



Windermere Oaks Water Supply Corporation

424 Coventry Rd
Spicewood, Texas 78669

2020 - 2021 Board of Directors:
Joe Gimenez, President
Rich Schaefer, Director
Mike Nelson, Secretary/Treasurer
Director Place 4 Vacant
Dorothy Taylor, Director

Windermere Oaks Water Supply Corporation (WOWSC) meeting held Saturday, February 1, 2020 at the Spicewood Community Center, 7901 Co Rd 404, Spicewood TX, 78669

2020 - 2021 Board Members Present: Joe Gimenez, Mike Nelson, Rich Schaefer, Dorothy Taylor, Patricia Gerino

Minutes

The meeting was called to order at 1:14PM by Joe Gimenez.

1. Comments from citizens and members who have signed sign-up sheet to speak (3-minute limit per person).¹
 - a. None
2. REPLACEMENT OF VACANCY -- Article 8, Section 9 of the WOWSC Bylaws state that “[a]ny 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.” In view of lack of applicants for Place 4 director position, the Board may appoint a member to fill this seat.
 - a. Motion made and carried by all for Patricia Gerino to fill the Director Place 4 vacancy.
3. OFFICER ELECTION – The Board will elect its president, vice-president, and secretary-treasurer for 2020 - 2021.
 - a. President: Joe Gimenez
 - b. Vice-President: Patricia Gerino
 - c. Secretary – Treasurer: Mike Nelson
 - d. Motion made and carried by all for Joe Gimenez to be President, Patricia Gerino to be Vice-President, and Mike Nelson to be Secretary – Treasurer.
4. CONSIDERATION OF RATE INCREASE OR SPECIAL ASSESSMENT – In view of: (a) a total cost of over \$100,000 in upgrades to WOWSC utility infrastructure contracted in 2019 and budgeted for 2020, (b) significant, unexpected legal costs incurred in late FY 2019 in defense of the corporation, (c) expectations for unprecedented additional legal costs for FY 2020 in the amount of \$250,000 or more (d) a rate analysis by TRWA which confirmed that the water system rates were underestimated for 2019 operating expenses, and (e) a projected loss of \$180,000 in 2020 without a rate increase, the Board will consider and take possible action on a rate increase and corresponding tariff amendments.
 - a. Received rate analysis from James Smith of TRWA based on James’ January 21st meeting with George, Joe, and Mike at which he was provided WOWSC’s Y2019 expenses.
 - b. WOWSC needs cash to pay the recent large legal invoices of ~\$100,000
 - c. Want to maintain some cash in the bank for unexpected repairs

¹ The Board is not allowed to take action on any subject presented that is not on the agenda, nor is the Board required to provide a response; any substantive consideration and action by the Board will be conducted under a specific item on a future agenda at a regular meeting of the Board.

- d. WOWSC had no rate increases from 2012 through mid 2018. Rate increase in May 2018
- e. The 2018 Board recommended doing a TRWA rate analysis every couple of years
- f. Rate change can be raising or lowering rates.
- g. Rates by law are to reflect cost of service. Y2019 WOWSC expenses were provided to James Smith for the rate analysis at the Jan 21st meeting.
- h. George received James' rate analysis Jan 31st and reviewed it with the Board:
 - i. James' analysis supports a WOWSC rate increase of \$65.73 per month
 - 1. In James's analysis he only applied an increase to water services and not to both water and waste water services
 - a. James' analysis shows Water min charge increase from \$50.95 to \$116.68
 - i. $\$50.95 + \$65.73 = \$116.68$
 - ii. Per George, ~60% of WOWSC's service revenue is for water and the other ~40% of service revenue is for waste water. Partitioning the rate increase:
 - 1. $\$65.73 \times 0.60 = \39.44
 - 2. $\$65.73 \times 0.40 = \26.29
 - iii. Rate analysis supports new Water min charge: $\$50.95 + \$39.44 = \$90.39$
 - iv. Rate analysis supports new Waste Water min charge: $\$40.12 + \$26.29 = \$66.41$
 - v. Rate analysis supports new Total min charge: $\$90.39 + \$66.41 = \$156.80$
 - vi. George proposed leaving the per gallon charges as they are and only increase the min charges.
 - 1. Cost increases to be spread evenly across all members and are not based on water usage
 - vii. Rate increase will likely reduce water consumption
 - viii. Patricia understands that Ridge Harbor has the following min charges:
 - 1. Water min charge = \$77 per month
 - 2. Waste Water min charge = \$68.50 per month
 - ix. George recalls the 2018 TRWA rate analysis supported a Water min charge in the \$70 - \$80 range
 - x. Min charges cover certain expenses no matter the amount of water sold and water treated
 - xi. Most WOWSC members do not use a large amount of water
 - xii. Only ~15 members use > 5,000 gallons per month
 - xiii. During 2011 through 2015, the lake water level was down to five feet of water beneath WOWSC's water pump barge. The severe drought drove significant reduction in water usage by members.
 - xiv. Now have ~60 feet of water beneath WOWSC's water pump barge
 - xv. A private utility is taxed and their rates include a charge to cover the tax
 - xvi. James' rate analysis includes \$3.55/Th.GAL. for 13,000 gallons which increases min charge to \$174.59 month
 - xvii. Need to increase rates to cover the recent large legal invoices.
 - xviii. James Smith advised there are no limits to the number of rate changes per year for WOWSC
 - 1. Rates can be increased if needed or lowered
 - xix. Special assessment is possible at the end of the fiscal year if the P&L shows a loss
 - 1. Special assessment is at end of the fiscal year which occurs at end of calendar year for WOWSC and so at the end of Y2020. May be used to 'fix' operating loss, according to tariff.
 - 2. Special assessment is not viable to pay current legal invoices or pay legal invoices throughout Y2020.
 - xx. Current loan payment ~\$50,000/year
 - xxi. Current WOWSC Water + Waste Water total min charge: $\$50.95 + \$40.12 = \$91.07$ total
 - xxii. James' rate analysis supports additional revenue of $\$65.73 \times 253 = \$16,629.69$ per month
 - 1. WOWSC has 253 members
 - xxiii. Rich asked for an analysis determining the rates if WOWSC no longer had legal defense costs and then to share the analysis with members.
 - 1. George to ask James Smith for rate analysis using \$30,000, \$48,000, and \$72,000 for legal expenses to determine how legal expenses impact rates.
 - a. Analysis with different legal expense values without legal defense costs
 - b. Joe believes the Y2019 monthly legal fees to be ~\$6,000 per month without ongoing litigation
 - i. Many corrections to policies last year increased legal costs

2. Rich wants to communicate to members what the rates would be if WOWSC was no longer defending itself from ongoing litigation
- xxiv. Moving forward after litigation is resolved, does WOWSC want to return to a solo legal practitioner or continue using the larger legal firm?
 - xxv. Historical legal expenses were ~\$1,000 year prior to the ongoing litigation.
 - xxvi. Won't recognize revenue from a rate increase until April
 1. 9 months x \$16,629 per month = \$149,661 additional revenue in Y2020
 - xxvii. James' rate analysis supports an increase of \$65.73 per member
 - xxviii. Motion made and carried by all to:
 1. Increase Water and Waste Water min charges to the max supported in James' analysis
 - a. Increase in Water min charge from \$50.95 to \$50.95 + \$39.44 = \$90.39
 - b. Increase in Waste Water min charge from \$40.12 to \$40.12 + \$26.29 = \$66.41
 2. Communicate to membership what rates would be without legal expenses defending lawsuits
 3. Include statement why special assessment is not pursued → special assessment is at the end of fiscal year only
 4. In September, Board to review rates to determine if further increases are needed or if they can be decreased
 - xxix. Joe, George and Rich to contact TRWA for additional rate analysis
 - xxx. Dorothy to draft member communication(s) regarding rate increase
 1. Need to provide thirty day notice to members before rates can be applied
 - a. Effective date is when meters are read → Targeting when meters are read for service in month of March
 - b. Target communication of official rate increase early next week.
 - i. Official communication has to be mailed.
 - ii. Also place communication on website and send out emails.
 2. Troupe to double check that the rate increase notification is following today's law
 3. Include why rate increase was chosen over assessment
 - xxxi. Dorothy to draft WOWSC rate increase communication to PUC
5. SELECTION OF AUDIT TYPE – The firm performing an audit of the 2019 WOWSC books has asked the Board to consider the type of audit it would prefer. The Board will consider among options for a modified cash-, GAAP-, or tax-basis audit.
 - a. Tim Norden found another utility under government standards that used the GAAP basis which is not applicable to WOWSC
 - b. Tim Norden recommends using tax-basis for audit and believes it to be the most cost effective
 - c. Motion made and carried by all to approve recommended tax-basis method for Y2019 audit.
6. New business and discussion and possible action on agenda for next meeting, already scheduled for February 11.
 - a. Include rate increase communication
 - b. Meeting minutes review and approval
 - c. Replat of two lots into one did not include an easement along the common lot line between the two lots. Construction approved in September by WO ACC. Contractor found a WOWSC main line running down the middle of the replat. It appears the replat into one lot removed WOWSC's easement without WOWSC Board approval.
7. Set date, time, and place for next meeting.
 - a. Tuesday, February 11th, at 6:00PM at the Spicewood Community Center
8. Motion made and carried by all to adjourn at 2:27PM

Michael C. Nelson

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