



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: Monday, October 12, 2020 via videoconference using Zoom

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

Minutes

The meeting was called to order at 6:01PM by Joe Gimenez. A quorum was established with four Board Members present.

- 1) Comments from citizens and members who have signed sign-up sheet to speak (3-minute limit per person)
 - i) Patti Flunker: Has been seeing water trucks in the neighborhood recently and requested WOWSC communicate to our community why water is being brought into or taken out of the neighborhood.
 - ii) Danny Flunker via pre-submitted email: *copied email that was read into meeting by Joe*
 - (1) Regarding agenda item #6) REAL ESTATE COMMITTEE – Receive update regarding WOWSC property in airport area. Consider and take possible action on moving forward with the marketing of WOWSC property in the airport area.
 - (2) The property has been appraised and we have been assured by Jose De Le Fuente that Dana Martin gave the back seven acres taxiway access. Now all you have to do is hire a real estate agent with zero ties to Dana Martin, Bill Earnest, et al and sell it for top dollar, starting price \$760,000. Here is the WOWSC appraisal from Bolton. Jose De La Fuentes' law firm picked Bolton and said they were the best!
(a) https://www.wowsc.org/documents/778/Windermere_Oaks_WSC_Appraisal_Report_Dec_2018.pdf
 - (3) There are many great sites that garner the highest and best price possible. In fact Dana Martin lists Spicewood Airport property on Barnstormers for her clients. Teal Van Eman has a current listing.
 - (4) <https://www.barnstormers.com>

 Kuper | Sotheby's **SPICEWOOD 88R HANGAR/APARTMENT** - \$449,000 • **FOR SALE** • This property is located in a private Texas airport in the Spicewood community offers grass & paved landing strip and has a brand new apartment with a full bath, kitchen, washer dryer, and office or storage area. This 55'x50' hanger has a large bifold automatic door with an additional door with paved access to the taxiway to the 4300'x40' paved runway. Ample storage with the custom steel shelving and plenty of space for planes, boats, RVs, cars, or other toys. What an amazing opportunity in the heart of the hill country only 25 min from Austin. Owner financing available. Spicewood Airport-88R • [VISIT MY WEBSITE](#) • Contact [Teal Van Eman](#) - [KUPER SOTHEBY'S INTERNATIONAL REALTY](#), Broker - located Austin, TX United States • Telephone 512-636-7276 • [BUSINESS CARD](#) • Posted October 1, 2020 • [Show all Ads posted by this Advertiser](#) • [Recommend This Ad to a Friend](#) • [Email Advertiser](#) • [Save to Watchlist](#) • [Report This Ad](#) • [View Larger Images](#)



(5)

- 2) Approval of Board Meeting Minutes
 - a) September 22, 2020
 - i) Patricia recused herself from approval of the meeting minutes as she was not in attendance.
 - ii) Motion made and carried by Joe, Dorothy, and Mike to approve the September 22, 2020 Board Meeting minutes
- 3) ADOPTION OF ELECTION PROCEDURES FOR THE ANNUAL MEMBERS' MEETING – Board will consider and take possible action needed to begin adoption of election procedures for 2021 annual meeting.
 - a) Karri Gibson agreed to be on this year's WOWSC election credentials committee along with Dorothy and Patricia.

- b) Dorothy received updated elections procedures from TRWA and will provide them to Patricia and Karri.
 - c) Joe and Mike cannot be on this year's election committee as their Board Director positions are up for election.
 - d) Motion made and carried by all to form the WOWSC election credentials committee of Dorothy Taylor, Patricia Gerino, and Karri Gibson.
- 4) REAL ESTATE COMMITTEE – Receive update regarding WOWSC property in airport area. Consider and take possible action on moving forward with the marketing of WOWSC property in airport area.
- a) Our real estate committee, Dorothy and Rich, are consulting with our legal team to learn what can and cannot be done and are reaching out to airport folks for recommendations.
- 5) FINANCIAL POLICIES WORKSHOP – NewGen Strategies will facilitate workshop for the Board to aid in the establishment of written financial policies and develop a plan to transition into compliance with the adopted financial policies.
- a) WOWSC received a financial analysis from Grant Rabon of NewGen Strategies earlier this year.
 - b) Consensus was reached at our September 22nd Board meeting to hold a financial workshop with Grant to determine and adopt financial policies.
 - c) Joe anticipates the CoBank loans to close this week.
 - d) Financial Workshop
 - i) No action to be taken today
 - ii) The proposed CoBank loans have several covenants, some of which could be, but are not required to be, address in written financial policies.
 - (1) Debt Service Coverage Requirement (DSCR)
 - (a) CoBank loans covenants: 1.25x
 - (i) Revenue – Cash Operations & Maintenance (O&M) = available to pay debt service
 - 1. Does not include capital expenses
 - 2. Does not include depreciation or amortization (non-cash expenses)
 - 3. Legal is also subtracted from revenue to determine available to pay debt service
 - (b) Grant Rabon suggested the Board consider DSCR = 1.50x
 - (c) Financial target should be higher than the CoBank loans covenants to account for normal variations to maintain compliance.
 - (d) Budgeting: Determine the rates needed to be to meet the DSCR target
 - (i) Will need to revisit budget to meet DSCR loan covenants
 - (e) Lenders of capital look at DSCR
 - (f) WOWSC is not highly leveraged with a 23% debt / equity ratio
 - (g) Debt service is expected to be manageable
 - (h) DSCR is a yearly / annual calculation
 - (i) Target depends on the Board's comfort level; targets above and below 1.50x have been adopted by other utilities.
 - (j) Cash in the bank is not considered a part of revenue.
 - (k) Interest income is considered part of income.
 - (l) Forty-six homes were added to WOWSC's service area in the last few years.
 - (m) Joe believes a DSCR target of 1.50x is a reasonable target with the first two loans of \$230,000 and \$150,000. Patricia also thinks a target of 1.50x is reasonable.
 - (2) Renewals and Replacements
 - (a) Need to make renewals and replacements on our WTP and WWTP systems moving forward maintaining good repair and working condition. Will need to reinvest in our system moving forward.
 - (b) Depreciation expense is often used as the target for funding renewals and replacements.
 - (i) Y2017: \$56,000
 - (c) Capital renewals and replacements (not maintenance).
 - (d) Ongoing routine, preventive maintenance should be funded on a pay-as-you-go basis.
 - (e) Recently pipes in the neighborhood have been breaking due to land shifting and pipes have been moved due to construction.
 - (f) Board needs to discuss with George plans for annual renewal and replacement.
 - (i) Plans will likely change year to year.
 - (g) Grant recommends having a yearly ballpark value for renewal and replacement.

- (h) Five-year plan includes
 - (i) Renewal and replacement
 - (ii) Expansion
 - (i) Policy could include how much to pay capital projects with cash versus loans.
 - (j) We may have several policies that touch on cash finance and debt finance of capital.
 - (k) Policy focuses less on how capital will be funded with cash and debt.
 - (l) Plan is needed to recognize renewal and replacement of existing structures for our CoBank loans.
 - (m) The term of debt generally shall not exceed the useful life of the financed asset and shall not generally exceed 30 years.
 - (i) Example: SCADA system computer and software – Previous SCADA system lasted ~8 years
 - (ii) Do not want to continue debt payment on systems that are obsolete, beyond their useful life
 - (n) Grant’s policy proposal: ‘Rates shall be designed to generate sufficient revenues to support the full cost of operations and debt; provide debt service coverage and meet other debt covenants, if applicable; and ensure adequate and appropriate levels of reserves and working capital.
 - (o) Depreciation expenses does not have to be the target for renewal and replacements
 - (p) Joe recalls James Smith of TRWA thinking WOWSC’s depreciation is low for a WTP and WWTP.
 - (q) Grant’s cursory review similarly indicates that \$56,000 seems to be low for WOWSC
 - (r) Y2018 and Y2019 year-end financial reports did not include depreciation expense.
 - (s) Mike to ask Tim Norden to calculate Y2018 and Y2019 depreciation expense and include it in the year-end financial report moving forward.
 - (t) Dorothy proposed a detailed study of WTP and WWTP renewal and replacement needs.
 - (u) Depreciation can be misleading
 - (i) Brand new item: Depreciation is overstating need
 - (ii) Behind on aging item: Depreciation is understating need
 - 1. E.g., cost of new item may be 2X cost of existing structure
 - (iii) Growth is not intended to be covered by depreciation
 - (v) Renewal and replacement does not cover growth / expansion
 - (w) Needs to be clear for future Boards that renewal and replacement plan does not cover growth / expansion
- (3) Loans Debt Reserves: $\$9,000 + \$5,000 + \$10,000 = \$24,000$ total
- iii) Major capital projects should be financed through a combination of cash, referred to as pay-as-you-go financing (equity contributions from current revenues), and debt. An equity contribution ratio of at least 15% is desirable.
 - (1) Major capital projects guideline – Grant to make a proposal
 - (2) Includes growth / expansion
 - (3) Joe and Patricia like the 15% target for equity contribution ratio
 - (4) Patricia recommended getting guidance from our CPA on what to capitalize.
 - iv) Days Cash on Hand (DCOH)
 - (1) Cash operating reserves
 - (2) Could be several cash reserves or could be one over-arching policy
 - (a) Do not include restricted balances (e.g., loan debt reserve) or earmarked funds (e.g., funds dedicated to capital projects) in DCOH calculation
 - (b) Three to four months of O&M
 - (i) Grant most often sees 90 days to 120 days as the minimum for water supply corporations.
 - (c) Emergency fund
 - (i) Unplanned expenses
 - (ii) Unplanned revenue decrease
 - (iii) Example: WOWSC’s water intake barge repair cost was ~\$75,000 a couple of years ago after it was washed down stream during the storm.
 - (3) Joe proposed a minimum of 90 days and maximum of 120 days as targets for DCOH.
 - (4) Grant rarely sees utilities setting a maximum number of days for DCOH, but it does happen.
 - v) Joe to provide a recording of tonight’s financial workshop to Grant, Rich, and George.
 - vi) Grant to generate proposals for the above financial policies based off tonight’s workshop discussion.

6) AGENDA ITEMS – New business and discussion and possible action on agenda for next meeting.

- a) Manager’s report

- b) Legal
 - c) CoBank Loans status
 - d) September financial report
- 7) MEETING DATE – Set date, time, and place for next meeting.
- a) Zoom meeting this Thursday, October 15th, at 6:00PM
- 8) Motion made and carried by all to adjourn at 8:32PM



Submitted by: Mike Nelson

APPROVED BY WOWSC Board on December 16, 2020