



# Windermere Oaks Water Supply Corporation

424 Coventry Rd  
Spicewood, Texas 78669

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

**Windermere Oaks Water Supply Corporation (WOWSC) meeting held Thursday, January 23, 2020 at the Spicewood Community Center, 7901 Co Rd 404, Spicewood TX, 78669**

**2019 - 2020 Board Members Present:** Patricia Gerino, Joe Gimenez, Mike Nelson, Dorothy Taylor

## Minutes

The meeting was called to order at 6:02PM by Joe Gimenez. A quorum was established with four Board Members present. Bill Earnest sold his airport hangar and is no longer a WOWSC member or WOWSC Board Member.

- 1) Comments from citizens and members who have signed sign-up sheet to speak (3-minute limit per person)
  - a) Rene Ffrench
    - i) Asked if WOWSC's Public Comment Policy is word for word as recommended by TRWA.
    - ii) Rates and assessments: Article 18 of USDA recommended by-laws
      - (1) Previous Board removed article 18
      - (2) Assessments are for shortfalls for water and sewage delivery and emergencies
      - (3) Believes an assessment is not appropriate for legal expenses
    - iii) Danny Flunker
      - (1) Bill Earnest has resigned for second time from WOWSC Board
      - (2) Board has not tried to sell remaining land
      - (3) Submitted a written request to add an agenda item to the upcoming Annual Member meeting for the plaintiff's (Rene Ffrench, John Richard Dial, Stuart Bruce Sorgen) suing WOWSC and WOWSC Board Members to present a ten-minute video regarding the current lawsuits.
- 2) Review, consider and take action to approve minutes of prior meetings:
  - a) December 14, 2019 and December 19, 2019 meeting minutes
    - i) Motion made and carried by all to approve both the December 14, 2019 and December 19, 2019 minutes
- 3) MANAGER'S REPORT –
  - a) MANAGER'S REPORT –
    - a. INSTALLATION OF GENERATOR – Update on timeline for completion of installation, including concrete slab, electrical work, possibility of service disruption and options to mitigate.
      - i. Generator was delivered and is in place on its concrete pad.
      - ii. Next step is to install the electrical switch.
        1. George is planning to rent a temporary generator to power the pumps during installation of the electrical switch to avoid a fall in water pressure.
        2. Proposal was made to send an alert to our community regarding the electrical switch installation
        3. Electrical switch installation is scheduled for next week
      - iii. Still need to install the propane tank
    - b. PRE-TREATMENT FACILITY – Update on any new bids and plans.
      - i. George to discuss water pre-treatment with the Walla Walla Washington water treatment plant
    - c. TRWA RATE ANALYSIS – Update on TRWA availability for rate analysis.



- i. George, Joe, and Mike met with James Smith of TRWA this week and provided James with WOWSC's Y2019 financials to use in his rate model analysis. James agreed to provide his rate analysis within a week.
- 4) TRWA MEMBERSHIP AND CONFERENCE ATTENDANCE – Consideration and possible action on TRWA 2020 Membership Dues Renewal Statement, including annual membership fees and voluntary contributions to Legal Defense Fund, Disaster Relief Fund, Building Fund, and Voluntary Foundation. Consideration and possible action on approval of Board member attendance at TRWA 2020 RuralWaterCon in San Antonio, March 25-27.
  - a) George provided Joe with the TRWA yearly membership dues bill of \$400. TRWA also requested donations to three voluntary funds of \$100 each and a defense fund donation of \$275.
    - i) Defense fund (\$275 donation requested) is for statewide legal issues
      - (1) George believes Municipalities do not pay sales tax on materials used in their WTP and WWTP.
      - (2) WOWSC pays sales tax on materials.
      - (3) TRWA has developed a legal program and for ~\$400 would represent WOWSC in a request to not pay sales tax on materials.
        - (a) If granted, sales tax on materials would not be paid moving forward.
      - (4) George to follow-up with TRWA on costs to represent WOWSC in a request to not pay sales tax on materials.
    - ii) Disaster Relief fund (\$100 donation requested) was established in Y2005
    - iii) Joe proposed WOWSC donate to both the Defense fund and Disaster Relief fund
    - iv) Dorothy requested additional information on all voluntary funds
    - v) Patricia and Mike agreed with donating \$100 to the Disaster Relief fund and for George to get additional information on the Defense fund and legal costs for representation to not pay sales tax on materials
    - vi) George mentioned that TXWARN also assists with disaster relief to all public and private Texas utilities
    - vii) Motion made and carried by all to approve the \$400 membership dues, \$100 Disaster Relief fund donation, and to further investigate the Defense fund donation and legal representation to not pay sales tax on materials
  - b) Joe may want to attend the Rural Water Conference.
    - i) Motion made and carried by all to approve Board members attendance at RuralWaterCon 2020
- 5) REPLACEMENT OF VACANCY -- Article 8, Section 9 of the WOWSC Bylaws state that “any vacancy occurring in the board of directors may be filled by affirmative vote of the remaining directors, though less than a quorum of the board. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.” Following the resignation of Board member Bill Earnest, the Board will consider and act upon filling the vacancy.
  - a) Bill Earnest found and recommended Rich Schaefer to take his place on the Board
  - b) Rich has a background in computers
  - c) Patricia knows Rich from working on the Spicewood Airport and Pilots Association Board of Directors where Rich is the treasurer.
  - d) Motion made and carried by all to accept Rich Schaefer as Board Director Place 2 for the remainder of the term ending at election 2021.
- 6) ANNUAL MEMBERS MEETING – Consideration of any items related to execution of annual members meeting on February 1, and action as needed.
  - a) Danny Flunker Submitted a written request to add an agenda item to the upcoming Annual Member meeting for the plaintiff's (Rene Ffrench, John Richard Dial, Stuart Bruce Sorgen) suing WOWSC and WOWSC Board Members to present a ten-minute video regarding the current lawsuits.
- 7) FINANCIAL REPORT – The Treasurer will provide overview of previous month's financial report and amend 2020 budget projections.
  - a) December Income: \$43.4K
    - i) December Water + Sewer revenue: \$28.5K
    - ii) Year to date (YTD) Water + Sewer revenue at \$369.5K of YTD budget \$325.4K
    - iii) YTD Equity Buy-in Fees revenue at \$50.6K versus annual budget \$27.6K
    - iv) YTD Water & Sewer Taps revenue at \$20.7K versus annual budget \$10.4K
  - b) December Expenses: \$79.2K



- i) \$45.6K legal fees paid in December
  - c) December Net Income: -\$35.8K
  - d) YTD Legal/Appraisal at \$166.6K of annual budget \$38.0K
    - i) \$128.6K of unplanned legal expenses
  - e) YTD Water + Sewer Repairs at \$28.3K of annual budget \$45.0K
  - f) YTD Net Income: \$41.2K
  - g) 2019 Metrics:
    - i) Debt to Service Coverage Ratio (DSCR): 1.10
    - ii) Debt to Capital Ratio: 0.16
    - iii) Days of Cash on Hand: 140 days
  - h) 2018 Metrics:
    - i) DSCR: 2.08
    - ii) Debt to Capital Ratio: 0.18
    - iii) Days of Cash on Hand: 186 days
  - i) Received in December \$62.1K in legal invoices
  - j) Proposal to increase legal budget from \$110K to \$250K as we've already been billed in January \$59.6K
  - k) Joe requested George summarize the extra hours he spent on the emergency temporary repairs to keep the water running and for the long-term repairs of the barge and water intake system.
  - l) Motion made and carried to amend Y2020 budget legal expenses from \$110K to \$250K
  - m) Motion made and carried by all to accept the December Financial Report
  - n) Tim Norden asked if our WOWSC Board had a preference regarding WOWSC's Y2019 financial audit using a modified cash basis method, GAAP method, or tax basis method. \$850 to complete and submit 990 tax form.
    - i) George took the action to request Tim learn the financial audit method other WTP & WWTP corporations use.
    - ii) Tabled item for future meeting.
  - o) Tim Norden provided George with a verbal quote of \$850 to complete and submit WOWSC's Y2019 990 tax form.
- 8) **CONSIDERATION OF RATE INCREASE OR SPECIAL ASSESSMENT** – In light of a total cost of over \$100,000 in upgrades to WOWSC utility infrastructure incurred in 2019 and budgeted for 2020, and in view of significant legal costs incurred in FY 2019 in defense of the corporation, in addition to unprecedented costs budgeted for FY 2020 regarding same, the Board will consider options for addressing the budgeted shortfall including a possible rate increase and/or approving a monthly assessment to member bills, as authorized by WOWSC's Tariff, Section G, Rates and Service Fees, #11 Assessments, which expressly provides: "if at the end of the fiscal year, or in the event of emergency repairs, the Board of Directors determines the total amount derived from the collection of water or wastewater charges to be insufficient for the payment of all costs incident to the operation of the Corporation's system during the year in which such charges are collected, the Board shall make and levy an assessment against each Member of the Corporation as the Board may determine or as may be required by Rural Development, so that the sum of such assessments and the amount collected from water and other sources is sufficient to fully pay all costs of the operation, maintenance, replacement and repayment on indebtedness for the year's operations."
- a) James Smith of TRWA ran through a couple of rate increase scenarios at this week's meeting
  - b) James to run a rate analysis using WOWSC's Y2019 financials in his model for review at our upcoming Annual Members meeting
  - c) Rate increase to be on the agenda of the Board meeting immediately following the Annual Members meeting
  - d) Joe stated rate increases have a 30-day notification requirement
  - e) April meter readings for May payments are targeted to include rate increase
  - f) Troupe Brewer communicated WOWSC's request to Lloyd Gosselink to spread invoice payments over several months

- g) Board believes the rate increase can be rolled back once all legal issues are fully resolved and all legal bills are paid
- 9) Executive Session under Texas Government Code § 551.071(1) and (2) regarding:
- a) Jay Grissom Letter to WOWSC advising of intent to take issues to small claims court.
  - b) 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.
    - i) Executive session started at 7:10PM
    - ii) Executive session ended at 8:04PM
    - iii) Open meeting reconvened at 8:05PM
- 10) Consideration and possible action on potential engagement of insurance coverage counsel
- i) Motion made and carried by all to engage Lee Shidlofsky and Shidlofsky Law Firm as insurance council to provide insurance coverage advice and counsel
- 11) Consideration and possible action on items discussed in Executive Session.
- a) None
- 12) New business and discussion and possible action on agenda for next meeting.
- a) Y2020 Annual Members meeting
  - b) Saturday, Feb 1<sup>st</sup>, immediately following the WO POA Annual meeting at the Spicewood Community Center
    - i) Elect officers
    - ii) Rate increase or assessment
    - iii) Y2019 financial audit to use cash basis or tax basis method
  - c) Tuesday, Feb 11<sup>th</sup>, at 6:00PM at the Spicewood Community Center
    - i) Review previous Board Meetings' minutes
    - ii) Manager's report
    - iii) Review the January financial report
    - iv) Executive Session for legal issues
    - v) Budget discussion
    - vi) TRWA Defense fund donation and legal representation to not pay sales tax on materials
    - vii) COBANK loan application
- 13) Set date, time, and place for next meeting.
- a) Saturday, February 1, immediately following the WO POA annual meeting at Spicewood Community Center
- 14) Motion made and carried to adjourn at 8:11PM



Submitted by: Mike Nelson

APPROVED BY WOWSC Board on February 11, 2020

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