

Windermere Oaks Water Supply Corporation

424 Coventry Rd
Spicewood, Texas 78669

2019 - 2020 Board of Directors:
Joe Gimenez, President
Patricia Gerino, Vice President
Mike Nelson, Secretary/Treasurer
Rich Schaefer, Director
Dorothy Taylor, Director

Windermere Oaks Water Supply Corporation (WOWSC) meeting held: Tuesday, June 16, 2020 via videoconference using Zoom

2020 - 2021 Board Members Present: Patricia Gerino, Joe Gimenez, Mike Nelson, Rich Schaefer, Dorothy Taylor

Minutes

The meeting was called to order at 6:01PM by Joe Gimenez. A quorum was established with five Board Members present.

- 1) Comments from citizens and members who have signed sign-up sheet to speak (3-minute limit per person)
 - i) None
- 2) Review and consider action for approval of Board Meeting minutes:
 - a) May 19, 2020
 - i) Motion made and carried by all to approve the May 19, 2020 minutes with the updates from Joe Gimenez
- 3) **MANAGER'S REPORT –**
 - a) **CORONAVIRUS –** Update on recommendations from public health officials and water associations regarding water treatment.
 - a. With the recent increase in the number of COVID-19 cases in Texas and in the Austin area, Corix has redoubled their efforts with staff to follow guidelines.
 - b) **TCEQ RENEWAL OF WASTEWATER PERMIT AND CONSUMER CONFIDENCE REPORT –** Update on status of issues related to permits and reports on water quality.
 - a. Official permit approval was granted May 28th for a ten-year renewal period. The approval cited WOWSC's history of high compliance.
 - c) **PRE-TREATMENT FACILITY AND DISPERSANT FIELD PROJECT–** Updates on pricing for new clarifier, UV treatment equipment, dispersant field enhancements.
 - a. Analysis of water sample was completed by the California lab and sent to the pre-treatment equipment supplier for their review and recommended plan.
 - b. Dispersant field project: Screens were installed on the outlets of the WWTP ponds. Repair of the drip lines along the trees on Exeter Road is in progress. Next step is the increase in size of the dispersant spray field.
 - d) **SAPA IRRIGATION PLAN –** Update on plans and progress being made by Spicewood Airport Pilots Association for irrigation of 3 acres using WOWSC effluent.
 - a. The engineer is finalizing the project plans now that the WWTP permit was renewed which will go to TCEQ and then construction after approval.
 - e) **SCADA AND SECURITY SYSTEMS –** Update on water control and security systems.
 - a. Installation of the new Dell workstation and new SCADA software was completed. Both the old and new SCADA systems are running in parallel for the next couple of weeks during validation of the new system.
 - f) **LCRA CONSERVATION PROJECT –** Update on progress of plan to reduce WOWSC use of potable water for backwash processes at wastewater treatment plant.
 - a. WOWSC received the project funds from LCRA. LCRA made a public announcement of the project funding. George is now taking projects bids from electricians, etc.

4) TREASURER'S REPORT

- a) Review of Financial statements, May receivables and deposits, with update on Financial History report from President
- b) May 2020
 - i) May Income: \$72.4K
 - (1) Water + Sewer revenue: \$43.5K
 - (2) Standby Fees: \$2.4K
 - (3) Year to date (YTD) Water + Sewer revenue at \$163.2K versus YTD budget \$162.5K
 - (4) YTD Standby Fees revenue at \$31.3K versus annual budget \$33.0K
 - (5) YTD Equity Buy-in Fees revenue at \$22.1K versus annual budget \$27.6K
 - (6) YTD Water & Sewer Taps revenue at \$8.3K versus annual budget \$10.4K
 - ii) May Expenses: \$52.4K
 - (1) Legal: \$25.4K
 - iii) May Net Income: \$20.0K
 - iv) 2020 Metrics:
 - (1) Debt to Service Coverage Ratio (DSCR): 1.20
 - (2) Debt to Capital Ratio: 0.18
 - (3) Days of Cash on Hand: 81 days
 - v) 2019 Metrics:
 - (1) DSCR: 0.89
 - (2) Debt to Capital Ratio: 0.21
 - (3) Days of Cash on Hand: 315 days
- c) Joe reviewed the Financial History report from the President which is to be posted on the website.
- d) Motion made and carried by all to approve the WOWSC May 2020 Financial Report

- 5) LOANS – Update on status of CoBank loan application and discussion, consideration and possible action regarding approval of loan terms proposed by CoBank and finalizing loan.
 - a) WOWSC's financial subcommittee, Joe and Patricia, has been working with Joe Daluca of COBANK to obtain loans. Discussions included review of the ongoing lawsuits.
 - b) Loans for:
 - i) Refinance of the First United Bank loan
 - ii) Replacement of the old SCADA system
 - iii) Security System
 - iv) Increase of WWTP's dispersant field, addition of screens on the WWTP dispersant ponds' outlets, and repair of the drip line along the trees on Exeter Road.
 - v) Wastewater reduction projects at WTP and WWTP
 - c) CoBank provided a proposal that was worked into a resolution (see below). Joe read the resolution.
 - d) Interest rate of 3.75% to 4.0% is expected. Plan is to lock-in interest rates when rates are at a historic low.
 - e) CoBank pays out a 0.5% dividend at the end of each year which reduces the effective interest rate.
 - f) \$230,000 loan to refinance the loan at First United Bank
 - g) \$150,000 loan for the new SCADA system, security system, expansion of the dispersant field, dispersant system upgrades & repairs, and the WTP & WWTP wastewater reduction projects
 - h) \$300,000 loan for the WTP pretreatment project
 - i) Expect the new monthly loan payment to be similar to our existing monthly loan payment once all \$680,000 is used.
 - j) Need to show ~\$24,000 on the monthly balance sheet for the CoBank loans' debt service reserve. Mike to request the CoBank loans' debt service reserve be added to the monthly financial reports once the loans fund.
 - k) Motion made and carried by all for WOWSC's financial subcommittee, Joe and Patricia, to work with legal counsel to close the CoBank loans.

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF WINDERMERE OAKS WATER SUPPLY CORPORATION
AUTHORIZING COBANK LOAN AGREEMENT**

WHEREAS, Windermere Oaks Water Supply Corporation ("WOWSC") is a nonprofit water supply corporation, operating under the authority of Chapter 67 of the Texas Water Code and the holder of retail water utility and sewer service Certificates of Convenience and Necessity Nos. 12011 and 20662 issued by the Public Utility Commission of Texas;

WHEREAS, CoBank, ACB ("CoBank") is part of the US Farm Credit System and provides loans and financial services to rural public utilities throughout Texas and the United States;

WHEREAS, WOWSC explored loan options with CoBank in anticipation of a balloon payment due on existing debt with First United Bank of Marble Falls, and the Board of Directors of WOWSC (the "Board") hereby determines that obtaining a loan from CoBank on the terms presented will allow WOWSC to pay this balloon obligation and effectively refinance this existing debt obligation on more favorable terms;

WHEREAS, WOWSC additionally desires to obtain funding from CoBank to supplement WOWSC's Operating Fund and provide financing for capital projects including, but not limited to, a new clarifier, pre-treatment tank, and UV treatment equipment;

WHEREAS, all prerequisite acts and proceedings preliminary to the adoption of this Resolution have been taken and done in due and proper form, time and manner, with the Board having full power and authority under WOWSC Article of Incorporation, Bylaws, and other applicable law, to adopt this Resolution and legally bind WOWSC to the terms hereof; and

WHEREAS, CoBank has authorized the issuance of three (3) loans to WOWSC totaling a maximum of \$680,000, and specifically itemized as follows:

1. A Single Advance Term Loan, up to \$230,000, for the purposes of refinancing existing debt service with First United Bank of Marble Falls, with maturity up to twenty (20) years from closing and with a debt service reserve of six months principle and interest by FYE 2020.
2. A Single Advance Term Loan, up to \$150,000, for various capital expenditures, with maturity up to twenty (20) years from closing and with a debt service reserve of six months principle and interest by FYE 2020.
3. A Multiple Advance Term loan, up to \$300,000, specifically to provide financing for a new clarifier/pre-treatment tank and UV treatment equipment, with maturity up to twenty (20) years from closing and with a debt service reserve of six months principle and interest by FYE 2020.

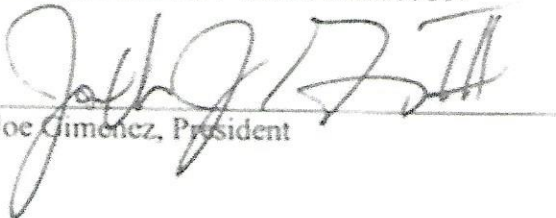
1)

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF WINDERMERE OAKS WATER SUPPLY CORPORATION THAT:

1. The above recitals are true and correct and are hereby incorporated and made part of this Resolution.
2. The Board of Directors of WOWSC hereby agrees to the terms as proposed by CoBank and wishes to proceed with the finalization of loan documents and execution of the loan agreement(s).
3. The Board of Directors hereby authorizes the members of the Finance Subcommittee and the Board President, in concert with legal counsel, to finalize and close on a loan agreement between WOWSC and CoBank on terms equal or substantially similar to those proposed above, and not to exceed an interest rate of 4.0 (four) percent.
4. This Resolution shall become effective immediately after its adoption.


This resolution is hereby **PASSED AND APPROVED** this 16th day of June, 2020 by vote of 5 in support, 0 against, and 0 abstaining.

WINDERMERE OAKS
WATER SUPPLY CORPORATION



Joe Jimenez, President

ATTEST:



Mike Nelson, Secretary/Treasurer

- m)
- 6) NEWGEN STRATEGIES – Consideration and possible action regarding proposed contract for ad hoc services from NewGen strategies for financial planning.
 - a) WOWSC’s financial subcommittee, Joe and Patricia, requested NewGen provide a proposal to conduct a limited financial assessment of WOWSC. (add task 1)
 - i) Task# 1

TASK AUTHORIZATION NO. 1
Windermere Oaks Water Supply Corporation

Effective Date: _____

Client Name: Windermere Oaks Water Supply Corporation

Task Authorization Description: Financial Assessment

Consultant and Client agree that this Task Authorization will be governed by the terms and conditions of the Agreement dated _____ as amended, unless specifically modified herein.

Scope of Services

NewGen will conduct a limited financial assessment of the Windermere Oaks Water Supply Corporation. This will evaluate recent history of financial performance, develop an updated assessment of where the utility stands financially based on recent condition (e.g., new loan from CoBank), and forecast of possible near-term financial needs, including the possibility of additional rate adjustments, based on scenarios that include continued legal expenses and/or adverse outcomes at the Public Utility Commission of Texas. Possible next steps and options will be discussed. The results of this analysis will be summarized in a memo report and, if desired, presented to the Board via web-based conference. Note: This investigation will NOT represent a cost of service study or make rate recommendations.

Schedule

To be determined by mutual agreement.

Fee for Services

The estimated budget for this task is not-to-exceed \$5,500.

Additional Services

Any additional services will be furnished at the Client's request based on standard billing rates. If appropriate, a new task authorization will be developed to outline the specific scope of work and estimated budget.

(1) Windermere Oaks Water Supply Corp NewGen Strategies and Solutions, LLC

- b) Request was made to include in Task# 1 a forecast if legal issues are resolved
 - c) In the past WOWSC's five-year plans have not been tied to financial plans
 - d) This is a first step in generating a financial plan for WOWSC
 - e) Task# 1 cost is not to exceed \$5,500
 - f) Motion made and carried by all to accept NewGen's proposal for a financial assessment not to exceed \$5,500.
- 7) PUBLIC INFORMATION OFFICER REPORT – Update on recent communications to members regarding rate increases, permit, consumer confidence report, and PIA requests.
- a) Six new requests were received since our May 19th Board Meeting
 - b) Joe read the following 'Other Member Communications - Responses to Customers'

Windermere Oaks Water Supply Corporation

Other Member Communications - Responses to Customers

Since January, the Board has been very concerned about keeping members up-to-date on the rate increase, and has particularly desired to be fully transparent about the reasons for the rate increase.

We sent a special letter to members on January 28 regarding the likelihood of a significant rate increase and the cause of the increase – legal bills resulting from a second lawsuit by members who had previously lost a first case.

On February 11 we sent notice of the rate/tariff changes to members.

On February 18 we posted and sent notice of a Frequently Asked Questions document about the rate increase.

On April 14 we sent a reminder of the new rates.

On May 2 we sent an alert regarding the rate increase, again containing the Frequently Asked Questions from February 18.

After the new rates went into effect, some members expressed dissatisfaction with the higher rates.

In mid-May and early June, we continued the policy of communicating with members about the cause of the higher rates, namely substantial legal bills which have resulted from the lawsuit brought by John Richard Dial, Rene Ffrench and Stuart Bruce Sorgen, and provided similar responses to each member who submitted comments along with their bills.

We communicated with these members the same message which we communicated in January-- that if the plaintiffs were to drop their lawsuit, the WOWSC could better focus on maintaining our utility system and sustaining the financial health of our corporation.

Furthermore, we reminded members of previous communications advising them that we will revisit the rate increase in September, assessing the status of the lawsuit and the backlog of legal bills.

- i)
 - c) Good news to communicate regarding WWTP ten-year permit and consumer confidence report
- 8) Executive Session under Texas Government Code § 551.071(1) and (2) and § 551.072 regarding:
- a) Ffrench, et al., Intervenor-plaintiffs and Double F Hangar Operations, LLC, et al. v. Friendship Homes & Hangars, LLC, Windermere Oaks WSC, et al., Cause No. 48292, 33rd Jud. Dist., Burnet County Dist. Ct.;
 - b) Attorney consultation regarding Ratepayers Appeal of Water and Sewer Increases by the WOWSC filed with the Public Utility Commission of Texas;
 - c) Deliberations regarding the potential purchase, exchange, lease, or value of real property;
 - d) Discussion of appeal of Attorney General ruling filed in Travis County District Court in the case of WOWSC v The Honorable Ken Paxton, Attorney General of Texas, Cause No. D-1-GN-19006219, for protection of corporate rights and privileges during ongoing litigation including potential settlement of same;
 - e) Attorney consultation regarding pending Public Information Act requests.
- i) Exited Open Meeting: 6:31PM
 - ii) Entered Executive Session: 6:33PM
 - iii) Exited Executive Session: 7:31PM
 - iv) Rejoined Open Meeting: 7:34PM
- 9) Consideration and possible action on items discussed in Executive Session.
- a) None

- 10) New business and discussion and possible action on agenda for next meeting.
 - a) Meeting minutes
 - b) Manager's report
 - c) Financial review
 - d) CoBank loan
 - e) NewGen Task# 1
 - f) Legal
 - g) Easement next to the Van Eman airport property where the access road to WOWSC property was removed.
 - h) Budget
- 11) Set date, time, and place for next meeting.
 - a) Mid to late August meeting via Zoom
- 12) Motion made and carried to adjourn at 8:26PM



Submitted by: Mike Nelson

APPROVED BY WOWSC Board on September 22, 2020