

CITY OF HARLINGEN WATERWORKS SYSTEM
Regular Board Meeting Minutes
Wednesday April 27, 2022

The Regular Board Meeting of the Utility Board of Trustees was conducted on the 27th day of April 2022 at 5:00 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: Frank Morales

Board Members Present: Michael Murphy, Chairman
Chris Bartnesky, Vice Chair
Curtis Bonner, Trustee
J.V. Garcia, Trustee

Staff Present: Tim Skoglund, General Manager
Gene McCullough, System Attorney
Darrell Gunn, System Consultant (via videoconference)
Robert Canterbury, System Consultant (via videoconference)
Jon Hedegard, Director of Wastewater Services
David Sanchez, Director of Water Services
Jose L Rodriguez, Director of Information Technology
Joyce Lamon, Customer Service Director
Elizabeth Soto, Director of Human Resources
Ron De La Garza, Director of Finance & Revenue
Emiliano Rosel, Assistant Utility Engineer

AGENDA ITEM NO. 1: OPEN MEETING AND WELCOME

Michael Murphy, Chairman, called the meeting to order at 5:03 P.M. and asked if the agenda had been posted in accordance with the law; Nilda Sanchez responded affirmatively.

AGENDA ITEM NO. 2: COMMUNICATION / INPUT FROM CUSTOMERS AND RESIDENTS OF HARLINGEN

None.

AGENDA ITEM NO. 3: APPROVAL OF MINUTES – Regular Board Meeting of March 30, 2022

Curtis Bonner, Trustee, noted an error on page 3, replacing the word "requires" to "required." Tim Skoglund acknowledged the error and stated that a correction would be made.

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A motion to approve the Board Minutes, as amended, for the Regular Board Meeting of March 30, 2022, was made.

Motion: Chris Bartnesky
Second: Curtis Bonner

Motion to approve was carried by a vote of the Board (3-0).

***** Trustee, J.V. Garcia joined the meeting at 5:06 P.M.**

***** OUT OF SEQUENCE**

AGENDA ITEM NO. 6: RESOLUTIONS

b) R2122-25: Awarding a contract for Primary Depository Bank Services

Ron De La Garza, Finance & Revenue Director, reported the Waterworks contract for depository bank services had traditionally been set up for a two-year term with three (3) one-year extension options. The current contract with BBVA, now PNC Bank, was on its second extension and would be expiring in July 2022.

Mr. De La Garza reported that several changes PNC would be requiring for the contract's last extension were not acceptable, so a Request for Applications (RFA) was advertised. Valley View Consultants, the Waterworks' financial advisor, was instrumental in developing the RFA and selecting the most qualified bank.

Tim Pinon of Valley View Consulting gave a detailed presentation on the procurement process and displayed a table comparing the financial terms of proposals from the three qualifying banks. He noted the best option would be Plains Capital Bank based on current rates and projected rates after an anticipated increase in the Fed Funds Rate.

Gene McCullough, System Attorney, reported the application from Texas Regional Bank was deemed to be disqualified because conflicts of interest involving some Board Members would create a problem for achieving a quorum. JV Garcia asked whether Texas Regional Bank's application was evaluated. Mr. Skoglund responded that it had been, but the bank's capped earnings rate was relatively less attractive considering anticipated increases in the Fed Funds Rate.

A motion was made to approve Resolution No. R2122-25 – awarding a contract for primary depository bank services to Plain's Capital Bank.

Motion: Chris Bartnesky
Second: JV Garcia

Motion to approve was carried by a vote of the Board (4-0).

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a) R2122-24: Awarding a contract for Architectural Services for Building Envelope Rehabilitation and Interior Improvements at the Main Office Building

Tim Skoglund informed the Board that the contract with another architectural firm was terminated by the Board because of lack of progress. GMS Architects was the next most highly rated firm based on submittals in response to the RFQ under which the previous firm had been selected. David Monreal of GMS was present to answer any questions.

Three major components of the project were discussed: lobby security remodeling, remodeling on the 2nd Floor to relocate purchasing department staff to the Main Office, and rehabilitation of the building envelope. The most detailed discussion involved replacement of windows on the second and third floors. Curtis Bonner, Trustee, asked whether the windows were going to be replaced or if the windows would be covered up? Mr. Bonner commented it would be best to replace the windows since that feature was what gave the building its unique look.

Mr. Monreal stated that construction prices were 30-40% higher than in the prior year. The project was proposed to begin May 2022 with construction completion in April 2023. The Board continued discussion of the project and proposed contract.

A motion was made to approve Resolution No. R2122-24 – awarding a contract for Architectural Services for Building Envelope Rehabilitation and Interior Improvements at the Main Office Building.

Motion: Curtis Bonner
Second: JV Garcia

Motion to approve was carried by a vote of the Board (4-0).

***** OUT OF SEQUENCE**

AGENDA ITEM NO. 4: REPORTS AND PRESENTATIONS

a) Report on Delinquent accounts in excess of \$500 per account.

Joyce Lamon gave an overview of the delinquent accounts that were still pending. Discussion by the Board ensued.

***** OUT OF SEQUENCE**

c) Discussion on performance contracting for meter replacement and lead service line survey.

Tim Skoglund explained there had been several follow up conversations with Performance Solutions Inc. (PSI) who had presented a proposal at the previous month's Board meeting for replacing customer water meters and implementing AMI technology. He gave an overview of the advantages and disadvantages of PSI's proposal. Mr. Skoglund informed the Board that electronic meters and AMI technology had advanced

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especially with respect to battery life making electronic metering and AMI economically viable.

Mr. Skoglund noted that the original projection of increased revenue was based on total revenues including base fees which could not be improved upon by more accurate metering. He also noted that the fees to be paid to PSI represented a large percentage of the construction cost to replace meters. Mr. Skoglund reported on alternatives to performance contracting including a traditional contracting approach with the help of a consultant and pursuing project funding through the Texas Water Development Board. Alternatively, the Waterworks could forego meter replacement to focus only on lead service line surveys mandated by EPA with an October 2024 deadline, whether by contractor or by in-house personnel. He noted that PSI's proposed investment grade audit would provide significant benefit even if Waterworks elected not to pursue a performance contract.

Trustee, JV Garcia asked whether meter reader staff would be affected in the transition to AMI metering. Discussion ensued regarding the roles and responsibilities of meter readers and the likelihood of diminished need for meter staffing. Mr. Skoglund stated that staff would continue its investigation into alternatives and report to the Board at a subsequent meeting.

b) Presentation and discussion on proposed customer service policy modifications: Service Fees & Charges; Connection (Tap) fees.

Joyce Lamon presented proposed Customer Service Policy Modifications regarding Service Fees & Charges and Connection (Tap) Fees.

Tim Skoglund stated that the current customer service policy included fees related to development but were not truly fees related to customer service. He explained that a separate policy manual should be created expressly for development.

Mr. Skoglund reported that Waterworks was currently subsidizing most of the cost for replacing the portion of customers' service lines located under public right of way (ROW) and that the current approach requiring customers to pay in advance for such replacements created hardship and inequities for customers and were problematic to administer in many cases.

He suggested an alternative that Waterworks replace failed customer service lines within the ROW at no charge to the customer. This approach would result in approximately \$50,000 less revenue annually but would solve the problems with the current approach and be a significant improvement in Waterworks' customer service. He stated it would be reasonable to contend that all service lines in the ROW would eventually need replacement and that including such replacements as a standard service covered by sewer rates would be a justifiable distribution of cost among customers.

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Discussion by the Board ensued, and general agreement was expressed that such a change in policy would be preferred. It was noted that such a change would also most likely require an ordinance revision. Mr. Skoglund stated staff would investigate further and begin moving forward with the steps required to implement the policy change.

d) Report on April 12, 2022, Water Night community event.

Nilda Sanchez, Administrative Assistant, gave a presentation on the Water Night community event held on April 12, 2022. She reported that 396 people attended the event. The event included educational displays and interaction with every department of the Waterworks.

The Kid's World area was specifically geared for kids' entertainment and included face painting, balloon twisting, two inflatable bouncers, interactive science experiments, and snacks.

Mr. Skoglund stated that the highly successful event exceeded staff expectations and that plans for next year's Water Night were underway. Discussion by the Board ensued.

AGENDA ITEM NO. 5: FINANCIALS

a) Monthly Financial report for month ending March 31, 2022

Ron De La Garza gave an overview of the financial reports for March 2022. Discussion by the Board ensued.

b) Presentation of Quarterly Investment Report, ending March 31, 2022

Ron De La Garza, Finance & Revenue Director, discussed information in the quarterly investment report, ending March 2022.

***** OUT OF SEQUENCE**

c) R2122-26 Authorizing award of contract(s) for materials needed for in-house construction of Lift Station No. 5.

Tim Skoglund reported that materials needed for in-house construction of Lift Station 5 were similar to those for Lift Station 25 for which vendors had quoted pricing that was valid for no more than 48 hours. At the February 23, 2022 Board Meeting, the Board had authorized staff to administratively award vendor contracts for Lift Station 25 materials. He explained that manufacturer's material availability and pricing were volatile, forcing vendors to severely limit the duration of price validity.

To avoid further inflation and to enable the Waterworks to issue a purchase order within a day after receipt of formal bids, Mr. Skoglund recommended that the Board authorize staff to administratively award contracts up to a combined, not to exceed total of \$215,000.00 for materials needed for Lift Station 5.

A motion was made to approve Resolution R2122-26 – authorizing award of contract(s) for materials needed for in-house construction of Lift Station No. 5.

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Motion: Curtis Bonner
Second: Chris Bartnesky

Motion to approve was carried by a vote of the Board (4-0).

d) R2122-27 Approving a contract with Community Action Corporation of South Texas and participation in the Low-Income Household Water Assistance Program.

Tim Skoglund reported that Trustee JV Garcia had earlier learned about a financial assistance program to aid low-income families with their water bills, and staff had been in contact with the program administrator to implement the program for customers of the Waterworks.

Discussion by the Board ensued on the program's rules and requirements. The customer would responsible to contact the program administrator who would determine the customer's qualification for assistance. Several ideas were considered on how to advertise for this program. Curtis Bonner, Trustee, asked who was providing the funding for this program, Mr. Skoglund said it was federal government funding.

A motion was made to approve Resolution R2122-27 - approving a contract with Community Action Corporation of South Texas and participation in the Low-Income Household Water Assistance Program.

Motion: JV Garcia
Second: Curtis Bonner

Motion to table the item was carried by a vote of the Board (4-0).

AGENDA ITEM NO. 7: MANAGER'S REPORTS

Mr. Skoglund highlighted portions of the Manager's Report documents in the meeting packet. The Board asked questions and discussed the information that was presented.

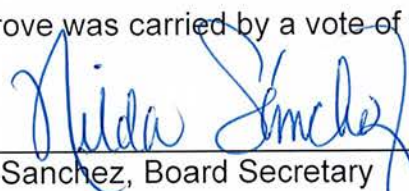
AGENDA ITEM NO. 8: ADJOURN

There being no further business to discuss, Chairman, Murphy, called for a motion to adjourn the meeting at 7:18 P.M.

Motion: JV Garcia
Second: Chris Bartnesky

Motion to approve was carried by a vote of the Board (4-0).

Attest:



Nilda Sanchez, Board Secretary