



# Windermere Oaks Water Supply Corporation

424 Coventry Rd  
Spicewood, Texas 78669

**2019 - 2020 Board of Directors:**  
Joe Gimenez, President  
Bill Earnest, Vice President  
Mike Nelson, Secretary/Treasurer  
David Bertino, Director  
Norman Morse, Director

**Windermere Oaks Water Supply Corporation (WOWSC) meeting held: Monday, May 20, 2019**

**2019 - 2020 Board Members Present: David Bertino, Bill Earnest, Joe Gimenez, Mike Nelson**

## Minutes

The meeting was called to order at 6:04PM by Joe Gimenez. A quorum was established with four Board Members present.

1. Review, consider and take action to approve minutes of prior meetings.
  1. May 8, 2019 Board Meeting
    1. Motion made and carried to approve May 8, 2019 minutes
2. FINANCIAL PLANNING AND FINANCIAL POLICY DEVELOPMENT PRESENTATION –
  1. NewGen Strategies and Solutions is a management consulting firm specializing in providing economic, strategic, stakeholder and sustainability services to public and private sector utilities.
    1. NewGen's Grant Rabon reviewed his presentation on the benefits of developing financial policies.
      1. Grant passed out hard copies of presentation
      2. One key benefit is continuity from Board to Board
      3. Grant reviewed highlights of presentation
        1. Importance of Financial Policies
          1. Financial policies ensure the integrity and sustainability of the utility system in a dynamic business environment
          2. Well designed financial policies:
            1. Take long-term view of utility health and stability
            2. Are reviewed and updated periodically to reflect changing business operating conditions
            3. Provide the financial resources to execute the utility business plan
          3. Well designed financial policies offer:
            1. Rate stability
            2. Risk management
            3. Lower cost of capital
            4. Justification of utility cost structure and rates when challenged by stakeholders
        2. Fiduciary Responsibility
          1. Ethical and legal

2. Make many important decisions, including hiring, overseeing and evaluating the manager, monitoring financial reports, and reviewing annual audits
3. Abide by the following general duties:
  1. Duty of care
  2. Duty of loyalty
  3. Duty of obedience
4. Essentially, required to act in the best interest of organization
3. Financial Policy Overview
  1. Establish financial policies which identify and prescribe key characteristics of financial health and sustainability
  2. Common utility financial policies include
    1. Debt Service Coverage
      1. Measure of financial flexibility (ex. 1.5x DSCR)
        1. Available revenue (available cash) to fund debt service
    2. Reserves
      1. Measure of liquidity (ex. 60 days working capital, additional as required by covenants)
      2. Emergency reserve to renew or recapitalize as needed
      3. Line of credit often used as emergency reserve
    3. Equity
      1. Measure of leverage (ex. equity funding at least 20% of major capital projects is desirable)
    4. Credit Rating (if appropriate)
      1. Overall measure of financial health
    5. Other rate related policies might include
      1. Rate stabilization policies
        1. Cap rate increases/decreases
      2. Social Programs
        1. Low/Fixed Income or Disabled
    6. Other
      1. Term of debt not to exceed useful life of asset
      2. Capitalized interest shall only be considered during construction and not to exceed seven years
      3. Ongoing routine preventative maintenance should be funded on a pay-as-you-go basis
      4. Utility shall maintain a quick ratio of 1.50
        1. (current assets less inventory / current liabilities)
      5. Rates shall be set to generate sufficient revenues to support the full cost of operations and debt, provide adequate debt service coverage and meet other bond covenants, and ensure adequate levels of working capital
4. Leverage
  1. Leverage is double – edged sword

1. Borrowing lowers near term costs and spreads them over time, thereby keeping rates low
2. However, heavy borrowing minimizes flexibility to react to financial stress without adjusting rates
2. When to use debt?
  1. To levelize large fluctuations in capital plans that would otherwise significantly draw down reserves and / or result in rate volatility if paid with cash
  2. To match the cost of infrastructure with the useful life given tolerance for debt
5. Establishing Effective Financial Policies
  1. Take a long-term view
  2. Periodically revisit policies to verify effectiveness and relevance
  3. Routinely educate stakeholders as to rationale, costs and benefits associated with the various policies
  4. Include key policy metrics in your financial reporting, planning, and budgeting
  5. Create reserves that are well defined, reflective of financial risks, and effectively manage your utility's cash flow and balance sheet
6. More Debt Capital Funding – Proposed Rates
  1. Reserves and Bills Under Proposed Rates
    1. Fixed Charge
    2. Volumetric Charge
    3. Days Cash on Hand (DCOH)
    4. DCOH Minimum Goal
  2. System Average
    1. System Average Rate Billed (Proposed)
    2. System Average Cost
  3. Revenue Requirement Recovery and DSCR
    1. O&M
    2. Debt Service
    3. Cash Capital
    4. DSCR (Proposed Rates)
    5. Cash Capital
    6. Total Revenue Proposed Rates
    7. DSCR Minimum Goal
  4. Capital Improvement Plan Funding Sources
    1. Capital Reserve (Cash)
    2. Proposed Debt
    3. Impact Fees
    4. Other (ex. grants, contributions)
7. Possible misconceptions
  1. Eliminating all debt is in the best long-term interest of the utility and its customers (or, alternatively, we should use debt for everything)
  2. The Board's job is to minimize rate increases (maintain the existing rates)
  3. Our utility cannot charge more than the neighboring utility

4. Changing auditors will look like something is wrong

2. NewGen does
  1. Financial planning
    1. Setting rates to meet overall goals of organization
  2. Business development
  3. Form financial policies
3. NewGen usually works with not for profit organizations
4. Challenges
  1. Economies of size in rural organizations
    1. Rate settings with fewer members
  2. Volunteer Boards
    1. Not always provided with tools to manage utility
5. NewGen charges based on scope of work
  1. Provides scope of work with not to exceed terms
    1. Bill on time and expenses
6. Grant wants to understand what WOWSC needs to accomplish
  1. Proposal: Start with helping generate a financial policy
7. NewGen helps client move forward with an established plan
8. Most small utilities are much larger than WOWSC. Not much bench marking data available for WOWSC sized organizations.
9. TRWA can help with review of three and five-year plans. TRWA has Excel worksheet tool. George has requested James of TRWA attend an upcoming Board meeting to review WOWSC's financials and five-year plan.

3. MANAGER'S REPORT – Review, discuss and take appropriate actions.

1. Customer issue (Bruce Sorgen). Report on customer communications and adjustment of charges with Corix and Enrique.
  1. George adjusted charges down. Bruce Sorgen requested an itemized bill.
  2. Keep on agenda
2. CSI Inspections. Report on recent customer inspections.
  1. Fourteen of twenty-five homes were inspected.
    1. Four of fourteen failed inspection
      1. Minor improvements needed to get the four to pass their respective inspection
  2. George proposed calling each home owner that did not respond.
  3. Texas Commission on Environmental Quality (TCEQ) annual inspection reviews all kinds of records
  4. TCEQ and EPA rules are to protect customers from lead poisoning
    1. WOWSC water could leach lead out of customers' pipes into those customers' home as they use water.
  5. Keep on agenda
3. Generator. Report on Capital Power's proposal and separate proposal for routine maintenance.
  1. Capital Power proposal: \$63,285 installed for 125KW diesel generator
  2. Capital Power proposal: \$70,285 installed for 150KW propane generator
  3. Both would run entire WTP
  4. Need maintenance contract quotes
  5. Likely would need to replace unused diesel fuel each year

1. Drain tank and replace
  6. Heater included in the proposal
  7. 500-gallon propane tank and 298-gallon diesel tanks included in proposal
  8. Propane tank liability hazard
    1. More difficult to get propane delivered
  9. Service: change oil and filters
  10. George to forward proposal email to Board members
  4. Van Eman Project. Report on the site inspection and research of legal documents and historical files for assessment by legal counsel of regulatory and liability issues.
    1. Mike Gershon reviewing drainage to creek
  5. Membership Transfers. Address customer's request for transfer.
    1. Existing member is building a new home in the neighborhood and requested transfer of existing membership to the new house.
      1. Member rate increased last year from \$350 to \$402.50 → \$52.50 increase
      2. If membership is transferred to the new home, the buyer of the older home is at the \$402.50 membership rate.
      3. No precedence for this request as the membership rate was just increased last year.
      4. Member had to pay equity buy-in fee
    2. Motion made and carried to allow membership transfer to the new home with the buyer of the older home to pay \$402.50 for membership fee
  6. Barge. Report on completion of barge repairs, insurance claim, and related FEMA application.
    1. Barge work has been completed
    2. One outstanding invoice from Pat Ross for installation of anchoring system
    3. George is generating claim paperwork for insurance and FEMA
4. CONSIDERATION OF LOAN OFFERS FROM FIRST UNITED, LONE STAR CAPITAL BANK AND CO-BANK FOR PURCHASE OF GENERATOR AND PAY-OFF OF BALLOON NOTE – Review, discuss, take any appropriate action.
1. Bill has been working with
    1. Lone Star Capital Bank
      1.  $\$250,000 + \$75,000 = \$325,000$  at 5.5% rate
    2. CoBank has loans at 4.25% and 4.75% for twenty years.
      1. \$325,00 loan:  $\$2024.48/\text{month} \rightarrow \$24293.76/\text{year}$
      2. Bill providing additional requested information
  2. Bill to hand off loan information to Joe
5. Comments from citizens and members who have signed sign-up sheet to speak (3-minute limit per person).
1. Rene Ffrench
  2. Bruce Sorgen
  3. Danny Flunker
  4. Robbie Van Eman
6. New business and discussion and possible action on agenda for next meeting.
1. Add whistle blower policy. Get TRWA's help
  2. Add record retention policy. Get TRWA's help
  3. Generator
  4. Loan
  5. TRWA review of financials and five-year plan
  6. Update from our legal team

7. Set date, time, and place for next Board Business meeting
  1. Wednesday, June 12<sup>th</sup>, at 6:00PM, at WO Pavilion
8. Motion made and carried to adjourn at 7:48PM



Submitted by: Mike Nelson

APPROVED BY WOWSC Board on June 12, 2019

Billing Questions: (830) 598-7511 Ext 1  
Water or Sewer Emergency: Phone (830) 598-7511 Ext 2