



Windermere Oaks Water Supply Corporation

424 Coventry Rd
Spicewood, Texas 78669

2020 - 2021 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) Annual Members Meeting held: Saturday, March 27, 2021 via videoconference using Zoom; election conducted at WO Pavilion.

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

Minutes

- 1) Presiding director calls the meeting to order.
 - a) Joe Gimenez called the meeting to order at 11:01AM
- 2) Presiding director will ask the Election Auditor for a total of the members who have voted by mail, delivered, or in person the day of the meeting. The presiding director will report the total number of members who voted, and declare a quorum and that the meeting and election counting may proceed. The Independent Election Auditor will begin counting the official ballots.
 - a) Total number of members who voted by:
 - i) Mail and drop box: 141
 - ii) In person: 47
 - b) Total number of members who voted: 188
 - c) Total number of ballots not counted due to defects: 4
 - d) Total number of ballots not counted provisional: 1
 - e) Joe declared a quorum at 11:03AM and that election counting was to proceed.
- 3) Presiding director allows for the general public to speak (3 minute limit per person)
 - a) None
- 4) Approval of the previous Annual Member Meeting February 1, 2020 minutes.
 - a) Motion made and carried by all to approve the February 1, 2020 WOWSC Annual Member Meeting minutes.
- 5) Update reports
 - a) Report of corporation manager, to include report on system's operations, update of projects and strategic plan for 2021, including completion of LCRA-grant conservation projects, coronavirus impacts, zebra mussel infestation of equipment, plans and application status for new clarifier, and dispersant field expansion at Spicewood Airport.
 - i) 2021 Five Year Plan
For 2021:
 - (1) Construct new clarifier: \$400,000
 - (a) George anticipates the project will be approved by TCEQ in the next couple of weeks
 - (2) Water Treatment Plant recycle project: \$24,000
 - (a) Work is in progress and the project is ~50% complete.
 - (3) Zebra Mussel mitigation: \$80,000
 - (a) George is working with TCEQ to gain approval for WOWSC's proposal.
For 2022;
 - (4) Irrigation field expansion: \$100,000

- (a) Ridge Harbor and Barton Creek Lakeside have contacted WOWSC regarding using WOWSC's dispersant fields as they do not have sufficient area in their dispersant fields.

For 2024;

- (5) Distribution system valve replacements: \$175,000

- (a) Replacing ~40 year old valves that have reached their end of life

- ii) SAPA grass landing strip as dispersant field project at expense of SAPA
- iii) WOWSC completed installation of the back-up generator in February 2020 which was key to maintaining water service and minimizing damage to the system during the recent severe freeze.
- iv) Impact of Covid – since most work outside and procedures in place, no lost time.
- v) TCEQ inspection of the WWTP found no violations
- vi) Joe Gimenez mentioned system growth and the need to address growth and increase in connections in neighborhood

- b) Treasurer's report of Board approved 2021 Budget, 2020 Balance Sheet and 2020 P&L Statement.

- i) Reviewed the

- (1) 2020 Year-End Summary of Income / Expense

- (2) 2020 Year-End Balance Sheet

- (3) 2020 Year-End Profit & Loss

- (a) Water & Sewer Services Income = \$535K

- (b) Legal expenses = \$240.8K

- (c) Net Ordinary Income = \$62.2K

- (4) 2021 Budget

- (a) Water & Sewer Services Income = \$540K

- (b) Legal expenses budget = \$250K

- (c) Projected loss = \$49.3K with revenue projection using current rates

- 6) Report of Board President to summarize events and accomplishments of the corporation in the past year and issues going forward, including but not limited to, financing for clarifier, status of lawsuits, and ebilling and automated payments.

- a) Strengths

- i) George Burriss, Tommy Collier of Corix Utilities

- ii) George led WOWSC maintaining water service through the recent severe freeze as well as the drought and the storm that took out WOWSC's water intake barge.

- iii) The back-up generator installed early last year ago was key to maintaining service during the recent severe freeze.

- iv) Water quality: no violations from TCEQ for the fourth consecutive year of perfect results

- v) Recent water pressure test passed

- vi) TCEQ's inspection of the WWTP found no violations

- vii) LCRA provided a grant of \$14,094 for WTP and WWTP recycle projects. WWTP recycle project was completed in October 2020 and reduce water loss by ~100,000 gallons per month which reduced the strain on our system during the recent severe freeze.

- viii) Strong financial position; CoBank loans approval

- ix) WOWSC's clarifier is reaching its end of life and needs replacement

- b) Weaknesses

- i) Key man considerations

- c) CoBank's feedback: "It wasn't an easy task as the lawsuit and rate challenge are clouding the waters and create some uncertainty. Thanks to your efforts to explain the situation and steps the system has taken to address, we were able to get a comfort in possible outcomes." Opportunities

- i) Remaining WOWSC land at the Spicewood airport, ~7 acres, is not needed by WOWSC and can be sold

- (1) Plaintiffs in the ongoing lawsuit have a lis pendens on this land that would make it difficult to be sold at best prices.

- ii) Dispersant fields: Corix is requesting usage of the WOWSC WWTP's effluent dispersant fields by Ridge Harbor and Barton Creek Lakeside.

- d) Threats

- i) Lawsuits

- (1) Case #47531 (April 2018 – February 2020) Cost ~80,000 total.

- (a) April 2018 TOMA lawsuit to break the contract of the 2016 airport land sale.
- (b) Court found WOWSC violated TOMA but denied all prayers for relief.
- (c) All appeals upheld this ruling.
- (d) WOWSC Board of Directors works to follow the TOMA requirements
- (2) Case #48292 (July 2018 – present)
 - (a) The number of PIA requests increased significantly to gather information to intervene in case #48292 in May 2019.
 - (b) At a July 2019 Board Meeting, the Board approved paying WOWSC's PIO, Joe, \$416/month versus hiring legal help at a much higher rate.
 - (c) The October 2019 a petition to remove Joe from Board resulted in additional WOWSC legal expenses. After the four+ hour October 26, 2019 Board Meeting to discuss amending the original contract, Joe, Dorothy, and Mike were added to case #48292 after improving the 2016 land sale deal for WOWSC by approving the amended and superseding land sale agreement at the October 26, 2019 Board Meeting where it was reviewed, discussed, and improved with WOWSC members for over four hours.
 - (d) WOWSC legal team filed a motion for summary judgement in November 2020.
 - (i) Litigants increased WOWSC's legal costs through more than 50 hours of depositions and discovery.
 - (ii) As of March 24, the motion for summary judgement is now in the hands of the judge to determine if the legal case is to proceed.
- (3) When reviewing the initial Y2020 budget, the Board found WOWSC had very large balances with the legal teams.
 - (a) The Board requested and received help from TRWA to use WOWSC's Y2019 actual expenses to determine new rates. The Board used the TRWA rate analysis in determining the Y2020 rate increase.
 - (b) Members brought a rate appeal to the PUC which is a lawsuit against WOWSC
 - (i) There are significant legal costs to WOWSC for PUC rate case: \$148,747 through January 2021
 - (ii) Rate payer representatives walked away from mediation which would have prevented additional WOWSC legal costs.
- (4) PIA requests continue at a very high rate and many require legal guidance for matters related to the underlying litigation against the WOWSC and directors.
 - (a) WOWSC sought to retain its rights for attorney client privileged documents and brought its cases before the Texas Attorney General to preserve corporate legal strategies. However, in view of case status, the Board voted to release all requested documents and to end this litigation and its legal costs.
- (5) Paid legal fees in Y2020 = \$240,7385
- (6) Outstanding legal balance: \$275,359
- (7) Insurance Coverage ~\$230,000
 - (a) WOWSC has not received a denial of coverage from the Insurance company for case #48292. The Board was aggressively pursuing it claims for coverage with the insurance company
- ii) At the Y2020 Annual Member Meeting, Patti Flunker proposed dissolving WOWSC and selling it to an investor owned utility. Flunker arranged a meeting with Aqual Texas Inc. to meet with members in early Y2020.
 - (1) Flunker and Josie Fuller sent a survey to select members asking about their interest in selling WOWSC to an investor owned utility and published survey results stating members were interested.
 - (2) NewGen Strategies & Solutions provided a financial analysis of WOWSC in their September 3, 2020 report. The reports notes that investor owned utilities have higher overhead due to profits and taxes (property, sales, income) that a non-profit corporation does not pay. Therefore, if WOWSC sold itself to a IOU, customers would see much higher rates.
- iii) Y2020 rate increase increased \$16,000/month to raise funds for ongoing legal matters in the Ffrench, Dial, Sorgen case against the WOWSC and its current and former directors.
- e) Operationally – No problems
- f) Infrastructure
 - i) Clarifier
 - ii) Zebra Mussels
 - iii) Bigger dispersant fields
- g) Financial
 - i) Loans helped save money and build our infrastructure to meet growth

- ii) With the help of NewGen Strategies, the Board adopted financial policies for future boards to use as guidance, especially in view of provisions needed to comply with loan covenants
- h) Threats
 - i) A small group have continued to pursue every legal avenue against the Board in their effort to overturn the land sale of 2015.
 - i) People ask the Board “How does this end and when will rates get lower?” The answer is that when the small group of people end their the lawsuit, drop their rate case, release the lis pendens, and reduce their PIA requests significantly, all the outflowing funds for legal representation can stop, the company can pay its bills, and rates can go lower.
 - j) Sandy Neilson: Thanked all Board Members for doing a great job.
- 7) Election Results Independent Election Auditor submits official report to presiding officer.
 - a) Independent Election Auditor provides the presiding director with a report of the election results for director positions and any other propositions voted on by the members. Auditor emails written results to Board.
 - b) Presiding director announces election results.
 - i) Position 1:
 - (1) Joe Gimenez: 97
 - (2) Allen Hicks: 91
 - ii) Position 2:
 - (1) Rich Schaefer: 102
 - (2) Mark McDonald: 86
 - iii) Position 3:
 - (1) Mike Nelson: 106
 - (2) Josie Fuller: 82
 - iv) No propositions were introduced or voted upon.
 - c) Presiding director introduces newly elected directors, declares them as board members and announces New Board of Directors meeting to elect officers upon adjournment.
 - i) Joe introduced himself, Mike, & Rich; declared them as board members; and announced the new WOWSC Board of Directors will elect officers at the open WOWSC Board Meeting immediately following the conclusion of this Annual Members Meeting.
 - d) Josie Fuller and Bruce Sorgen requested the ballots and envelopes that were used to tally the votes be kept for auditing.
- 8) Closing comments by presiding director.
 - a) Board appreciates all members’ participation
- 9) Meeting is adjourned.
 - a) Motion made and carried by all to adjourn at 12:32PM

Submitted by: Mike Nelson

APPROVED BY WOWSC Board on March 19, 2022



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