

MEMORANDUM

TO: South Texas Water Authority Board of Directors
FROM: Kathleen Lowman, President
DATE: July 23, 2018
SUBJECT: Meeting Notice and Agenda for the South Texas Water Authority

A Regular Meeting of the STWA Board of Directors is scheduled for:

Tuesday, July 31, 2018

5:30 p.m.

South Texas Water Authority

2302 East Sage Road, Kingsville, Texas

The Board will consider and act upon any lawful subject which may come before it, including among others, the following:

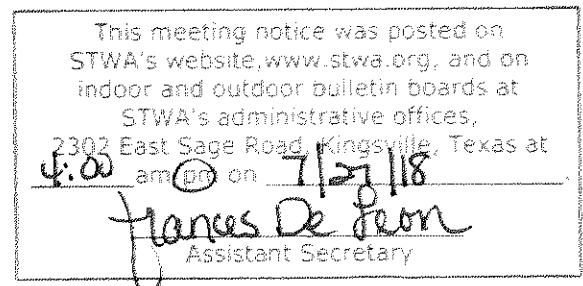
Agenda

1. Call to order.
2. Citizen comments. This is an opportunity for citizens to address the Board of Directors concerning an issue of community interest that is not on the agenda. Comments on the agenda items must be made when the agenda item comes before the Board. The President may place a time limit on all comments. The response of the Board to any comment under this heading is limited to making a statement of specific factual information in response to the inquiry, or, reciting existing policy in response to the inquiry. Any deliberation of the issue is limited to a proposal to place it on the agenda for a later meeting.
3. Approval of Minutes. (Attachment 1)
4. Quarterly Report/Treasurer's Report/Payment of Bills. (Attachment 2)
5. Review of 2018 Certified Appraisal Rolls for the Authority's district in Kleberg and Nueces Counties. (Attachment 3)
6. **Resolution 18-09.** Resolution adopting the appraisal roll for the South Texas Water Authority's district in Kleberg County for tax year 2018. (Attachment 4)
7. **Resolution 18-10.** Resolution adopting the appraisal roll for the South Texas Water Authority's district in Nueces County for tax year 2018. (Attachment 4)
8. Preliminary Fiscal Year 2019 Budget. (Attachment 5)
9. Proposed Fiscal Year 2019/Tax Year 2018 tax rate and authorization to publish notice of public hearing. (Attachment 6)

10. Bids for pickup truck. (Attachment 7)
11. **Resolution 18-11.** Resolution awarding the bid for the purchase of one pickup truck. (Attachment 8)
12. Update on TCEQ Enforcement Action and State Office of Administrative Hearings. (Attachment 9)
13. Update on Driscoll Pump Station LAS Chemical Feed System Addition. (Attachment 10)
14. Water Supply Contract with the City of Bishop. (Attachment 11)
15. Water Supply Contract with City of Driscoll. (Attachment 12)
16. Update on offer for Supplemental Easement on CR 38 in Agua Dulce for the AEP Texas Banquete to Stadium Transmission Line Project in Nueces and Jim Wells Counties pertaining to the Agua Dulce Pump Station. (Attachment 13)
17. Letter of Engagement with John Womack and Company, P.C. for Independent Auditor Services for FY 2018. (Attachment 14)
18. Nomination to the Board of Trustees of the Texas Municipal League Intergovernmental Risk Pool. (Attachment 15)
19. Selection of Personnel Evaluation Committee for evaluation of the Executive Director. (Attachment 16)
20. Review of current South Texas Water Authority policy for employees and supervisors taking work vehicles home and its impact on insurance costs. (Attachment 17)
21. City of Corpus Christi Rate Model and True Up. (Attachment 18)
22. Adjournment.

The Board may go into closed session at any time when permitted by Chapter 551, Government Code. Before going into closed session a quorum of the Board must be assembled in the meeting room, the meeting must be convened as an open meeting pursuant to proper notice, and the presiding officer must announce that a closed session will be held and must identify the sections of Chapter 551, Government Code, authorizing the closed session.

KL/CGS/fdl
Attachments



ATTACHMENT 1

Approval of Minutes

SOUTH TEXAS WATER AUTHORITY
Regular Board of Directors Meeting
June 26, 2018
Minutes

Board Members Present:

Kathleen Lowman
Dr. Albert Ruiz
Rudy Galvan
Lupita Perez
Patsy Rodgers
Charles Schultz
Filiberto Treviño
Steven Vaughn

Board Members Absent:

None

Staff Present:

Carola G. Serrato
Frances De Leon
Jo Ella Wagner
Jacob Hinojosa
Dony Cantu

Guests Present:

Marvin Leary – Linebarger, Goggan,
Blair and Sampson, LLP

1. Call to Order.

Ms. Kathleen Lowman, Board President, called the Regular Meeting of the STWA Board of Directors to order at 5:34 p.m. A quorum was present.

2. Citizen Comments.

Ms. Lowman opened the floor to citizen's comments. No citizen comments were made.

The order of the agenda was changed in order to accommodate the guest.

5. Consideration of offers made to Linebarger, Goggan, Blair & Sampson, LLP for Tax Resale properties in Nueces County.

Mr. Marvin Leary of Linebarger, Goggan, Blair & Sampson, LLP introduced himself to the Board and presented bid analyses and maps on eleven struck off properties for which offers have been received. The offers have already been approved by the other taxing entities. If the offers are approved, STWA will receive at least \$1,778.17 in delinquent taxes from the sale proceeds and restore as much as \$103,251.00 in taxable property value to STWA's active tax rolls.

6. Resolution 18-08. Resolution approving the sale of delinquent tax properties for less than the amount of taxes owed or the most recent value determined by the appraisal district, whichever is less.

A motion was made by Mr. Vaughn and seconded by Mr. Treviño to adopt Resolution 18-08 approving the offers made to Linebarger, Goggan, Blair & Sampson, LLP. All voted in favor with the exception of Mr. Galvan who abstained.

3. Approval of Minutes.

Mr. Galvan made a motion to approve the minutes of the May 22, 2018 Regular Meeting as presented. Dr. Ruiz seconded. The motion passed by unanimous vote.

4. Treasurer's Report/Payment of Bills.

The following reports were presented for the Board's consideration:

Treasurer's Report for period ending May 31, 2018
Revenue Fund Income Statement for period ending May 31, 2018
Tax Fund Income Statement for period ending May 31, 2018
Special Services Income Statement for period ending May 31, 2018
STWA Revenue Fund Balance Sheet – May 31, 2018
STWA Revenue Fund GL Account Summary Report as of May 31, 2018
STWA Debt Service Fund Income Statement for period ending May 31, 2018
STWA Debt Service Fund Balance Sheet May 31, 2018
STWA Debt Service Fund GL Account Summary Report as of May 31, 2018
STWA Capital Projects Fund Income Statement for period ending May 31, 2018
STWA Capital Projects Fund Balance Sheet – May 31, 2018
STWA Capital Projects Fund GL Account Summary Report as of May 31, 2018
STWA 2012 Bond Election Report
Anticipated vs. Actual Water Rate Charged
Maintenance & Technical Report from O&M Supervisor

The following outstanding invoices were presented for Board approval:

• Kleberg County Appraisal District	\$ 5,213.19
• Nueces County Appraisal District	\$ 1,692.00
• City of Corpus Christi	\$ 96,947.79
• Kevin Kieschnick-NC Tax Assessor	\$ 1,779.54

A motion was made by Mr. Schultz to approve the Treasurer's Report and payment of the bills as presented. Ms. Rodgers seconded. The motion carried.

7. Water District Truth in Taxation Notices, Effective Tax Rate Calculation, and Meeting/Hearing Schedule.

Ms. Serrato presented a proposed Truth in Taxation Meeting/Hearing Schedule for the Board's review in order to confirm that a quorum will be available for the necessary meetings and public hearing. She added that in order to avoid the expense of Nueces County sending out separate tax statements for STWA, they must receive STWA's tax information by September 11, 2018. She reviewed the following schedule with the Board:

Date	Event	Action
June 26, 2018	Board Meeting	Agree on calendar & confirm quorums
July 25, 2018	CADs deliver rolls	Staff calculates ETR
July 31, 2018	Board Meeting	Board votes on proposed rate & sets hearing date/time, approves sending proposed budget to wholesale customers
August 1, 2018	Staff prep	Proposed budget is sent to wholesale customers for 30-day written comment period
Aug 2 – Sept 3	30-day comment period	Wholesale customers review & provide written comments on proposed budget
August 26, 2018	Publish newspaper notices	Publication occurs 7 days before hearing
September 4, 2018	Public Hearing followed by Board Meeting	Board approves tax rates and FY 2018 Budget
September 11, 2018	Nueces County Tax Collector Deadline	Failure to submit tax rates could result in STWA paying for separate tax bill mail-out

Mr. Galvan made a motion to approve the schedule as presented. Dr. Ruiz seconded. All voted in favor.

8. Preliminary Fiscal Year 2019 Budget.

Ms. Serrato presented a preliminary Fiscal Year 2019 Budget for the Board's review. The preliminary budget is based on water sales of approximately 527 million gallons, the same Handling Charge and similar tax rates, an overall 2% cost of living adjustment (excluding her salary) and approximately \$222,000 in capital items. She explained that several essential elements are not yet available. She added that the biennial assessment of STWA's management fees charged to NWSC and RWSC will be performed this year to determine whether adjustments to the fees are necessary. The Board reviewed the capital items which include the Kingsville Pump Station rehabilitation, one replacement truck, three computers, an equipment barn, a new trackhoe and a new hydropneumatic tank for the Banquete Pump Station. Ms. Serrato mentioned that staff has discussed options for use of bond funds for the upcoming cathodic protection in-house project including purchase of a second trackhoe with a haul truck and trailer and constructing the equipment barn with bond funds instead of General Funds. Mr. Galvan suggested requesting a quote from a company in Whitsett that constructs buildings. No changes were requested by the Board.

9. Update on TCEQ Enforcement Action and State Office of Administrative Hearings.

Ms. Serrato reported that the TCEQ's residual count number in the Quarterly report was not the same count as reported by O&M Supervisor Jacob Hinojosa in the DLQOR forms. Staff will research the discrepancy and any finding will be reported in the next Quarterly Report to TCEQ due by August 20, 2018. She and Aaron Archer, Walker Partners, agree that reconciliation of the data should be part of that Quarterly Report. TCEQ has reported that STWA has achieved compliance for an additional three months and has requested feedback on the Texas Rural Water Association training held for STWA's field personnel as part of TCEQ's Financial, Managerial and Technical Program. She had nothing further to report.

10. Update on Driscoll Pump Station LAS Chemical Feed System Addition.

Ms. Serrato reported that the system is being monitored very closely and she continues providing information to Ms. Shay Roalson of HDR Engineering. Ms. Serrato has been in contact with Mercer Controls, Inc. about possible issues with overdosing. She added that levels are meeting the requirements but better readings are desired.

11. Water Supply Contract with the City of Bishop.

Ms. Serrato stated that she received a visit from Wesley Rogers representing the City of Bishop and she may have clarified the need for the City's commitment on a term and percentage of purchased volumes. Mr. Rogers indicated he was going to speak with Bishop representatives about the contract. No Board action was taken.

12. Update on offer for Supplemental Easement on CR 38 in Agua Dulce for the AEP Texas Banquete to Stadium Transmission Line Project in Nueces and Jim Wells Counties pertaining to the Agua Dulce Pump Station.

Ms. Serrato stated that she has not received anything in writing from Brent Star of Right of Way Service, Inc., but he has indicated that he is working on the metes and bounds.

13. NewGen Strategies and Solutions Consultant Services Associated with the City of Corpus Christi Annual Rate True Up.

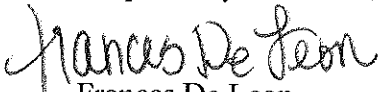
Ms. Serrato presented an agreement for review of the City of Corpus Christi's FY 2019 Rate Model from NewGen Strategies and Solutions, LLC. Charges are to be split between STWA and NCWCID No. 4 with a not to exceed amount of \$3,000. She stated that she prefers to utilize the services of a consultant due to the complicated nature of the model.

Mr. Treviño made a motion to authorize staff to execute the service agreement with NewGen Strategies and Solutions in an amount not to exceed \$3,000 for review of Corpus Christi's Rates and Model. Ms. Rodgers seconded. All voted in favor.

14. Adjournment.

With no further business to discuss, Mr. Vaughn made a motion to adjourn the meeting at 6:29 p.m. Ms. Perez seconded. All voted in favor.

Respectfully submitted,


Frances De Leon
Assistant Secretary

ATTACHMENT 2

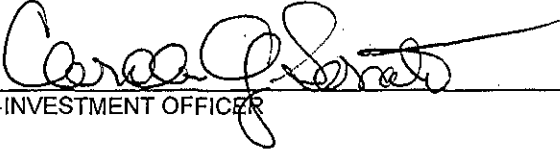
Quarterly Report/Treasurer's Report/Payment of Bills


SOUTH TEXAS WATER AUTHORITY
INVESTMENT REPORT
FOR QUARTER ENDED JUNE 2018

	BEGINNING BOOK VALUE 31-Mar-18	BEGINNING MARKET VALUE 31-Mar-18	TRANSFERS	REVENUES FOR APRIL, MAY, & JUNE	EXPENSES	INTEREST	ENDING BOOK VALUE 30-Jun-18	ENDING MARKET VALUE 30-Jun-18
CASH ACCOUNTS								
GENERAL ACCT - PROSPERITY BANK	58,352.37	58,352.37	79,410.71	581,172.52	551,673.34	263.06	167,525.32	167,525.32
GENERAL ACCT TEXPOOL 1371300002	2,153,783.92	2,153,374.70	(136.60)	51,989.82	0.00	9,447.59	2,215,084.73	2,215,084.73
GENERAL ACCT TEXSTAR 1111-000	1,325,843.97	1,325,700.78	(309,410.71)	0.00	0.00	4,497.03	1,020,930.29	1,020,921.10
PAYROLL ACCT - PROSPERITY BANK	18,353.62	18,353.62	100,000.00	0.00	84,532.98	23.77	33,844.41	33,844.41
OPERATIONS ACCT - PROSPERITY BANK	16,987.30	16,987.30	130,000.00	0.00	97,993.76	36.80	49,030.34	49,030.34
DEBT SERVICE ACCT TEXPOOL 1371300008	313,557.68	313,498.10	136.60	17,044.17	0.00	1,399.53	332,137.98	332,137.98
TOTAL CASH ACCOUNTS	3,886,878.86	3,886,266.87	(0.00)	650,206.51	734,200.08	15,667.78	3,818,553.07	3,818,543.88

	AVG. MAT. 6/30/2018	APRIL RATE	APRIL EARNING	MAY RATE	MAY EARNING	JUNE RATE	JUNE EARNING	TOTALS
GENERAL ACCT - PROSPERITY BANK	immediate	0.4000%	\$106.24	0.4000%	\$90.58	0.4000%	\$66.24	\$263.06
GENERAL ACCT TEXPOOL 1371300002	27 days	1.6704%	\$2,975.54	1.7159%	\$3,186.85	1.8110%	\$3,285.20	\$9,447.59
GENERAL ACCT TEXSTAR 1111-000	26 days	1.6304%	\$1,471.60	1.7258%	\$1,492.04	1.8300%	\$1,533.39	\$4,497.03
PAYROLL ACCT - PROSPERITY BANK	immediate	0.4000%	\$4.84	0.4000%	\$9.17	0.4000%	\$9.76	\$23.77
OPERATIONS ACCT - PROSPERITY BANK	immediate	0.4000%	\$10.86	0.4000%	\$12.91	0.4000%	\$13.03	\$36.80
DEBT SERVICE ACCT TEXPOOL 1371300008	27 days	1.6704%	\$436.49	1.7159%	\$471.71	1.8110%	\$491.33	\$1,399.53
TOTALS			\$5,005.57		\$5,263.26		\$5,398.95	\$15,667.78

THIS REPORT IS IN COMPLIANCE WITH THE STRATEGIES AS APPROVED AND THE PUBLIC FUNDS INVESTMENT ACT.


CO-INVESTMENT OFFICER


CO-INVESTMENT OFFICER

SOUTH TEXAS WATER AUTHORITY
Treasurer's Report
For Period Ending June 30, 2018

STWA Water Sales:

<u>Entity</u>	<u>Water Usage (1,000 g)</u>	<u>Cost of Water from City of Corpus Christi \$2.390820 per 1000 g</u>	<u>Handling Charge @ \$0.426386/1000g</u>	<u>Incremental Increase @ \$0.426386/1000g</u>	<u>Out of District Surcharge and Pass-Thru Credit</u>	<u>Total Due</u>
Kingsville	14,132	\$33,787.07	\$6,025.69	\$0.00	\$0.00	\$39,812.76
Bishop	5,656	\$13,522.48	\$2,411.64	\$2,411.64	\$0.00	\$18,345.76
Agua Dulce	3,130	\$7,484.15	\$1,334.75	\$0.00	\$0.00	\$8,818.90
RWSC	8,670	\$20,728.41	\$3,696.77	\$0.00	\$0.00	\$24,425.18
Driscoll	4,144	\$9,906.36	\$1,766.73	\$1,766.73	-\$68.95	\$13,370.87
NCWCID #5	1,910	\$4,566.80	\$814.46	\$814.46	\$731.47	\$6,927.18
NWSC	16,441	\$39,307.35	\$7,010.19	\$0.00	\$0.00	\$46,317.54
TOTAL	54,083	\$129,302.62	\$23,060.22	\$4,992.83	\$662.52	\$158,018.19

Water Cost and Usage for Period of:

	06/01/18 to 07/01/18
City of Corpus Christi Invoice for Cost of Water Purchased:	\$141,297.49
Gallons of Water Recorded by City of Corpus Christi:	59,098,000
Gallons of Water Recorded by STWA from Customer's Master Meters:	54,082,960
Water Loss Percentage:	8.49%

Annual Usage for FY 2018

	Annual
Gallons of Water Recorded by City of Corpus Christi:	381,898,000
Gallons of Water Recorded by STWA from Customer's Master Meters:	397,728,680
Water Loss Percentage: (year to date)	-4.15%

**REVENUE FUND
INCOME STATEMENT
FOR PERIOD ENDING JUNE 30, 2018**

75.00%

	MONTHLY	YEAR TO DATE	2018 AMENDED BUDGET	% OF 2018 AMENDED BUDGET	2017 YEAR TO DATE	2017 FINAL BUDGET
REVENUES						
Water Service Revenue	129,303	957,534	1,257,962	76%	919,005	1,240,206
Handling Charge Revenue	23,060	172,043	220,170	78%	169,308	228,517
Premium Incremental Increase	4,993	32,544	35,000	0%	0	0
Surcharge - Out of District	552	4,964	6,619	75%	4,334	5,778
Interest Income	3,374	21,832	22,000	99%	8,928	13,500
Other Revenue						
Operating & Maintenance Fees	0	0	0	0%	0	0
Miscellaneous Revenues	290	1,696	5,000	34%	6,644	6,750
TOTAL REVENUES	161,571	1,190,613	1,546,751	77%	1,108,219	1,494,751
EXPENDITURES						
Water Service Expenditures:						
Bulk Water Purchases	141,297	906,187	1,257,962	72%	924,828	1,233,414
Payroll Costs						
Salaries & Wages - Reg. Employees	27,105	227,373	313,366	73%	216,772	285,123
Salaries & Wages - Part-Time	118	1,120	1,607	70%	3,920	5,851
Overtime - NWSC	0	(0)	0	0%	0	0
Stand-by Pay - NWSC	0	0	0	0%	0	0
Overtime - RWSC	0	(0)	0	0%	0	0
Stand-by Pay - RWSC	0	0	0	0%	0	0
Overtime - STWA	1,618	14,095	20,300	69%	12,261	17,910
Stand-by Pay - STWA	100	950	1,300	73%	950	1,300
Employee Retirement Premiums	7,368	39,084	54,023	72%	21,959	36,612
Group Insurance Premium	11,075	114,222	156,292	73%	112,888	147,404
Unemployment Compensation	4	1,157	1,115	104%	132	300
Workers' Compensation	(699)	2,559	6,498	39%	8,646	7,252
Car Allowance	500	4,400	5,900	75%	3,600	4,800
Hospital Insurance Tax	288	2,536	3,825	66%	2,461	3,388
Supplies & Materials						
Repairs & Maintenance	4,253	60,127	80,000	75%	109,574	126,500
Meter Expense	0	12,523	11,500	109%	7,140	7,140
Tank Repairs	0	26,140	20,000	131%	0	7,800
Major Repairs	0	0	25,000	0%	0	25,000
Other Operating Expenditures:						
Professional Fees						
Legal	452	6,599	30,000	22%	19,193	30,000
Auditing	0	9,369	9,370	100%	9,155	9,155
Engineering	592	59,493	70,000	85%	1,922	60,000
Management & Consulting	0	2,778	10,000	28%	9,288	14,550
Inspection	0	2,725	3,725	73%	1,598	1,600
Leak Detection	0	55,440	55,440	100%	0	20,000
Consum Supplies/Materials						
Postage	2,033	5,618	6,500	86%	5,977	8,950
Printing/Office Supplies/Tech Support	1,355	18,500	26,500	70%	13,806	18,650
Janitorial/Site Maintenance	155	3,876	6,000	65%	2,025	4,350
Fuel/Lubricants/Repairs	2,474	20,785	33,000	63%	17,925	24,335
Chemicals/Water Samples	9,861	35,524	58,000	61%	34,305	49,900
Safety Equipment	472	629	1,500	42%	678	1,500
Small Tools	496	1,721	4,500	38%	249	1,000

	MONTHLY	YEAR TO DATE	2018 AMENDED BUDGET	% OF 2018 AMENDED BUDGET	2017 YEAR TO DATE	2017 FINAL BUDGET
Recurring Operating Costs						
Telephone/Communications	2,277	14,119	23,500	60%	13,586	23,700
Utilities	7,976	65,013	115,000	57%	78,162	108,500
D & O Liability Insurance	0	1,306	3,500	37%	1,577	2,100
Property Insurance	10,233	29,462	20,000	147%	33,247	33,247
General Liability	0	2,617	2,750	95%	2,247	2,750
Auto Insurance	0	2,050	2,050	100%	2,050	2,050
Travel/Training/Meetings	1,044	7,341	10,000	73%	4,890	6,300
Rental-Equipment/Uniforms	769	3,062	5,000	61%	2,178	3,500
Dues/Subscriptions/Publication	1,973	9,291	15,000	62%	5,760	9,300
Pass Through Cost	69	495	800	62%	403	780
Educational Materials	0	0	0	0%	0	0
Miscellaneous						
Miscellaneous Expenditures	65	3,631	11,647	31%	6,794	9,000
Total Administrative & Operations Exp.	235,324	1,773,918	2,482,470	71%	1,692,146	2,355,011
Capital Outlay						
Capital Acquisition	0	88,759	89,000	100%	79,269	114,500
Engineering	0	0	0	0%	798	1,000
TOTAL EXPENDITURES (w/o D.S. exp.)	235,324	1,862,677	2,571,470	72%	1,772,213	2,470,511
Excess (Deficiencies) of Revenue Over Expenditures	(73,752)	(672,064)	(1,024,719)	66%	(663,994)	(975,760)
OTHER FINANCE SOURCE (USES)						
Transfer to Other Funds						
Transfer from Tax Account	(44,054)	(1,068,253)	(1,055,703)	101%	(979,973)	(991,729)
Extra Ordinary Income						
Disposition of Assets (Surplus Sale)	0	(4,432)	(4,432)	0%	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(44,054)	(1,072,685)	(1,060,135)	101%	(979,973)	(991,729)
EXCESS (DEFICIENCIES) OF REVENUES OVER OTHER SOURCES (USES)						
	(29,698)	400,621	35,416		315,979	15,969
NET INCOME	(29,698)	400,621	35,416		315,979	15,969

**TAX FUND
INCOME STATEMENT
FOR PERIOD ENDING JUNE 30, 2018**

75.00%

	MONTHLY	YEAR TO DATE	2018 AMENDED BUDGET	% OF 2018 AMENDED BUDGET	2017 YEAR TO DATE	2017 FINAL BUDGET
REVENUES						
Ad-Valorem - Current	9,830	1,074,803	1,070,008	100%	982,264	989,500
Delinquent Tax Revenue	1,365	25,657	27,500	93%	26,467	33,850
Penalty & Interest - Tax Accounts	1,842	18,728	16,000	117%	18,764	22,050
Miscellaneous	0	0	0	0%	0	0
TOTAL TAXES & INTEREST	13,036	1,119,188	1,113,508	101%	1,027,495	1,045,400
EXPENDITURES						
Tax Collector Fees	257	35,683	37,215	96%	34,058	35,371
Appraisal Districts	0	15,252	20,590	74%	13,464	18,300
TOTAL EXPENDITURES	257	50,935	57,805	88%	47,522	53,671
Transfer to General Fund	44,054	1,068,253	1,055,703	101%	979,973	991,729
EXCESS REVENUES & OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES	(31,275)	0	0		0	0

**SPECIAL SERVICES
INCOME STATEMENT
FOR PERIOD ENDING JUNE 30, 2018**

75.00%

	MONTHLY	YEAR TO DATE	2018 AMENDED BUDGET	% OF 2018 AMENDED BUDGET	2017 YEAR TO DATE	2017 FINAL BUDGET
REVENUES						
Ricardo Water Supply Corporation	31,433	194,959	293,020	67%	180,619	271,554
Nueces Water Supply Corporation	22,147	203,845	275,134	74%	203,411	250,665
TOTAL REVENUES	53,580	398,804	568,154	70%	384,030	522,219
EXPENDITURES						
Personnel	22,633	219,556	304,185	72%	215,048	288,626
Overhead	20,999	184,371	263,969	70%	157,712	233,593
TOTAL EXPENDITURES	43,632	403,928	568,154	71%	372,760	522,219
EXCESS REVENUES & OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES						
	9,947	(5,124)	0		11,270	0

South Texas Water Authority
Balance Sheet
June 30, 2018

ASSETS

Current Assets

STWA - General	\$	167,525.32	
STWA - Payroll		33,844.40	
STWA - Operations		49,030.34	
Petty Cash		150.00	
TexPool - STWA General		2,215,084.73	
Due From Capital Projects Fund		35,497.09	
Due from Debt Service Fund		5,818.76	
Due from D.S .-Collect Service		16,827.71	
Tax Accounts Receivable		165,274.52	
Allowance for Uncollect Taxes		(66,653.05)	
Service accts receivable		240,448.90	
Interlocal Rec-Ricardo		15,734.12	
Interlocal Rec-Nueces		7,214.62	
Interlocal Rec. - Tax Assessor		2,851.30	
Inventory		17,836.50	
Total Assets	\$		<u><u>2,906,485.26</u></u>

LIABILITIES AND FUNDS EQUITY

Current Liabilities

Trade Accounts Payable	\$	175,262.76	
Salaries & Wages Payable		15,756.83	
Hospital Ins Tax Payable		0.03	
Emply Retire Prem Payable		5,241.98	
Unemployment Comp. Pbl.		35.54	
Miscellaneous Payables		1,251.06	
Compensated Absences		17,620.65	
Deferred tax revenue		98,621.47	
Due to Debt Service Fund		116.66	
Total Liabilities			313,906.98

Fund Equity

Unassigned Fund Balance		2,179,245.44	
Assigned Fund Bal. - Inventory		17,836.50	
Current Earning		395,496.34	
Total Fund Equity			<u><u>2,592,578.28</u></u>
Total Liabilities & Fund Equity	\$		<u><u>2,906,485.26</u></u>

**South Texas Water Authority
 GI Account Summary Report
 As of: June 30, 2018**

<u>Account Description</u>	<u>Beginning Balance</u>	<u>Debit Change</u>	<u>Credit Change</u>	<u>Net Change</u>	<u>Ending Balance</u>
Current Assets					
STWA - General	158,173.68	\$ 244,259.39	\$ (234,907.75)	\$ 9,351.64	\$ 167,525.32
STWA - Payroll	33,470.50	30,009.76	(29,635.86)	373.90	33,844.40
STWA - Operations	26,120.73	50,013.03	(27,103.42)	22,909.61	49,030.34
Petty Cash	150.00	0.00	0.00	0.00	150.00
Transfers	0.00	80,000.00	(80,000.00)	0.00	0.00
TexPool - STWA General	2,196,710.82	18,373.91	0.00	18,373.91	2,215,084.73
Due From Capital Projects Fund	35,497.09	0.00	0.00	0.00	35,497.09
Due from Debt Service Fund	5,900.45	98.20	(179.89)	(81.69)	5,818.76
Due from D.S. -Collect Service	16,743.73	83.98	0.00	83.98	16,827.71
Tax Accounts Receivable	165,274.52	0.00	0.00	0.00	165,274.52
Allowance for Uncollect Taxes	(66,653.05)	0.00	0.00	0.00	(66,653.05)
Service accts receivable	284,406.22	188,823.05	(232,780.37)	(43,957.32)	240,448.90
Interlocal Rec-Ricardo	3,806.09	15,756.56	(3,828.53)	11,928.03	15,734.12
Interlocal Rec-Nueces	7,299.18	7,214.62	(7,299.18)	(84.56)	7,214.62
Interlocal Rec. - Tax Assessor	4,997.62	2,851.30	(4,997.62)	(2,146.32)	2,851.30
Inventory	17,836.50	0.00	0.00	0.00	17,836.50
Total Assets	2,889,734.08	637,483.80	(620,732.62)	16,751.18	2,906,485.26
Current Liabilities					
Trade Accounts Payable	(115,817.93)	163,218.42	(222,663.25)	(59,444.83)	(175,262.76)
Salaries & Wages Payable	(12,785.86)	12,785.86	(15,756.83)	(2,970.97)	(15,756.83)
Hospital Ins Tax Payable	0.00	1,200.65	(1,200.68)	(0.03)	(0.03)
Withholding Taxes Payable	0.00	3,872.35	(3,872.35)	0.00	0.00
Emply Retire Prem Payable	0.00	5,241.94	(10,483.92)	(5,241.98)	(5,241.98)
Unemployment Comp. Pbl.	(10.18)	0.00	(25.36)	(25.36)	(35.54)
Miscellaneous Payables	(1,156.45)	9,658.26	(9,752.87)	(94.61)	(1,251.06)
Compensated Absences	(17,620.65)	0.00	0.00	0.00	(17,620.65)
Deferred tax revenue	(98,621.47)	0.00	0.00	0.00	(98,621.47)
Due to Debt Service Fund	(116.66)	0.00	0.00	0.00	(116.66)
Total Liabilities	(246,129.20)	195,977.48	(263,755.26)	(67,777.78)	(313,906.98)
Fund Equity					
Unassigned Fund Balance	(2,179,245.44)	0.00	0.00	0.00	(2,179,245.44)
Assigned Fund Bal. - Inventory	(17,836.50)	0.00	0.00	0.00	(17,836.50)
Total Fund Equity	(2,197,081.94)	0.00	0.00	0.00	(2,197,081.94)
Totals	446,522.94	\$ 833,461.28	\$ (884,487.88)	\$ (51,026.60)	\$ 395,496.34

**DEBT SERVICE FUND
INCOME STATEMENT
FOR PERIOD ENDING JUNE 30, 2018**

75.00%

		2018 YEAR TO DATE	2018 AMENDED BUDGET	% OF 2018 AMENDED BUDGET	2017 YEAR TO DATE	2017 FINAL BUDGET
	MONTHLY					
REVENUES						
Ad-Valorem - Current	3,206	350,541	366,174	96%	351,862	354,529
Delinquent Tax Revenue	401	8,086	7,000	116%	7,660	10,400
Penalty & Interest - Tax Accounts	528	5,344	5,500	97%	4,607	5,675
Out-of-District Surcharge	180	1,619	2,159	75%	1,552	2,070
Intererest on Temporary Investments	491	2,549	2,280	112%	1,044	1,450
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>	0%	<u>0</u>	<u>0</u>
TOTAL TAXES & INTEREST	4,806	368,139	383,113	96%	366,725	374,124
OTHER FINANCING SOURCES						
Excess Bond Proceeds	<u>0</u>	<u>0</u>	<u>0</u>	0%	<u>0</u>	<u>0</u>
TOTAL OTHER FINANCE SOURCES	0	0	0		0	374,124
TOTAL REVENUE AND OTHER FINANCE SOURCES	4,806	368,139	383,113	96%	366,725	374,124
EXPENDITURES						
Fiscal Agent Fees	0	100	200	50%	100	200
Bond Interest Expense	0	63,375	126,750	50%	65,525	131,050
Bond Principal Payments	0	0	220,000	0%	0	215,000
Tax Collector Fees	84	11,690	12,189	96%	12,200	12,676
Appraisal District Fees	0	5,137	6,714	77%	4,823	6,555
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>	0%	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	84	80,303	365,853	22%	82,648	365,481
EXCESS REVENUES OVER(UNDER) EXPENDITURES AND OTHER USES	4,722	287,836	17,260		284,077	8,643

**STWA Debt Service Fund
Balance Sheet
June 30, 2018**

ASSETS

Current Assets

Debt Service Acct. - TexPool	\$ 332,137.98
Due from General	116.66
Due from Other Governments	200.83
Taxes Receivable	30,908.75
Allowance for Uncollectibles	(8,581.46)

Total Current Assets	354,782.76
-----------------------------	-------------------

Other Assets

Total Other Assets	0.00
---------------------------	-------------

Total Assets	\$ 354,782.76
---------------------	----------------------

LIABILITIES AND FUNDS EQUITY

Current Liabilities

Deferred Tax Revenue	\$ 21,610.10
Due to General Fund	22,646.48

Total Current Liabilities	44,256.58
----------------------------------	------------------

Long-Term Liabilities

Total Long-Term Liabilities	0.00
------------------------------------	-------------

Total Liabilities	44,256.58
--------------------------	------------------

Funds Equity

Fund Balance	22,690.35
Net Income	287,835.83

Total Funds Equity	310,526.18
---------------------------	-------------------

Total Liabilities & Funds Equity	\$ 354,782.76
---------------------------------------------	----------------------

STWA Debt Service Fund
 Gl Account Summary Report
 As of: June 30, 2018

<u>Account Number</u>	<u>Account Description</u>	<u>Beginning Balance</u>	<u>Debit Change</u>	<u>Credit Change</u>	<u>Net Change</u>	<u>Ending Balance</u>
10400	Debt Service Acct. - TexPool	326,690.20	\$ 5,447.78	\$ 0.00	\$ 5,447.78	\$ 332,137.98
12200	Due from General	116.66	0.00	0.00	0.00	116.66
13100	Due from Other Government	200.83	0.00	0.00	0.00	200.83
13300	Taxes Receivable -	31,632.31	918.02	(1,641.58)	(723.56)	30,908.75
13301	Allowance for Uncollectibles	(8,581.46)	0.00	0.00	0.00	(8,581.46)
21700	Deferred Tax Revenue	(21,610.10)	0.00	0.00	0.00	(21,610.10)
24000	Due to General Fund	(22,644.19)	179.89	(182.18)	(2.29)	(22,646.48)
39100	Fund Balance	(22,690.35)	0.00	0.00	0.00	(22,690.35)
	Totals	<u>283,113.90</u>	<u>\$ 6,545.69</u>	<u>\$ (1,823.76)</u>	<u>\$ 4,721.93</u>	<u>\$ 287,835.83</u>

**CAPITAL PROJECTS FUND
INCOME STATEMENT
FOR PERIOD ENDING JUNE 30, 2018**

75.00%

	MONTHLY	YEAR TO DATE	2018 ADOPTED BUDGET	% OF 2018 ADOPTED BUDGET	2017 YEAR TO DATE	2017 FINAL BUDGET
REVENUES						
Bond Proceeds	0	0	0	0%	0	0
Interest Income	1,533	12,654	12,500	101%	7,795	11,750
TOTAL REVENUE AND OTHER FINANCE SOURCES	1,533	12,654	12,500	101%	7,795	11,750
 EXPENDITURES						
Right of Way Acquisition	0	0	7,264	0%	0	0
Engineering Fees	0	5,400	228,320	2%	84,975	125,000
Construction Costs	0	228,484	643,232	36%	197,288	678,066
Pipeline Condition Assessment	0	0	194,100	0%	5,295	5,295
Legal & Administrative Fees	0	0	181,712	0%	0	0
Cost of Bond Issuance	0	0	0	0%	0	0
Miscellaneous Fees	<u>0</u>	<u>0</u>	<u>0</u>	0%	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	0	233,884	1,254,628	19%	287,558	808,361
 EXCESS REVENUES OVER(UNDER) EXPENDITURES AND OTHER USES						
	1,533	(221,230)	(1,242,128)		(279,763)	(796,611)

**STWA Capital Projects Fund
Balance Sheet
June 30, 2018**

ASSETS

Current Assets

TexSTAR - Construction Fund	\$ 1,020,930.29	
Total Current Assets		1,020,930.29

Property and Equipment

Total Property and Equipment		0.00

Other Assets

Total Other Assets		0.00
Total Assets	\$ 1,020,930.29	

LIABILITIES AND FUNDS EQUITY

Current Liabilities

Due to General Fund	\$ 35,497.09	
Total Current Liabilities		35,497.09

Long-Term Liabilities

Total Long-Term Liabilities		0.00
Total Liabilities		35,497.09

Fund Balance

Fund Balance	1,206,663.20	
Net Income	(221,230.00)	
Total Fund Balance		985,433.20
Total Liabilities & Fund Balance	\$ 1,020,930.29	

STWA Capital Projects Fund
 GI Account Summary Report
 As of: June 30, 2018

<u>Account Number</u>	<u>Account Description</u>	<u>Beginning Balance</u>	<u>Debit Change</u>	<u>Credit Change</u>	<u>Net Change</u>	<u>Ending Balance</u>
11300	TexSTAR - Construction	1,019,396.90	\$ 1,533.39	\$ 0.00	\$ 1,533.39	\$ 1,020,930.29
2400	Due to General Fund	(35,497.09)	0.00	0.00	0.00	(35,497.09)
39100	Fund Balance	(1,206,663.20)	0.00	0.00	0.00	(1,206,663.20)
Totals		<u>(222,763.39)</u>	<u>\$ 1,533.39</u>	<u>\$ 0.00</u>	<u>\$ 1,533.39</u>	<u>\$ (221,230.00)</u>

OUTSTANDING INVOICES FOR BOARD APPROVAL

INV DATE	VENDOR	INV #	DESCRIPTION	STATUS	AMOUNT
6/28/2018	Willatt & Flickinger		June Legal Fees	pending	\$451.50
6/30/2018	Walker Partners	300652-15379	TCEQ Order	pending	\$592.00
7/1/2018	TML Intergovernmental Risk Pool		Properties added to policy	pending	\$10,233.16
7/11/2018	Kevin Kieschnick-NC Tax Assessor		June per parcel fees	pending	\$341.47
7/12/2018	City of Corpus Christi		June water purchases	pending	<u>\$141,297.49</u>
					\$152,915.62

**SOUTH TEXAS WATER AUTHORITY
2012 BOND ELECTION**

Cost of Bond Issuance:	\$107,386.40	
Proposition #1: REGIONAL WATERLINE	\$1,900,000.00	36.54%
Proposition #2: KINGSVILLE PUMP STATION	\$2,925,000.00	56.25%
Proposition #3: BISHOP FACILITY	<u>\$375,000.00</u>	<u>7.21%</u>
TOTAL BOND PROCEEDS:	\$5,307,386.40	100.00%

Cost of Bond Issuance		
Financial Advisory Fee (First Southwest)	\$30,385.00	
Computer Structure Fee (for bidding securities)	\$6,000.00	
Bond Counsel - Leroy Grawunder (MP&H)	\$39,000.00	
Attorney General - State Fees and Review	\$5,110.00	
Standard & Poor's - Rating Agency	\$11,000.00	
Paying Agent - Bank processing bonds/paid semi annually	\$200.00	
Document Preparation/Printing	\$5,000.00	
Miscellaneous	\$1,973.90	
Accrued Interest - use to make first Debt Payment	<u>\$8,717.50</u>	
TOTAL Cost of Bond Issuance	\$107,386.40	

Proposition #1: REGIONAL WATERLINE

36.54%

	Engineer Estimate	Contract Amount	Percent Expended	Amount Expended	Amount Remaining
TOTAL PROPOSITION #1:	\$1,900,000.00				
Construction: Lewis Construction		\$1,035,100.00		\$1,035,100.00	
Change Order #1		\$4,320.85		\$4,320.85	
Change Order #2		\$30,815.17		\$30,815.17	
Change Order #3		-\$5,100.00		-\$5,100.00	
Change Order #4		\$13,954.16		\$13,954.16	
		<u>\$1,079,090.18</u>	100.00%	\$1,079,090.18	
ROW Acquisition:		<u>\$60,541.31</u>	100.00%	\$60,541.31	
		\$1,139,631.49		\$1,139,631.49	\$760,368.51
HDR Pipeline Condition Assessment		\$105,900.00	100.00%	\$105,900.00	
HDR LAS Booster -Driscoll		\$71,100.00	100.00%	\$71,100.00	
LAS Booster - Construction		\$369,000.00			
Change Order #1		\$45,586.84			
Change Order #2		\$1,705.00			
Change Order #3		\$10,650.00			
		<u>\$426,941.84</u>	100.00%	\$426,941.84	
Rock Engineering		\$1,051.00		\$1,051.00	
Rock Engineering		\$2,026.00		\$2,026.00	
				<u>\$430,018.84</u>	
Non-Construction Related Costs:		<u>\$36,076.45</u>	100.00%	\$36,076.45	\$0.00
TOTAL Proposition #1	\$1,900,000.00	\$1,782,726.78		\$1,782,726.78	\$116,222.22

Proposition #2: KINGSVILLE PUMP STATION

56.25%

	Engineer Estimate	Contract Amount	Percent Expended	Amount Expended	Amount Remaining
ROW Acquisition:					
Construction Related Costs:					
Ground Storage Tank - PreLoad	\$1,894,460.00	\$1,248,602.55 *	100.00%	\$1,206,897.95	
Final - Payment #8				<u>\$41,704.60</u>	
				\$1,248,602.55	\$645,857.45
New Pumps - ACP	\$327,378.00	\$295,000.00		\$295,000.00	
Change Order #1		\$12,310.75		\$12,310.75	
Odessa Pumps		<u>\$20,162.00</u>		<u>\$20,162.00</u>	
		\$327,472.75	100.00%	\$327,472.75	-\$94.75
Emergency Generator	\$0.00	\$123,586.38	100.00%	\$123,586.39	-\$123,586.39
Engineering Costs:	\$560,500.00				
Engineering - GST*		\$234,800.00	100.00%	\$234,800.00	
Engineering - GST additional work by HDR		\$48,000.00	100.00%	\$48,000.00	
Engineering - Pump Station		\$91,600.00	100.00%	\$91,600.00	
Rock Engineering, Inc.				\$1,121.00	
LNV - Generator		\$30,000.00	100.00%	<u>\$30,000.00</u>	
				\$405,521.00	\$154,979.00
Non-Construction Related Costs:	<u>\$122,500.00</u>	<u>\$60,404.85</u>		<u>\$60,404.85</u>	<u>\$62,095.15</u>
TOTAL Proposition #2	\$2,904,838.00	\$2,164,466.53		\$2,165,587.54	\$739,250.46

*Reduced by Change Order #1

Proposition #3: BISHOP FACILITY

7.21%

	Engineer Estimate	Contract Amount	Percent Expended	Amount Expended	Amount Remaining
Construction: Mercer	\$277,100.00	\$109,900.00	100.00%	\$117,596.50	\$159,503.50
Change Order: Painting building		\$3,996.00			
Change to WYE		\$3,700.00			
		<u>\$117,596.00</u>			
Construction Related Costs:	\$69,300.00	\$52,200.00	100.00%	\$52,200.00	\$17,100.00
LNV Engineering					
Non-Construction Related Costs:	<u>\$28,600.00</u>	<u>\$13,330.35</u>	100.00%	<u>\$13,330.35</u>	<u>\$15,269.65</u>
TOTAL Proposition #3	\$375,000.00	\$183,126.35		\$183,126.85	\$191,873.15

TOTAL \$1,047,345.83

WILLATT & FLICKINGER, PLLC
ATTORNEYS AT LAW

12912 HILL COUNTRY BLVD., SUITE F-232 • AUSTIN, TEXAS 78738 • (512) 476-6604 • FAX (512) 469-9148

June 28, 2018

Ms. Carola Serrato
Executive Director
South Texas Water Authority
P.O. Box 1701
Kingsville, Texas 78364-1701

FOR PROFESSIONAL SERVICES RENDERED since the date of last billing:

GENERAL

BILL FLICKINGER

- 06/14/18 Complete preparation for and participate in conference call with TCEQ on enforcement order. (0.8 Hours).
- 06/23/18 Review prior draft of Water Supply Contract with City of Driscoll. (0.5 Hours).
- 06/26/18 Receive and review email from Carola Serrato on proposed Board resolution on acceptance of offers on properties related to prior tax sales. Telephone conference with Carola Serrato on same. (0.2 Hours).

Attorney BF: 1.5 Hours

Attorney BF: 1.5 Hours @ \$300.00 per hour \$450.00
Attorney MM: 0 Hours @ \$300.00 per hour
Legal Assistant AN: 0 Hours @ \$95.00 per hour

CLIENT EXPENSES

5 Photocopies @ \$.20 each \$1.00
1 Color Photocopy @ \$.50 each \$0.50

POSTED

Total Client Expenses \$1.50
TOTAL AMOUNT DUE \$451.50

Invoice



engineers * surveyors
823 Washington Avenue, Suite 100
Waco, TX 76701
Phone:(254) 714-1402 / Fax:(254) 714-0402
www.walkerpartners.com
TBPE No. 8053 | TBPLS No. 10032500

RECEIVED

JUL 18 2018

SOUTH TEXAS WATER AUTHORITY

Carola Serrato
South Texas Water Authority
P. O. Box 1701
Kingsville, TX 78364

June 30, 2018
Invoice No: 0300652.00 - 15379

Project Manager: Aaron D. Archer, P.E.

Project 0300652.00 South Texas Water Authority - TCEQ Order

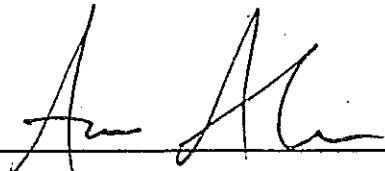
Engineering/Surveying Services through June 26, 2018

Phase 0000 Lump Sum Fee

Billing Phase	Lump Sum Fee	% Comp.	Earned	Prior Amount	Current Amount
30 Preliminary Design	29,600.00	89.00	26,344.00	25,752.00	592.00
Total Fee	29,600.00		26,344.00	25,752.00	592.00
Total					592.00
Sub-total					\$592.00
Total this Invoice					\$592.00

Billings to Date

	Current	Prior	Total	Received	A/R Balance
Lump Sum Fee	592.00	25,752.00	26,344.00		
Totals	592.00	25,752.00	26,344.00	25,752.00	592.00

Authorized By: 
Aaron D. Archer, P.E.

Date: 7/18/18

POSTED



Nueces County Courthouse
901 Leopard, Suite 301
Corpus Christi, TX 78401

Administration
(361) 888-0307
(361) 888-0308

Kevin Kieschnick
Assessor and Collector of Taxes

July 11, 2018

RECEIVED

JUL 16 2018

NUECES WATER SUPPLY CORPORATION

South Texas Water District
C/O Jo Ella Wagner
P.O. Box 1701
Kingsville, TX 78363

**Fees for Collection of Ad Valorem Taxes
for the remaining parcels as of June 2018**

Total collected parcels		246
Collection Fee per Parcel	POSTED	<u>\$1.3881</u>
Total for JUNE		<u>\$341.47</u>

Please Make Checks Payable To:
Nueces County Tax Assessor-Collector

For information contact:

voice
fax

Motor Vehicle

(361) 888-0459
(361) 888-0482

Property Tax

(361) 888-0230
(361) 888-0218

Voter Registration

(361) 888-0404
(361) 888-0339

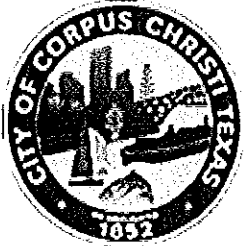
Joella Wagner

From: Darlyn Belle <DarlynB@cctexas.com>
Sent: Thursday, July 12, 2018 7:56 AM
To: Joella Wagner (jwagner@stwa.org)
Subject: RE: STWA June water numbers

Good Morning,
Here are your June charges

Line Item	Description	Service	Billed Cons	Amount
20004093	Raw Water RWCA	RWCA Treated	Water	59100 54608.4
	Raw Water RWSD	RWSD Treated/Untreated	Water	59100 2955
	Water	Water Consumption	Water	59098 82973.59
	Water Minimum	Water Minimum	Water	2 760.5
				141297.49

Thank you,
Darlyn Belle
UBO Billing Department
Customer Service Representative
Phone: (361)826-3321
Email: DarlynB@cctexas.com



141,297.49 ÷
59,100. =
2.390820

POSTED

ANTICIPATED (BUDGETED) vs. ACTUAL WATER RATE CHARGED

	ANTICIPATED (BUDGETED) CHARGES			ACTUAL CHARGES			Difference: Actual vs. Budgeted
	Handling Charge	CC Cost	Total	Handling Charge	CC Cost	Total	
Oct-17	\$0.426386	\$2.4362	\$2.8626	\$0.426386	\$2.312247	\$2.738633	-\$0.1239
Nov-17	\$0.426386	\$2.4380	\$2.8644	\$0.426386	\$2.316174	\$2.742560	-\$0.1218
Dec-17	\$0.426386	\$2.4383	\$2.8647	\$0.426386	\$2.349496	\$2.775882	-\$0.0888
Jan-18	\$0.426386	\$2.4381	\$2.8645	\$0.426386	\$2.397528	\$2.823914	-\$0.0405
Feb-18	\$0.426386	\$2.4398	\$2.8662	\$0.426386	\$2.400483	\$2.826869	-\$0.0393
Mar-18	\$0.426386	\$2.4376	\$2.8640	\$0.426386	\$2.396127	\$2.822513	-\$0.0415
Apr-18	\$0.426386	\$2.4359	\$2.8623	\$0.426386	\$2.394525	\$2.820911	-\$0.0414
May-18	\$0.426386	\$2.4358	\$2.8622	\$0.426386	\$2.396732	\$2.823118	-\$0.0391
Jun-18	\$0.426386	\$2.4350	\$2.8614	\$0.426386	\$2.390820	\$2.817206	-\$0.0442
Jul-18	\$0.426386	\$2.4335	\$2.8599	\$0.426386		\$0.426386	-\$2.4335
Aug-18	\$0.426386	\$2.4330	\$2.8594	\$0.426386		\$0.426386	-\$2.4330
Sep-18	\$0.426386	\$2.4360	\$2.8624	\$0.426386		\$0.426386	-\$2.4360
Avg Cost	\$0.426386	\$2.4364	\$2.8628	\$0.426386	\$2.372681	\$2.799067	-\$0.0638

ANTICIPATED (BUDGETED) vs. ACTUAL WATER USAGE

All Customers				NWSC			
	Budgeted	Actual	Difference		Budgeted	Actual	Difference
Oct-17	43,106,064	49,257,770	6,151,706	Oct-17	11,406,490	13,839,280	2,432,790
Nov-17	39,010,208	41,240,370	2,230,162	Nov-17	10,288,004	12,528,080	2,240,076
Dec-17	38,272,268	37,196,850	-1,075,418	Dec-17	10,329,528	11,526,840	1,197,312
Jan-18	39,270,789	41,006,500	1,735,711	Jan-18	10,835,370	13,263,230	2,427,860
Feb-18	35,570,793	38,505,650	2,934,857	Feb-18	9,334,104	11,186,170	1,852,066
Mar-18	39,754,343	42,148,523	2,394,180	Mar-18	10,296,803	13,521,510	3,224,707
Apr-18	43,693,987	47,151,371	3,457,384	Apr-18	11,536,949	13,717,040	2,180,091
May-18	44,073,875	56,026,230	11,952,355	May-18	12,015,101	16,634,320	4,619,219
Jun-18	46,279,865	54,082,960	7,803,095	Jun-18	12,879,697	16,440,950	3,561,253
Jul-18	50,891,700	0		Jul-18	14,328,969	0	
Aug-18	52,856,325	0		Aug-18	14,308,455	0	
Sep-18	43,581,741	0		Sep-18	12,438,360	0	
TOTAL	516,361,957	406,616,224	37,584,033	TOTAL	139,997,830	122,657,420	23,735,374

Kingsville				RWSC			
	Budgeted	Actual	Difference		Budgeted	Actual	Difference
Oct-17	10,188,919	13,323,000	3,134,081	Oct-17	8,892,000	8,533,000	-359,000
Nov-17	10,188,919	8,716,000	-1,472,919	Nov-17	7,675,200	7,776,000	100,800
Dec-17	10,188,919	6,734,000	-3,454,919	Dec-17	7,091,800	7,006,000	-85,800
Jan-18	10,188,919	7,519,000	-2,669,919	Jan-18	7,211,600	6,986,000	-225,600
Feb-18	10,188,919	8,188,000	-2,000,919	Feb-18	6,276,600	5,462,000	-814,600
Mar-18	10,188,919	9,466,000	-722,919	Mar-18	8,122,200	6,669,000	-1,453,200
Apr-18	10,188,919	11,438,000	1,249,081	Apr-18	9,168,400	7,887,000	-1,281,400
May-18	10,188,919	13,274,000	3,085,081	May-18	9,261,200	10,058,000	796,800
Jun-18	10,188,919	14,132,000	3,943,081	Jun-18	10,412,600	8,670,000	-1,742,600
Jul-18	10,188,919	0		Jul-18	11,164,600	0	
Aug-18	10,188,919	0		Aug-18	11,785,400	0	
Sep-18	10,188,919	0		Sep-18	8,403,600	0	
TOTAL	122,267,026	92,790,000	1,089,731	TOTAL	105,465,200	69,047,000	-5,064,600

Bishop	Budgeted	Actual	Difference
Oct-17	5,417,400	5,521,000	103,600
Nov-17	4,275,800	4,247,000	-28,800
Dec-17	4,314,400	4,005,000	-309,400
Jan-18	4,635,200	4,873,000	237,800
Feb-18	3,702,800	6,598,000	2,895,200
Mar-18	4,623,400	4,135,333	-488,067
Apr-18	5,871,600	5,380,111	-491,489
May-18	5,176,600	6,264,000	1,087,400
Jun-18	4,661,600	5,656,000	994,400
Jul-18	6,609,800	0	
Aug-18	8,080,400	0	
Sep-18	5,338,000	0	
TOTAL	62,707,000	46,679,444	4,000,644

Banquete	Budgeted	Actual	Difference
Oct-17	2,393,856	2,107,860	-285,996
Nov-17	2,168,468	1,979,060	-189,408
Dec-17	2,078,142	2,033,820	-44,322
Jan-18	2,037,054	2,288,560	251,506
Feb-18	1,971,256	1,929,340	-41,916
Mar-18	2,043,050	2,270,690	227,640
Apr-18	2,106,092	2,277,260	171,168
May-18	2,278,536	2,324,680	46,144
Jun-18	2,477,094	1,910,140	-566,954
Jul-18	2,533,790	0	
Aug-18	2,561,114	0	
Sep-18	2,232,010	0	
TOTAL	26,880,462	19,121,410	-432,138

Driscoll	Budgeted	Actual	Difference
Oct-17	2,440,991	3,788,900	1,347,909
Nov-17	2,318,365	3,995,000	1,676,635
Dec-17	2,240,349	3,669,100	1,428,751
Jan-18	2,422,620	3,925,000	1,502,380
Feb-18	2,237,900	3,316,400	1,078,500
Mar-18	2,467,160	3,731,100	1,263,940
Apr-18	2,610,900	4,109,200	1,498,300
May-18	2,832,220	4,611,200	1,778,980
Jun-18	3,105,320	4,143,500	1,038,180
Jul-18	3,369,200	0	
Aug-18	3,091,193	0	
Sep-18	2,683,790	0	
TOTAL	31,820,009	35,289,400	12,613,575

Agua Dulce	Budgeted	Actual	Difference
Oct-17	2,366,408	2,144,730	-221,678
Nov-17	2,095,452	1,999,230	-96,222
Dec-17	2,029,130	2,222,090	192,960
Jan-18	1,940,026	2,151,710	211,684
Feb-18	1,859,214	1,825,740	-33,474
Mar-18	2,012,811	2,354,890	342,079
Apr-18	2,211,127	2,342,760	131,633
May-18	2,321,299	2,860,030	538,731
Jun-18	2,554,636	3,130,370	575,734
Jul-18	2,696,422	0	
Aug-18	2,840,844	0	
Sep-18	2,297,062	0	
TOTAL	27,224,431	21,031,550	1,641,447

Kingsville Actual Usage vs. Bell Chart Volume

	Target Volume	Actual Volume	Difference
Oct-17	12,451,513	13,323,000	871,487
Nov-17	7,362,963	8,716,000	1,353,037
Dec-17	5,893,607	6,734,000	840,393
Jan-18	4,650,000	7,519,000	2,869,000
Feb-18	6,760,471	8,188,000	1,427,529
Mar-18	8,319,028	9,466,000	1,146,972
Apr-18	10,906,161	11,438,000	531,839
May-18	12,497,858	13,274,000	776,142
Jun-18	14,240,055	14,132,000	-108,055
Jul-18	15,711,155	0	
Aug-18	15,911,986	0	
Sep-18	13,866,300	0	
TOTAL	128,571,097	92,790,000	9,708,344

Net Revenue per Thousand (1,000) Gallons

Kingsville	Actual	Net Rev	Per 1000g	NWSC	Actual	Net Rev	Per 1000g
Oct-17	13,323,000	\$4,456.79	\$0.3345	Oct-17	13,839,280	\$3,919.47	\$0.2832
Nov-17	8,716,000	\$2,145.93	\$0.2462	Nov-17	12,528,080	\$3,932.40	\$0.3139
Dec-17	6,734,000	\$1,213.48	\$0.1802	Dec-17	11,526,840	\$3,182.96	\$0.2761
Jan-18	7,519,000	\$2,137.00	\$0.2842	Jan-18	13,263,230	\$3,938.08	\$0.2969
Feb-18	8,188,000	\$2,309.87	\$0.2821	Feb-18	11,186,170	\$2,841.79	\$0.2540
Mar-18	9,466,000	\$2,968.91	\$0.3136	Mar-18	13,521,510	\$3,919.29	\$0.2899
Apr-18	11,438,000	\$3,691.61	\$0.3227	Apr-18	13,717,040	\$4,004.40	\$0.2919
May-18	13,274,000	\$4,354.30	\$0.3280	May-18	16,634,320	\$4,999.22	\$0.3005
Jun-18	0		#DIV/0!	Jun-18	0		#DIV/0!
Jul-18	0		#DIV/0!	Jul-18	0		#DIV/0!
Aug-18	0		#DIV/0!	Aug-18	0		#DIV/0!
Sep-18	0		#DIV/0!	Sep-18	0		#DIV/0!
TOTAL	78,658,000	\$23,277.89	\$0.2959	TOTAL	106,216,470	\$30,737.61	\$0.2894

Bishop	Actual	Net Rev	Per 1000g	RWSC	Actual	Net Rev	Per 1000g
Oct-17	5,521,000	\$1,015.42	\$0.1839	Oct-17	8,533,000	\$538.11	\$0.0631
Nov-17	4,247,000	\$425.49	\$0.1002	Nov-17	7,776,000	\$1,907.85	\$0.2454
Dec-17	4,005,000	\$608.07	\$0.1518	Dec-17	7,006,000	\$1,660.87	\$0.2371
Jan-18	4,873,000	\$1,017.40	\$0.2088	Jan-18	6,986,000	\$1,612.65	\$0.2308
Feb-18	6,598,000	\$594.49	\$0.0901	Feb-18	5,462,000	\$1,038.33	\$0.1901
Mar-18	4,135,333	\$671.87	\$0.1625	Mar-18	6,669,000	\$1,430.82	\$0.2145
Apr-18	5,380,111	\$1,283.20	\$0.2385	Apr-18	7,887,000	\$1,814.00	\$0.2300
May-18	6,264,000	\$1,534.13	\$0.2449	May-18	10,058,000	\$2,515.11	\$0.2501
Jun-18	0		#DIV/0!	Jun-18	0		#DIV/0!
Jul-18	0		#DIV/0!	Jul-18	0		#DIV/0!
Aug-18	0		#DIV/0!	Aug-18	0		#DIV/0!
Sep-18	0		#DIV/0!	Sep-18	0		#DIV/0!
TOTAL	41,023,444	\$7,150.07	\$0.1743	TOTAL	60,377,000	\$12,517.74	\$0.2073

Driscoll	Actual	Net Rev	Per 1000g	Banquete	Actual	Net Rev	Per 1000g
Oct-17	3,788,900	\$847.98	\$0.2238	Oct-17	2,107,860	\$243.69	\$0.1156
Nov-17	3,995,000	\$979.64	\$0.2452	Nov-17	1,979,060	\$386.16	\$0.1951
Dec-17	3,669,100	\$945.70	\$0.2577	Dec-17	2,033,820	\$295.27	\$0.1452
Jan-18	3,925,000	\$1,090.72	\$0.2779	Jan-18	2,288,560	\$473.32	\$0.2068
Feb-18	3,316,400	\$672.03	\$0.2026	Feb-18	1,929,340	\$330.66	\$0.1714
Mar-18	3,731,100	\$925.87	\$0.2481	Mar-18	2,270,690	\$500.04	\$0.2202
Apr-18	4,109,200	\$1,146.87	\$0.2791	Apr-18	2,277,260	\$489.09	\$0.2148
May-18	4,611,200	\$1,276.16	\$0.2768	May-18	2,324,680	\$521.72	\$0.2244
Jun-18	0		#DIV/0!	Jun-18	0		#DIV/0!
Jul-18	0		#DIV/0!	Jul-18	0		#DIV/0!
Aug-18	0		#DIV/0!	Aug-18	0		#DIV/0!
Sep-18	0		#DIV/0!	Sep-18	0		#DIV/0!
TOTAL	31,145,900	\$7,884.97	\$0.2532	TOTAL	17,211,270	\$3,239.95	\$0.1882

Agua Dulce	Actual	Net Rev	Per 1000g
Oct-17	2,144,730	\$475.40	\$0.2217
Nov-17	1,999,230	\$477.13	\$0.2387
Dec-17	2,222,090	\$387.81	\$0.1745
Jan-18	2,151,710	\$512.72	\$0.2383
Feb-18	1,825,740	\$318.93	\$0.1747
Mar-18	2,354,890	\$545.11	\$0.2315
Apr-18	2,342,760	\$577.58	\$0.2465
May-18	2,860,030	\$727.20	\$0.2543
Jun-18	0		#DIV/0!
Jul-18	0		#DIV/0!
Aug-18	0		#DIV/0!
Sep-18	0		#DIV/0!
TOTAL	17,901,180	\$4,021.88	\$0.2247

All Customers	Actual	Net Rev	Per 1000g
Oct-17	49,257,770	\$11,496.86	\$0.2334
Nov-17	41,240,370	\$10,254.60	\$0.2487
Dec-17	37,196,850	\$8,294.16	\$0.2230
Jan-18	41,006,500	\$10,781.89	\$0.2629
Feb-18	38,505,650	\$8,106.10	\$0.2105
Mar-18	42,148,523	\$10,961.91	\$0.2601
Apr-18	47,151,371	\$13,006.75	\$0.2759
May-18	56,026,230	\$15,927.84	\$0.2843
Jun-18	0		#DIV/0!
Jul-18	0		#DIV/0!
Aug-18	0		#DIV/0!
Sep-18	0		#DIV/0!
TOTAL	352,533,264	\$88,830.11	\$0.2520

INTER-OFFICE MEMO

TO: Carola G. Serrato, Executive Director
FROM: Jacob Hinojosa, O&M Supervisor
DATE: July 26, 2018
RE: Maintenance & Technical Report

During the week of June 18, 2018, the following work was completed.

- Safety Meeting for all Field Techs.
- Exercised generators, downloaded GPS reports and performed line locates.
- Checked on getting magnetic signs for trucks.
- Took residuals for the Driscoll booster station project.
- Got rear tires for Unit #6.
- Installed new UPS backup for the SCADA at Steven's Plant.
- Unloaded LAS barrels at office.
- Two field techs attended a basic water works class in Sinton.
- Delivered chlorine to pump stations.
- Checked on installation of creosote pole at Central Pump Station for elimination of Driscoll EST repeater.
- Took Unit #7 to get oil change.
- Installed silicone on fittings for the SCADA antenna at Steven's Plant.
- Replaced ballasts in office lobby and in shop.

During the week of June 25, 2018, the following work was completed.

- Safety Meeting for all Field Techs.
- Exercised generators, downloaded GPS reports and performed line locates.
- Picked up chlorine injector for Driscoll Pump Station and installed.
- Took residuals for the Driscoll booster station project.
- Delivered chlorine to pump stations.
- Took Bac-T water samples.
- Took Unit #3 to get inspected for new registration.
- Employees attended a TCEQ training at the office. (DAM)
- Met with wrecker service to haul Unit #1 back to the office.
- Cleaned and organized cage in shop.

During the week of July 2, 2018, the following work was completed.

- Safety Meeting for all Field Techs.
- Exercised generators, downloaded GPS reports and performed line locates.
- Took residuals for the Driscoll booster station project.
- Mowed pump stations.
- Picked up new loaner truck from Neessen.
- Took lawn mower to get maintenance at Robstown Hardware.
- Took Unit #4 to get starter worked on.
- Checked measurements on diesel containment bins at pump stations.
- Reset hose fitting on LAS pump at Driscoll booster station and primed the pumps.
- Checked inventory on TML property insurance coverage items.
- Replaced battery for the generator at Driscoll Pump Station.

During the week of July 9, 2018, the following work was completed.

- Safety Meeting for all Field Techs.
- Exercised generators, downloaded GPS reports and performed line locates.
- Took residuals for Driscoll booster station project.
- Took Unit #2 to get oil change.
- Worked on CL17 for the Driscoll booster station.
- Met with Dave Fuzier from LNV to check on Driscoll Pump Station. Contractors for the City of Driscoll opened hydrants while tower was empty and the pumps emptied the GST.
- Dropped off bid packets for replacement of damaged 2015 truck.
- Replaced relay and housing for Bishop East MOV.
- Mowed grass at Kingsville Pump Station.
- Took measurements for line going to Bishop West MR for calculated measurements of possible flushing as a result of the City not using water.
- Repaired the entry gate at the office.
- Picked up Unit #5 from Neessen Auto.

During the week of July 16, 2018, the following work was completed.

- Safety Meeting for all Field Techs.
- Exercised generators, downloaded GPS reports and performed line locates.
- Took residuals for the Driscoll booster station project.
- Greased mini track hoe.
- Took Unit #6 to get suspension worked on.
- Two field techs took written CDL exams.
- Picked up mower from Robstown Hardware.
- Took Bac-T water samples.

- Double checked Driscoll booster station calculations.
- Dropped off Unit #5 at Beck & Master GM dealership in Robstown to get worked on.
- Met with Mercer Controls to check error messages for the Driscoll booster station.
- Worked with Mercer Controls at O. N. Stevens replacing antenna and cables for the elimination of Driscoll EST repeater.

ATTACHMENT 3
Certified Appraisal Rolls

Memorandum

To: South Texas Water Authority Board of Directors
From: Carola G. Serrato, Executive Director
Date: July 26, 2018
Re: Certified Nueces and Kleberg County Appraisal District Values.

Background:

According to State law the Certified Appraisal Rolls should be delivered to taxing entities by July 25th or soon thereafter. The adoption of Certified Appraisal Rolls begins the process of producing the Tax Rolls. With the adoption of a tax rate by the Board, the tax rate is levied (multiplied) against the values of the Certified Appraisal Roll to produce a Tax Roll. The Tax Roll is then used to produce tax statements that are mailed out to property owners and thus the tax collection process begins.

Analysis:

Below is a history of the certified rolls delivered by the Nueces CAD and Kleberg CAD.

	Tax Year 2012 Final Certified	Tax Year 2013 Final Certified	Tax Year 2014 Final Certified	Tax Year 2015 Final Certified	Tax Year 2016 Final Certified	Tax Year 2017 Final Certified	Tax Year 2018 Final Certified
Nueces	\$590,486,355	\$584,380,149	\$596,775,616	\$651,824,775	\$654,848,395	\$681,353,234	\$804,058,640
Kleberg	\$931,502,530	\$959,061,345	\$963,231,625	\$1,044,245,601	\$1,045,804,845	\$1,066,869,086	\$1,139,137,395
Total	\$1,521,988,885	\$1,543,441,494	\$1,560,007,241	\$1,696,070,376	\$1,700,653,240	\$1,748,222,320	\$1,943,196,035

As shown, there was approximately a \$200 million increase from last year's certified rolls to this year. Below is a chart with the three main categories, Real Property, Personal Property and Minerals comparing last year's values to this year.

	Tax Year 17	Tax Year 18	\$ Difference	% Change
Real	\$ 1,215,577,359	\$ 1,271,640,511	\$ 56,063,152	4.6%
Personal	\$ 340,552,268	\$ 439,421,655	\$ 98,869,387	29.0%
Mineral	\$ 192,563,537	\$ 232,291,306	\$ 39,727,769	20.6%
Total	\$ 1,748,693,164	\$ 1,943,353,472¹	\$ 194,660,308	11.1%

¹ There is a difference of \$157,437 between the report total and the certified total which staff attributes to parcels under protest.

Staff Recommendation:

Adopt the Certified Appraisal Rolls for Nueces County and Kleberg County.

Board Action:

Determine whether to adopt Resolutions 18-09 and 18-10.

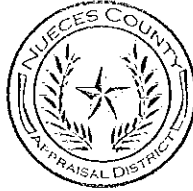
Summarization:

This is a required step in the tax collection process.

RECEIVED

JUL 24 2018

SOUTH TEXAS WATER AUTHORITY



Nueces County Appraisal District
201 N. Chaparral, Ste. 206
Corpus Christi, Texas 78401-2503

Ramiro "Ronnie" Canales
Nueces County Chief Appraiser

Direct: (361) 879-0766
Cell: (361) 765-1190
Fax: (361) 887-6138
rcanales@nuecescad.net


SOUTH TEXAS WATER AUTHORITY

CERTIFICATION OF 2018 APPRAISAL ROLL

Pursuant to Section 26.01(a) and (c) of the Texas Property Tax Code, I, Ramiro "Ronnie" Canales, Nueces Appraiser for the Nueces County Appraisal District, Nueces County, Texas, do hereby CERTIFY the values listed below, as the net taxable value of all taxable property within your jurisdiction. Item A is the total next taxable value of property not under protest. Item B is the estimated net taxable value of property currently under protest. This estimate is the value that would be assigned to the properties under protest if the owner's opinion of value is upheld by the Appraisal Review Board.

- A. Value of all taxable property NOT Under Protest for 2018 \$ 803,166,500
- B. Estimated taxable value of property Under Protest for 2018 \$ 892,140

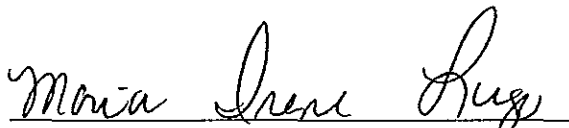
2018 TOTAL NET TAXABLE VALUE FOR YOUR JURISDICTION \$ 804,058,640



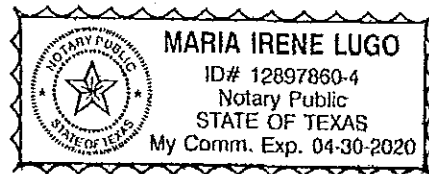
 Ramiro "Ronnie" Canales, RPA, CTA
 Chief Appraiser

07/24/2018
Date

Subscribed and sworn to before me on this 24TH day of July 2018.



 Notary Public



2018 FINAL VALUE INFORMATION
AS OF 7-25-18

TAXING UNIT
SOUTH TEXAS WATER AUTHORITY

GROSS VALUES	2018 FINAL VALUES
REAL:	1,205,594,329
PERSONAL:	97,765,280
MINERAL:	174,960,167
TOTAL GROSS VALUE:	1,478,319,776
TOTAL EXEMPTIONS:	172,368,171
HOMESTEAD CAP ADJ:	2,279,065
LOSS TO AGRICULTURAL: VALUATION	164,535,145
NET TAXABLE VALUE:	1,139,137,395

ATTACHMENT 4

Resolution 18-09 & Resolution 18-10

SOUTH TEXAS WATER AUTHORITY

Resolution 18-09

RESOLUTION ADOPTING THE APPRAISAL ROLL FOR THE SOUTH TEXAS
WATER AUTHORITY'S DISTRICT IN KLEBERG COUNTY FOR TAX YEAR 2018.

WHEREAS, the South Texas Water Authority is a taxing jurisdiction within Kleberg and Nueces Counties, and

WHEREAS, the South Texas Water Authority has the power to collect ad valorem taxes for maintenance and operation and debt service, and

WHEREAS, the appraisal roll of the South Texas Water Authority has been compiled by the Kleberg County Appraisal District for the purpose of levying an established tax rate on said valuation.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the South Texas Water Authority adopts the 2018 appraisal roll compiled by the Kleberg County Appraisal District on behalf of the Authority.

Duly adopted this 31st day of July, 2018.

KATHLEEN LOWMAN, PRESIDENT

ATTEST:

RUDY GALVAN, SECRETARY/TREASURER

SOUTH TEXAS WATER AUTHORITY

Resolution 18-10

RESOLUTION ADOPTING THE APPRAISAL ROLL FOR THE SOUTH TEXAS
WATER AUTHORITY'S DISTRICT IN NUECES COUNTY FOR TAX YEAR 2018.

WHEREAS, the South Texas Water Authority is a taxing jurisdiction within Kleberg and Nueces Counties, and

WHEREAS, the South Texas Water Authority has the power to collect ad valorem taxes for maintenance and operation and debt service, and

WHEREAS, the appraisal roll of the South Texas Water Authority has been compiled by the Nueces County Appraisal District for the purpose of levying an established tax rate on said valuation.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the South Texas Water Authority adopts the 2018 appraisal roll compiled by the Nueces County Appraisal District on behalf of the Authority.

Duly adopted this 31st day of July, 2018.

KATHLEEN LOWMAN, PRESIDENT

ATTEST:

RUDY GALVAN, SECRETARY/TREASURER

ATTACHMENT 5

Preliminary FY 2019 Budget

Memorandum

To: South Texas Water Authority Board of Directors
From: Carola G. Serrato, Executive Director
Date: July 27, 2018
Re: Second Draft of Fiscal Year 2019 Budget

Background:

Enclosed please find the Second Draft of Fiscal Year 2019 Budgets.

At this point in the budget cycle, there remains a key component that is unavailable. The Raw Water and Treated Water Costs from the City of Corpus Christi has not been provided by Ms. Reba George, Assistant Director of Support Services. A separate agenda item is included on the City's postponement in updating their rate model as a result of changing to a new billing system. Staff is relying on last year's model which indicated that a raw water cost of \$1.076/1000g, a future resource charge of \$0.05/1000g and a \$1.549/1000g in treated water for FY 19. These three (3) components total \$2.675/1000g. These rates are used in STWA's budget model beginning in January based on the City's schedule. Mr. Chris Ekrut has been contacted regarding the use of these figures and whether he has an opinion on any adjustment that should be considered. The Board will recall that typically there is a downward adjustment as a result of the true-up.

The Certified Taxable Values and Average Home Value Data from the Kleberg and Nueces County Appraisal Districts were delivered on July 25th. Staff calculated the combined average home value to determine the Effective Tax Rate for STWA. As reported in the memo on the effective tax rate, the average home value increased by about \$1,797. The total certified values increased by \$194,973,715.

There are a number of expenses including the renewal premiums on insurances that are still unknown. There are a few other unknown expenses that warrant mention. The final cost for Kleberg CAD's services is not yet known and is based on all taxing entities' final levies, (2) the Nueces County CAD cost is also unknown; however, since STWA's levy is much smaller in relationship to other larger Nueces County taxing entities, the change in cost for these services is typically small. The Nueces County Tax office per parcel cost is not yet known. Finally, the remaining expenses are based on historical figures and anticipated costs considering upcoming projects.

Analysis:

This draft budget is based on the same Handling Charge rate of \$0.426386/1000g and the **certified appraisal district values**. It continues to include a **Special Services Budget**. As before, the following formula is used for calculating the Handling Charge.

Total Expenses – (O&M taxes + interest + miscellaneous revenues not associated with Management Services)
Estimated Sales Volume per thousand gallons based on a 5 year running average¹

In addition, Jo Ella Wagner, Finance Manager, will be performing the biennial assessment of the Authority's management fees charged to NWSC and RWSC. The analysis will be complete by

¹ The City of Kingsville is based on the number of gallons that can be purchased for \$370,000.

the end of August and it will be included in the agenda packet for the September 4th Board meeting when the budget is scheduled to be adopted.

The proposed M&O Tax Rate is based on the allowable 8% increase. Staff estimates based on the overall tax base growth and the *proposed* rate that an additional \$132,360 can be collected in M&O taxes. The Interest and Sinking Tax Rate is based on the debt service schedule and a 100% collection rate.

Salaries are based on an overall 2% increase for the gross salary line item with the exception of the cost of my salary.

Staff Recommendation:

Review the Second Draft budget and provide feedback to staff.

Board Action:

Determine what rates, revenues and expenditures need further review or adjustment.

Summarization:

If the same Handling Charge is adopted in FY 2019, it would be the *ninth* year that the same rate is charged. The proposed M&O tax rate is a very slight *increase* of about 3.6 tenths of one cent (\$0.003662). The proposed I&S tax rate is a very slight *decrease* of about 2 tenths of one cent (\$0.002168). These proposed changes are based on exercising the allowable 8% increase of the M&O tax rate as it is calculated using the "tax bill" on **last year's** average home value compared to the "tax bill" on **this year's** average home value.

SOUTH TEXAS WATER AUTHORITY
GENERAL FUND
PROPOSED FY2019 BUDGET

2019 PROPOSED RATES

O & M TAX RATE:	\$0.067886
I & S TAX RATE:	\$0.018778
HANDLING CHARGE:	\$0.426386
WATER RATE:	\$2.433995

*City of Corpus Christi has not set the water rates for FY19. The FY18 rate was used for budget purposes.

	2018 ADOPTED BUDGET	2018 AMENDED BUDGET	2019 PRELIMINARY BUDGET
REVENUES			
Water Service Revenue	\$1,257,962	\$1,257,962	\$1,282,156
Handling Charge Revenue	\$220,170	\$220,170	\$225,445
Premium Incremental Increase	\$0	\$35,000	\$20,000
Surcharge - Out of District	\$6,619	\$6,619	\$7,299
Interest Income	\$10,000	\$22,000	\$37,000
Other Revenue			
Operating & Maintenance Fees	\$0	\$0	\$0
Miscellaneous Revenues	\$5,000	\$5,000	\$5,000
TOTAL REVENUES	\$1,499,751	\$1,546,751	\$1,576,900
EXPENDITURES			
Water Service Expenditures:			
Bulk Water Purchases	\$1,254,637	\$1,257,962	\$1,282,156
Water Loss	\$3,325	\$0	\$0
TOTAL WATER SERVICE	\$1,257,962	\$1,257,962	\$1,282,156
Payroll Costs			
Salaries & Wages -			
Permanent Employees	\$328,813	\$313,366	\$328,749
Part-Time Employee	\$1,607	\$1,607	\$1,677
Overtime - NWSC	\$0	\$0	\$0
Stand-by Pay - NWSC	\$0	\$0	\$0
Overtime - RWSC	\$0	\$0	\$0
Stand-by Pay - RWSC	\$0	\$0	\$0
Overtime - STWA	\$12,500	\$12,500	\$12,500
Stand-by Pay - STWA	\$1,300	\$1,300	\$1,300
Janitorial Pay - STWA Overtime	\$8,500	\$7,800	\$8,500
Employee Retirement Premiums	\$44,452	\$54,023	\$44,887
Group Insurance Premium	\$169,122	\$156,292	\$178,416
Unemployment Compensation	\$874	\$1,115	\$1,034
Workers' Compensation	\$6,498	\$6,498	\$6,807
Car Allowance	\$4,800	\$5,900	\$6,000
Hospital Insurance Tax	\$3,757	\$3,825	\$3,809
TOTAL PERSONNEL	\$582,223	\$564,226	\$593,678
Supplies & Materials			
Repairs & Maintenance	\$80,000	\$80,000	\$80,000
Meter Expense	\$5,000	\$11,500	\$5,000
Tank Repairs	\$20,000	\$20,000	\$25,000
Major Repairs	\$25,000	\$25,000	\$25,000
TOTAL SUPPLIES & MATERIALS	\$130,000	\$136,500	\$135,000
Other Operating Expenditures:			
Professional Fees			
Legal	\$40,000	\$30,000	\$30,000
Auditing	\$9,500	\$9,370	\$9,750
Engineering	\$90,000	\$70,000	\$12,500
Management & Consulting	\$10,000	\$10,000	\$7,500
Inspections	\$5,500	\$3,725	\$4,000
Leak Detection	\$75,000	\$55,440	\$0
Banquete Overhead Tank Demolition	\$0	\$0	\$30,000
TOTAL PROFESSIONAL FEES	\$230,000	\$178,535	\$93,750

	2018 ADOPTED BUDGET	2018 AMENDED BUDGET	2019 PRELIMINARY BUDGET
Consum Supplies/Materials			
Postage	\$11,500	\$6,500	\$6,500
Printing/Office Supplies/Tech Support	\$19,000	\$26,500	\$27,500
Janitorial/Site Maintenance	\$5,000	\$6,000	\$6,000
Fuel/Lubricants/Repairs	\$33,000	\$33,000	\$34,000
Chemicals/Water Samples	\$58,000	\$58,000	\$52,500
Safety Equipment	\$1,500	\$1,500	\$1,500
Small Tools	\$1,000	\$4,500	\$2,000
TOTAL CON. SUPPLIES/MATERIALS	\$129,000	\$136,000	\$130,000
Recurring Operating Costs			
Telephone/Communications	\$21,100	\$23,500	\$18,755
Utilities	\$115,000	\$115,000	\$112,500
D & O Liability Insurance	\$3,500	\$3,500	\$3,500
Property Insurance	\$33,247	\$20,000	\$30,000
General Liability	\$2,750	\$2,750	\$2,750
Auto Insurance	\$2,050	\$2,050	\$2,050
Travel/Training/Meetings	\$10,000	\$10,000	\$10,000
Rental-Equipment/Uniforms	\$5,000	\$5,000	\$5,000
Dues/Subscriptions/Publication	\$15,000	\$15,000	\$15,000
Pass Through Cost	\$500	\$800	\$600
Educational Materials	\$660	\$0	\$0
TOTAL RECURRING OPER. COSTS	\$208,807	\$197,600	\$200,155
Miscellaneous			
Miscellaneous Expenditures	\$7,500	\$11,647	\$7,500
TOTAL MISCELLANEOUS	\$7,500	\$11,647	\$7,500
Total Administrative & Operations Exp.	\$2,545,492	\$2,482,470	\$2,442,239
Capital Outlay			
Capital Acquisition	\$79,000	\$89,000	\$225,400
Engineering	\$0	\$0	\$0
TOTAL CAPITAL OUTLAY	\$79,000	\$89,000	\$225,400
TOTAL EXPENDITURES (w/o D.S. exp.)	\$2,624,492	\$2,571,470	\$2,667,639
Excess (Deficiencies) of Revenue Over Expenditures	-\$1,124,741	-\$1,024,719	-\$1,090,739
OTHER FINANCE SOURCE (USES)			
Transfer to Other Funds			
Disposition of Assets (Surplus Sale)	\$1,500	\$4,432	\$1,500
Transfer from Tax Accounts	\$1,054,566	\$1,055,703	\$1,238,343
TOTAL OTHER FINANCING SOURCES (USES)	\$1,056,066	\$1,060,135	\$1,239,843
TOTAL EXPENDITURES	\$1,533,905	\$35,416	\$1,427,796
EXCESS (DEFICIENCIES) OF REVENUES OVER OTHER SOURCES (USES)	-\$68,675	\$35,416	\$149,104
NET INCOME	-\$68,675	\$35,416	\$149,104

Capital Acquisition

a. Rehab Kingsville Pump Station	\$37,900 actual quote
b. New truck to replace 2009 F150 4x4	\$32,500
c. 3 Computers/Installation	\$5,000
d. Equipment Barn	\$35,000
e. New Trackhoe	\$95,000
f. New Hydro pneumatic Tank - Banquete	<u>\$20,000</u>
	\$225,400
Engineering	\$0

**SOUTH TEXAS WATER AUTHORITY
GENERAL FUND - TAX ACCOUNTS
PRELIMINARY FY2019 BUDGET**

	<u>2019 proposed Rate</u>
O & M TAX RATE:	\$0.067886
I & S TAX RATE:	\$0.018778
HANDLING CHARGE:	\$0.426386
WATER RATE:	\$2.433995

	2018 ADOPTED BUDGET	2018 AMENDED BUDGET	2019 PRELIMINARY BUDGET
REVENUES			
Ad Valorem - Current (M & O)	\$1,070,008	\$1,070,008	\$1,257,158
Delinquent Taxes	\$27,500	\$27,500	\$27,500
Penalty & Interest - Tax Accounts (M & O)	\$16,000	\$16,000	\$16,000
TOTAL M&O TAX REVENUES	\$1,113,508	\$1,113,508	\$1,300,658
EXPENDITURES			
Tax Collector Fees	\$37,165	\$37,215	\$38,597
Appraisal Districts	\$21,777	\$20,590	\$23,718
Refunds	\$0	\$0	\$0
TOTAL EXPENDITURES	\$58,942	\$57,805	\$62,315
REVENUES OVER EXPENDITURES	\$1,054,566	\$1,055,703	\$1,238,343
OTHER USES			
Transfer to Revenue Fund (Tax)	\$1,054,566	\$1,055,703	\$1,238,343
TOTAL EXPEND. & OTHER USES	\$1,113,508	\$1,113,508	\$1,300,658
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	\$0	\$0	\$0

**SOUTH TEXAS WATER AUTHORITY
DEBT SERVICE FUND
PRELIMINARY FY2019 BUDGET**

**2019 proposed Rate
Debt Service Tax Rate
\$0.018778**

**Tax Base Value:
Collection Rate:**

	2018 ADOPTED BUDGET	2018 AMENDED BUDGET	2019 PRELIMINARY BUDGET
REVENUES			
Ad Valorem - Current	\$366,174	\$366,174	\$364,889
Ad Valorem - Delinquent	\$7,000	\$7,000	\$7,000
Penalty & Interest - Tax Accounts	\$5,500	\$5,500	\$5,500
Out-of-District Surcharge	\$2,159	\$2,159	\$2,019
Interest on Temporary Investments	\$900	\$2,280	\$3,250
Miscellaneous	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL TAXES & INTEREST	\$381,733	\$383,113	\$382,658
OTHER FINANCING SOURCES			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL OTHER FINANCE SOURCES	\$0	\$0	\$0
Total Revenue and Other Financing Sources	\$381,733	\$383,113	\$382,658
EXPENDITURES			
Fiscal Agent Fees	\$200	\$200	\$200
Bond Interest Expense	\$126,750	\$126,750	\$122,350
Bond Principal Payments	\$220,000	\$220,000	\$225,000
Tax Collector Fees	\$12,121	\$12,189	\$10,739
Appraisal District Fees	\$7,103	\$6,714	\$6,600
Miscellaneous Fees	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL EXPENDITURES	\$366,174	\$365,853	\$364,890
OTHER USES			
TOTAL EXPEND. & OTHER USES	\$366,174	\$365,853	\$364,890
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	\$15,559	\$17,260	\$17,769

**SOUTH TEXAS WATER AUTHORITY
GENERAL FUND - SPECIAL SERVICES
PRELIMINARY FY2019 BUDGET**

2019 proposed RATES

**O & M TAX RATE: \$0.067886
I & S TAX RATE: \$0.018778
HANDLING CHARGE: \$0.426386
WATER RATE: \$2.433995**

	2018 ADOPTED BUDGET	2018 AMENDED BUDGET	2019 PRELIMINARY BUDGET
REVENUES			
Ricardo Water Supply Corporation 994 customers	\$293,020	\$293,020	\$304,757
Nueces Water Supply Corporation 942 customers	\$275,134	\$275,134	\$292,806
TOTAL SPECIAL SERVICES REVENUE	\$568,154	\$568,154	\$597,563
EXPENDITURES			
Personnel	\$304,185	\$304,185	\$318,655
Overhead	\$263,969	\$263,969	\$278,908
TOTAL SPECIAL SERVICES EXPENDITURES	\$568,154	\$568,154	\$597,563
REVENUES OVER EXPENDITURES	\$0	\$0	\$0

ATTACHMENT 6

Proposed FY 2019/Tax Year 2018 Tax Rate and Notice of Public Hearing

Memorandum

To: South Texas Water Authority Board of Directors
From: Carola G. Serrato, Executive Director
Date: July 27, 2018
Re: Effective Tax Rate Publication for FY 2019 – Tax Year 2018

Background:

The Effective Tax Rate procedures for water districts require a comparison of the average home value of Tax Year 2017 (\$87,680) to Tax Year 2018 (\$89,477). Enclosed is the notice with blanks left for the Board members' record vote. The proposed tax rate *for the purposes of publication* is \$0.086664/\$100 valuation. This figure is comprised of two (2) components – the M&O Tax Rate of \$0.067886/\$100 and the I&S Tax Rate of \$0.018778. This proposed tax rate is slightly higher (\$0.00149) than the current **Total Tax Rate** of \$0.085170/\$100. The Average Home Value increased by \$1,797 from last year to this year.

Analysis:

I&S Tax Component – the FY 19 debt service requirements including the prorated cost of appraisals and collections payment is \$364,889 which is a slight increase from last year. However, as a result of the tax base increasing the I&S tax component is lower than last year.

M&O Tax Component – State Law requires Tax Year 2017 average home value to be compared to Tax Year 2018 average home value. A **tax bill** is calculated using FY 18's tax rate multiplied against last year's average home value. The amount of that tax bill is multiplied times 1.08 (to add the 8%) and then divided by this year's average home value to calculate an Effective Tax Rate (ETR) including the increase of 8%. In this manner, the ETR does not place the water district in the position of a rollback and at the same time provides flexibility in adopting a rate.

Total Tax Rate – the I&S Tax Rate is added to the M&O Tax Rate to arrive at the Total Tax Rate.

Enclosed are the Worksheet and Notice provided by the Texas Comptroller. Information from the Worksheet is transferred to the Notice.

Staff Recommendation:

Authorize staff to publish the Truth in Taxation/Effective Tax Rate Notice on using the highest rate possible without exceeding the 8% rule *on the M&O Tax Rate*. This publication allows for flexibility regardless of whether the Board decides to adopt an M&O Tax Rate which includes an 8% increase or a lower rate.

Board Action:

Determine whether to authorize staff to publish the Truth in Taxation Notice/Effective Tax Rate Publication.

Summarization:

This publication is a mandatory part of the property tax and budgetary process.

2018 SOUTH TEXAS WATER AUTHORITY TAX RATE ROLLBACK WORKSHEET

	Nueces	Kleberg	Total
2017 Total Market Value of Residences	\$282,069,660	\$419,191,421	\$701,261,081
2017 Total Parcels	3,297	4,701	7,998
1 2017 average appraised value of residence homestead			\$87,680
2 2017 general exemptions available for the average homestead (excluding age 65 or older or disabled person's exemptions)			\$5,000
3 2017 average taxable value of residence homestead (line 1 minus line 2)			\$82,680
4 2017 adopted M&O tax rate (per \$100 of value)			\$0.064224
5 2017 M&O tax on average residence homestead (multiply line 3 by line 4, divide by \$100)			\$53.10
6 Highest M&O tax on average residence homestead with increase (multiply line 5 by 1.08.)			\$57.35
2018 Total Market Value of Residences	\$289,812,767	\$425,911,458	\$715,724,225
2018 Total Parcels	3,325	4,674	7,999
7 2018 average appraised value of residence homestead			\$89,477
8 2018 general exemptions available for the average homestead (excluding age 65 or older or disabled persons exemptions)			\$5,000
9 2018 average taxable value of residence homestead (line 7 minus line 8)			\$84,477
10 Highest 2018 M&O Tax Rate (line 6 divided by line 9, multiply by \$100)			\$0.067886 /\$100
11 2018 Debt Tax Rate			\$0.018778 /\$100
12 2018 Contract Tax Rate			\$0.000000 /\$100
13 2018 Rollback Tax Rate (add lines 10, 11 and 12)			\$0.086664 /\$100

Water District

Notice of Public Hearing on Tax Rate

The South Texas Water Authority Board of Directors will hold a public hearing on a proposed tax rate for the tax year 2018 on September 4, 2018 at 5:30 p.m. at the South Texas Water Authority Office located at 2302 East Sage Road, Kingsville, Texas 78363. Your individual taxes may increase or decrease, depending on the change in the taxable value of your property in relation to the change in taxable value of all other property and the tax rate that is adopted.

FOR the proposal:

AGAINST the proposal: None

PRESENT and not voting: None

ABSENT:

The following table compares taxes on an average residence homestead in this taxing unit last year to taxes proposed on the average residence homestead this year.

	Last Year		This Year	
Total tax rate (per \$100 of value)	\$0.085170	/\$100	\$0.086664	/\$100
	Adopted		Proposed	
Difference in rates per \$100 of value		\$0.001494	/\$100	
Percentage increase/decrease in rates(+/-)		1.75%		
Average appraised residence homestead value	\$87,680		\$89,477	
General exemptions available (excluding 65 years of age or older or disabled person's exemptions)	\$5,000		\$5,000	
Average residence homestead taxable value	\$82,680		\$84,477	
Tax on average residence homestead	\$70.42		\$73.21	
Annual increase/decrease in taxes if proposed tax rate is adopted (+/-)		+ \$2.79		
and percentage of increase (+/-)		+ 4.0%		

NOTICE OF TAXPAYERS' RIGHT TO ROLLBACK ELECTION

If taxes on the average residence homestead increase by more than eight percent, the qualified voters of the water district by petition may require that an election be held to determine whether to reduce the operation and maintenance tax rate to the rollback tax rate under Section 49.236(d), Water Code.

Water District

Notice of Public Hearing on Tax Rate

The South Texas Water Authority Board of Directors will hold a public hearing on a proposed tax rate for the tax year 2018 on September 4, 2018 at 5:30 p.m. at the South Texas Water Authority Office located at 2302 East Sage Road, Kingsville, Texas 78363. Your individual taxes may increase or decrease, depending on the change in the taxable value of your property in relation to the change in taxable value of all other property and the tax rate that is adopted.

FOR the proposal:
AGAINST the proposal: None
PRESENT and not voting: None
ABSENT:

The following table compares taxes on an average residence homestead in this taxing unit last year to taxes proposed on the average residence homestead this year.

	Last Year		This Year
Total tax rate (per \$100 of value)	\$0.085170	/\$100	\$0.086664 /\$100
	Adopted		Proposed
Difference in rates per \$100 of value		\$0.001494	/\$100
Percentage increase/decrease in rates(+/-)		1.75%	
Average appraised residence homestead value	\$87,680		\$89,477
General exemptions available (excluding 65 years of age or older or disabled person's exemptions)	\$5,000		\$5,000
Average residence homestead taxable value	\$82,680		\$84,477
Tax on average residence homestead	\$70.42		\$73.21
Annual increase/decrease in taxes if proposed tax rate is adopted (+/-)		+ \$2.79	
and percentage of increase (+/-)		+ 4.0%	

NOTICE OF TAXPAYERS' RIGHT TO ROLLBACK ELECTION

If taxes on the average residence homestead increase by more than eight percent, the qualified voters of the water district by petition may require that an election be held to determine whether to reduce the operation and maintenance tax rate to the rollback tax rate under Section 49.236(d), Water Code.

THIS LOWER PORTION IS NOT PUBLISHED - FOR INTERNAL INFORMATION ONLY

Total of Debt Service Expenses at % collection below:	\$ 364,889.00	Kleberg
100%		\$1,139,137,395
		Nueces
Certified Taxable Value	\$ 1,943,196,035	\$ 804,058,640
I&S Tax included in Proposed Rate Above	\$0.018778	Total
Actual M&O Tax Rate Proposed	\$0.067886	\$1,943,196,035
	\$0.086664	DS Requirement
		\$ 364,889
	Percent Collection	100%

Kleberg CAD Values

	2017 Market	Count	
A1	\$376,450,461	4353	
A3	\$1,170,290	27	
E1	<u>\$41,570,670</u>	<u>321</u>	
	\$419,191,421	4701	\$89,171

	2018 Market	Count	
A1	\$381,706,673	4332	
A3	\$1,098,090	23	
E1	<u>\$43,106,695</u>	<u>319</u>	
	\$425,911,458	4674	\$91,124

Increase or (Decrease) in Avg Home \$1,953

Nueces CAD Values

2017 AVERAGE HOME VALUE RAW DATA

CATE.	TOTAL TAXABLE	TOTAL MKT VALUE	
A1		241,385,061	2627
A2		9,502,576	412
E1		31,182,023	258
		0	
TOTAL	0	282,069,660	3297 # OF PARCELS
AHV	0	85,553	

2018 AVERAGE HOME VALUE RAW DATA

CATE.	TOTAL TAXABLE	TOTAL MKT VALUE	
A		52,496	1
A1		247,213,577	2647
A2		10,482,480	429
E1		31,733,566	240
E1M		330,648	8
TOTAL	0	289,812,767	3325 # OF PARCELS
AHV	0	87,162	
Increase or (Decrease) in Avg Home Value		1,608	

**2018 SOUTH TEXAS WATER AUTHORITY TAX RATE ROLLBACK WORKSHEET
FOR ILLUSTRATION PURPOSES ONLY USING M&O TAX RATE**

	Nueces	Kleberg	Total
2017 Total Market Value of Residences	\$282,069,660	\$419,191,421	\$701,261,081
2017 Total Parcels	3,297	4,701	7,998
1 2017 average appraised value of residence homestead			\$87,680
2 2017 general exemptions available for the average homestead (excluding age 65 or older or disabled person's exemptions)			\$5,000
3 2017 average taxable value of residence homestead (line 1 minus line 2)			\$82,680
4 2017 adopted M&O tax rate (per \$100 of value)			\$0.064224
5 2017 M&O tax on average residence homestead (multiply line 3 by line 4, divide by \$100)			\$53.10
6 Highest M&O tax on average residence homestead with increase (multiply line 5 by 1.08.)			\$57.35
2018 Total Market Value of Residences	\$289,812,767	\$425,911,458	\$715,724,225
2018 Total Parcels	3,325	4,674	7,999
7 2018 average appraised value of residence homestead			\$89,477
8 2018 general exemptions available for the average homestead (excluding age 65 or older or disabled persons exemptions)			\$5,000
9 2018 average taxable value of residence homestead (line 7 minus line 8)			\$84,477
10 Highest 2018 M&O Tax Rate (line 6 divided by line 9, multiply by \$100)			\$0.067886 /\$100
11 2018 Debt Tax Rate			/\$100
12 2018 Contract Tax Rate			\$0.000000 /\$100
13 2018 Rollback Tax Rate (add lines 10, 11 and 12)			\$0.067886 /\$100

Water District

Notice of Public Hearing on Tax Rate

FOR ILLUSTRATION ON M&O TAX CALCULATION

The South Texas Water Authority Board of Directors will hold a public hearing on a proposed tax rate for the tax year 2018 on September 4, 2018 at 5:30 p.m. at the South Texas Water Authority Office located at 2302 East Sage Road, Kingsville, Texas 78363. Your individual taxes may increase or decrease, depending on the change in the taxable value of your property in relation to the change in taxable value of all other property and the tax rate that is adopted.

FOR the proposal:

AGAINST the proposal:

PRESENT and not voting:

ABSENT:

The following table compares taxes on an average residence homestead in this taxing unit last year to taxes proposed on the average residence homestead this year.

	Last Year		This Year	
	\$0.064224	/\$100	\$0.067886	/\$100
	Adopted		Proposed	
Total tax rate (per \$100 of value)				
Difference in rates per \$100 of value		\$0.003662	/\$100	
Percentage increase/decrease in rates(+/-)		5.70%		
Average appraised value	\$87,680		\$89,477	
General exemptions available (excluding senior citizen's or disabled person's exemptions)	\$5,000		\$5,000	
Average taxable value	\$82,680		\$84,477	
Tax on average residence homestead	\$53.10		\$57.35	
Annual increase/decrease in taxes if proposed tax rate is adopted (+/-)		+	\$4.25	
and percentage of increase (+/-)		+	8.00%	

NOTICE OF TAXPAYERS' RIGHT TO ROLLBACK ELECTION

If taxes on the average residence homestead increase by more than eight percent, the qualified voters of the water district by petition may require that an election be held to determine whether to reduce the operation and maintenance tax rate to the rollback tax rate under Section 49.236(d), Water Code.

		NCAD 17		NCAD 18				KCAD 17		KCAD 18				NCAD & KCAD 17		NCAD & KCAD 18	
Real	\$391,057,939	\$405,228,563	\$ 14,170,624	3.6%	Real	\$ 824,519,420	\$ 866,411,948	\$41,892,528	5.1%	Real	\$ 1,215,577,359	\$ 1,271,640,511	\$ 56,063,152	4.6%			
Personal	\$248,287,068	\$341,656,375	\$ 93,369,307	37.6%	Pers.	\$ 92,265,200	\$ 97,765,280	\$ 5,500,080	6.0%	Pers.	\$ 340,552,268	\$ 439,421,655	\$ 98,869,387	29.0%			
Mineral	\$ 42,479,071	\$ 57,331,139	\$ 14,852,068	35.0%	Min.	\$ 150,084,466	\$ 174,960,167	\$24,875,701	16.6%	Min.	\$ 192,563,537	\$ 232,291,306	\$ 39,727,769	20.6%			
	\$681,824,078	\$804,216,077	\$122,391,999	18.0%		\$1,066,869,086	\$1,139,137,395	\$72,268,309	6.8%		\$ 1,748,693,164	\$ 1,943,353,472	\$194,660,308	11.1%			

ATTACHMENT 7

Bids – Pickup Truck

Memorandum

To: South Texas Water Authority Board of Directors
From: Carola G. Serrato, Executive Director
Date: July 25, 2018
Re: Truck Bids and Replacement of 2015 Chevy Silverado 1500 – Totaled as a result of Hit and Run

Background:

As reported in recent Weekly Update, the vehicle normally used by O&M Supervisor Jacob Hinojosa was significantly damaged in a hit and run accident while parked at the Field Foreman's home. You may also recall I reported that the newest vehicle which was assigned to the Field Foreman has been in the shop for repairs. The damaged truck, a gas powered, 2015 Chevy Silverado, 2x4 vehicle, was declared totaled by STWA's insurance carrier. STWA received a check in the amount of \$19,825. As also reported in a recent Weekly Update, I discussed the situation with the TML representative prior to their determination, in order to prepare for the lack of another vehicle – since the new unit has been plagued with "engine light" issues. I was advised by the TML representative that it would likely be totaled. As such, staff began preparing bid packets for delivery to dealerships. These were delivered approximately two (2) weeks ago with a deadline today, July 25, 2018, at 2:00 p.m.

Analysis:

The bid packets included replacing the vehicle with the same ½ ton 2x4 vehicle as well as an alternate bid for a 4x4, ½ ton truck. A total of two (2) bids were received. The lowest bid is from Sames Kingsville Ford (Sames) in the amount of \$26,011.75 for a ½ ton 4x2 truck. The next lowest bid is also from Sames for a 4x4 at a cost of \$29,171.75.

Field Supervisors requested the alternate bid for a 4x4 vehicle in hopes of adding to the number of 4x4 trucks in the fleet. Currently, there are three (3) 4x4 trucks in use. However, one of those vehicles is the new unit, with the "engine light" problems. Another is a 2009 truck that is scheduled to be replaced in FY 2019 provided the approved budget allows for such.

Staff Recommendation:

Adopt Resolution 18-11 awarding the bid for a ½ ton pick-up truck to Sames Ford Dealership of Kingsville for either the purchase of the 2x4 or 4x4 vehicle.

Board Action:

Determine whether to award the bid for a ½ ton pick-up truck to Sames Ford Dealership of Kingsville.

Summarization:

Bid packets were delivered to Sames Ford Kingsville, Neessen GM Kingsville, Neessen Dodge Kingsville, Access Ford Calallen, Mike Shaw Toyota, Beck and Masten GM in Robstown, and Caldwell Country, Caldwell, Texas.

SOUTH TEXAS WATER AUTHORITY BID FORM

THIS FORM MUST BE COMPLETED AND RETURNED AS PART OF YOUR BID

Do not include Federal Tax or State Sales Tax. The necessary exemption certificate will be issued upon request.

One (1) 2018 Work Truck – ½ Ton 4x2 Full Size 4 door Cab \$ 26,011.75
Short Bed Pickup Truck with Gas Engine

One (1) 2018 Work Truck – ½ Ton 4x4 Full Size 4 door Cab \$ 29,171.75
Short Bed Pickup Truck with Gas Engine

Time needed for delivery from date of award: 75-80 days.

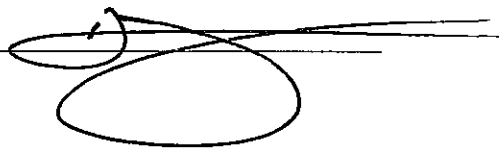
Bid includes the following additional incentives:

FACTORY 3YR 36,000 BUMPER TO BUMPER WARRANTY LTD
5YR 60,000 POWERTRAIN WARRANTY LTD.

I certify that the Pickup Truck to be delivered under this proposal will meet or exceed all of the minimum specifications and conditions set forth by the South Texas Water Authority, Kingsville, Texas.

Dated this 25 day of July, 2018.

SAMES Kingsville Ford
BIDDING FIRM

By: 

SOUTH TEXAS WATER AUTHORITY BID FORM

THIS FORM MUST BE COMPLETED AND RETURNED AS PART OF YOUR BID

Do not include Federal Tax or State Sales Tax. The necessary exemption certificate will be issued upon request.

One (1) 2018 Work Truck - 1/2 Ton 4x2 Full Size 4 door Cab Short Bed Pickup Truck with Gas Engine \$

One (1) 2018 Work Truck - 1/2 Ton 4x4 Full Size 4 door Cab Short Bed Pickup Truck with Gas Engine \$ 40,966.75

Time needed for delivery from date of award: One days.

Bid includes the following additional incentives:

First 2 oil change - free (at 6,000 & 12,000 miles)
factory 36 months or 36,000 miles limited bumper to bumper warranty
warranty 5 yrs or 60,000 miles power train warranty *

I certify that the Pickup Truck to be delivered under this proposal will meet or exceed all of the minimum specifications and conditions set forth by the South Texas Water Authority, Kingsville, Texas.

Dated this 25 day of July, 2018.

Neessen Chevrolet, Buick, GMC
BIDDING FIRM

By: Manuel J. Hernandez
Manuel J. Hernandez
361-592-2668 ext
220

ATTACHMENT 8

Resolution 18-11

SOUTH TEXAS WATER AUTHORITY

RESOLUTION 18-11

RESOLUTION AWARDING THE BID FOR THE PURCHASE OF ONE (1) ½ TON
4-DOOR SHORT BED PICKUP TRUCK.

WHEREAS, the South Texas Water Authority solicited bids to acquire one (1) ½ ton 4x2
or 4x4 4-door short bed pickup truck for the Authority's use, and

WHEREAS, the Board of Directors of the South Texas Water Authority has reviewed the
bids and finds that _____ has submitted the lowest responsible bid.

NOW, THEREFORE, BE IT RESOLVED that the South Texas Water Authority Board
of Directors awards the bid for one (1) ½ ton _____ 4-door short bed pickup truck to
_____.

Duly adopted this 31st day of July, 2018.

KATHLEEN LOWMAN, PRESIDENT

ATTEST:

RUDY GALVAN, SECRETARY/TREASURER

ATTACHMENT 9

TCEQ Enforcement Action

Memorandum

To: South Texas Water Authority Board of Directors
From: Carola G. Serrato, Executive Director
Date: July 27, 2018
Re: Texas Commission on Environmental Quality (TCEQ) Enforcement Action

Background:

The next conference call is scheduled for August 2nd at 10:30 a.m. At this time, there are no extensions being requested or required. The next Quarterly Report is due on August 20th. After the submission of the next Quarterly Report, staff should be able to provide the latest TCEQ determination about the number of additional months that STWA is in compliance in terms of the Order. In last month's memo, staff reported that STWA has achieved compliance for a total of six (6) months.

Analysis:

Last month, staff reported that the TCEQ stated there was a discrepancy between the number of residual data reported in the Quarterly Report submitted by Mr. Aaron Archer, Walker Partners, and the quarterly online forms submitted by Jacob Hinojosa, O&M Supervisor. Mr. Hinojosa with the help of staff has researched the difference and has been unable to reconcile the TCEQ's number of reported residuals to his forms and the residuals included in Mr. Archer's report:

- January – The seventy-eight (78) residuals reported in Mr. Hinojosa's DLQOR online form include the Daily Disinfectant Levels (31), NAP readings (31), Bac-T Residuals (2), and Booster Residuals (14). Staff believes the number found in Mr. Archer's report (64) is 78 less the 14 from checking the residuals associated with the Booster Station. It is unknown how TCEQ staff arrived at a count of eighty-one (81).
- February – The one hundred and thirteen (113) residuals reported in Mr. Hinojosa's DLQOR online form include the Daily Disinfectant Levels (28), NAP readings (32), Bac-T Residuals (2), Nitrate/Nitrite (2), Booster Residuals (48) and an extra residual at the ARV at FM 2826 (1). It is clear that Mr. Archer's report did not include the 48 residuals from the Booster Station. However, deducting 48 readings from the 113 reported in the online form results in a count of 65. TCEQ reported a count of 79.
- March - The one hundred and forty-five (145) residuals reported in Mr. Hinojosa's DLQOR online form include the Daily Disinfectant Levels (31), NAP readings (40), Bac-T Residuals (2), Nitrate/Nitrite (2), Booster Residuals (67) and extra residuals from the ARV at FM 2826 (1), Lopez ARV (1) and CR 4 ARV (1). It is clear that Mr. Archer's report did not include the 67 residuals from the Booster Station. However, deducting 67 readings from the 145 reported in the online form results in a count of 78. TCEQ reported a count of 96.

Staff Recommendation:

Keep the Board updated on the TCEQ Order.

Board Action:

Provide feedback to staff and consultants.

Summarization:

The final Quarterly Report should occur in November. Provided the results from sampling continue to remain in compliance, STWA should complete the Order's requirements by the end of 2018.

ATTACHMENT 10

Driscoll LAS Project

Memorandum

To: South Texas Water Authority Board of Directors
From: Carola G. Serrato, Executive Director
Date: July 24, 2018
Re: Driscoll Disinfection Booster Station – Conversion to Chloramination System

Background:

Enclosed are the latest emails related to the Driscoll LAS station. As reported previously, staff has continued to troubleshoot possible reasons why the overall residual downstream of the Booster Station is not achieving the level that is input into the computer system. Recently, an event occurred and O&M Supervisor Jacob Hinojosa happened to be at the Disinfectant Booster Station PLC screen when error messages began to flash. He was able to take pictures with his cell phone and these were attached to the enclosed emails.

Analysis:

It appears several items are either the reason or significant contributing factors to the problem of boosting the residual – at least reaching a level closer to the designated desired level just at the sample tap on CR 16 about 1½ mile downstream of the booster station. First, Mr. Sherrel Mercer with Mercer Controls Inc. (Mercer) has contacted Mr. John Gross, his subcontractor, about a programming error that is allowing the LAS to inject when there is not any chlorine being injected. Second, Mr. Mercer believes that there could be a problem with the signal from the magnetic flow meter (mag meter) to the system. He has indicated that the wiring needs to be checked. And, third, it was discovered that the rotameter on the chlorine system is not sized properly. It is a 50 ppd (pound per day) device and it should be a 100 ppd rotameter.

Staff Recommendation:

Staff continues to contact Mr. Mercer about any problems associated with this system as part of his two-year commitment to the system operating as it should.

Board Action:

Provide feedback to staff.

Summarization:

The Total Chlorine residuals at the Kingsville Meter Run prior to injection are typically 1.5 mg/l or more. Although, the Total Chlorine residual dropped to a 1.26 mg/l on July 14th, which was the 14th day out of fifteen (15) days when the City of Bishop was not purchasing water.

mcserrato@stwa.org

From: mercercontrols@aol.com
Sent: Thursday, July 19, 2018 9:49 AM
To: jhinojosa@stwa.org; mcserrato@stwa.org
Cc: s.gabrysch@mercercontrols.com; crosswire144@yahoo.com
Subject: Re: Driscoll Booster

To all:

I still plan to go to Kingsville this afternoon.

Sherrel Mercer

* * *

In a message dated 7/19/2018 8:49:42 AM Central Standard Time, jhinojosa@stwa.org writes:

Yes this is correct. When we were there the auto valve for the chlorine would close and the LAS would stay constant.

From: Carola G. Serrato [<mailto:mcserrato@stwa.org>]
Sent: Wednesday, July 18, 2018 5:38 PM
To: mercercontrols@aol.com
Cc: jhinojosa@stwa.org; s.gabrysch@mercercontrols.com; crosswire144@yahoo.com
Subject: Re: Driscoll Booster

Jacob, correct me if I am wrong. It works sporadically but in some cases only feeds LAS.

CGS

Sent from my iPhone

On Jul 18, 2018, at 5:34 PM, mercercontrols@aol.com wrote:

Carola/Jacob:

Information has been forwarded to John Gross for immediate review.

mcserrato@stwa.org

From: mercercontrols@aol.com
Sent: Wednesday, July 18, 2018 5:34 PM
To: mcserrato@stwa.org; jhinojosa@stwa.org
Cc: s.gabrysch@mercercontrols.com; crosswire144@yahoo.com
Subject: Fwd: Driscoll Booster
Attachments: IMG_0191.jpg; Untitled attachment 00057.txt; IMG_0192.jpg; Untitled attachment 00060.txt; IMG_0193.jpg; Untitled attachment 00063.txt; IMG_0194.jpg; Untitled attachment 00066.txt; IMG_0197.jpg; Untitled attachment 00069.txt

Carola/Jacob:

Information has been forwarded to John Gross for immediate review.

My question: Is the system feeding chlorine and LAS at all? Or is it simply quitting at times and then resuming operation?

The error messages suggest that there is a problem with the software being corrupted at Driscoll.

The attached pictures confirm that there is a zero chlorine contribution simultaneously with a moderate LAS feed of 7.13 per cent on one picture and 3.46 per cent on another picture. Both of these are with a flow in the 42-inch pipe of ZERO. The algorithm for LAS pump dosage includes the mainline flow as a multiplier, so with zero flow in the 42-inch the LAS pump output should be zero.

For John Gross: As of today, the new radio system should give opportunity to reload software remotely. If you believe that corrupted software is the problem, I can go to Kingsville on Thursday afternoon and reload remotely from Kingsville with you coaching me by telephone.

I will need to go to Port Aransas before I go to Kingsville.

Sherrel Mercer

From: mcserrato@stwa.org
To: mercercontrols@aol.com
Cc: Shay.Roalson@hdrinc.com, dcantu@stwa.org, fvrosales@stwa.org, jhinojosa@stwa.org, jwagner@stwa.org
Sent: 7/18/2018 3:21:58 PM Central Standard Time
Subject: FW: Driscoll Booster

Sherrel,

It appears there are still problems with the Driscoll Disinfectant Booster Station. Please see the attached photos and Jacob's description of what is happening.

Carola

Carola G. Serrato
Executive Director
South Texas Water Authority

PO Box 1701
Kingsville, Texas 78364
361-592-9323 x112

-----Original Message-----

From: Jacob Hinojosa <jihinojosa23@gmail.com>

Sent: Wednesday, July 18, 2018 2:30 PM

To: mcqserrato@stwa.org

Subject: Driscoll Booster

This error message kept popping up and disappearing every now and then. Chlorine gets shut off and LAS still gets injected. Tried to restart the program as well as the PLC and also did a hard reboot as well. Still came on and off every now and then, and when the error was on the screen it would do the calculations with a 0 flow rate. The flow rate at this time was ranging from 1,000 gpm -1,200 gpm.

ATTACHMENT 11

City of Bishop Water Supply Contract

Memorandum

To: South Texas Water Authority Board of Directors
From: Carola G. Serrato, Executive Director
Date: July 27, 2018
Re: City of Bishop - Revised Wholesale Water Supply Contract

Background:

Enclosed are emails related to a recent City Council action to offer purchasing 45% of their needs from STWA. The City Council held a meeting on Wednesday, July 25th which I attended. Enclosed is the City's posted agenda with two (2) items pertaining to STWA. The first being the 45% offer and the second related to the City's electricity bill at their westside pump station. Also enclosed is a statement that I delivered to the Council as part of Public Comment.

Per the most recent letter sent to the City Council, the two major provisions needing to be resolved are the term of the contract and commitment. The letter reiterated the need for uniformity and reminds the Council of the term used in the City of Kingsville's contract. The letter invited the City to suggest a percentage between 50% and 60%. This letter was sent *after* the City's June Council meeting. However, as explained in the enclosed email, STWA did not receive the City's 45% offer after that June meeting.

Analysis:

The enclosed email did not provide any details in terms of the Council's acceptance of the remaining provisions of STWA's offered contract. Therefore, the delivered statement posed three questions:

- Does the 45% purchase percentage translate into deletion of the language found in the City's revision to STWA's contract which reads "or if water is not reasonably or economically available in said quantity, then Customer may acquire water in said quantities and under such terms as are reasonably available to Customer?"
- Does the 45% purchase percentage translate into accepting the term language offered by STWA which is the same as that included in the City of Kingsville contract?
- Since the City has historically purchased 50% of its needs from STWA, and if the STWA Board is willing to accept 45% as a beginning percentage, would the City agree to increasing the percentage to an amount above 50% over the span of five years or perhaps longer?

The statement was delivered as part of Public Comment. Since the STWA Board had not met to discuss the City's 45% purchase volume offer, neither legal counsel nor I expected the Council to hold a discussion. This was not the case. Mayor Tem Miller began by asking why STWA needed to have the larger percentages in STWA's offered contract. At this point, City Secretary Cynthia Contreras advised the Council to proceed to the agenda item. About a 45-minute discussion occurred. The following are the highlights:

- In response to Mayor Miller's question, the subjects of the TCEQ's Total Chlorine requirement, the TCEQ Order, STWA's investment in the Driscoll Disinfection Booster Station and the need for water to flow in order for the Booster Station to function were discussed – more than once.
- Several times, the issue of whether 45% was truly significantly less in terms of making an impact as compared to 50% was brought up by a Council member.
- Several times, I reminded the Council that the City of Kingsville made a commitment to increase their purchase over the initial 5-year period.
- At one point, a Council member stated that STWA needed the City more than the City needed STWA. This was shortly after the discussion about falling residuals on the 42" line when the City ceased purchasing water. I responded by stating that it was a co-dependent relationship, which he conceded is the

case. However, I pointed out if STWA had to install additional booster stations that would be done. But, my preference was to negotiate a contract.

- Several times, during the discussion, I felt it was important to remind the Council that STWA has been asking for a meeting to hold the type of discussion occurring and resolve issues. Several Council members indicated they were unaware of STWA's repeated requests.
- In addition, there was a discussion about the City's need to reduce their budgeted line item for purchased water as a result of Public Works' needs that are not being filled. In conjunction, with this subject, Ms. Contreras stated that through the years STWA's purchase cost has increased. I took this opportunity to state if STWA adopts the same Handling Charge for FY 19 as the current \$0.426386/1000g rate that it would be the 9th year in a row. Further, I stated that the City of Corpus Christi as a regional provider continues to work on securing additional resources which our economy depends upon.

It appears that the discussion was very helpful. With four out of five members present, a motion was made, seconded and passed unanimously to have Mr. Ken Fields revise STWA's offered contract to reflect a beginning purchase percentage of 46% and increasing to 50% over the initial 5-year period. I offered to have Mr. Bill Flickinger make the changes; however, the City opted to have Mr. Fields draft the language. As part of the motion, the Council agreed that the language objected to by STWA of their offered revisions would be deleted. The motion also agreed to accept the same term language as in the City of Kingsville – STWA contract.

With regard to the 2nd item related to STWA and electricity charges for the City's westside pump station, it was agreed the account would remain in STWA's name and a *monthly* billing would occur. Additionally, there was a discussion regarding long-term plans, transferring title to all customers, future adjustment of the Handling Charge and STWA's intention to have the entire cost paid by the City when contracts were finalized with all customers. An update on the remaining customers and negotiations was given.

Finally, I also addressed the City Council as the NWSC General Manager. I reminded the Council that STWA wanted to discuss purchase of the Bishop East PS property for the pump station building, ground storage tank, piping, etc. There was a discussion about what entities used the station and a reminder about the City deciding whether the station could be a "back-up." Ms. Contreras indicated that the property was part of the City Park and could not be sold. A license agreement was discussed. The Council requested and I agreed to have Mr. Flickinger draw up the license agreements. This was discussed with Mr. Flickinger the following day. He stated he would follow-up with Mr. Fields after several days on the other contract.

Staff Recommendation:

Without a revised contract from Mr. Fields, the Board cannot formally approve an agreement. However, the Board can consider the City's *revised* offer to purchase 46% of its needs in Year 1 and increase the percentage to 50% by Year 5 of the contract. Staff believes this offer merits consideration. Mr. Flickinger stated he would not advise to reject the offer.

Board Action:

Determine whether to agree to the revised City offer.

Summarization:

It is unfortunate that the requested meetings did not occur. Negotiating the contract during a Council meeting seemed unusual; however, when asked by a Council member if I was "happy" with the outcome, I stated I would be "happy" when the parties signed on the dotted line.

Statement

To: Bishop City Council
From: Carola G. Serrato, South Texas Water Authority (STWA) Executive Director
Date: July 25, 2018
Re: City of Bishop - Revised Wholesale Water Supply Contract

Per the attached email offer dated Monday, July 23rd, STWA has acknowledged the City Council's offer to purchase 45% of its needs from STWA. As indicated in my response to City Secretary Cynthia Contreras, this offer is being presented to the STWA Board of Directors during its meeting on Tuesday, July 31st.

However, I would like to take this opportunity to reiterate several key factors in the contract offered by STWA to the City. In past correspondence, STWA has emphasized the need for uniformity as it relates to the tax-exempt nature of its outstanding bonds. As such, since Bishop and Kingsville are STWA's two (2) customers utilizing both surface and groundwater, the offered contract follows the same provisions as the City of Kingsville including the term or timeframe of the contract.

In addition, the purchased volume is an important factor as it relates to STWA's goal of complying with the TCEQ's requirement – specifically maintaining a 0.5 mg/l of Total Chlorine in the 42" waterline, which TCEQ considers a distribution line. As such, the June 29th letter asked Bishop to suggest a percentage between 50% and 60%, since the offered contract stipulates beginning with the historic 50% and increasing to 60% over a five – year period.

I believe it is important to note, that in my professional opinion, a 45% purchase percentage would be a "step backwards" as it relates to the TCEQ requirement. STWA has spent approximately \$500,000 installing a Disinfectant Booster Station which injects chloramines directly into the 42" line. The effective operation of this system hinges on a magnetic flow meter, also called a mag meter, that sends a signal for the chlorine system and LAS system to inject chemicals when there is a measurable flow in the line – I want to emphasize that phrase – measurable flow – without sufficient flow the system will not work. And, as you are probably aware, chloramine is a disinfectant known for its longer lasting characteristic. However, it will not remain effective indefinitely and therefore keeping water moving through the system is essential.

As the Council is aware, this negotiation process has spanned several years. You are also aware that STWA has requested, by letter and email, meetings to include City representatives, the City's legal counsel, STWA's legal counsel and myself. Unfortunately, this has not occurred. Therefore, I am going to take this opportunity to leave the Council with three (3) important questions to which your responses will likely be heavily weighed by the STWA Board during their consideration of the City's 45% purchase volume offer.

1. Does the 45% purchase percentage translate into deletion of the language found in the counter offer from the City on Page 3 which reads "or if water is not reasonably or economically available in [corrected "is"] said quantity, then Customer may acquire water in said quantities and under such terms as are reasonably available to Customer?"
2. Does the 45% purchase percentage translate into accepting the term language offered by STWA which is the same as that included in the City of Kingsville contract?
3. And, since the City has historically purchased 50% of its needs from STWA, and if the STWA Board is willing to accept 45% as a beginning percentage, would the City agree to increasing the percentage to an amount above 50% over the span of five years or perhaps longer?

Thank-you for the opportunity to address Council. I would be glad to answer any of your questions.

mcgserrato@stwa.org

From: Bill Flickinger <bflickinger@wfaustin.com>
Sent: Tuesday, July 24, 2018 12:01 PM
To: mcgserrato@stwa.org
Cc: Allison Nix
Subject: RE: City of Bishop Council Meeting - July 25 - CGS Statement

Dear Carola:

Your draft statement is fine. The Council, as you stated, will likely not spend much time on this or want to go into a lot of detail.

The electricity issue is something the City is working on and does not need to be added to your statement. I would not add anything on the purchase of City property until the City works out what it wants to do on the NWSC tank site.

Very truly yours,

Bill Flickinger

Willatt & Flickinger, PLLC
Attorneys at Law
12912 Hill Country Blvd., Suite F-232
Austin, Texas 78738

Phone: (512) 476-6604
Facsimile: (512) 469-9148

Email: bflickinger@wfaustin.com

CONFIDENTIALITY NOTICE: This email transmission (and/or the attachments which accompany it) may contain confidential information belonging to the sender which is protected by the attorney-client privilege. The information is intended only for the use of the intended recipient. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution or the taking of any action in reliance on the contents of this information is strictly prohibited. Any unauthorized interception of this transmission is illegal under the law. If you have received this transmission in error, please promptly notify the sender by reply email, and then destroy all copies of the transmission. Thank you.

From: mcgserrato@stwa.org <mcgserrato@stwa.org>
Sent: Tuesday, July 24, 2018 10:53 AM
To: Bill Flickinger <bflickinger@wfaustin.com>
Subject: City of Bishop Council Meeting - July 25 - CGS Statement

Bill,

Please review the attached draft statement. The Council may not spend very much time on this item since the 45% purchase offer was just made on Monday and the STWA Board hasn't had the opportunity to provide a response. Therefore, I thought it best to sign in as a speaker and cover contract provisions that we have been trying to discuss with the City for quite a while. I think there is a time limit for public comment, although the City's agenda doesn't specify such.

My statement does not include anything on the electricity matter or the purchase of property for the Bishop East PS, which could probably be conveyed in 2 to 3 sentences on each topic.

Please advise on any suggested changes.

Thanks,
Carola

Carola G. Serrato
Executive Director
South Texas Water Authority
PO Box 1701
Kingsville, Texas 78364
361-592-9323 x112

mcserrato@stwa.org

From: bishopcitysecretary@corpus.twcbc.com
Sent: Monday, July 23, 2018 11:35 AM
To: mcserrato@stwa.org; 'Bill Flickinger '
Cc: mayormiller-bishop@corpus.twcbc.com; 'Tem Miller'; 'Gerald L. Benadum'; 'Bom Flores ';
'Alberto Ruiz'; 'Chuck Schultz'; 'Filiberto Trevino'; 'Kathleen Lowman'; 'Lupita Perez';
'Patsy Rodgers'; 'Rudy Galvan'; 'Steven C. Vaughn'; 'Dony Cantu'; 'Frances Rosales';
'Jacob Hinojosa'; 'Jo Ella Wagner'
Subject: RE: Bishop - Agenda 7-25-18

Carola,

Thank you, and we look forward to hearing from your board.

Respectfully,

Cynthia L. Contreras
City Secretary
City of Bishop
PO Box 356
Bishop, Texas 78343
361-584-2567 (phone)
361-584-3253 (fax)
bishopcitysecretary@corpus.twcbc.com

-----Original Message-----

From: mcserrato@stwa.org <mcserrato@stwa.org>
Sent: Monday, July 23, 2018 10:58 AM
To: bishopcitysecretary@corpus.twcbc.com; 'Bill Flickinger '
<bflickinger@wfaustin.com>
Cc: mayormiller-bishop@corpus.twcbc.com; 'Tem Miller' <jtgolf@stx.rr.com>; 'Gerald L. Benadum'
<glbenadum@att.net>; 'Bom Flores '
<bishoppwdirector@corpus.twcbc.com>; 'Alberto Ruiz' <a-ruiz@tamuk.edu>; 'Chuck Schultz' <bigc1149@yahoo.com>;
'Filiberto Trevino'
<ftrevinoiii@gmail.com>; 'Kathleen Lowman' <klowman126@aol.com>; 'Lupita Perez'
<lupe.perez@coldwellbanker.com>; 'Patsy Rodgers'
<rnorpat2@gmail.com>; 'Rudy Galvan' <rudybodyman@yahoo.com>; 'Steven C.
Vaughn' <scvenv@aol.com>; 'Dony Cantu' <dcantu@stwa.org>; 'Frances Rosales'
<fvrosales@stwa.org>; 'Jacob Hinojosa' <jhinojosa@stwa.org>; 'Jo Ella Wagner' <jwagner@stwa.org>
Subject: RE: Bishop - Agenda 7-25-18

Cynthia,

I will provide your email as formal notice as part of STWA's agenda for next Tuesday, July 31st. Ordinarily, STWA would be meeting tomorrow. However, since certified appraisal rolls are not available until Wednesday, July 25th, this week, the meeting is postponed until next week.

I will ask for the Board to provide a formal response and get back to you after the meeting.

Carola G. Serrato
Executive Director
South Texas Water Authority
PO Box 1701
Kingsville, Texas 78364
361-592-9323 x112

-----Original Message-----

From: bishopcitysecretary@corpus.twcbc.com
<bishopcitysecretary@corpus.twcbc.com>
Sent: Monday, July 23, 2018 10:41 AM
To: mcgserrato@stwa.org; 'Bill Flickinger' <bflickinger@wfaustin.com>
Cc: mayormiller-bishop@corpus.twcbc.com; 'Tem Miller' <jtgolf@stx.rr.com>; 'Gerald L. Benadum'
<glbenadum@att.net>; 'Bom Flores'
<bishoppwdirector@corpus.twcbc.com>; 'Alberto Ruiz' <a-ruiz@tamuk.edu>; 'Chuck Schultz' <bigc1149@yahoo.com>;
'Filiberto Trevino'
<ftrevinoiii@gmail.com>; 'Kathleen Lowman' <klowman126@aol.com>; 'Lupita Perez'
<lupe.perez@coldwellbanker.com>; 'Patsy Rodgers'
<rnorpat2@gmail.com>; 'Rudy Galvan' <rudybodyman@yahoo.com>; 'Steven C.
Vaughn' <scvenv@aol.com>; 'Dony Cantu' <dcantu@stwa.org>; 'Frances Rosales'
<fvrosales@stwa.org>; 'Jacob Hinojosa' <jhinojosa@stwa.org>; 'Jo Ella Wagner' <jwagner@stwa.org>
Subject: RE: Bishop - Agenda 7-25-18
Importance: High

Carola,

I do apologize for that, please accept this as notice that the Bishop City Council has motioned to offer STWA a percentage purchase amount of 55% (City) and 45% (STWA). Again I do apologize on behalf of the City.

Respectfully,

Cynthia L. Contreras
City Secretary
City of Bishop
PO Box 356
Bishop, Texas 78343
361-584-2567 (phone)
361-584-3253 (fax)
bishopcitysecretary@corpus.twcbc.com

-----Original Message-----

From: mcgserrato@stwa.org <mcgserrato@stwa.org>
Sent: Monday, July 23, 2018 9:50 AM
To: bishopcitysecretary@corpus.twcbc.com; 'Bill Flickinger'
<bflickinger@wfaustin.com>

Cc: mayormiller-bishop@corpus.twcbc.com; 'Tem Miller' <jtgolf@stx.rr.com>; 'Gerald L. Benadum' <glbenadum@att.net>; 'Bom Flores' <bishoppwdirector@corpus.twcbc.com>; 'Alberto Ruiz' <a-ruiz@tamuk.edu>; 'Chuck Schuitz' <bigc1149@yahoo.com>; 'Filiberto Trevino' <ftrevinoiii@gmail.com>; 'Kathleen Lowman' <klowman126@aol.com>; 'Lupita Perez' <lupe.perez@coldwellbanker.com>; 'Patsy Rodgers' <rnorpat2@gmail.com>; 'Rudy Galvan' <rudybodyman@yahoo.com>; 'Steven C. Vaughn' <scvenv@aol.com>; 'Dony Cantu' <dcantu@stwa.org>; 'Frances Rosales' <fvrosales@stwa.org>; 'Jacob Hinojosa' <jhinojosa@stwa.org>; 'Jo Ella Wagner' <jwagner@stwa.org>
Subject: RE: Bishop - Agenda 7-25-18

Good Morning Cynthia,

With regards to the 55-45 split, was the Mayor contacting someone with STWA in person? Our office has not received a call. STWA's legal counsel has not been contacted. To my knowledge, none of STWA's Board members have been contacted. Board President Kathy Lowman and I have spoken several times since the Bishop City Council meeting. In addition, there has not been any written communication.

Carola G. Serrato
Executive Director
South Texas Water Authority
PO Box 1701
Kingsville, Texas 78364
361-592-9323 x112

-----Original Message-----

From: bishopcitysecretary@corpus.twcbc.com <bishopcitysecretary@corpus.twcbc.com>
Sent: Monday, July 23, 2018 9:30 AM
To: mcgserrato@stwa.org; 'Bill Flickinger' <bflickinger@wfaustin.com>
Cc: mayormiller-bishop@corpus.twcbc.com; 'Tem Miller' <jtgolf@stx.rr.com>; 'Gerald L. Benadum' <glbenadum@att.net>; 'Bom Flores' <bishoppwdirector@corpus.twcbc.com>; 'Alberto Ruiz' <a-ruiz@tamuk.edu>; 'Chuck Schuitz' <bigc1149@yahoo.com>; 'Filiberto Trevino' <ftrevinoiii@gmail.com>; 'Kathleen Lowman' <klowman126@aol.com>; 'Lupita Perez' <lupe.perez@coldwellbanker.com>; 'Patsy Rodgers' <rnorpat2@gmail.com>; 'Rudy Galvan' <rudybodyman@yahoo.com>; 'Steven C. Vaughn' <scvenv@aol.com>; 'Dony Cantu' <dcantu@stwa.org>; 'Frances Rosales' <fvrosales@stwa.org>; 'Jacob Hinojosa' <jhinojosa@stwa.org>; 'Jo Ella Wagner' <jwagner@stwa.org>
Subject: RE: Bishop - Agenda 7-25-18
Importance: High

Good Morning Carola,

At our last City Council meeting it was approved that Mayor Miller make an offer to STWA for a split of 55% (City) and (45%) STWA. At your last Board meeting it was recommended that contract negotiations with the city should occur by meeting in person but the City of Bishop recommends that we need to agree on the percentage purchase before we bring legal fees into the negotiations. As for the electrical, I am recommending that the city take over the billing. Budget is very important and we try to get as close on it as possible as you know, but when the city receives a billing

from 2013 through May 2018 we have to adjust our budget because we didn't receive these statements monthly. This is the only reason we are asking that it be under the cities name, so no entity has to adjust their budget for expenses.

Respectfully,

Cynthia L. Contreras
City Secretary
City of Bishop
PO Box 356
Bishop, Texas 78343
361-584-2567 (phone)
361-584-3253 (fax)
bishopcitysecretary@corpus.twcbc.com

-----Original Message-----

From: mcgserrato@stwa.org <mcgserrato@stwa.org>
Sent: Friday, July 20, 2018 4:06 PM
To: bishopcitysecretary@corpus.twcbc.com; 'Bill Flickinger' <bflickinger@wfaustin.com>
Cc: mayormiller-bishop@corpus.twcbc.com; 'Tem Miller' <jtgolf@stx.rr.com>; 'Gerald L. Benadum' <glbenadum@att.net>; 'Bom Flores' <bishoppwdirector@corpus.twcbc.com>; 'Alberto Ruiz' <a-ruiz@tamuk.edu>; 'Chuck Schultz' <bigc1149@yahoo.com>; 'Filiberto Trevino' <ftrevinoiii@gmail.com>; 'Kathleen Lowman' <klowman126@aol.com>; 'Lupita Perez' <lupe.perez@coldwellbanker.com>; 'Patsy Rodgers' <rnorpat2@gmail.com>; 'Rudy Galvan' <rudybodyman@yahoo.com>; 'Steven C. Vaughn' <scvenv@aol.com>; 'Dony Cantu' <dcantu@stwa.org>; 'Frances Rosales' <fvrosales@stwa.org>; 'Jacob Hinojosa' <jhinojosa@stwa.org>; 'Jo Ella Wagner' <jwagner@stwa.org>
Subject: RE: Bishop - Agenda 7-25-18

Good Afternoon Cynthia,

Thank-you for the notice of the meeting. I have a few questions on the agenda items. I will be sending two emails - one for STWA and another for NWSC.

With regards to Item 4 A and Item 4B:

Item 4A - the agenda item reads, "City Council motioned to approach STWA with a 55% (Bishop) and 45% (STWA) as the percentage purchase amount on our proposed water supply contract - Review STWA's response." I have revisited the last contract provided by the City which was an attachment to your email of March 22, 2018. The STWA Board reviewed this contract and a response letter was sent shortly after by a letter addressed to Mayor Tem Miller on April 2, 2018. This letter was copied to the City Council, Mr. Benadum, and you. However, your email, comments on the proposed contract (part of the attachment) and the attached, proposed contract did not mention a 55%-45% split. As such, it is not clear what "STWA response" is being referred to in the agenda item.

Item 4B - the agenda item reads, "Approval to switch over west side pump station electrical account which is currently held under STWA into the City of Bishop's name." Please let me know if you need any information on this item. I believe

both the City and STWA are members of TCAP. Jo Ella Wagner, Finance Manager, and I believe this may only require a transfer through GEXA.

I plan to attend the meeting. Have a good weekend.

Carola

Carola G. Serrato
Executive Director
South Texas Water Authority
PO Box 1701
Kingsville, Texas 78364
361-592-9323 x112

-----Original Message-----

From: bishopcitysecretary@corpus.twcbc.com
<bishopcitysecretary@corpus.twcbc.com>
Sent: Friday, July 20, 2018 3:18 PM
To: Carola G. Serrato <mcserrato@stwa.org>; Bill Flickinger <bflickinger@wfaustin.com>
Cc: mayormiller-bishop@corpus.twcbc.com; 'Tem Miller' <jtgolf@stx.rr.com>; Gerald L. Benadum
<glbenadum@att.net>; Bom Flores <bishoppwdirector@corpus.twcbc.com>
Subject: Bishop - Agenda 7-25-18
Importance: High

Good afternoon Carola,

Attached is a copy of the agenda for our Regular Meeting scheduled to be held on Wednesday, July 25th at 5:00 pm. We have 2 line items pertaining to South Texas Water Authority and Nueces Water Supply Corporation.

Respectfully,

Cynthia L. Contreras
City Secretary
City of Bishop
PO Box 356
Bishop, Texas 78343
361-584-2567 (phone)
361-584-3253 (fax)
bishopcitysecretary@corpus.twcbc.com

-----Original Message-----

From: bishopcitysecretary@corpus.twcbc.com
<bishopcitysecretary@corpus.twcbc.com>
Sent: Friday, July 20, 2018 3:08 PM
To: CynthiaC <bishopcitysecretary@corpus.twcbc.com>
Subject: Message from "RNP002673844150"

ATTACHMENT 12

City of Driscoll Water Supply Contract

Memorandum

To: South Texas Water Authority Board of Directors
From: Carola G. Serrato, Executive Director
Date: July 27, 2018
Re: City of Driscoll – 20-Year Wholesale Water Supply Contract

Background:

Approximately a month ago, Bill Flickinger, Willatt and Flickinger, and I discussed the need to once again pursue contract negotiations with the City of Driscoll. Enclosed is a recent email from Mr. Flickinger regarding the previously offered contract as well as the updated document with minor modifications to correct dates. You may recall that a revised contract was offered about two (2) years ago, in late June of 2016. The cover letter accompanying the contract outlined the need for certain changes in order to protect the tax-exempt status of STWA's bonds. The letter also stated that the methodology for calculating rates would remain unchanged. Other items were highlighted including the deletion of a take or pay provision, the inclusion of a true-up, and clarification on how water rationing will be calculated in the event it is necessary.

In August of 2016, I met with Mr. John Aguilar, the mayor at that time, and Mr. John Valls, the interim City Administrator at that time. Enclosed is a list of items provided to the City of Driscoll with descriptions of the contract's highlights. Following the meeting with the City, staff reported that the City expressed concern with possible unexpected expenses as a result of taking title to the facilities that STWA would transfer to the City. Staff reported that the City had been informed that STWA could continue to provide similar services as in the past to avoid unanticipated costs; however, staff also explained that the fees for those costs would be charged as Special Services separate from the Handling Charge.

Analysis:

The Board will recall when the contract was offered, the Driscoll Pump Station Joint Project was underway. This project was paid for by STWA and the Nueces Water Supply Corporation. It consisted of enlarging the building and adding a fourth pump together with the necessary piping, controls and wiring. The addition of the fourth pump would allow two (2) pumps to be devoted to the City and two (2) pumps to be devoted to NWSC. An objective of the project was to address the TCEQ's under direct pressure rule.

With the completion of the project, the contract would call for a prorated sharing of the ground storage tank. The NWSC agreed to this when it signed its water supply contract. The City should now feel more secure knowing that two (2) separate pumps which meet the TCEQ's capacity requirements are now devoted to the City. Staff anticipates that the remaining discussions should be focused on whether the City will accept operation and maintenance responsibility or pay STWA as part of Special Services for such.

Staff Recommendation:

Authorize staff to work with legal counsel to negotiate a wholesale water supply contract.

Board Action:

Determine whether to authorize staff to work with legal counsel for negotiations.

Summarization:

Staff believes progress has been made on the City of Bishop contract. Driscoll and Banquete are the two (2) remaining entities without contracts.

Twenty (20) Highlights of the Water Supply Contract between STWA and City of Driscoll and Contract negotiations with STWA Wholesale Customers

Provided to the City of Driscoll Council on August 12, 2016 by Carola G. Serrato, STWA Executive Director

- Term: Twenty (20) year Contract – the STWA Board has gone on record as determining that it is not interested in signing a contract with a shorter term than twenty (20) years
- Quantity: Provides for taking 0.6 gpm per connection – the necessary amount according to TCEQ.
- Quality: Provides for STWA adding disinfectant to the finished City of Corpus Christi water and that the City “has satisfied itself that the water will be suited to its needs.”
- Definition not included in any previous contracts – Special Services
- Bond Attorney recommended adding Special Services in order to clarify uniformity of rates as it pertains to STWA’s tax exempt bonds.
- Tax Exempt Bonds: STWA issued tax exempt bonds for relocation of 42” waterline and other projects. [STWA is using current General Fund dollars for the building expansion and rehab. The NWSC is paying for the addition of a 4th pump.]
- Addition of 4th pump will allow for separation of pump capacity according to TCEQ and can address the TCEQ’s Under Direct Pressure rule.
- Special Services: Definition includes the management services provided to Nueces Water Supply Corporation (NWSC) and Ricardo Water Supply Corporation (RWSC)
- Goal: All Wholesale Customers own the facilities that are providing service to that Customer.
- Rates: Continue as before ➔ Pass through the Cost of Water from the City of Corpus Christi + STWA Handling Charge
- Handling Charge: Calculation is the same as in the past
- Budget: STWA Board of Directors is responsible for adopting a budget and setting all rates.
- Input: Wholesale Customers are allowed time to provide written comments on the budget.
- Take or Pay – There is NOT any Take or Pay Provision. This is according to bond counsel’s advice.
- Conservation/Drought: Section 10 contains language to insure that Wholesale Customers will limit their customers “to the same extent and on a prorata basis.”
- Wholesale Customer Notice: Section 14 calls for Wholesale Customers to provide notice to STWA in the event the Wholesale Customer is considering entering into a water supply contract or agreement for services that could jeopardize STWA’s tax-exempt status.
- Operations and Maintenance Agreement – STWA can continue to provide that service as a Special Service if the City of Driscoll Council so chooses.
- Executed Contracts: The City of Agua Dulce, the NWSC and the RWSC have entered into contracts.
- Offered Contracts: The City of Kingsville, the City of Bishop and the Nueces County Water Control and Improvement District #5 (Banquete) have been offered similar contracts to the contract provided to the City of Driscoll.
- Negotiation Status: Legal Counsel and I are meeting with City of Kingsville representatives today, August 10th. Legal Counsel and I met with the City of Bishop representatives on August 2nd. And, after numerous meetings and discussions with the Banquete Water District, the STWA Board instructed staff to notify that district that STWA would be selling water to the district on a day to day basis.

mcserrato@stwa.org

From: Bill Flickinger <bflickinger@wfaustin.com>
Sent: Tuesday, July 24, 2018 2:10 PM
To: Carola Serrato (mcserrato@stwa.org)
Cc: Allison Nix
Subject: STWA - Proposed Water Supply Contract with the City of Driscoll
Attachments: wsc-driscoll-072418.docx; STWA Driscoll Contract Exhibits 72418.pdf

Dear Carola:

I have reviewed the form of the Driscoll contract and exhibits that we had in July, 2016. I have determined that no substantive changes are needed. We did update the dates in the draft and exhibits and listed all exhibits in the contract.

I do not believe that the STWA Board needs to take any action on the draft prior to presentation to Driscoll. However, I am attaching the current version if you wish to include it in your agenda package. The exhibits are in a separate attachment. Thank you.

Very truly yours,

Bill Flickinger

Willatt & Flickinger, PLLC
Attorneys at Law
12912 Hill Country Blvd., Suite F-232
Austin, Texas 78738

Phone: (512) 476-6604
Facsimile: (512) 469-9148

Email: bflickinger@wfaustin.com

CONFIDENTIALITY NOTICE: This email transmission (and/or the attachments which accompany it) may contain confidential information belonging to the sender which is protected by the attorney-client privilege. The information is intended only for the use of the intended recipient. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution or the taking of any action in reliance on the contents of this information is strictly prohibited. Any unauthorized interception of this transmission is illegal under the law. If you have received this transmission in error, please promptly notify the sender by reply email, and then destroy all copies of the transmission. Thank you.

WATER SUPPLY CONTRACT

THE STATE OF TEXAS §
 §
COUNTY OF KLEBERG §

This Contract is by and between the South Texas Water Authority, a governmental agency, conservation and reclamation District and body politic and corporate, having been created under Chapter 436 Acts of the 66th Legislature, Regular Session, 1979, of the laws of the State of Texas, all pursuant to Article XVI, Section 59 of the Texas Constitution (hereinafter called the "Authority") and the City of Driscoll, Texas, a general law city in Nueces County, Texas (hereinafter called the "Wholesale Customer"), and is as follows.

RECITALS

WHEREAS, the Authority owns a water transmission line extending from the City of Corpus Christi O.N. Stevens Water Treatment Plant to the Authority's offices at 111 E. Sage Road, Kingsville, Texas 78363; and

WHEREAS, the Authority has entered into that certain Water Supply Agreement by and between the Authority and the City of Corpus Christi dated October 14, 1980, pursuant to which the Authority purchases water for resale to its customers; and

WHEREAS, the Authority is willing to sell, and the Wholesale Customer is willing to buy, water available to the Authority from the City of Corpus Christi.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained the Authority and the Wholesale Customer agree as follows:

SECTION 1. DEFINITIONS. Terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

(A) "Corpus Christi Water Supply Agreement" shall mean the Water Supply Agreement by and between the Authority and the City of Corpus Christi dated October 14, 1980, as amended and supplemented from time to time and as modified by the Settlement Agreement and Mutual Release between the Authority, San Patricio Municipal Water District and the City of Corpus Christi effective as of August 13, 2013.

(B) "Fiscal year" shall mean the twelve month period beginning on October 1 and ending September 30 or such other twelve month period as designated by the Authority.

(C) "Maintenance and Operating Expenses" shall mean all costs of the Authority for operation, maintenance, repair and replacement of the System to the point of delivery for each Wholesale

Customer, including, but not limited to, accounting, administration, engineering, and legal expenses and a reasonable reserve to pay for any extraordinary or nonrecurring expenses of operation or maintenance of the System and for replacements and repairs if such expenses should become necessary. Maintenance and Operating Expenses shall include payments under contracts for the purchase of water supply or other services for the System. Maintenance and Operating Expenses shall not include any costs or expenses incurred by the Authority in connection with Special Services.

(D) "Maintenance and Operations Tax" shall mean the ad valorem tax levied by the Authority in accordance with Chapter 49 of the Texas Water Code as authorized by the election of August 11, 2001, at a rate not to exceed \$0.12 per \$100 taxable value.

(E) "Special Services" shall mean services provided by the Authority to a Wholesale Customer or other entity for the operation, maintenance or management of any facilities or operations of such party that are not part of the Authority's System.

(F) "System" shall mean the Authority's existing water supply and distribution system, together with all future extensions, improvements, enlargements and additions thereto, and all replacements thereof.

(G) "System Operating Charge" shall mean the monthly charge, per 1,000 gallons described in Section 8 consisting of the "pass through charge" for the purchase of water from the City of Corpus Christi and the "handling charge" to pay Maintenance and Operating Expenses.

(H) "Wholesale Customers" shall mean the Cities of Agua Dulce, Bishop, Driscoll and Kingsville, Nueces County Water Control and Improvement District No. 5, Nueces Water Supply Corporation and Ricardo Water Supply Corporation, and any other future contracting parties that purchase water from the Authority for municipal, industrial or agricultural purposes.

SECTION 2. QUANTITY. The Authority agrees to sell and deliver to Wholesale Customer at the delivery point hereinafter specified, and Wholesale Customer agrees to purchase and take at said delivery point, all water required by Wholesale Customer during the period of this agreement for its own use and for distribution to all customers served by Wholesale Customer's water distribution system at a maximum authorized daily purchase rate which, together with the actual production capacity of the Wholesale Customer's system, is at least 0.6 gallon per minute per connection in the Wholesale Customer's water distribution system. The word "connection" as used in this paragraph shall have the same meaning as in Texas Administrative Code Title 30, Part 1, Chapter 290, Subchapter D, Section 290.38(14) in an amount up to 0.6 gpm per connection.

The Authority will use its best efforts to remain in the position to furnish water sufficient for the reasonable demands of Wholesale Customer, but its obligations shall be limited to the quantity of water available to it under its contract with the City of Corpus Christi. If the Authority determines that it is not able to furnish the Wholesale Customer with the foregoing amount of water, the Wholesale Customer shall be authorized to obtain water in an amount equal to that which the Authority cannot provide from any other source.

SECTION 3. QUALITY. The water which will be delivered to the Wholesale Customer by the Authority will be as received from the City of Corpus Christi, as changed by the transportation process. The Authority may add additional disinfection. The Wholesale Customer has satisfied itself that this water will be suited for its needs.

SECTION 4. POINTS OF DELIVERY AND TITLE, AND DEDICATION OF CAPACITY IN FACILITIES.

Attached hereto as Exhibit "A" is a schematic diagram showing the transfer of water from the Authority to the Wholesale Customer's distribution system. The point of delivery of the water by the Authority to the Wholesale Customer shall be the outlet of the Authority's meter located immediately before the water enters the Authority's 150,000-gallon ground storage tank and pump station shown on Exhibit "A" attached hereto, and any other points of delivery mutually agreed upon by the Wholesale Customer and the Authority. The Wholesale Customer shall provide and maintain an air gap between the Authority's system and the Wholesale Customer's distribution system at the point of delivery shown on Exhibit "A," and any other points of delivery mutually agreed upon by the Wholesale Customer and the Authority. The amount of water delivered to Wholesale Customer for billing purposes shall be the amount measured at the STWA master meter for Driscoll prior to the 150,000-gallon storage tank minus the amount measured by the STWA master meter for Nueces WSC located after the hydro-pneumatic tank serving Nueces WSC, as shown on Exhibit "A."

Title to all water supplied hereunder shall remain in the Authority to the Point of Delivery, and upon passing through the Authority's meter or meters installed at the specified Point of Delivery such title to the water shall pass to the Wholesale Customer. Each of the parties hereto shall be responsible for and agrees to save and hold the other party harmless from all claims, demands and causes of action which may be asserted by anyone on account of the transportation, delivery and disposal of said water while title remains in such party.

Contemporaneously herewith, the Authority will execute a bill of sale substantially in the same form as that attached hereto as Exhibit "B," thereby conveying to the Wholesale Customer a divided interest for its exclusive use in the Authority's 150,000-gallon ground storage facility and pump station shown on Exhibit "A," for up to the amount of 200 gallons per connection, for 290 connections, as the term "connection" is defined in 30 TAC § 290.38(14), which divided interest shall be prorated on the number of connections served by the Wholesale Customer from the ground storage facility and the total number of connections served from the ground storage facility, on October 1 of each year.

Contemporaneously herewith, the Authority and the Wholesale Customer will execute a Contract for Operation and Maintenance of Facilities substantially in the form of that attached hereto as Exhibit "C."

SECTION 5. MEASURING EQUIPMENT.

(A) Authority shall furnish, install, operate and maintain at its own expense the necessary metering equipment of standard type for measuring properly the quantity of water delivered under this agreement. Such metering equipment shall be located on the Authority's supply main at a location already designated by Authority. Such meter or meters and other equipment so installed shall remain the property of Authority. The reading, calibration and adjustment of the meter equipment shall be done only by the employees or agents of the Authority. However, the Wholesale Customer shall have access to such metering equipment at all reasonable times. For the purpose of this Agreement, the original record or reading of the main meter shall be the journal or other record book of the Authority in its office in which the records of the employees or agents of the Authority who take the reading are or may be transcribed. Upon written request of Wholesale Customer, the Authority will give the Wholesale Customer a copy of such journal or record book, or permit the representative designated by Wholesale Customer Council resolution to have access to the same in the office of the Authority during reasonable business hours.

(B) Not more than once in each calendar year, on a date as near the end of the Authority's fiscal year as practical, the Authority shall calibrate its main meter or meters and present to the Wholesale Customer accuracy certification. This calibration shall be performed in the presence of a representative of Wholesale Customer, and the parties shall jointly observe any adjustments which are made to the meter in case any adjustments shall be necessary, and if the check meter hereinafter provided for has been installed, the same shall also be calibrated in the presence of a representative of the Wholesale Customer and the parties shall jointly observe any adjustments which are made to the meter in case any adjustments shall be necessary. The Authority shall give Wholesale Customer notice of the time when any such calibration is to be made. If a representative of Wholesale Customer is not present at the time set, the Authority may proceed with calibration and adjustment in the absence of any representative of the Wholesale Customer.

(C) If either party at any time observes a variation between a main delivery meter and the check meter, if any such check meter shall be installed, such party will promptly notify the other party, and the meters shall then be adjusted to accuracy. Each party shall give the other party forty-eight (48) hours notice of the time of any test of meter so that the other party may conveniently have a representative present.

(D) If, upon any test, the percentage of inaccuracy of metering equipment is found to be in excess of two percent (2%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half ($\frac{1}{2}$) of the time elapsed since the last date of calibration, but in no event farther back than a period of six (6) months. If, for any reason, the main meter is out of service or out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered, through the period such meter is out of service or out of repair, shall be estimated and agreed upon by the parties thereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter if the same has been installed and is accurately registering. Otherwise, the amount of water delivered during such period may be estimated (i) by correcting

the error if the percentage of error is ascertainable by calibration tests of mathematical calculation, or (ii) by estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter was registering accurately.

(E) The Wholesale Customer may, at its option and its own expense, install and operate a check meter to check the meter installed by the Authority, but the measurement of water for the purpose of this agreement shall be solely by the Authority's meter, except in the cases hereinabove specifically provided to the contrary. Such check meter shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of the Authority, but the reading, calibration and adjustment thereof shall be made only by the Wholesale Customer, except during any period when a check meter may be used under the provisions hereof for measuring the amount of water delivered, in which case the reading, calibration, and adjustment thereof shall be made by the Authority with like effect as if such check meter had been furnished or installed by the Authority.

SECTION 6. MEASUREMENT AND UNIT OF MEASUREMENT. The volume of water that is billed to the Wholesale Customer shall be the amount of water delivered through the points of delivery described in the exhibits attached to this Agreement minus the amount of water delivered by the Authority through those points of delivery that is delivered to other customers, as shown in the exhibits attached to this Agreement. The unit of measurement for water delivered hereunder shall be 1,000 gallons of water, U.S. Standard Liquid Measure.

SECTION 7. DELIVERY PRESSURE. The water shall be delivered by the Authority at the point of delivery at the Wholesale Customer's system at "0" pressure.

SECTION 8. PRICES AND TERMS.

(A) System Operating Charge. The System Operating Charge shall be billed monthly as a price per 1000 gallons of water purchased by the Wholesale Customer. The System Operating Charge shall consist of the sum of (1) a "pass through charge" to recover the cost of water purchased pursuant to the Corpus Christi Water Supply Agreement at a rate equal to the cost of water, per 1000 gallons, from the City of Corpus Christi, and (2) a "handling charge" which shall be a rate equal to the estimated annual Maintenance and Operating Expenses per 1000 gallons, less the amount of Maintenance and Operations Tax revenues budgeted for payment of Maintenance and Operating Expenses. Maintenance and Operating Expenses shall not include any management fees or similar expenses related to Special Services. All rates charged for Maintenance and Operating Expenses shall be set to recover the cost of service, based on generally accepted rate making principles, including those set forth in the American Water Works Association ("AWWA") Manual M1 on water rates. The amount of the Maintenance and Operations Tax shall be determined by the board of directors of the Authority in its sole discretion.

Wholesale Customer shall be responsible for the cost of operation, maintenance, repair and replacement of the facilities located after the point of delivery.

Each year after the Authority receives its audit, the Authority will conduct a "true-up" for the year to which the audit applies; i.e., the prior year, using audited costs to determine if there was any over-recovery or under-recovery of costs during that year. Any over-recovery or under-recovery of costs will be carried over as a credit or debit, as appropriate, to the costs included in the budget that are considered to determine the price for the following year. (There will be a one-year delay in each "true-up").

(B) Authority Budget. The Authority's fiscal year shall be from October 1 through September 30 of each year, or such other period as the Authority, after sixty (60) days written notice to the Wholesale Customer, shall adopt. Not later than the forty-fifth (45th) day before the beginning of the Authority's next fiscal year, commencing with the Authority's fiscal year in which this Agreement becomes effective, the Authority shall provide the Wholesale Customer with a copy of the Authority's proposed budget for the following fiscal year, showing the budgeted total annual rate, and the components thereof, to be paid by the Wholesale Customer to the Authority for the fiscal year of the Authority to which the budget applies for sale and purchase of water under this Agreement. The Wholesale Customer shall have thirty (30) days to review and provide written comments on the proposed budget. The Authority shall adopt its fiscal year budget as soon as practicable following the expiration of such thirty (30) day period and shall deliver to the Wholesale Customer a copy of the fiscal year budget within five (5) days after the adoption thereof.

(C) Unconditional Obligation to Pay - The Wholesale Customer shall be obligated to pay, each month, the payments required by this Agreement, without offset or counterclaim. This covenant shall be for the benefit of the holders of the Authority's bonds, secured in whole or in part from the revenues of the System, if as and when any bonds are outstanding.

(D) Billing and Payment - The Authority shall bill the Wholesale Customer monthly for the amounts due the Authority hereunder for the preceding billing period which bill shall disclose the nature of the amounts due. Such monthly bills shall be normally delivered to the Wholesale Customer within ten business days after the end of each calendar month. All such bills shall be paid by the Wholesale Customer on or before the last day of the month in which they are received, at the office of the Authority in Kingsville, Texas. Any mistakes in calculations or figures shall not alleviate the Wholesale Customer's obligation to pay the bill in full. Any mistakes in any calculations or figures shall be corrected immediately upon discovery and the corrected bill will be furnished to the Wholesale Customer. An adjustment in the amount paid as a result of such mistake in calculation or figure will be added or deducted from the following month's bill, as appropriate. If the Wholesale Customer disputes a bill, it shall nevertheless pay the bill, in full, pending any refund, as may be determined as a result of appeal of the disputed bill. The dispute may be resolved by agreement, or by appropriate administrative agency or court decision.

(E) Late Payment - In the event the Wholesale Customer shall fail to make any payment required to be made to the Authority under this Contract, within the time specified herein, interest on the amount due shall accrue from the time payment is due at the rate of fifteen percent (15%) per annum, or the maximum rate allowed by law, whichever is less. In the event any such payment is not made within sixty days from date such payment becomes due, the Authority may, at its

option, discontinue the delivery of water to the Wholesale Customer until the amount then due the Authority is paid in full with interest as above specified.

SECTION 9. SPECIAL CONDITIONS.

(A) Wholesale Customer represents and covenants that the water supply to be obtained pursuant to this Contract is essential and necessary to the operation of its waterworks system, and that all payments to be made hereunder by it will constitute reasonable and necessary "operating expenses" of Wholesale Customer's waterworks system, and that all such payments will constitute reasonable and necessary operating expenses of Wholesale Customer's waterworks system under any and all revenue bond issues of Wholesale Customer, with the effect that the Wholesale Customer's obligation to make payments from its waterworks revenues under this Contract shall have priority over its obligations to make payments of the principal of and interest on any and all of its revenue bonds.

(B) Wholesale Customer agrees to fix and collect such rates and charges for water and services to be supplied by its waterworks system as will make possible the prompt payment of all expenses of operating and maintaining its waterworks system, including all payments contracted hereunder, and the prompt payment of the principal of and interest on its obligations payable from the revenues of its waterworks system.

(C) During any period of time when, in the judgment of the Authority, there is a critical shortage of water in the sources of supply available to Authority, which makes it impractical or inadvisable for Authority to deliver to the Wholesale Customer and its other customers with whom it has water supply contracts the full amounts of water required to be delivered thereunder, the water deemed available by the Authority from its sources of supply, shall be rationed to the Wholesale Customer and the other customers during each month of such period of time, in accordance with the "Drought Contingency Plan for the South Texas Water Authority" adopted on May 28, 2013, as it may be amended from time to time. Such rationing shall also be subject to the requirements of Section 10 of this Contract.

(D) The Wholesale Customer is participating in the Federal Flood Insurance Program and will continue to do so during the term of this Contract.

SECTION 10. CORPUS CHRISTI CONTRACT AND DROUGHT CONTINGENCY PLAN.

The Wholesale Customer acknowledges that it is required by Sec. 11.1272, Water Code, to develop a drought contingency plan consistent with the appropriate approved regional water plan. Wholesale Customer also acknowledges that the Corpus Christi Water Supply Agreement requires that, if the City of Corpus Christi implements any measures under its Water Conservation and Drought Contingency Plan, the Authority shall within thirty (30) days of notice of the implementation of any restrictions, surcharges or rationing by the City of Corpus Christi, impose similar restrictions, surcharges or rationing measures on its Wholesale Customers. Any contract for the resale of water furnished by the Authority shall contain a similar condition.

Accordingly, the Wholesale Customer agrees that it will adopt a water conservation plan and drought contingency plan consistent with those of the City of Corpus Christi, as the latter may be amended from time to time.

Wholesale Customer understands and agrees that all Wholesale Customers shall be subject to and bound by the same provisions regarding priorities of user of water and that, therefore, should there be a shortage in the basic supply of water, from the City of Corpus Christi or otherwise, which requires the restriction or curtailing of any Wholesale Customer of water (a/k/a rationing of water), the Authority will limit and restrict all of its Wholesale Customers, to the same extent and on a pro rata basis, and will require its Wholesale Customers to treat all of their customers equally.

SECTION 11. FORCE MAJEURE. In case by reason of force majeure either party hereto shall be rendered unable wholly or partially to carry out its obligations under this Contract, other than the obligation of Wholesale Customer to make the payments required under the terms hereof, then if such party shall give notice and full particulars of such force majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of a public enemy, orders of any kind of the Government of the United States or the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipe lines or canals, partial or entire failure of water supply, or inability on the part of the Authority to delivery water hereunder on account of any other causes not reasonably within the control of the Authority. It is understood and agreed that the settlement of strikes and lockouts may be difficult, and that the above requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party or parties when such settlement is unfavorable to it in the judgment of the party having the difficulty.

SECTION 12. TERM OF CONTRACT. This Contract shall be and continue in full force and effect for a period of twenty (20) years following the date it has been executed by both parties.

SECTION 13. REMEDIES UPON DEFAULT

(A) Remedies. The parties agree that the Authority's undertaking to provide water is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone. Accordingly, the Authority agrees, in the event of any default on its part, that the Wholesale Customer shall be entitled to specific performance in addition to any other available legal or equitable remedies.

(B) Remedies Cumulative/Not Exclusive. The remedies provided for herein are not exclusive remedies. All other remedies at law or in equity may be availed of by either party and shall be cumulative except to the extent otherwise specifically provided, or limited, under this Agreement.

(C) CONSEQUENTIAL DAMAGES. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR SPECIAL, CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES OR LOST PROFITS WHETHER ARISING IN AGREEMENT, TORT, STRICT LIABILITY OR OTHERWISE.

(D) Jurisdiction. The Authority and the Wholesale Customer agree that, if either of them disputes the rate charged pursuant to this contract, either of them may appeal the rate to the Public Utility Commission ("PUC"). If the PUC for any reason refuses to hear the appeal for want of jurisdiction, or otherwise, the dispute may be resolved by the district court of Kleberg County, Texas.

SECTION 14. GENERAL PROVISIONS

(A) Covenant of Good Faith and Fair Dealings. The Authority and the Wholesale Customer agree to cooperate and to deal with one another fairly and in good faith at all times to effectuate the purposes and intent of this Contract. They also agree to execute and deliver such further legal documents or instruments and to perform such further acts as are reasonably necessary to effectuate the purposes and intent of this Contract.

(B) TAX-EXEMPT BONDS. The Wholesale Customer understands that the Authority has issued or will issue bonds the interest on which is excludable from the gross income of the owners thereof for federal income tax purposes ("Tax-Exempt Bonds") for improvements to the System and that the federal income tax laws impose certain restrictions on the use of proceeds of any such Tax-Exempt Bonds and on the use of the facilities and property financed by the Tax-Exempt Bonds and the output produced from such facilities and property. Accordingly, the Wholesale Customer will not enter into a water supply contract or other agreement with a customer of such Wholesale Customer which contains take-or-pay, contract minimums, output requirements, special rates and charges or similar provisions, unless it has notified the Authority in writing of the Wholesale Customer's intent to enter into such contract at least 60 days prior to the execution of such contract or agreement. The parties may rely on the opinion of nationally-recognized bond counsel to ensure compliance with this Section. This Section shall no longer apply to any Wholesale Customer if any of the outstanding bonds of the Authority allocable to the portion of the System used by the Wholesale Customer are not Tax-Exempt Bonds.

(C) Notices. Any notice to be given hereunder by either party to the other party shall be in writing and may be effected by personal delivery, by facsimile, or by sending said notices by registered or certified mail, return receipt requested, to the address set forth below. Notice shall be deemed given when received by facsimile or by personal delivery, or three days after deposited with the United States Postal Service with sufficient postage affixed.

Any such notice mailed to the Authority shall be addressed:

South Texas Water Authority
P.O. Box 1701
Kingsville, Texas 78364
Attn: Executive Director
Fax: (361) 592-5965

Any such notice mailed to the Wholesale Customer shall be addressed:

City of Driscoll
P.O. Box 178
Driscoll, Texas 78351
Attn: City Secretary
Fax: (361) 767-4033

Either party may change the address or facsimile number for notice to it by giving notice of such change in accordance with the provisions of this paragraph.

(D) Approvals. Whenever the term “approve” or “approval” is used in this Contract, the party whose approval is required will not unreasonably withhold or delay it. Where approval is necessary, the party seeking approval may request approval in writing. If the party whose approval is requested fails to either approve the submittal or provide written comments specifically identifying the required changes within 21 working days, the submittal, as submitted by the requesting party, will be deemed to have been approved by the party whose approval is requested.

(E) Waiver. The failure on the part of either party to require performance by the other of any portion of this Contract shall not be deemed a waiver of, or in any way affect that party’s rights to enforce such provision. Any waiver by either party or any provision of this Contract shall not be a waiver of any other provision hereof.

(F) Severability. The invalidity or unenforceability of any provision of this Contract shall not affect the validity or enforceability of any other provision of this Contract.

(G) Attorney’s Fees. In the event either party shall become a party to any litigation against the other to enforce or protect any rights or interest under this Contract and shall prevail, the losing party shall reimburse the prevailing party for all investigative and court costs and attorney’s fees incurred in such litigation.

(H) Governing Law. This Contract shall be governed by the laws of the State of Texas and venue shall lie in Kleberg County, Texas.

(I) Binding Effect. The Contract shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

(J) Time. Time is of the essence. Unless otherwise specified, all references to “days” means calendar days. If the date for performance of any obligation falls on a Saturday, Sunday, or legal public holiday, the date for performance will be the next following regular business day.

(K) No Partnership, Agency or Third Party Beneficiaries Intended. Nothing in this Contract will be construed as creating any form of partnership or joint venture relationship between the parties, nor shall either party be authorized to act as an agent for the other party. Nothing in this Contract shall be construed to confer any right, privilege or benefit on, or to otherwise create any vested right or third-party beneficiary relationship with any person or entity not a party to the Contract.

(L) Authority. Each of the persons signing on behalf of the Wholesale Customer and the Authority hereby confirm that they have the authority to execute this Contract on behalf of the party indicated by their signature and have the authority to bind such party hereto.

(M) Headings. The captions and headings appearing in this Contract are inserted merely to facilitate reference and will have no bearing upon its interpretation.

(N) Entire Contract. This Contract contains all agreements between the parties hereto and any agreement not contained herein shall not be recognized by the parties. The captions used herein are for convenience only and shall not be used to construe this Agreement. Words of gender shall be construed to include any other gender, and words in the singular shall included the plural and vice versa unless the context requires otherwise.

(O) Counterparts. This Agreement may be executed by the parties in any number of counterparts, each of which when so executed and delivered shall be deemed an original instrument, but all such counterparts together shall constitute but one and the same instrument.

(P) Effective Date. The effective date of this Contract shall be the date on which it has been executed by both the Authority and the Wholesale Customer.

[Signatures to follow.]

SOUTH TEXAS WATER AUTHORITY

By: _____
President, Board of Directors

Date of execution: _____

ATTEST:

Secretary, Board of Directors

[AUTHORITY'S SEAL]

CITY OF DRISCOLL, TEXAS

By: _____,
_____, Mayor

Date of execution: _____

ATTEST:

Secretary

[CITY'S SEAL]

LIST OF EXHIBITS

Exhibit "A" - Schematic diagram involving the transfer of water from the Authority to Wholesale Customer's distribution system

Exhibit "B" - Bill of Sale

Exhibit "C" - Contract for Operation and Maintenance of Facilities

EXHIBIT "A"

DRISCOLL

Driscoll Pump Station

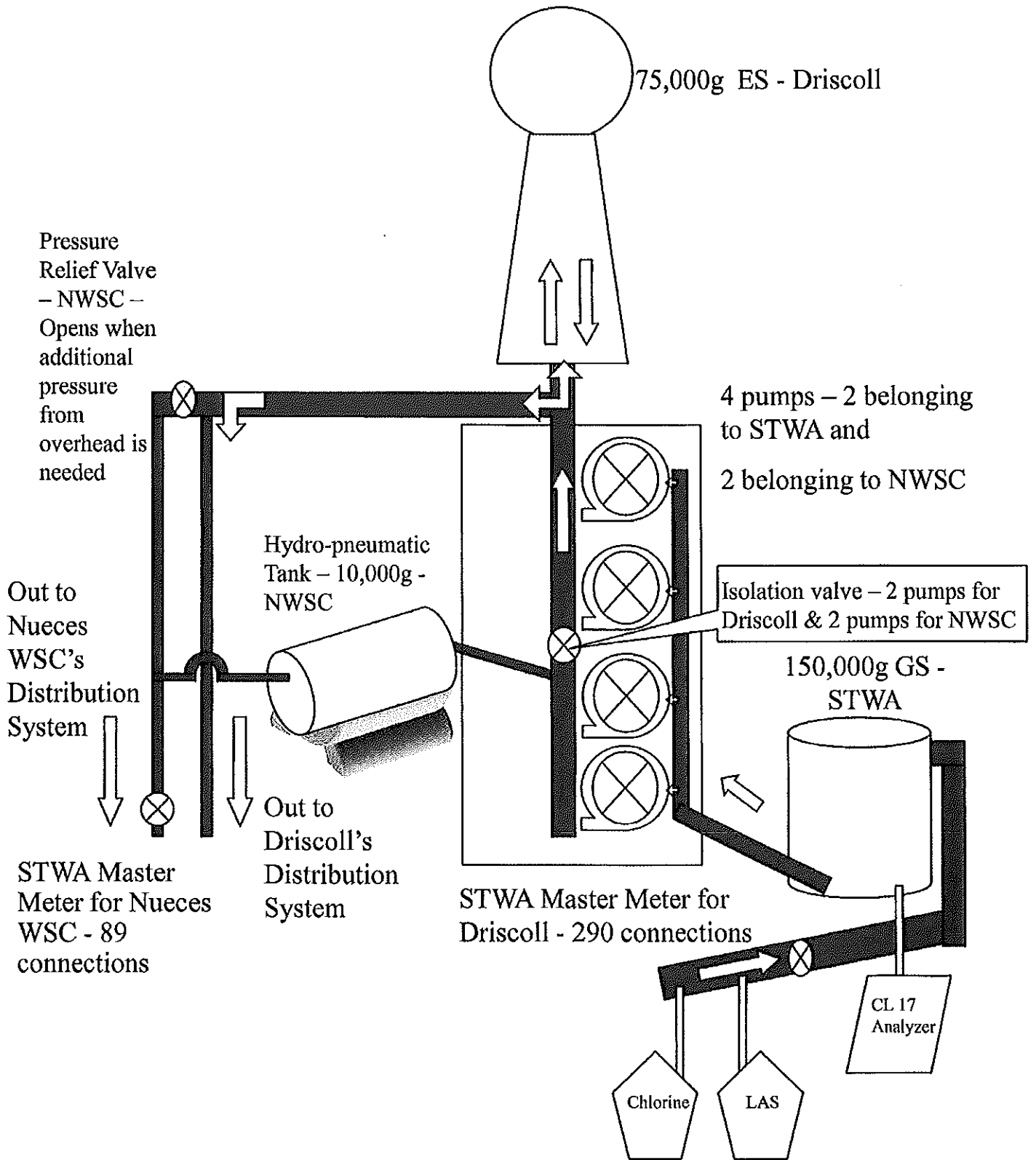


EXHIBIT "B"

DRISCOLL

EXHIBIT "B"

BILL OF SALE - DRISCOLL

Date:

Seller: SOUTH TEXAS WATER AUTHORITY

Seller's Mailing Address: P.O. Box 1701
Kingsville, Kleberg County, Texas 78364-1701

Buyer: CITY OF DRISCOLL

Buyer's Mailing Address: _____
_____, _____ County, Texas _____

Consideration: \$10.00 and other good and valuable consideration, the receipt of which is hereby acknowledged.

Transferred Properties: A divided interest for the exclusive use of Buyer in the capacity of Seller's 150,000-gallon ground storage tank shown on Exhibit "A" attached hereto, for up to the amount of 200 gallons per connection, for up to 290 connections, as the term "connection" is defined in 30 TAC § 290.38(14) which divided interest shall be prorated on the number of connections served by the Wholesale Customer from the ground storage facility and the total number of connections served from the 150,000 gallon ground storage facility, on October 1 of each year.

Reservations from Transfer: None.

Exceptions to Transfer and Warranty: None.

Seller, for the Consideration and subject to the Reservations from Transfer and the Exceptions to Transfer and Warranty, sells, transfers, and delivers the Transferred Properties to Buyer, together with all and singular the rights and appurtenances thereto in any way belonging, to have and to hold it to Buyer and Buyer's heirs, successors, and assigned forever. Seller binds Seller and Seller's heirs and successors to warrant and forever defend all and singular the Transferred Properties to Buyer and Buyer's heirs, successors, and assigns against every person

whomsoever lawfully claiming or to claim the same or any part thereof when the claim is by, through, or under Seller but not otherwise, except as to the Reservations from Transfer and the Exceptions to Transfer and Warranty.

WITH THE EXCEPTION OF THE WARRANTIES OF TITLE, INCLUDING THE WARRANTY THAT NO LIENS EXIST ON THE TRANSFERRED PROPERTIES EXCEPT AS RECITED, SELLER HAS MADE NO AFFIRMATION OF FACT OR PROMISE RELATING TO THE TRANSFERRED PROPERTIES THAT HAS BECOME ANY BASIS OF THIS BARGAIN, AND FURTHER, SELLER HAS MADE NO AFFIRMATION OF FACT OR PROMISE RELATING TO THE TRANSFERRED PROPERTIES THAT WOULD CONFORM TO ANY SUCH AFFIRMATION OR PROMISE. SELLER DISCLAIMS ANY WARRANTY OF FITNESS FOR ANY PARTICULAR PURPOSE WHATEVER WITH RESPECT TO THE TRANSFERRED PROPERTIES. THE TRANSFERRED PROPERTIES ARE SOLD ON AN "AS IS" BASIS.

When the context requires, singular nouns and pronouns include the plural.

[Signatures follow.]

SOUTH TEXAS WATER AUTHORITY

By: _____
President

ATTEST:

By: _____
Secretary

[SEAL]

ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF KLEBERG §

This instrument was acknowledged before me on _____, 2018 by _____, as President of SOUTH TEXAS WATER AUTHORITY, on behalf of said authority.

[SEAL]

Notary, State of Texas
My Commission Expires: _____

CITY OF DRISCOLL, TEXAS

By: _____
Mayor

ATTEST:

By: _____
Secretary

[CITY'S SEAL]

ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on _____, 2018 by _____, as Mayor of the CITY OF DRISCOLL, TEXAS, on behalf of said city.

[SEAL]

Notary, State of Texas
My Commission Expires: _____

EXHIBIT "C"

**CONTRACT FOR OPERATION AND MAINTENANCE
OF FACILITIES - DRISCOLL**

STATE OF TEXAS §
 §
COUNTY OF _____ §

This **CONTRACT FOR OPERATION AND MAINTENANCE OF FACILITIES** (the "Contract") is between South Texas Water Authority, a governmental agency, conservation and reclamation District and body politic and corporate, having been created under Chapter 436 Acts of the 66th Legislature, Regular Session, 1979, of the laws of the State of Texas, all pursuant to Article XVI, Section 59 of the Texas Constitution (the "Authority") and the City of Driscoll, Texas (the "City").

WITNESSETH

WHEREAS, the Authority and the City are contemporaneously entering into a Water Supply Contract; and

WHEREAS, the Authority delivers water to the City from its 150,000-gallon ground storage facility shown on Exhibit "A" attached hereto, and the City takes the water from that ground storage tank via two pumps and a hydropneumatic tank, which are owned by the City, as shown on Exhibit "A" attached hereto; and

WHEREAS, previously hereto the Authority has operated and maintained the pumps and hydropneumatic tank, and associated motors, controls, piping, valves and other appurtenances, and the ground storage facility (the "Facilities"), and the Parties want the Authority to continue to do so, at the expense of the City.

AGREEMENT

NOW THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND MUTUAL PROMISES AND COVENANTS CONTAINED HEREIN THE AUTHORITY AND THE CITY AGREE AS FOLLOWS:

I.

Operation and Maintenance of the Facilities

The Authority will continue to operate and maintain the Facilities during the remaining term of the Water Supply Contract in the same manner that it has operated and maintained those Facilities prior hereto, except all expenses of operation and maintenance of the Facilities shall be that of the City. The costs associated with the 150,000-gallon ground storage facility shall be prorated on the volume served by the City from that 150,000-gallon ground storage facility in the Authority's

preceding fiscal year and the total volume served from that 150,000-gallon ground storage facility in the Authority's preceding fiscal year. The costs billed to Wholesale Customer shall include electricity and the cost of the chemicals for disinfection immediately before the Point of Delivery.

The Authority will bill the City monthly for the expenses of operation and maintenance of the Facilities.

II.

Term of Contract

This Contract shall remain in effect until _____, 2028, at which time it shall expire.

Signed to be effective on the date this contract has been signed by all parties hereto.

SOUTH TEXAS WATER AUTHORITY

By: _____
President, Board of Directors

Date Signed: _____

ATTEST:

By: _____
Secretary, Board of Directors

[AUTHORITY'S SEAL]

CITY OF DRISCOLL, TEXAS

By: _____
Mayor

Date Signed: _____

ATTEST:

By: _____
Secretary

[CITY'S SEAL]

ATTACHMENT 13

Supplemental Easement – CR 38 in Agua Dulce

Memorandum

To: South Texas Water Authority Board of Directors
From: Carola G. Serrato, Executive Director
Date: July 25, 2018
Re: AEP Offered Easement – Agua Dulce Pump Station – Amendment to Current Easement

Background:

Staff continues to contact Mr. Brent Starr with Right of Way Service on this matter. The Board will recall that the metes and bounds description offered by AEP extended into the STWA Agua Dulce PS's fenced area. Mr. Starr indicates in the enclosed email that he continues to work on this matter and a revised description may be available by the Board meeting. In addition, he called me this morning, in my capacity as Nueces Water Supply Corporation General Manager, on work related to TxDOT's Driscoll Bypass project. He stated that the revised metes and bounds description should have a southern boundary abutting the pump station's fence and no further south.

Analysis:

This is an update only.

Staff Recommendation:

Keep the Board informed of any developments.

Board Action:

Provide feedback to staff.

Summarization:

Staff will continue to work on finalizing this matter in order to protect STWA's interests.

mcserrato@stwa.org

From: Brent Starr <bstarr@rowsinc.com>
Sent: Tuesday, July 24, 2018 5:15 PM
To: mcserrato@stwa.org
Cc: 'Dony Cantu'; 'Frances Rosales'; 'Jacob Hinojosa'; 'Jo Ella Wagner'
Subject: RE: AEP Easement - STWA Agua Dulce PS

Carola,

I am waiting on the new survey. Once I get that, I will get a new package out to you. I should have the new survey by weeks end.

Thanks,

Brent Starr



*P.O. Box 69
Alice, Texas 78332
361-664-8973 office
361-701-8149 mobile
361-664-6718 fax
bstarr@rowsinc.com*

From: mcserrato@stwa.org [mailto:mcserrato@stwa.org]
Sent: Monday, July 23, 2018 3:14 PM
To: Brent Starr
Cc: 'Dony Cantu'; 'Frances Rosales'; 'Jacob Hinojosa'; 'Jo Ella Wagner'
Subject: FW: AEP Easement - STWA Agua Dulce PS

Good Afternoon Brent,

I am just following up on this matter. The STWA Board is meeting next Tuesday, July 31st, and I was hoping to have an update. Any word on revising the metes and bounds description?

Carola

Carola G. Serrato
Executive Director
South Texas Water Authority
PO Box 1701
Kingsville, Texas 78364
361-592-9323 x112

From: mcserrato@stwa.org <mcserrato@stwa.org>
Sent: Monday, June 18, 2018 12:02 PM
To: 'Brent Starr' <bstarr@rowsinc.com>

Cc: 'Dony Cantu' <dcantu@stwa.org>; 'Frances Rosales' <fvrosales@stwa.org>; 'Jacob Hinojosa' <jhinojosa@stwa.org>; 'Jo Ella Wagner' <jwagner@stwa.org>

Subject: RE: AEP Easement - STWA Agua Dulce PS

Brent,

The STWA Board will be meeting next Tuesday, June 26th, and an item on the agenda is an update of this matter. I received a call from Willie Vera asking whether STWA intended to sign the offered easement. I explained that I was under the impression you were still working on trying to get the metes and bounds description amended to eliminate the area within the fenced pump station.

Do you have any new information to share with the Board?

Carola

Carola G. Serrato
Executive Director

South Texas Water Authority

PO Box 1701
Kingsville, Texas 78364
361-592-9323 x112

From: Brent Starr <bstarr@rowsinc.com>

Sent: Tuesday, May 15, 2018 8:07 AM

To: mcserrato@stwa.org

Cc: 'Dony Cantu' <dcantu@stwa.org>; 'Frances Rosales' <fvrosales@stwa.org>; 'Jacob Hinojosa' <jhinojosa@stwa.org>; 'Jo Ella Wagner' <jwagner@stwa.org>

Subject: RE: AEP Easement - STWA Agua Dulce PS

Carola,

I will see what I can get done to get it out of the pump station.

Thanks,

Brent Starr



*P.O. Box 69
Alice, Texas 78332
361-664-8973 office
361-701-8149 mobile
361-664-6718 fax
bstarr@rowsinc.com*

From: mcserrato@stwa.org [<mailto:mcserrato@stwa.org>]

Sent: Monday, May 14, 2018 11:49 AM

To: Brent Starr

Cc: 'Dony Cantu'; 'Frances Rosales'; 'Jacob Hinojosa'; 'Jo Ella Wagner'

Subject: AEP Easement - STWA Agua Dulce PS

Good Morning Brent,

Thank-you for having the southeast and southwest corners of the proposed easement marked at the STWA Agua Dulce PS. Attached are two photos of those corners. The stakes have been marked with inserted red arrows to see them clearer. Unfortunately, the south boundary line that would be created by those two corners is about 12 feet into the fenced area of the pump station.

STWA is still willing to consider an easement amendment but that south line would need to be moved north.

Carola

Carola G. Serrato
Executive Director

South Texas Water Authority

PO Box 1701

Kingsville, Texas 78364

361-592-9323 x112

ATTACHMENT 14

Letter of Engagement – John Womack and Company, P.C.

Memorandum

To: South Texas Water Authority Board of Directors
From: Carola G. Serrato, Executive Director
Date: July 24, 2018
Re: Engagement Letter—John Womack and Company—Fiscal Year 2018

Background:

Enclosed is a Letter of Engagement for Auditing Services with John Womack & Company, P.C. (Womack) for fiscal year ending September 30, 2018. The engagement letter provides all communication that the AICPA (American Institute of Certified Public Accountants) designates as necessary for the auditor and client. This engagement letter was requested about a month sooner than usual. This has allowed for staff to budget for the expense based on the actual figure rather than an estimate.

Analysis:

The engagement letter indicates the auditing services will be performed for \$8,925 plus out of pocket expenses. Last year's cost was \$8,825 which was a \$300 increase from the previous year. Last year, staff budgeted \$9,500, which included an estimated \$500 for Gowland, Streal, Morales, and Company, PLLC (Gowland & Co.) for consulting services to oversee Womack's audit process. This year's budgeted amount of \$9,750 should cover Womack's cost of \$8,925, the \$500 cost for Gowland & Co., and any out of pocket expenses.

Staff Recommendation:

Consider accepting the Letter of Engagement for Auditing Services with John Womack & Company, P.C. for fiscal year ending September 30, 2018.

Board Action:

Determine whether to accept the engagement letter from John Womack & Company, P. C. for FY 2018 audit services in the amount of \$8,925. Review and acknowledge Womack's letter outlining the various factors of the external audit.

Summarization:

An independent and external audit is necessary to ensure that fiscal accountability and proper responsibilities are maintained.

RECEIVED

JUL 12 2018

JOHN WOMACK & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SOUTH TEXAS WATER AUTHORITY

JOHN L. WOMACK, CPA
MARGARET KELLY, CPA

P. O. BOX 1147
KINGSVILLE, TEXAS 78364
(361) 592-2671
FAX (361) 592-1411

July 11, 2018

Board of Directors and Management
South Texas Water Authority
P.O. Box 1701
Kingsville, Texas 78364

We are pleased to confirm our understanding of the services we are to provide South Texas Water Authority for the year ended September 30, 2018. We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of South Texas Water Authority as of and for the year ended September 30, 2018. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement South Texas Water Authority's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to South Texas Water Authority's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis.
2. Budgetary Comparison Schedules.
3. Other Supplementary Information Required by Texas Commission on Environmental Quality.



Audit Objective

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of South Texas Water Authority's financial statements. Our report will be addressed to management and the governing board of South Texas Water Authority. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of

management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of South Texas Water Authority's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Other Services

We will also assist in preparing the financial statements, related notes and cash-to-accrual conversions (i.e. GASB 34 conversion) of South Texas Water Authority in conformity with U.S. generally accepted accounting principles based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for designing, implementing, and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You agree to assume all management responsibilities for financial statement preparation services, related notes and cash-to-accrual (i.e. GASB 34 conversion) and any other nonattest services we provide; oversee the services by designating an individual, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Other Matters and Limitation on Liability

In the unlikely event that differences concerning our services or fees should arise that are not resolved by mutual agreement, to facilitate judicial resolution and save time and expense of both parties, the Authority agrees to participate in mediation, under the Commercial Mediation Rules of the American Arbitration Association, before any claim is asserted.

In the event that John Womack & Co., P.C. is found to be negligent in provision of any services covered by this agreement which result in damage to the Authority, John Womack & Co., P.C.'s liability to the Authority will be limited to actual damages or losses incurred by the Authority. John Womack & Co., P.C. will not be liable to the Authority for any punitive damages.

Engagement Administration, Fees, and Other

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing. We will schedule the engagement based in part on deadlines, working conditions, and the availability of your key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate. We will not undertake any accounting services (including but not limited to reconciliation of accounts and preparation of requested schedules) without obtaining approval through a written change order or additional engagement letter for such additional work.

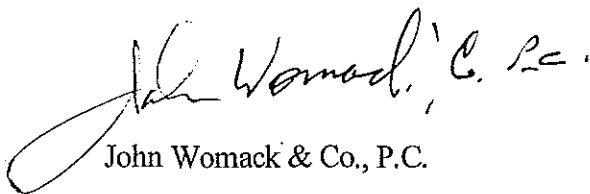
The audit documentation for this engagement is the property of John Womack & Co., P.C. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to cognizant agencies or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of John Womack & Co., P.C. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to cognizant agencies or its designee. The cognizant agency or its designee may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

We expect to begin our audit on approximately December 10, 2018 and to issue our reports no later than January 25, 2019. John L Womack is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. To ensure that John Womack & Co., P.C.'s independence is not impaired under the AICPA *Code of Professional Conduct*, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

Our fee for these services will be \$8,925 plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.). Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to South Texas Water Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,



John Womack & Co., P.C.

Page 7

RESPONSE:

This letter correctly sets forth the understanding of South Texas Water Authority.

Management Signature: _____

Title: _____

Governance Signature: _____

Title: _____

ATTACHMENT 15

Nomination to TMLIRP Board of Trustees

Memorandum

To: South Texas Water Authority Board of Directors
From: Carola G. Serrato, Executive Director
Date: July 24, 2018
Re: Texas Municipal League (TML) Intergovernmental Risk Pool Board of Trustees
Nominations

Background:

Enclosed please find information on the upcoming election of the Board of Trustees for the TML Intergovernmental Risk Pool. As you are aware, STWA purchases insurance coverage through the TML Risk Pool. Currently, STWA has coverage for general liability on property, general liability on vehicles, windstorm and workers compensation. This means that STWA is eligible to nominate an interested person and then vote in the election of the Board members for Places 11, 12, 13, and 14 with the associated terms expiring on October 1, 2018. The names of the persons currently holding those positions is also listed. The deadline for submittal of a nominee is August 12, 2018.

Analysis:

Staff has never met nor has any personal knowledge of the current Trustees. The Board is not required to nominate or participate in the election.

Staff Recommendation:

Staff does not have any recommendations to offer in this matter.

Board Action:

Determine whether to nominate any persons for Places 11, 12, 13, and 14 of the Texas Municipal League Intergovernmental Risk Pool Board of Trustees Election.

Summarization:

Also attached is a list of the entire Board including the public entity that the Trustee represents.

RECEIVED

JUN 28 2018



SOUTH TEXAS WATER AUTHORITY

**NOMINATIONS TO THE BOARD OF TRUSTEES OF THE
TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL**

June 26, 2018

TO: All TML Intergovernmental Risk Pool Members
FROM: David Reagan – TMLIRP Board Secretary

The TML Intergovernmental Risk Pool Board of Trustees is comprised of fifteen voting members, twelve of whom are elected by the Pool's membership to serve staggered, six-year terms. Every even-numbered year, the term of office for one-third of the elected trustees expires and an election is held to fill those designated places.

Section 6 of the Pool's Bylaws sets forth the following election procedure:

“ . . . Ninety (90) days prior to the date of the expiration of the term of office of any Board of Trustee member, all Employer Members shall be informed in writing of their opportunity to submit the name of a qualified person for election to that designated place. If an Employer Member wishes to submit the name of a qualified person for election, the name shall be submitted and received by the Board Secretary no less than (50) days prior to the expiration of the term of the office being sought. . . .”

Section 4 of the Pool's Bylaws sets forth the following qualifications for board members:

“Each member of the Board must be either an employee or official of the governing body of an Employer Member of the Fund at the time the Board member is elected or appointed. . . .” (In this context, “the Fund” is synonymous with the Pool.)

Terms for Trustees in Places 11-14 will expire October 1, 2018. Place 15 is an appointed public member and is not elected. Places 11, 12, 13 and 14 are currently being held by the following individuals:

- Place 11 Randy Criswell, City Manager, Canyon
- Place 12 Michael Talbot, Board, Lost Pines Groundwater Conservation District
- Place 13 Byron Black, Chair, Central Appraisal District of Johnson County
- Place 14 Pat Norris, Executive Board, Nortex Regional Planning Commission

The composition of the present Board is listed on the back of this notice.

In accordance with Section 6 of the Pool Bylaws, any Employer Member may submit the name of a qualified person to be considered for the position of Trustee. A nomination should be mailed to:

Trustee Nomination
Board Secretary
P. O. Box 149194
Austin, Texas 78714-9194

ALL NOMINATIONS MUST REACH THE BOARD SECRETARY BY SUNDAY, AUGUST 12, 2018. EACH BOARD MEMBER IS ELECTED TO A DESIGNATED PLACE ON THE BOARD, AND ALL NOMINATIONS MUST SHOW ONE OF THE PLACES, 11 THROUGH 14, FOR WHICH THE NOMINATION IS MADE. A NOMINATION MAY BE FOR ANY ONE OF THE FOUR POSITIONS. THERE ARE NO RESIDENCY OR OTHER REQUIREMENTS APPLICABLE TO ANY PLACE. PLEASE INCLUDE A SHORT BIOGRAPHICAL SKETCH OF THE NOMINEE. THE BOARD SECRETARY WILL DISTRIBUTE A BALLOT TO EACH MEMBER BY AUGUST 17, 2018.

Current Texas Municipal League Intergovernmental Risk Pool Board of Trustee Members and the date their terms expire include:

Place 4 (Oct. 1, 2020)
Peter H. Vargas, Chair
City Manager, City of Allen

Place 10 (Oct. 1, 2022)
Carol Loughlin
Appointed Public Member

Place 2 (Oct. 1, 2020)
John W. Fullen, Vice Chair
Commissioner, Henderson Housing
Authority

Place 11 (Oct. 1, 2018)
Randy Criswell
City Manager, City of Canyon

Place 1 (Oct. 1, 2020)
Robert T. Herrera
City Manager, City of Cibolo

Place 12 (Oct. 1, 2018)
Michael Talbot
Board, Lost Pines Groundwater Cons. Dist.

Place 3 (Oct. 1, 2020)
Vacant

Place 13 (Oct. 1, 2018)
Byron Black
Chair, Central Appraisal District of Johnson
County

Place 5 (Oct. 1, 2020)
Leo Montalvo
Appointed Public Member

Place 14 (Oct. 1, 2018)
Pat Norriss
Executive Board, Nortex Reg. Planning Comm.

Place 6 (Oct. 1, 2022)
Mary Gauer
Executive Board, Central Texas Council of
Governments

Place 15 (Oct. 1, 2018)
Rickey Childers
Appointed Public Member

Place 7 (Oct. 1, 2022)
Charles (C.J.) Wax
Mayor, City of Rockport

TML Representative
Henry Wilson
Councilmember, City of Hurst

Place 8 (Oct. 1, 2022)
Larry Melton
Board, Odessa Housing Authority

TML Representative
Bennett Sandlin
Executive Director, Texas Municipal League

Place 9 (Oct. 1, 2022)
Andres Garza, Jr.
City Manager, City of Wharton

TML MultiState Intergovernmental
Employee Benefits Pool Representative
Mike Smith
City Manager, City of Jacksboro

ATTACHMENT 16

Personnel Evaluation Committee

Memorandum

To: South Texas Water Authority Board of Directors
From: Carola G. Serrato, Executive Director
Date: July 24, 2018
Re: Selection of Personnel Evaluation Committee for evaluation of the Executive Director

Background:

Last year, for the second time, the Board decided to perform my evaluation as an entire Board rather than appointing a committee. This item has been placed on the agenda in the event the Board prefers to appoint an evaluation committee.

Analysis:

If the Board decides to appoint a committee, in order to avoid establishing a quorum, staff is recommending appointing no more than three (3) Members. If five (5) Members attend a committee meeting, a posting of the meeting would be necessary which includes the required 72-hour notice.

Staff Recommendation:

As in the past, I believe it would be inappropriate to offer a recommendation on this matter. It should be based on the Board's preference.

Board Action:

Determine whether to appoint a committee.

Summarization:

Attached is a copy of the evaluation form that has been used in the past.

Performance Appraisal Form

Employee Data

Employee: Carola G. Serrato
 Title: Executive Director
 Entity: South Texas Water Authority
 Supervisor(s): Board of Directors
 Review Period: September 1, 2017 through August 31, 2018

The Following ratings are to be used in evaluation each Performance Factor:

Far Below Expectations:

Employee does not exhibit willingness or ability in this performance factor.

Below Expectations:

Employee occasionally exhibits willingness or ability in this performance factor.

Meets Expectations:

Employee performs at an acceptable level.

Exceeds Expectations:

Employee often shows willingness and ability in this performance factor above the acceptable level

Far Exceeds Expectations:

Employee always shows willingness and ability in this performance factor well above the acceptable level.

Performance Factors: Mark an "X" next to the applicable rating for each performance factor.

<p>Leadership Skills--Possesses overall skills and abilities necessary to achieve assigned goals within the organization</p> <p>Far Below Expectations <input type="checkbox"/> Below Expectations <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Exceeds Expectations <input type="checkbox"/> Far Exceeds Expectations <input type="checkbox"/></p>
<p>Communications and Public Relations--Communicates effectively both internally and externally.</p> <p>Far Below Expectations <input type="checkbox"/> Below Expectations <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Exceeds Expectations <input type="checkbox"/> Far Exceeds Expectations <input type="checkbox"/></p>
<p>Adaptability--Adapts to varying assignments and/or situations.</p> <p>Far Below Expectations <input type="checkbox"/> Below Expectations <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Exceeds Expectations <input type="checkbox"/> Far Exceeds Expectations <input type="checkbox"/></p>
<p>Cooperation--Works cooperatively with others.</p> <p>Far Below Expectations <input type="checkbox"/> Below Expectations <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Exceeds Expectations <input type="checkbox"/> Far Exceeds Expectations <input type="checkbox"/></p>
<p>Training--Trains and develops others</p> <p>Far Below Expectations <input type="checkbox"/> Below Expectations <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Exceeds Expectations <input type="checkbox"/> Far Exceeds Expectations <input type="checkbox"/></p>
<p>Acceptance of Responsibility--Demonstrates willingness to assume the responsibilities assigned to the position.</p> <p>Far Below Expectations <input type="checkbox"/> Below Expectations <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Exceeds Expectations <input type="checkbox"/> Far Exceeds Expectations <input type="checkbox"/></p>
<p>Planning--Sets goals, evaluates alternatives, devises strategies, prioritizes projects, sets projects in motion, and maintains schedules.</p> <p>Far Below Expectations <input type="checkbox"/> Below Expectations <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Exceeds Expectations <input type="checkbox"/> Far Exceeds Expectations <input type="checkbox"/></p>
<p>Initiative--Identifies what needs to be done and does it without being instructed in great detail.</p> <p>Far Below Expectations <input type="checkbox"/> Below Expectations <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Exceeds Expectations <input type="checkbox"/> Far Exceeds Expectations <input type="checkbox"/></p>

<p>Innovation--Generates new and original ideas that relate to the job.</p> <p>Far Below Expectations <input type="checkbox"/> Below Expectations <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Exceeds Expectations <input type="checkbox"/> Far Exceeds Expectations <input type="checkbox"/></p>
<p>Judgement--Determines priorities, makes logical and timely decisions, and demonstrates job safety awareness.</p> <p>Far Below Expectations <input type="checkbox"/> Below Expectations <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Exceeds Expectations <input type="checkbox"/> Far Exceeds Expectations <input type="checkbox"/></p>
<p>Quality of Work--Is consistently thorough in completing work product, with few errors.</p> <p>Far Below Expectations <input type="checkbox"/> Below Expectations <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Exceeds Expectations <input type="checkbox"/> Far Exceeds Expectations <input type="checkbox"/></p>
<p>Quantity of Work--Meets deadlines and produces the work assigned</p> <p>Far Below Expectations <input type="checkbox"/> Below Expectations <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Exceeds Expectations <input type="checkbox"/> Far Exceeds Expectations <input type="checkbox"/></p>
<p>Resource Management--Manages budget, equipment, facilities, and personnel effectively.</p> <p>Far Below Expectations <input type="checkbox"/> Below Expectations <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Exceeds Expectations <input type="checkbox"/> Far Exceeds Expectations <input type="checkbox"/></p>
<p>Overall Rating--Mark and "X" next to the applicable rating.</p> <p>Far Below Expectations <input type="checkbox"/> Below Expectations <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Exceeds Expectations <input type="checkbox"/> Far Exceeds Expectations <input type="checkbox"/></p>

Signature of Employee and Date:

Signature of Supervisor(s) and Date:

ATTACHMENT 17
STWA Vehicle Use Policy

Memorandum

To: South Texas Water Authority Board of Directors
From: Carola G. Serrato, Executive Director
Date: July 24, 2018
Re: Field Personnel Vehicle Use and Impact to Insurance Coverage Premium

Background:

Recently, a South Texas Water Authority vehicle was damaged and classified as totaled by TML, STWA's insurance carrier. The vehicle was damaged as the result of a hit and run accident in the early morning hours while parked at the home of the Field Foreman. The vehicle was a gas powered 2015 Chevy Silverado 1500, 2x4 truck that was purchased for \$21,756.75 in February 2015. TML paid STWA \$19,825 which is their determined value less the \$500 deductible. There was a wrecker expense for towing the vehicle in the amount of \$175, which has already been reimbursed. As a result of the accident, staff was instructed to place this item on a Board meeting agenda.

Analysis:

Enclosed is an email from TML in answer to a question posed by Board Member Filiberto Treviño asking whether STWA's premium is impacted as a result of field personnel taking vehicles home. TML's response states that there is not any impact to STWA's premium. In addition, enclosed is STWA's Vehicle Use Policies and Guidelines which apply to field personnel's use of the trucks.

In the past 30 years of my employment with STWA, the subject of field personnel vehicle use has been periodically reviewed. With the purchase of the first vehicles circa 1985, field personnel were given the benefit of taking home the "company" vehicle. Since that time, this benefit has continued without interruption. The intended goal is to enable a quicker response to operational problems which are not limited to water leaks.

In addition to the discussions about that rationale, detailed review has occurred in terms of recouping the fair and justified cost of providing these vehicles through management fees charged to Nueces and Ricardo Water Supply Corporations. A process occurring this year as part of the biennial assessment.

Finally, through the years, management has approached the Board about field personnel salaries and compensation packages. As part of the discussions with previous Boards, management including field supervisors have reported that this benefit is listed during the interview process. Additionally, management believes it is part of the potential candidate's consideration when deciding whether or not to work for STWA.

Staff Recommendation:

Provide any additional information requested by the Board.

Board Action:

Determine if any further information or action is needed.

Summarization:

TML's email does not provide information on how STWA's premium is determined. But, staff is confident that a claim history is a key component. In the past, STWA has filed very few claims. The most recent one was in June 2016 as a result of a truck hydroplaning off US 77 and damaging a porch on a home.

mcserrato@stwa.org

From: mcserrato@stwa.org
Sent: Thursday, July 5, 2018 2:37 PM
To: 'Alberto Ruiz'; 'Chuck Schultz (bigc1149@yahoo.com)'; 'Filiberto Trevino (ftrevinoiii@gmail.com)'; 'Kathleen Lowman'; 'Lupita Perez'; 'Patsy Rodgers'; 'Rudy Galvan'; 'Steven C. Vaughn'
Cc: 'Dony Cantu (dcantu@stwa.org)'; 'Frances Rosales'; 'Jacob Hinojosa'; 'Jo Ella Wagner'
Subject: FW: South Texas Water Authority

STWA Board,

Below is the information received from TML related to Mr. Trevino's question on cost of coverage.

Carola

Carola G. Serrato
Executive Director
South Texas Water Authority
PO Box 1701
Kingsville, Texas 78364
361-592-9323 x112

From: Frances Rosales-De Leon <fvrosales@stwa.org>
Sent: Tuesday, July 3, 2018 3:50 PM
To: Carola G. Serrato <mcserrato@stwa.org>
Subject: FW: South Texas Water Authority

From: Adam Fuchtman [<mailto:afuchtman@tmlirp.org>]
Sent: Tuesday, July 03, 2018 3:33 PM
To: fvrosales@stwa.org
Subject: South Texas Water Authority

Good afternoon Frances,

Per our conversation, no additional cost/charge is associated with auto coverage for employees who drive your entity's vehicles home/for personal use. As always, let me know if you need anything else.

Thanks,

Adam Fuchtman

Underwriting Specialist

TML Intergovernmental Risk Pool

1821 Rutherford Lane, First Floor

Austin, TX 78754

Fax: 512-491-2388

Phone: 512-491-2427

afuchtman@tmlirp.org



SOUTH TEXAS WATER AUTHORITY
VEHICLE USE POLICIES AND GUIDELINES

South Texas Water Authority Service Area and Facility Locations:

South Texas Water Authority (hereafter "Authority") facilities are located from the O.N. Stevens Water Treatment Plant at Calallen to the Ricardo Pump Station #2 located on CR 2170 in Kleberg County on a North-South axis and as far west as Agua Dulce. In addition, facilities are located in Sablatura Park on US Highway 44, Banquete, Central Station on FM 2826, Coastal Acres LLC on FM 2826, at Coastal Bend Youth City on US Highway 77, the City of Driscoll, the City of Bishop, and the Kingsville facilities. Other appropriate locations are those associated with management services on behalf of the Nueces and Ricardo Water Supply Corporation for pump station, transmission, and distribution facilities.

Business Trip Description:

Authority business involves trips to its Wholesale Customers, to the Nueces County Courthouse in Corpus Christi as the county seat, to the Kleberg County Courthouse as that county seat, to the Authority's depository, and US Post Office in Kingsville, city of Corpus Christi for access to Health Dept., laboratories, supplies, and other business and to other area and state locations for maintenance, repairs, training and consulting with state agencies.

Reason for Field Employee's Use:

Authority vehicles provided to Field Technicians, Field Managers, and O&M Superintendents are to accommodate needed transportation of tools, equipment and supplies. Vehicles belonging to the Authority, an entity of the state of Texas, have "exempt" license plates, and are required to be identified as Authority vehicles.

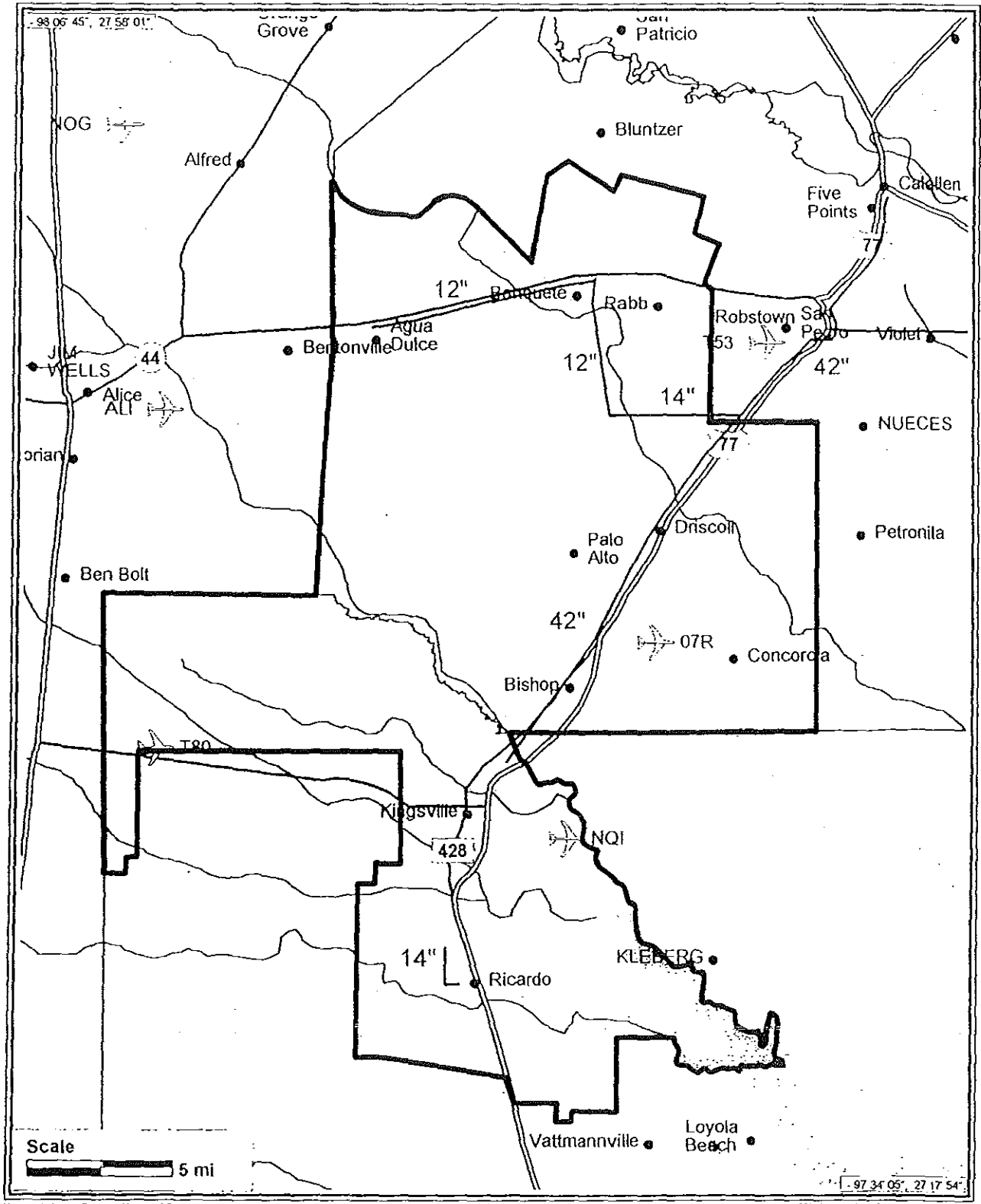
Policies:

- 1.) Authority vehicles shall be used for Authority business only.
- 2.) The Authority will NOT provide transportation for personal business.
- 3.) Passengers in Authority vehicles are restricted to Authority employees or persons that are conducting Authority business.
- 4.) Vehicles will be taken home by Field Technicians, Field Managers, and the O&M Superintendent, as directed by the Executive Director, as a means of addressing operation problems in the most timely manner.
- 5.) Authority vehicles will be parked at the employee's residence and will not be used after working hours for personal transportation **except as provided in item 20 (below)**.
- 6.) No personal items are to be left in the Authority's vehicles.
- 7.) There shall be no firearms, alcohol or any illegal substances carried in Authority vehicles at any time.
- 8.) Authority employees shall NOT use Authority vehicles while under the influence of any alcohol or illegal substances.

- 9.) Field Technicians and Field Managers who drive an Authority vehicle are required to report convictions related to alcohol and drugs to the O&M Superintendent.
- 10.) Office Staff and the O&M Superintendent who drive an Authority vehicle are required to report convictions related to alcohol and drugs to the Executive Director.
- 11.) Authority vehicles will be serviced at repair shops as designated by the O&M Superintendent or Executive Director.
- 12.) Authority vehicles will be fueled using credit cards furnish by the Authority.
- 13.) Odometer readings will be entered in the Vehicle Log at the fueling location.
- 14.) Authority vehicles will be periodically cleaned.
- 15.) Tools and equipment will be properly stored and inventoried quarterly.
- 16.) Fueling of vehicles should be checked before quitting time each day to assure that they are ready to go if needed during the night.
- 17.) Authority vehicles taken home by Field Technicians, Field Managers, and the O&M Superintendent, as directed by the Executive Director, may stop for lunch (noon hour meal) or brief stops for personal business on the *normal* route home. This does not include stops for food or drink at a restaurant or similar establishment on the way home at the end of the business day.
- 18.) Equipment and vehicles essential in accomplishing job duties are expensive and may be difficult to replace. When using property, employees are expected to exercise care, perform required maintenance, and follow all operation instructions, safety standards, and guidelines.
- 19.) It is the responsibility of the employee to immediately notify the O&M Superintendent if any equipment, machines, tools, or vehicles appear to be damaged, defective, or in need of repair. Prompt reporting of damages, defects, and the need for repairs could prevent deterioration of equipment and possible injury to employees or others. The O&M Superintendent can answer any questions about an employee's responsibility for maintenance and care of equipment or vehicle used on the job.
- 20.) The "On Call" (standby duty) Field Employee, *who has received prior authorization* from the O&M Superintendent, may use a vehicle for personal business while "on call" (standby duty) to insure his/her availability to perform his/her job. This use, while "on call" (standby duty), *shall be confined* to the boundaries of South Texas Water Authority. Use of the Authority vehicle while "on call" (standby duty) does NOT allow Field Employees to violate any of the aforementioned policies.
- 21.) Failure to abide by these policies including improper, careless, negligent, destructive, discourteous, or unsafe use or operation of equipment or vehicles, as well as excessive or avoidable traffic and parking violations, **shall** result in disciplinary action, up to and including termination of employment.

Attached to these Policies and Guidelines is a boundary map of South Texas Water Authority.

SOUTH TEXAS WATER AUTHORITY BOUNDARY MAP



ATTACHMENT 18

City of Corpus Christi Rate Model and True Up

Memorandum

To: South Texas Water Authority Board of Directors
From: Carola G. Serrato, Executive Director
Date: July 25, 2018
Re: City of Corpus Christi Annual Rate "true-up"

Background:

Enclosed is the most recent correspondence from the City of Corpus Christi in response to my annual inquiry related to the City's rate model and "true-up" per the settlement agreement between STWA and the City. As you can see from Ms. Reba George's email, the City has determined that the model cannot be updated in the usual timeframe as a result of a new billing system. However, Ms. George has indicated that the update should occur by the end of September.

Mr. Chris Ekrut, NewGen Strategies (NewGen), has provided his opinion on the matter and this information has been shared with legal counsel. As mentioned in the budget agenda memo, without an updated model and a true-up, staff determined to use last year's model and the projected FY 19 figures as the Corpus Christi cost of water.

Analysis:

The Board will recall that the City has adopted a rate cycle that is not in sync with the beginning of its fiscal year. Rather, the rates are changed in January in order to more closely correspond to their retail customers' lower usage during winter months – thereby affecting both water and wastewater bills. Rate information should be available prior to this change, which will allow STWA's consultant to perform the scope of work that NewGen was hired to perform. Once the review is complete and rates are adopted, STWA would be able to notify its wholesale customers of the City's adopted rates.

Staff Recommendation:

Keep the Board updated on this matter. Continue to request information from the City of Corpus Christi. Continue to work with NewGen on the true-up and review of the updated rate model when available.

Board Action:

Provide feedback to staff and/or consultants.

Summarization:

The City's rate model is extremely complicated. As stated in the past, staff appreciates the Board's support by engaging the services of NewGen to review the City's true-up and model. As before, staff is pleased with Mr. Ekrut's consultant services.

mcgserrato@stwa.org

From: mcgserrato@stwa.org
Sent: Wednesday, July 25, 2018 11:58 AM
To: 'Reba George'
Cc: 'Martha Messer'; 'Dan Grimsbo'; 'Mark Van Vleck'; Chris Ekrut (cekrut@newgenstrategies.net); Bill Flickinger
Subject: RE: FY 2019 Rates and Updated Rate Model

Reba,

Thank-you for the update. This is helpful.

Carola

Carola G. Serrato
Executive Director
South Texas Water Authority
PO Box 1701
Kingsville, Texas 78364
361-592-9323 x112

From: Reba George <RebaG@cctexas.com>
Sent: Wednesday, July 25, 2018 10:36 AM
To: mcgserrato@stwa.org
Cc: Martha Messer <MarthaMe@cctexas.com>; Dan Grimsbo <DanG@cctexas.com>; Mark Van Vleck <MarkVV@cctexas.com>
Subject: RE: FY 2019 Rates and Updated Rate Model

Good morning ---

We hope to run an update of the rate model by the end of September in order to provide our public agencies with 2019 rates, then the process of adoption would begin following the review.

Thank you,
Reba

From: mcgserrato@stwa.org <mcgserrato@stwa.org>
Sent: Tuesday, July 24, 2018 8:49 AM
To: Reba George <RebaG@cctexas.com>
Cc: Martha Messer <MarthaMe@cctexas.com>; Dan Grimsbo <DanG@cctexas.com>; Mark Van Vleck <MarkVV@cctexas.com>; Bill Flickinger <bflickinger@wfaustin.com>; Chris Ekrut <cekrut@newgenstrategies.net>; 'Dony Cantu' <dcantu@stwa.org>; 'Frances Rosales' <fvrosales@stwa.org>; 'Jacob Hinojosa' <jhinojosa@stwa.org>; 'Jo Ella Wagner' <jwagner@stwa.org>
Subject: FW: FY 2019 Rates and Updated Rate Model

Reba,

STWA is preparing our agenda for next Tuesday's Board meeting. Is it correct that there would not be any information available until much later in the year? Any idea what the timeframe is? When is the Corpus Christi Council expected to adopt rates?

Carola

Carola G. Serrato
Executive Director
South Texas Water Authority
PO Box 1701
Kingsville, Texas 78364
361-592-9323 x112

From: mogserrato@stwa.org <mogserrato@stwa.org>
Sent: Thursday, June 28, 2018 5:38 PM
To: 'Reba George' <RebaG@cctexas.com>
Cc: 'Martha Messer' <MarthaMe@cctexas.com>; 'Dan Grimsbo' <DanG@cctexas.com>; 'Mark Van Vleck' <MarkVV@cctexas.com>; 'Bill Flickinger' <bflickinger@wfaustin.com>; 'Frances Rosales' <fvrosales@stwa.org>; 'Jo Ella Wagner' <jwagner@stwa.org>; Chris Ekrut (cekrut@newgenstrategies.net) <cekrut@newgenstrategies.net>; Chris Ekrut (cekrut@jstoweco.com) <cekrut@jstoweco.com>
Subject: RE: FY 2019 Rates and Updated Rate Model

STWA is scheduled to adopt a budget on September 4th in order to provide information to our wholesale customers whose fiscal years begin on October 1. In addition Nueces Tax office has a deadline for tax rate adoption the following week.

There would not be any information whatsoever?

Carola G. Serrato
Executive Director
South Texas Water Authority
PO Box 1701
Kingsville, Texas 78364
361-592-9323 x112

From: Reba George <RebaG@cctexas.com>
Sent: Thursday, June 28, 2018 4:46 PM
To: mogserrato@stwa.org
Cc: Martha Messer <MarthaMe@cctexas.com>; Dan Grimsbo <DanG@cctexas.com>; Mark Van Vleck <MarkVV@cctexas.com>; Bill Flickinger <bflickinger@wfaustin.com>; Frances Rosales <fvrosales@stwa.org>; Jo Ella Wagner <jwagner@stwa.org>
Subject: FY 2019 Rates and Updated Rate Model

Carola –

The update to the rate model will be completed later this year than last due to delayed access to 2017 consumption data needed for the update. We transitioned to a new Utility Billing software (Infor) in January and are still in the midst of testing and solving issues with reports and the extraction of reliable data.

We hope to have all data validated and can run an update of the rate model by the end of September in order to provide our public agencies with 2019 rates.

Thank you,
Reba

From: mcserrato@stwa.org <mcserrato@stwa.org>
Sent: Monday, June 18, 2018 4:38 PM
To: Martha Messer <MarthaMe@cctexas.com>; Reba George <RebaG@cctexas.com>
Cc: Dan Grimsbo <DanG@cctexas.com>; Mark Van Vleck <MarkVV@cctexas.com>; Bill Flickinger <bflickinger@wfaustin.com>; Frances Rosales <fvrosales@stwa.org>; Jo Ella Wagner <jwagner@stwa.org>
Subject: FW: FY 2018 Rates and Updated Rate Model

Good Afternoon Martha and Reba,

It is that time of year again and I am wondering about a schedule to receive the FY 2019 Rates and Updated Rate Model. STWA has a board meeting on June 26th including a preliminary budget review.

Also, if I need to contact another City staff person, please let me know.

STWA continues to appreciate your assistance.

Thanks,
Carola

Carola G. Serrato
Executive Director
South Texas Water Authority
PO Box 1701
Kingsville, Texas 78364
361-592-9323 x112

From: Martha Messer <MarthaMe@cctexas.com>
Sent: Wednesday, June 28, 2017 1:21 PM
To: Carola Serrato <cserrato@stwa.org>
Cc: Jo Ella Wagner <jwagner@stwa.org>; Frances Rosales <fvrosales@stwa.org>; Chris Ekrut <cekrut@newgenstrategies.net>; Mark Van Vleck <MarkVV@cctexas.com>; Lisa Aguilar [LGL] <LisaA@cctexas.com>; Bill Flickinger <bflickinger@wfaustin.com>; Adriane Ferraro <AdrianeF@cctexas.com>; Reba George <RebaG@cctexas.com>
Subject: RE: FY 2018 Rates and Updated Rate Model

We hope to get it out to you within a week.

Martha

From: Carola Serrato [<mailto:cserrato@stwa.org>]
Sent: Wednesday, June 28, 2017 10:58 AM
To: Martha Messer

Cc: Jo Ella Wagner; Frances Rosales; Chris Ekzut; Mark Van Vleck; Lisa Aguilar [LGL]; Bill Flickinger
Subject: FY 2018 Rates and Updated Rate Model

Good Morning Martha,

This is my annual request for information on the model and cost of water – both raw and treated components – in order to provide a more accurate budget to the STWA Board. Last night, the STWA Board met and staff presented the preliminary budget based on the City of Corpus Christi rates for FY 17.

Please let me know the anticipated date that the model will be available.

Also, if there is another person that I should receive this email, please let me know and I would be glad to forward it to the proper contact.

As always, we very much appreciate you continued assistance.

Carola

Carola G. Serrato
Executive Director
South Texas Water Authority
P.O. Box 1701
Kingsville, Texas 78364
cserrato@stwa.org
361-592-9323 x12
361-592-5965 fax

FOR YOUR INFORMATION

ERCOT MONITORING REPORT

IN THIS ISSUE:

Market Reforms	1
Weather/Energy Outlook	3
IMM Report	3

Independent Market Monitor Issues Recommendation on Key Market Reform Initiative

A long-running debate within PUC and ERCOT circles took another step in June with the issuance of an ERCOT report on a market redesign know as “real-time co-optimization.”

events on the grid. Plants that provide ancillary services essentially wait until called upon by ERCOT to produce power.

As we have reported in previous ERCOT Monitoring Reports, real-time co-optimization—though it has an arcane-sounding and technical name—reflects a common-sense concept.

As you know, ERCOT’s systems also select which power plants produce energy, and at which level.

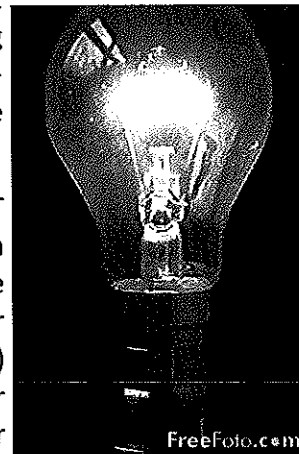
QUESTIONS ABOUT ERCOT?

Chris Brewster, an attorney with Lloyd Gosselink, represents cities at ERCOT on a daily basis and participates in ERCOT matters on your behalf.

If you have questions or would like to discuss any ERCOT matter, or any communication from ERCOT regarding your ERCOT membership, please feel free to contact Chris at (512) 322-5831 or email cbrewster@lglawfirm.com.

He will be happy to answer your questions or assist you in any way.

Each day, ERCOT purchases what are known as “ancillary services”—the ability of a power plant (or in some cases, a customer) to adjust its power production or usage under certain conditions, and within a certain amount of time, which varies with each ancillary service. Ancillary services are varying forms of “standby” power that assist ERCOT with handling unexpected



The point of real-time co-optimization is to select which plants should provide what is essentially standby services, and which plants should produce energy, at the lowest total cost. Accordingly, the move towards real-time co-optimization should be good news for consumers, at least in

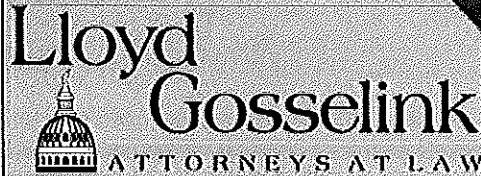
theory.

The debate over real-time co-optimization has simmered at ERCOT and the PUC for some time.

(Continued on page 2)

ATTORNEY-CLIENT COMMUNICATION

This memorandum is intended for cities/political subdivisions (and their employees, contractors, or elected officials) that are clients of Lloyd Gosselink. If you are not the intended recipient, please discard this document. Any use, dissemination, or reproduction of this transmission by an unintended recipient is prohibited.



IMM Issues Recommendation cont.

This month, however, the issue gathered momentum with the submittal to the PUC of a report by Potomac Economics, the firm that provides Independent Market Monitoring services for the ERCOT system. That report included a “back-cast” of 2017 results assuming that real-time co-optimization was in place that year.

The results of this simulation are striking. According to Potomac, real-time co-optimization would result in significant savings to customers for costs associated with congestion on the transmission system, ancillary services, and the cost of energy itself. Potomac’s results indicated that the market would see:

- A \$257 million reduction in system congestion costs.
- A \$155 million reduction in the cost of ancillary services.
- A \$1.6 billion savings in energy costs, equating to approximately \$4/Mwh.
- Other, small savings resulting from reduced production costs and a reduced need to use regulation up service.

While we continue to examine and consider this issue, we are cautiously

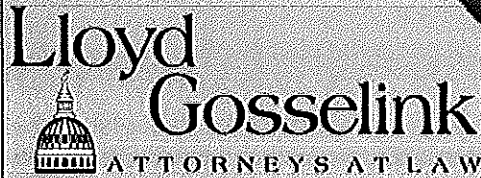
optimistic about the prospect of this market re-design for energy consumers. ERCOT has estimated that revamping its systems to support this change to the market would cost \$40 million. The benefits projections in the Potomac report summarized above are far in excess of this figure, and (in theory) would recur year after year.

This positive benefit-to-cost ratio is likely to persist even if ERCOT’s estimate of the cost to implement the change is wildly understated, though we have no indication that the project cost figure is incorrect.

Conceptually, the notion that co-optimization of energy and ancillary services makes sense. The market is likely to reach a lower-cost result by considering energy and ancillary services purchases together, rather than purchasing them through completely separate analyses.

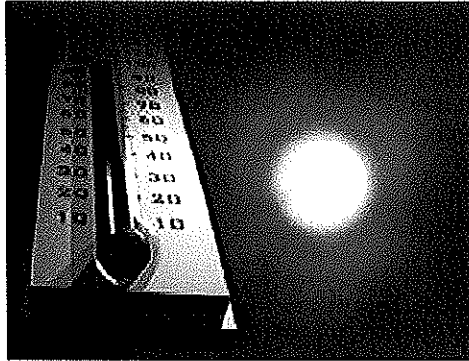
At the July 12 PUC Open Meeting, the Commissioners considered the Potomac back-cast report. The Commission ordered its Staff to prepare questions for interested parties’ comment, and discussed scheduling a workshop in the fall of this year, at which the PUC Staff and parties could discuss the issues.

Potomac projects that co-optimization of energy and ancillary services will result in significant savings for load (essentially, for consumers).



ERCOT Continues to Expect Very Hot Summer

At its June meeting, the ERCOT Board received a report from its on-staff meteorologist that indicated 2018 will be a hotter-than-normal summer. The temperature outlook for the season includes 15-20 100 degree days in Dallas (compared to 10 days in 2017) and 2-6 such days in Houston (compared to 1 day in 2017). The forecast estimates that, for much of central, north and south Texas, the expected precipitation will be “close to normal” with a “lean”



towards below normal. ERCOT also expects a milder hurricane season this year.

At the same meeting, and on a related point, ERCOT staff reported likely adequate capacity to meet the summer’s peak load, with a forecasted peak load of 72,756 MWs, and power plants comprising a total of 78,184 MWs at the start of the season.

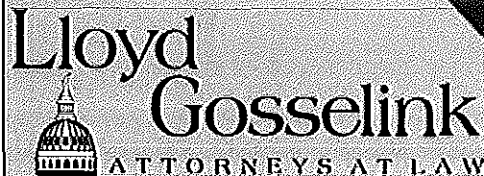
Independent Market Monitor Issues Annual Report for 2017

In other news arising from the Independent Market Monitor (IMM), in June, the IMM provided a report to the Board summarizing the IMM’s 2017 State of the Market Report, issued in May of this year. In this annual report, the IMM reviews market performance for efficiency and other trends, and identifies whether market manipulation may have occurred. Issued in the summer, the State of the Market Report is a look back at market results for the prior year.

This year’s report found that wholesale market prices were 15% higher in 2017 than in the previous year, while natural gas prices (which, in Texas, tend to drive the price of electricity) were 22% higher.

Peak demand was down 2.2%, while average demand was up 1.9%. These figures reflect Texas’s continued economic growth—and corresponding growth in energy usage—but also a generally cooler summer season during which the system peak usually occurs.

The IMM noted that congestion costs—the increased cost associated with using less efficient plants to meet demand due to bottlenecks on the system—increased 95% in 2017. The IMM noted that this increase was due, in part, to disruptions on the system associated with Hurricane Harvey.



ACRONYM GUIDE

CDR Report	Capacity, Demand, and Reserves Report
COPS	Commercial Operations Subcommittee
CREZ	Competitive Renewable Energy Zones
CRR	Congestion Revenue Rights
EDS	Early Delivery System
EECP	Emergency Electric Curtailment Plan
EILS	Emergency Interruptible Load Service
EMS	Energy Management System
ERCOT	Electric Reliability Council of Texas
FERC	Federal Energy Regulatory Commission
IMM	Independent Market Monitor
LAAR	Load Acting as a Resource
MW	Megawatt
MCPE	Marginal Clearing Price for Energy
MMS	Market Management System
NATF	Nodal Advisory Task Force
NERC	North American Reliability Corporation
NPRR	Nodal Protocol Revision Request
NOV	Notice of Violation
NSRS	Non-Spin Reserve Service
ORDC	Operating Reserve Demand Curve
PRR	Protocol Revision Request
PRS	Protocol Revision Subcommittee
QSE	Qualified Scheduling Entity
REP	Retail Electric Provider
RMS	Retail Market Subcommittee
ROS	Reliability Operations Subcommittee
RRS	Responsive Reserve Service
RUC	Reliability Unit Commitment
SEM	Single Entry Model
SCED	Security-Constrained Economic Dispatch
SOAH	State Office of Administrative Hearings
TAC	Technical Advisory Committee
TPTF	Texas Nodal Transition Plan Task Force
VFT	Variable Frequency Transformer
WMS	Wholesale Market Subcommittee