



Windermere Oaks Water Supply Corporation

Committed to Providing Clean, Safe Water for All Our Residents

November 6, 2020

Dear WOWSC Member,

An interesting summer passed by and we thought an update on the water company in order.

First, our neighborhood is growing and the water company is preparing for it. Between homes and hangars, we've added 46 new taps in the last few years. These require us to produce an approximate average of 400,000 more gallons of water per month. To facilitate this growth, we received an LCRA grant for \$14,000, to add to our \$34,000 investment, to fund recycling projects at our water and wastewater plants. Once complete, this will save us about 200,000 gallons of treated water per month, so that we can provide service to our new neighbors and members without adding a lot of new storage capacity.

But we are also in the process of purchasing a new clarifier. Ours is about 30-years-old and is showing its age – and inadequacy to meet our growth. Its' nine-foot height lacks the capacity of the 30-foot clarifier Ridge Harbor built a few years ago. And they do not even have 250 taps yet. Over the last few months, we have brought in tanker trucks to address system shortages due to heavy use, broken pipes, and the inability of our clarifier to keep up with demand. A new clarifier will cost \$300-500,000, so we are proceeding carefully. But we have \$300,000 in financing already approved from a lender at these record-low interest rates. We should be in shape for installing this by next summer.

Second, we continue to focus on our company's financial health, which we believe to be in good condition. We have enclosed a report which describes metrics we are using. The report also shows the impacts of the legal fees needed to respond to lawsuits against us, including what-if scenarios as though the legal fees had not been incurred. The report also describes the impact of selling our company to a for-profit corporation – namely higher fees to all of us due to corporate overhead, taxes, and profit allowances of new state laws. The water board does not want to see that occur. We will be adopting policies that explain in even more detail to members and future Boards how the corporation manages its finances.

Third, we continue to suffer the financial impact of lawsuits filed against the corporation. One lawsuit alleges a lengthy list of inappropriate actions by the 2015-16 Board related to sale of land in the airport. This suit is terribly expensive because of its expansive scope of allegations. Moreover, since the plaintiffs have been unwilling to settle since our October 26, 2019 open meeting to amend and supersede the 2016 contract, we will not be able to collect \$20,000 that the title company offered to resolve the matter. Another suit is the rate case filed at the Public Utility Commission, signed by the three plaintiffs – John Richard Dial, Stuart Bruce Sorgen, and Rene Ffrench – in the land sale case and filed by their allies. An ally to the plaintiffs also intervened in a lawsuit that was on the verge of being

completed, in a case which the WOWSC has reached an agreement to settle in our favor with the Attorney General; that plaintiff's intervention is prolonging the use and expense of legal services in that matter. All legal fees spent defending the corporation are passed on to our 279 ratepayers, and we discuss reasons for this in an enclosed document. Large fees spread among our small ratepayer base creates higher monthly water rates. Even the legal fees defending the 2020 rate case to the Public Utility Commission will at some point be directly paid by members, possibly in the form of higher rates. The WSC would very much like to see all of these matters put behind us, so that the WSC, its board, and its financial resources can be fully dedicated to the most important task at hand – running a strong and responsive Water Supply Corporation. (An enclosed Q&A documents addresses these legal challenges in more depth.)

Fourth, as previously mentioned, the Board was approved for \$680,000 in loans, of which we have received \$350,000 at 3.75% interest rate for 20 years. This new loan paid off a higher-interest loan for the wastewater treatment plant and funds various long-term projects. The longer-term, lower-interest loan cut our monthly debt payment in half, freeing up funds for operational needs, including legal services.

Finally, we are proceeding cautiously in the Covid-19 era. We continue to ensure that our treatment processes keep up with national guidelines. And we continue to have open meetings on Zoom, so that our corporation does not suffer any liability claims from someone becoming grievously ill at an in-person meeting. We are complying with Governor Gregg Abbott's orders allowing teleconference calls for organizations like ours. Our insurance would neither cover the legal fees or settlement from any Covid-19 related claims against the company, so we are not taking chances.

We hope this letter and the enclosed report provides a meaningful look into the water company's current condition. Please contact any of your Board members with questions.

Sincerely,



Joe Gimenez

Patricia Gerino

Mike Nelson

Dorothy Taylor

Rich Schaefer