

**SAN PATRICIO MUNICIPAL WATER DISTRICT**  
**MEETING MINUTES**  
**August 13, 2019**

President Billie Jo Tennill called the meeting of the Board of Directors of San Patricio Municipal Water District to order at 2:00 p.m. with the following members and officers present:

Billie Jo Tennill, President  
Ed Rainwater, Director  
Danny Cox, Director  
Alan Miller, Director  
Doil Kellar, Director  
Larry Kalich, Director  
Thomas Bridges, Director  
Brian Williams, Manager  
Rebecca Klaevemann, Secretary/Treasurer  
Karen Ivey, Assistant Secretary

Also present are Marcia Keener (HR Manager), Jake Krumnow (O&M Manager), Cliff Ezell (HR/Safety Manager), and Mallory Gabro-Lightsey (District Engineer).

Pledge of Allegiance was led by Director Larry Kalich.

Motion was made and seconded to approve the minutes of the June 11, 2019 meeting. Motion carried unanimously.

Director Doil Kellar entered the meeting at 2:05 p.m.

Manager Brian Williams stated staff has given the Board a prelude to the budget process each by providing an outlook for the proposed Budget Personnel costs. Manager Brian Williams also reported HR Manager Marcia Keener will be retiring in the next few months. Cliff Ezell has been training and has expressed an interest in her position. Manager Brian Williams stated Marcia Keener is a team player and she will be missed. Staff has proposed a merit increase that will be up to 3% based on the employee's annual review and a 2.4% COLA (Cost of Living Aadjustment - based on completed 2018 data from the Consumer Price Index). The Port Industries perform an annual Wage/Salary survey where some industries consider COLA and others base wages solely on the PI survey. HR Manager Marcia Keener stated the District does a verbal survey of local industries and municipalities that is used to develop potential increases for salary/hourly rates for the upcoming budget year. Gulf Coast Authority, City of Rockport, City of Corpus Christi, and City of Portland are all examples of groups that are surveyed for the Budget Personnel costs comparison. The AWWA Survey is also considered but it is not distributed until sometime in September. HR Manager Marcia Keener will true up the data when it is received from AWWA. The District is unique and comparisons between each entity are difficult; most municipalities have longevity pay and the District does not, some municipalities pay an hourly incentive for a variety of licenses and training certificates whereas the District pays additionally for field employees who obtain a higher level TCEQ license. The District currently has one double AA license and 8 A licenses with the TCEQ. The District has concerns competing with local industries as their starting pay is high. The District also has staff that is eligible for retirement. With GCGV coming online next year, the District is concerned about the retention of current employees. The industrial entities offer 401K's which most employers match up to 6%. HR Manager Marcia Keener reported the District insurance expenses are currently below budget this Fiscal Year. The third party administrator for the District's self-funded plan is looking into minor changes to manage costs differently. For example, the prescription drug cost is currently priced in 3 tiers but a 4<sup>th</sup> tier could potentially be added for specialty drugs. A higher emergency room deductible is being considered which will change the deductible potentially from \$75 to \$250. The cost of a minor emergency clinic is much less than an emergency room visit. The District is also considering a change in the PPO network where the contracted pricing will be more favorable. HR Manager Marcia Keener also stated the District pays the employee premium for health and dental and approximately 50% of the dependent's premium. The District also pays a premium for \$25,000 of life insurance and one year current salary through TCDRS. Short term and long term disability is paid by the District and a wellness benefit of \$50 per month is paid quarterly for employees that are going to a gym, weight watchers, or exercise program at least 3 times a week. Each quarter the employees provide monthly attendance records to document participation. The District has a retirement plan with a 125% match, the employees put 7% of their salary in their retirement account. Other entities have similar retirement plans with differing employee participation amounts and different employer matching amounts. Most field employees are assigned a vehicle to take home and all employees are issued a cell phone. The District has a PTO policy that replaced the Bereavement, Sick and



Vacation leave policies in 2007. The District has 10 holidays each year. A one-time retention incentive of \$2,000 is proposed for all employees employed as of 12/1/2019 and still on board as of 12/1/2020. Office employees also receive 10 uniform shirts (any combination of long and short sleeved) the first year of employment and five every year thereafter. Operations and Maintenance employees receive a uniform and steel toed boot allowance of \$650. Management employees are given a car allowance of \$635 per month. It was last increased in 2009 from \$585 to \$635. The proposed revision this year will be \$670 per month beginning in 2020. The management employees that receive the car allowance are Rebecca Klaevemann, Jake Krumnow, Mallory Gabro-Lightsey, Brian Williams and Robert Edwards. The proposed wage and salary structure for 2020 has increased by 5% based on market conditions. Additionally, staff may suggest adjustments to 2-4 positions given skill sets and market data.

Manager Brian Williams stated the District is required to update the Water Conservation Plan every five years according to the Texas Commission on Environmental Quality rules. Additionally, the District is required by its water contracts with the City of Corpus Christi to have a water conservation plan consistent with the City of Corpus Christi's plan. The City of Corpus Christi recently revised their plan and the District has updated its plan to be consistent with the City's Water Conservation Plan. A public meeting for comment on the updated Water Conservation Plan will be held on Thursday, August 29, 2019 at 10:00 a.m. in the San Patricio Municipal Water District's Boardroom. The plan will be placed on the September 10, 2019 Board meeting for adoption. No action will be taken at this time.

Manager Brian Williams reported attorney Bryan Stone could not attend the meeting as he had some family issues. District engineer Mallory Gabro-Lightsey reported the Temple easement for the 24" treated water transmission line had a tentative court date set for September 18, 2019.

Manager Brian Williams stated District engineer Mallory Gabro-Lightsey will update the Board on the 48" Treated Water Transmission Line. District engineer Mallory Gabro-Lightsey stated that Contract 3 with S J Louis Construction Company of Texas, LTD received the notice to proceed on March 1, 2019. The green line on the map handed out to the Directors represents the completed portion of the contract and the yellow line represents the trench opened and waiting for pipe to be installed. The boring on FM 893 is complete as the boring crew began work before the pipe was installed. Contract 3 is currently 14% complete. S J Louis Construction Company of Texas, LTD has used 40% of the allotted contract time. Contract 2 was awarded to BRH Garver Construction, LP and was notified to proceed on May 1, 2019. The pipe has been ordered but not delivered but the boring crew has completed the bore at FM 1074 and is currently working on the bore under Union Pacific Railroad. Contract 2 is currently 2% complete. Contract 1 was awarded to Cash Construction Company, Inc. and was notified to proceed on August 1, 2019. Cash Construction Company, Inc. is working on submittals with the engineer. Boring under IH 37 and the Nueces River are included in Contract 1.

Jake Krumnow, O&M Manager entered the meeting at 2:57 p.m.

Manager Brian Williams stated on December 4, 2018, the District opened bids from six-prequalified contractors for the Contract 3 of the 48" treated waterline designed primarily to serve Gulf Coast Growth Ventures (GCGV). Contract 3 was awarded to S J Louis Construction Company of Texas, LTD. The pipeline is concrete steel pipe and this section of the project is scheduled to end at the meter. GCGV has requested that S J Louis Construction Company of Texas, LTD extend the concrete steel pipe for an additional 4,856' to tie into their onsite pumping system for an additional \$1,425,885.24. This additional work would be Change Order Number 1 for Contract 3. A motion was made and seconded to approve the Change Order Number 1 to the Treated Water Transmission Line Section 3 in the amount of \$1,425,885.24 and allow the General Manager to execute. Motion carried unanimously.

Manager Brian Williams stated Buffalo, LLC is an entity created by Steel Dynamics, Inc. to develop a \$1.9 billion flat roll steel mill near Sinton. They are requesting the District provide up to 5 MGD of raw water. The water will be delivered directly from Mary Rhodes pipeline adjacent to their site. Buffalo will be paying for the costs of the delivery pipeline. Buffalo, LLC last week changed their operating name to Steel Dynamics Southwest, LLC. Bill Flickinger, the District's Special Counsel for water issues, worked on the Buffalo raw water contract and the amendment to the Corpus Christi raw water contract that made this water available. The District will be making an additional tap to the Mary Rhodes pipeline to serve the facility. There is a "Take-or-Pay" provision in the contract that requires Buffalo to pay for the entire 5 MGD (5600 ac-ft on an annual basis), unless there is a force majeure event. The term of the contract is for 30 years. As is the District's business practice, the price of the water to Buffalo will be the cost of service. Buffalo will be paying the District the sum of three cost components for the price of the water: the price of the raw water the District pays the City of Corpus Christi plus an administrative fee not to exceed 15% and an operations fee. A motion was made and seconded to approve the Raw Water Contract with Steel



Dynamics Southwest, LLC also known as Buffalo, LLC subject to the final approval by the City of Corpus Christi of the Second Amendment to the Raw Water Supply Contract and allow the General Manager to execute. Motion carried unanimously.

Manager Brian Williams stated the need to amend the Raw Water Supply Contract with the City of Corpus Christi to provide the new demand of 5 MGD (5,600 ac-ft per year) created by Steel Dynamics, doing business as Buffalo, LLC. The Raw Water Supply Contract with the City of Corpus Christi allows for the District to take up to 41,200 ac-ft/yr of raw water from the Nueces River and the Mary Rhodes pipeline. This existing water is on a "take-and-pay" basis; the District only pays for the water we take, and there is no penalty for not taking the water. The second amendment between the District and the City allows for (1) an additional tap on the Mary Rhodes pipeline, (2) an additional 5,600 ac-ft/yr of water (equates to 5 MGD), (3) designates this portion of the raw water contract as "take-or-pay" (the District and consequently designated customer are obligated to pay, whether or not the water is taken), and (4) the "take-or-pay" obligation begins no later than May 31, 2023. Additionally, the water taken does not count against our percentage of water taken from the Lake Texana system. This is an important issue with regards to our current industrial customers as the quality of water from the Texana system is better than the Nueces River water. This 5,600 ac-ft/yr is only available as long as a contract exists between the District and the "Designated Customer". Should the customer go away, the amount of water will go away and so will the "take-or-pay" obligation. A motion was made and seconded to approve the Second Amendment to the Raw Water Supply Contract with the City of Corpus Christi subject to the name change from Buffalo, LLC to Steel Dynamics, Southwest, LLC and the final approval by the City of Corpus Christi and allow the General Manager to execute. Motion carried unanimously.

Manager Brian Williams reported the desalination "trigger ready" group with the City of Corpus Christi, the Port Industries and the District will be meeting in the District office on Thursday, August 15, 2019 to consider when to build the first 10 MGD plant on the inner harbor in Nueces County. The group will make a presentation to the City Council of Corpus Christi on August 27, 2019 that will outline the economic feasibility, the water demand in the region as well as the potential for drought in our region. The ordinance that charges industry 25 cents per thousand gallons of water is growing into a nice fund to supplement the desalination project. Freese and Nichols is working on the permitting process in two locations, one on the inner harbor in Nueces County and the other in the La Quinta channel area in San Patricio County. This project will free up raw water for the District and the desalination project on the Nueces County side will be easier to assimilate with water in the Corpus Christi area as they have a bigger water infrastructure. The District would have a harder time working an additional 10-20 MGD into our system without shutting down some of our current facilities. Freese and Nichols is also currently studying the environmental impact in the bay as related to the intake and dispersing of the concentrate water. Some professors at the Harte Institute and Texas Marine Science Institute are concerned about the effects of the desalination plants on the North side of the bay. Super tankers coming into the Port near Harbor Island and the chance of a spill are also a concern. They have a concern that the large ships will change the flow and cause turbulence that will affect the fish larvae that come into the bays through the pass at Harbor Island. Manager Brian Williams stated he met with a groundwater group AQUI IV with Directors Miller and Bridges. They propose to sell groundwater to the District. The group has also contacted the County Judge and Commissioners. Manager Brian Williams also reported not receiving chemistry information on the proposed groundwater from AQUI IV. Manager Brian Williams and Director Bridges attended a County Commissioners Court meeting on Monday and discussed the item in executive session.

Manager Brian Williams reported the District entered into an engineering study with Carollo Engineers to evaluate and determine the best options available to provide additional water supplies in San Patricio County. Carollo's study will focus on providing water for new industrial demands from 10 MGD to 50 MGD in 10 MGD increments. The cost of the study is \$48,000. The City of Corpus Christi has offered to pay for half the study, \$24,000. In order to work as partners and to receive the money from the City of Corpus Christi it is necessary to enter into a interlocal agreement. Attorney Bryan Stone reviewed the Interlocal Agreement with the City of Corpus Christi Regarding Water Supply Study and gave his approval. The study will provide water quality information, transmission and treatment costs. A motion was made and seconded to approve the Interlocal Agreement with the City of Corpus Christi Regarding Water Supply Study and allow the General Manager to execute. The motion carried with 6 ayes and 1 abstention.

Manager Brian Williams reported the Plant B units were initially installed in 1989 and have gone through several restorations. The units are rated to produce 5.7 MGD of treated water used by Occidental Chemical's Chor-Alkali facility. The full renovation project of Plant B is underway and we have received three new Trident treatment units. Part of this renovation includes the purchase of several large valves, actuators and other miscellaneous valves. Staff working with engineers at Separation Processes, Inc. (SPI) developed a bid package and specifications. The District advertised bids for various valves and accessories



and received four bids. Two of the bids did not meet the requirements and specifications. The low bid meeting specifications was submitted by Core and Main for \$133,238.00. Motion was made and seconded to award the bid for various valves and accessories to Core and Main for \$133,238.00. Motion carried unanimously.

Manager Brian Williams stated there was nothing new to discuss regarding economic development at this time.

Under Management Reports, under water supply and demand, Manager Brian Williams reported Lake Corpus Christi is at 93.1% capacity, and Choke Canyon is at 50.8% capacity with the Nueces River Basin at 62.6% combined capacity. Lake Texana is at 87.4% capacity, Lake Travis is at 95.5% capacity, and the Colorado River Basin is at 77.2% capacity. The State of Texas is at 86.1% capacity overall. Manager Brian Williams stated drought conditions are always just around the corner. The District is always working to help stabilize the regional water supply with additional water sources.

Under infrastructure and facilities, Manager Brian Williams reported the District had a leak on the 36" Nueces River raw waterline. The District receives a cost savings to turn off the pumps during peak power demands but the risk of waterline failures when bringing the water back into the line is always a possibility. The District does have a 200 MG raw water reservoir to buffer any failures on the waterlines. The leak on the 36" raw Nueces waterline is fixed. The Texana raw waterline continued to run while the Nueces River waterline was down. Manager Brian Williams also reported HEB Grocery contacted the District to install a tap to our treated water system so that in the case of a boil water notice or hurricane in our area, HEB would dispatch tanker trucks to haul potable water to the affected areas. The tap will be paid for by HEB as well as the cost of the water. The new 1 MW generator is up and running. The vendor issues related to the 1 MW generator are resolved. District engineer Mallory Gabro-Lightsey reported the District waterlines are in a bad spot related to the new highway fly over in Gregory. She is working with TXDot to resolve the issues.

Under municipal and industrial development, Manager Brian Williams reported there is nothing new to report.

Under personnel, Manager Brian Williams stated again that HR Manager Marcia Keener is retiring.

Under financial reports, Secretary/Treasurer Rebecca Klaevemann stated the District had large water sales in July and the revenue is 1% over budget. Secretary/Treasurer Rebecca Klaevemann also discussed the 2<sup>nd</sup> Quarter Investment Report as required by the Public Funds Investment Act. The District continues to make gains in the interest earned on the money invested at the Argent Trust Company.

The meeting was adjourned at 4:08 p.m.



Karen Ivey, Assistant Secretary



Billie Jo Tennill, President