

**CITY OF HARLINGEN WATERWORKS SYSTEM**  
**Regular Board Meeting Minutes**  
**Wednesday, March 29, 2017**

The Regular Meeting of the Utility Board of Trustees was conducted on the 29th day of March 2017 at 3:00 P.M. in the Harlingen Waterworks System's Board Room located on the second floor at 134 East Van Buren Avenue, in the City of Harlingen, Texas.

City Commissioners Present: Michael Mezmar, District 3  
Victor Leal, District 5

Board Members Present: Josh Fields, Chairman  
Michael Garza, Vice Chair  
Kevin Campbell, Trustee  
Michael Murphy, Trustee  
Curtis Bonner, Trustee – entered at 3:39 P.M.  
Dan Serna, City Manager, Ex-Officio

Staff Present: Darrell Gunn, General Manager  
Bill Hubbard, System Attorney  
Jim Vallely, Wastewater Services Director  
David Sanchez, Water Services Director  
Kathern, Davidson, Finance & Revenue Director  
Elizabeth Soto, HR Director  
Joyce Lamon, Customer Service Director  
Juan Morales, Water Services Assistant

City Staff Present Carlos Sanchez, Assistant City Manager

**AGENDA ITEM NO. 1: OPEN MEETING AND WELCOME**

Chairman Fields called the meeting to order at 3:00 P.M. and asked if the Agenda was posted in accordance with the law, Nilda Sanchez responded yes.

**AGENDA ITEM NO. 2: REPORTS AND PRESENTATIONS**

**a) Report and presentation regarding Payment Card Fees.**

Chairman Fields reported this presentation was to explain payment card fees to some customers that were to be present at the Board Meeting who wanted speak about the recent charge for payment card fees. Mr. Fields explained there were no customers present at the time and asked that this presentation be presented at a later time. Discussion by the Board ensued.

**CITY OF HARLINGEN WATERWORKS SYSTEM**  
**Regular Board Meeting Minutes**  
**Wednesday, March 29, 2017**

**b) Presentation by the System's External Auditor, Carr, Riggs & Ingram,  
regarding fiscal year 2015-2016 Audit Report.**

Quentin Anderson, representative of Carr, Riggs & Ingram presented the results of the financial audit for the ended September 30, 2016. Mr. Anderson advised the Board the annual financial statements fairly represent the financial position of the Waterworks. Quentin commented that Management's Discussion and Analysis provides detailed explanations of the changes in the System's financial position. In 2016, the System's net position increased by roughly \$500 thousand. Accounting standards that went in to effect in 2015 required recording the System's net pension assets and obligations on the System's balance sheet. In 2015, the System had net pension assets of \$1.9 million. That changed in 2016, to a \$193 thousand net pension obligation, due to changes in actuarial assumptions. Quentin mentioned the Advisory Comments to Management include information regarding a new accounting standard that will be effective in fiscal year 2018, requiring the recognition of the total retiree health-care obligation on the System's balance sheet, similar to reporting the net pension obligation. Mr. Anderson answered questions regarding the audit and financial statements asked by the Board.

**\*\*\* During this presentation, a couple of customers walked into the meeting and it was decided to bring back Item 2 (a), presentation of Payment Card Fees.**

Joyce Lamon, Customer Service Director, explained the recently established fee for payments made with cards was in response to Ordinance #16-29, approved September 21, 2016, in which the City of Harlingen had directed all City Departments to collect a fee for all payments made with cards.

Mrs. Lamon then gave a PowerPoint presentation detailing the process of how all payment cards were processed and the various charges incurred by the multiple participants involved in the process which include: customer, merchant, payment gateway, acquiring bank's processor, card interchange, card issuer and merchant's bank. Mrs. Lamon reported this interaction took place within 2-3 seconds once a transaction was submitted for approval.

Mrs. Lamon reported that HWWS customers were notified that a fee was going to be charged for all credit card payments beginning January 2017 but due to a programming setback, the implementation did not begin until February 9, 2017. This notice was printed on all bills beginning December 14, 2016.

Mrs. Lamon concluded the presentation by highlighting the various free options available for customers to pay their bills to avoid paying the fee for the use of cards. Discussion by the Board ensued.

**c) Report and Discussion regarding Nitrification Action Plans, as required by  
TCEQ.**

**CITY OF HARLINGEN WATERWORKS SYSTEM**  
**Regular Board Meeting Minutes**  
**Wednesday, March 29, 2017**

Darrell Gunn reported that billions (an estimated amount) of people were alive today because chlorine was now being added to the potable water process, in which chlorine basically eliminated all water borne diseases. Mr. Gunn explained chlorine had been around for about 100 years and was considered a primary disinfectant for drinking water. TCEQ studies and determinations proved when water was chlorinated, pathogens and bacteria were killed, but disinfection bi-products (DBP) lingered behind. Mr. Gunn explained further that TCEQ studies determined that chloramines created less disinfection bi-products. It was further explained that by adding ammonia to chlorine to the water would create chloramines. David Sanchez, Water Operations Director explained this was a controlled process that involved an imparted ratio of the two, which began at the water plants.

Implementation of a Nitrification Action Plan (NAP) was required TCEQ, April, 2016. Mr. Gunn reported TCEQ was now requiring a NAP to monitor DBP's and Nitrification which included triggers to that enacted control measures to maintain and clean pipe lines.

Mr. Gunn reported the Waterworks now practiced scheduled flushing of hydrants to keep chlorine residual up and DBP's down to meet TCEQ requirements.

It was indicated that David Sanchez, Water Operations Director was now required to follow these rules set forth in the NAP or be faced with possible TCEQ violations.

Mr. Gunn reported the implementation of the NAP process required: weekly monitoring, precise methods, various sampling and control base line of trigger action levels. Mr. Gunn explained he was informing the Board and he wanted them to be aware if we were to be in compliance some actions in the NAP would have a long term impact on us. Discussion by the Board ensued.

**d) Report and Discussion regarding Winter Averaging for 2016-2017.**

Darrell Gunn briefed the Board on how Harlingen was the only city in the valley that practiced winter averaging, all other cities billed gallon for gallon. Mr. Gunn reported this year's winter averaging report would have a substantial negative impact on collected wastewater revenue. Mr. Gunn explained customers were using less water during the winter months, recalculating their sewer billing to a minimum cost. Discussion by the Board ensued.

**e) Report on Delinquent Accounts in excess of \$500 per account.**

Darrell Gunn reported these were routine monthly reports. A discussion by the Board began regarding East Rio Hondo Water Supply's delinquent balance. Mr. Gunn reported ERHWS was requesting a credit on their account. Mr. Gunn reported the Waterworks' response was no, and was now seeking legal counsel from the System Attorney. Continued discussion by the Board concerning the current take or pay contract was addressed. The Board decided to have counsel send ERHWS a demand letter for payment, that payment was expected in full, if not cancelation of contract was another

**CITY OF HARLINGEN WATERWORKS SYSTEM**  
**Regular Board Meeting Minutes**  
**Wednesday, March 29, 2017**

option. An agreement to bring an action item back to next month's Board meeting was made.

**f) Report from Chairman Fields regarding status of General Manager selection, subject to approval by the City Commission.**

Josh Fields, Board Chair, thanked the Board for the recent "day long" interview session, regarding the positions of General Manager and Assistant General Manager/Engineer. Mr. Fields announced that an offer of employment for the General Manager's position was offered to Timothy Skoglund, pending the approval of the City Commission. Potential start date for Mr. Skoglund was to be April 24, 2017, expecting City Commission approval from their scheduled meeting on April 19, 2017. Discussion by the Board ensued.

**AGENDA ITEM NO. 3: FINANCIALS**

**a) Monthly Financial report for month ending February 28, 2017.**

Darrell Gunn reported this was a routine monthly report.

**AGENDA ITEM NO. 4: RESOLUTIONS**

**a) Resolution No. R1617-26: Resolution to approve a one year extension of the banking services with BBVA Compass Bank.**

Darrell Gunn reported this was an annual extension of the contract with BBVA. Discussion by the Board ensued.

A motion was made to approve Resolution No. R1617-26– to approve a one-year extension of the banking services with BBVA Compass Bank.

Motion: Curtis Bonner  
Kevin Campbell

Motion to reject was carried by a vote of the Board (5-0).

**b) Resolution No. R1617-27: A resolution to approve an agreement between the Harlingen Waterworks System and Harlingen Irrigation District, Cameron County #1, for the delivery of water from the Rio Grande to the Waterworks' reservoirs.**

Darrell Gunn reported he had attended the Irrigation District's Board Meeting the week before and their Board came to a consensus to proceed with a legal and bidding open

**CITY OF HARLINGEN WATERWORKS SYSTEM**  
**Regular Board Meeting Minutes**  
**Wednesday, March 29, 2017**

contract with the Waterworks for the diversion of water. Discussion by the Board ensued.

A motion was made to approve Resolution No. R1617-27 – to approve an agreement between the Harlingen Waterworks System and Harlingen Irrigation District, Cameron County #1, for the delivery of water from the Rio Grande to the Waterworks' reservoirs.

Motion: Michael Garza  
Second Curtis Bonner

Motion to approve was carried by a vote of the Board (5-0).

**AGENDA ITEM NO. 5: MANGER'S REPORTS**

Darrel Gunn gave a brief explanation of the information included in the Manager's Report. Discussion by the Board ensued.

**AGENDA ITEM NO. 6: PUBLIC COMMENTS**

No public Comments.

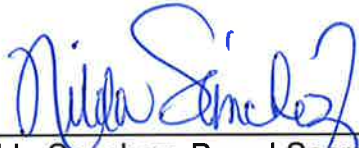
**AGENDA ITEM NO.7: ADJOURN**

There being no further business to discuss, the meeting adjourned at 4:20 P.M.

Motion: Curtis Bonner  
Second: Kevin Campbell

Motion to approve was carried by a vote of the Board (5-0).

Attest: \_\_\_\_\_

  
Nilda Sanchez, Board Secretary