasing regardless of any improvements but definitely wanted to move forward. **MR. SOTELO** stated that the question was if the **DISTRICT** could support all these developments taking place within our jurisdiction. He also reminded the board of the **CHRISTMAS AWARDS BANQUET** this Saturday and appreciated their attendance. He also mentioned the **AWBD MID WINTER CONFERENCE** to be taking place on January 29, 2010 in **DALLAS**.

ITEM#19

ADJOURNMENT

The **CHAIRMAN** adjourned the meeting at **8:05 p.m.**

SCOTT D. FRIEDMAN, CHAIRMAN

RUDY H. GARCIA, SECRETARY

MINUTES APPROVED THIS _____ DAY OF _____ 2010.