



Windermere Oaks Water Supply Corporation

424 Coventry Rd
Spicewood, Texas 78669

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

Windermere Oaks Water Supply Corporation (WOWSC) meeting held: Thursday, August 27, 2020 via videoconference using Zoom

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

Minutes

The meeting was called to order at 6:02PM by Joe Gimenez. A quorum was established with five Board Members present.

- 1) Comments from citizens and members who have signed sign-up sheet to speak (3-minute limit per person)
 - i) None

- 2) **MANAGER'S REPORT –**
 - a) **CORONAVIRUS –** Update on recommendations from public health officials and water associations regarding water treatment. Update on Corix handling of virus precautions.
 - i) Operators must wear masks when two or more are together. When alone, operators do not need to wear a mask.
 - ii) WOWSC is ordering treatment chemicals six months ahead to mitigate concerns with delivery delays caused by COVID-19.
 - b) **WATER MAIN BREAKS –** Manager will advise of cause and costs of several water line breaks in preceding months.
 - i) Three breaks in the water mains recently occurred. Two occurred during new home construction near the airport. Repairs were completed within a few hours on both. Tree roots created the third water main break and was repaired within a couple of hours. \$1275 total cost to repair all three water main breaks.
 - ii) George plans to update the neighborhood water main and waste-water pipelines map with recently learned pipeline location information. George noted that calls to 811 are for Telephone, Gas and Electric lines.
 - iii) Joe to call Jack Baker of CAM and request CAM and the WO POA communicate to all new homeowners they talk with WOWSC/George during submission/approval process to address possible pipeline locations.
 - c) **CLARIFIER AND ZEBRA MUSSELS –** Manager will advise on recent permit applications for zebra mussel treatments and relationship to clarifier.
 - i) WOWSC recently had a water intake pump failure on the barge. During repair investigation zebra mussels were found. George will report finding zebra mussels on the WOWSC barge to the LCRA.
 - ii) There was no sign of zebra mussels when repairing the barge after it was swept down the lake.
 - iii) George believes zebra mussels have also been found at Spicewood Beach.
 - iv) George is investigating how best to mitigate zebra mussels and has learned:
 - (1) Zebra mussels are tiny, $\leq \frac{1}{2}$ inch, and they clog pipes.
 - (2) Zebra mussels do not tolerate copper.
 - (3) Copper sulfate should not be used to kill the zebra mussels as we don't want it in our water supply.
 - (4) Copper screens with tiny mesh are being used on water intake pipes.
 - (5) The Great Lakes region has been fighting their zebra mussel infestation for years.
 - (6) Several Great Lakes water supply corporations are using fine copper mesh strainers to keep zebra mussels out of their system.

- (7) George is pursuing adding fine copper mesh strainers on the output side of WOWSC's four water intake pumps on the barge.
- (8) George is having an engineer submit an application to TCEQ for WOWSC to add fine copper mesh strainers on the output side of the barge's four water intake pumps to mitigate the zebra mussels and keep them out of WOWSC's WTP system.
- (9) The copper mesh is so fine that it likely will also improve water clarification.

3) TREASURER'S REPORT –

a) Review of financial reports from May, June and July

i) May 2020

- (1) May Income: \$72.4K
 - (a) Water + Sewer revenue: \$43.5K
 - (b) Standby Fees: \$2.4K
 - (c) LCRA grant: \$14.1K
 - (d) Year to date (YTD) Water + Sewer revenue at \$163.2K of YTD budget \$162.5K
 - (e) YTD Standby Fees revenue at \$31.3K versus annual budget \$33.0K
 - (f) YTD Equity Buy-in Fees revenue at \$22.1K versus annual budget \$27.6K
 - (g) YTD Water & Sewer Taps revenue at \$8.3K versus annual budget \$10.4K
- (2) May Expenses: \$52.4K
 - (a) Legal: \$25.4K
- (3) May Net Income: \$20.0K
- (4) 2020 Metrics:
 - (a) Debt to Service Coverage Ratio (DSCR): 1.20
 - (b) Debt to Capital Ratio: 0.18
 - (c) Days of Cash on Hand: 81 days
- (5) 2019 Metrics:
 - (a) DSCR: 0.89
 - (b) Debt to Capital Ratio: 0.21
 - (c) Days of Cash on Hand: 315 days

ii) June 2020

- (1) June Income: \$57.9K
 - (a) Water + Sewer revenue: \$53.0K
 - (b) Standby Fees: \$2.4K
 - (c) Year to date (YTD) Water + Sewer revenue at \$216.1K of YTD budget \$195.0K
 - (d) YTD Standby Fees revenue at \$33.7K versus annual budget \$33.0K
 - (e) YTD Equity Buy-in Fees revenue at \$23.0K versus annual budget \$27.6K
 - (f) YTD Water & Sewer Taps revenue at \$8.6K versus annual budget \$10.4K
- (2) June Expenses: \$63.8K
 - (a) Legal: \$33.0K
- (3) June Net Income: (\$5.9K)
- (4) 2020 Metrics:
 - (a) Debt to Service Coverage Ratio (DSCR): 0.77
 - (b) Debt to Capital Ratio: 0.18
 - (c) Days of Cash on Hand: 67 days
- (5) 2019 Metrics:
 - (a) DSCR: 0.17
 - (b) Debt to Capital Ratio: 0.21
 - (c) Days of Cash on Hand: 287 days

- iii) July 2020
 - (1) July Income: \$67.2K
 - (a) Water + Sewer revenue: \$53.4K
 - (b) Standby Fees: \$0.5K
 - (c) Year to date (YTD) Water + Sewer revenue at \$269.5K of YTD budget \$227.5K
 - (d) YTD Standby Fees revenue at \$34.2K versus annual budget \$33.0K
 - (e) YTD Equity Buy-in Fees revenue at \$32.2K versus annual budget \$27.6K
 - (f) YTD Water & Sewer Taps revenue at \$12.1K versus annual budget \$10.4K
 - (2) July Expenses: \$52.5K
 - (a) Legal: \$18.2K
 - (3) July Net Income: \$14.7K
 - (4) 2020 Metrics:
 - (a) Debt to Service Coverage Ratio (DSCR): 1.35
 - (b) Debt to Capital Ratio: 0.15
 - (c) Days of Cash on Hand: 79 days
 - (5) 2019 Metrics:
 - (a) DSCR: 0.49
 - (b) Debt to Capital Ratio: 0.17
 - (c) Days of Cash on Hand: 298 days
- iv) YTD Budget did not include the rate change as the budget was done before the rate increase when into effect.
- v) WOWSC is working to pay down our outstanding Legal fees.
- vi) If no rate increase, WOWSC would see a loss of approx. 80,000.
- b) Update on July receivables
 - i) July EOM report shows WOWSC is pumping a lot of water, almost 1.7M gallons in July.
 - ii) Lack of rain and increased temperatures are likely driving higher usage as well as more use of summer homes.
 - iii) ~ Twenty new homes were recently added to the neighborhood.
 - iv) 279 members used water in July.
- 4) NEWGEN STRATEGIES – Receive report from Grant Rabon of NewGen Strategies offering financial analysis and policy recommendations.
 - a) Grant Rabon generated a high-level financial assessment of WOWSC to document the impact of the lawsuits on WOWSC’s financial position and to provide possible financial policies for evaluation. Grant gave an overview of his report.
 - i) Recent financial history
 - (1) Grant reviewed WOWSC’s financial results for Y2017, Y2018, Y2019.
 - (2) WOWSC’s Leverage Ratios are low as WOWSC has a low amount of debt.
 - (a) Debt to Capitalization: 25%, 23%, 23%
 - (b) Debt to Net Plant Assets: 28%, 26%, 26%
 - (i) Grant recommends a target of 36% or less for Debt to Net Plant Assets
 - (3) Debt Service Coverage Ratio (DSCR): Available for Debt Service / Debt Service
 - (a) Debt Service Coverage target is usually part of covenants
 - (b) Need to maintain a DSCR at ≥ 1.25 x bond coverage
 - (4) Days Cash on Hand
 - (a) From 122 days in Y2017 to 79 days in Y2019
 - (b) Without lawsuits from 122 days in Y2017 to 311 days in Y2019
 - (5) Y2020 assessment
 - (a) Revenue is adjusted upwards with recent rate increase
 - (b) WOWSC has been billed \$169K for legal expenses through May 2020
 - (c) Y2020 analysis includes the two new CoBank loans
 - (6) Financial Policies
 - (a) WOWSC does not have any documented financial policies

- (b) Grant proposed several potential financial policies (see report)
 - (c) Set DSCR above bond covenants
 - (d) Grant recommends WOWSC establish financial policies
 - (e) Grant recommends WOWSC generate a financial plan to achieve new financial policy targets over time.
 - (f) Grant recommends WOWSC hold a workshop with him to determine the new set of financial policies and to generate a financial plan to work towards being compliant to them.
- (7) New Fair Market Value Process
- (a) The 86th Texas Legislature passed House Bill 3542, which established a fair market valuation process that may be used by Class A or Class B water or sewer utilities acquiring another retail public utility.
 - (b) Investor Owned Utilities (IOU) rates include additional structural costs that are not in a non-for-profit water utility.
 - (i) Return on investment to investors → profit
 - (ii) Federal income tax
 - (iii) Property tax
 - (iv) Sales tax
 - (c) IOU would have to overcome their additional structural costs to have lower rates than a not-for-profit corporation.
 - (d) IOU rates are determined differently than non-for-profit rates.
 - (e) Joe will add Grant's report on our WOWSC website.
- 5) AUDIT – Review, consider and take possible action on proposal from Norden & Salinas, CPA, for audit of 2019.
- a) Funding for an audit was included in WOWSC's Y2020 budget.
 - b) The audit was postponed indefinitely in January due to WOWSC being behind paying legal bills.
 - c) WOWSC's Bylaws do not require audits.
 - d) A previous Board did a resolution to consider an audit in conjunction with a review of the rates.
 - e) NewGen did the WOWSC financial analysis discussed in item 4 above.
 - f) Consensus reached to not pursue an audit at this time.
- 6) LOAN – Discussion, consideration, and possible action for approval of loans from CoBank to pay balloon note at First United and fund various improvement projects.
- a) Joe shared the capital improvements projects summary:
 - i) Security Cameras: \$11,008
 - ii) HMI Upgrade at WTP: \$15,975
 - iii) WWTP Recycle Water Project: \$15,000 cost estimate
 - (1) ~97% of work has been completed and project is expected to complete within the next two weeks
 - iv) WTP recycle water project: \$19,000 estimate
 - (1) Project has not yet started
 - v) Intake Pump Upgrade: Install copper screens and self-cleaning strainer at intake – Est: \$70,000
 - vi) Reroute Water Main Around Lot 155: Installing water main in the easement – Est: \$7,500
 - vii) Sewer Plant Irrigation Upgrade: Expanding irrigation field to comply with TCEQ permit - \$80,000
 - viii) Pretreatment: Installing two clarifiers at the Water Plant - \$485,000
 - ix) Valve Replacement: Replacing valves on pipes throughout the subdivision - \$175,000
 - b) CoBank loan# 1: \$230K loan to pay-off existing First United Bank loan
 - c) CoBank loan# 2: \$150K loan to fund capital improvement projects
 - d) Interest rates are at historical lows and are tied to the Treasury Fund Rates. CoBank expects the interest rate to be between 3.5% to 4.0% at loan signing.
 - e) 0.5% rebate at end of each year
 - f) WOWSC's monthly loan payment is expected to be lower than today's loan payment
 - g) The June 16th Board meeting resolution memorialized pursuing the loans with CoBank.
 - h) Joe read the first part of the resolution prepared by CoBank
 - i) The resolution was prepared by CoBank, was reviewed by our legal counsel, and is appropriate for the action we're taking tonight.
 - j) CoBank loan documents include this resolution and many other required documents to complete the loans
 - k) Troupe Brewer is ready to finalize the loan documents

- l) Motion made and carried by all to adopt the resolution as proposed and to authorize president Joe Gimenez and vice president Patricia Gerino, as WOWSC's finance committee, to work with legal counsel and CoBank representatives to execute the necessary documents needed to finalize and close the loans on the terms proposed.

WINDERMERE OAKS WATER SUPPLY CORPORATION (00122964)
Spicewood, Texas

connection therewith; (8) to reborrow from time to time all or any part of the amounts repaid to Lender on any Loan made pursuant hereto (whether for the same or a different purpose); (9) to execute and deliver to Lender such agreements, addenda, documents or instruments as may be required by Lender in the event that the Borrower elects to use Lender's electronic banking system (the "System"); (10) to execute and deliver to Lender any agreements, addenda, authorization forms and other documents or instruments as may be required by Lender in the event that the Borrower elects to use any services or products related to a Loan that are offered by Lender now or in the future, including without limitation an automated clearing house (ACH) service; (11) to direct and delegate to designated employees of the Borrower the authority to direct, by written or telephonic instructions or electronically, if the Borrower has agreed to use the System for such purpose, the disposition of the proceeds of any Loan authorized herein, and to direct Lender to deliver any property of the Borrower at any time held by Lender; and (12) to delegate to designated employees of the Borrower the authority to request by telephonic or written means or electronically, if the Borrower has agreed to use the System for such purpose, loan advances and/or other financial accommodations, and in connection therewith, to fix rates and agree to pay fees and to direct the proceeds of advances to authorized accounts. In the absence of any direction or delegation authorized in (11) or (12) above, all existing directions and/or delegations shall remain in full force and effect and shall be applicable to any Loan authorized herein.

RESOLVED FURTHER, that each of the Authorized Signatories is hereby jointly and severally authorized to: (1) establish a Cash Investment Services Account with Lender; (2) make such investments therein as any Authorized Signatory shall deem proper; (3) direct by written or telephonic instructions or electronically, if the Borrower has agreed to use the System for such purposes, the disposition of the proceeds therein; (4) delegate to designated employees of the Borrower the authority set forth in (2) and (3) above; and (5) execute and deliver all documents and agreements necessary to carry out this authority.

RESOLVED FURTHER, that each of the Authorized Signatories is hereby jointly and severally authorized and directed to do or cause to be done, from time to time, all things which may be necessary or proper to carry out the terms and intent of this Resolution.

RESOLVED FURTHER, that every act and action of any person heretofore executing any document or instrument delivered to Lender or its designee or required to create, make, enter into, perform, amend or confirm any obligation of the Borrower to or in favor of Lender, is hereby ratified, approved, adopted and confirmed as if it had been validly and lawfully authorized upon and as of the date of such act or action, notwithstanding any invalidity, defect or insufficiency that may exist or may have existed in the power or authority of such person then executing such document or instrument, and every such person and each of the Authorized Signatories are hereby jointly and delegated all necessary power and authority to effect the foregoing.

RESOLVED FURTHER, that any of the Authorized Signatories are hereby authorized and directed to cast the ballot of the Borrower in any and all proceedings in which the Borrower is entitled to vote for the selection of a member of Lender's board of directors or for any other purpose.

RESOLVED FURTHER, that this Resolution shall remain in full force and effect until a certified copy of a duly adopted resolution effecting a revocation or amendment, as the case may be, shall have been received by Lender; provided that no such revocation or amendment shall affect the validity of any action or actions made or taken in reliance on such resolution(s) prior to the effective date of revocation. In addition, all authorities herein granted shall apply with equal force and effect to the successors in office of the Authorized Signatories herein named.

RESOLVED FURTHER, that effective on the date when this Resolution is delivered to Lender, any and all prior resolutions authorizing and empowering Authorized Signatories of the Borrower to take actions as described herein are hereby revoked; provided that no such revocation shall affect the validity of any action or actions made or taken by Lender prior to the effective date of revocation.

RESOLVED FURTHER, that the Secretary or any Assistant Secretary of the Borrower is hereby authorized and directed to certify to Lender a copy of this Resolution, the names and specimen signatures of the Authorized Signatories, and if and when any change is made in the personnel of any Authorized Signatories, the fact of such change and the name and specimen signatures of the new Authorized Signatories. Lender shall be entitled to rely on any such certification until a new certification is actually received by Lender.

CERTIFICATE

The undersigned, Secretary or Assistant Secretary of the Borrower, a Texas nonprofit corporation, hereby certifies that: (a) the Board of Directors of the Borrower, at a meeting duly called, noticed, convened and held on the 27 day of August, 2020, did adopt the foregoing resolutions in accordance with the Organizational Documents of the Borrower; (b) all approvals and authorizations required to effect the foregoing resolutions (including without limitation board, member, or stockholder approval, as applicable) have been obtained and remain in full force and effect; and (c) said resolutions are in full force and effect on the date hereof and have not been revoked or amended in any way.

Dated this 27 day of AUGUST, 2020

By: Michael E.A. Nelson

Printed Name: Michael E.A. Nelson

Title: Secretary Assistant Secretary

- p) Joe anticipates the two loans to fund within the next three weeks.
- 7) New business and discussion and possible action on agenda for next meeting.
 - a) Legal
 - b) Discussion of new financial policies and plan to work towards achieving them.
 - c) Review budget and rates
 - d) Review and approve May, June, July, August end of month financial reports
 - e) Review and approve Board meeting minutes from June and August
 - f) Update on CoBank loans
- 8) Set date, time, and place for next meeting.
 - a) Zoom meeting on Tuesday, September 15th or 22nd at 6:00PM
- 9) Motion made and carried to adjourn at 8:02PM



Submitted by: Mike Nelson

APPROVED BY WOWSC Board on September 22, 2020