

MINUTES
Workshop Meeting
Laguna Madre Water District
Board of Directors
Wednesday, June 13, 2018
4:00 PM – 5:20 PM
Board Room

ITEM #1 QUORUM

PRESENT: Chairman, Scott D. Friedman
 Vice Chairman, Rick A. Wells
 Secretary, Doyle Wells
 Director, Herb Houston
 Director, Alex Avalos

ADMINISTRATIVE STAFF: General Manager, Carlos J. Galvan, Jr.
 Director of Operations, Robert Gomez
 District Engineer, Charles Ortiz
 Purchasing Agent, Enrique Samaniego
 Director of Finance, Eddie Salazar

ITEM #2 INVOCATION AND PLEDGE OF ALLEGIANCE

The meeting began with the Pledge Allegiance and an Opening Prayer.

ITEM #3 PRESENTATION BY WILLDAN FINANCIAL SERVICES ON 2018 WATER AND WASTEWATER RATE STUDY AND
LONG-TERM FINANCIAL PLAN FOLLOW-UP

DISCUSSION:

- Presentation given by Dan Jackson with Willdan Financial Services followed by questions and answers
- A follow-up presentation to go over the numbers and resolve any outstanding issues
- The district's rates are about 40% below the state average.
- The District 's last rate adjustment was in 2016. Many cities increase rates every year.
- Financial Forecast growth over the next ten years - about 50 accounts per year
- Current Cost of Service- Water rates are recovering a little more than the cost and wastewater rates are recovering a little less. Common in utilities
- Wastewater cost is in the rising
- The District can always issue more debt
- Bond did not pass now those funds need to come from rates
- In this revised plan analysis includes a rate adjustment to cover the unfunded pension liability.

- Rate Plan alternatives:
 - Alternative 1 - Status Quo – a series of percentage rate increases on all customers, water, and wastewater to get the revenue needed
 - Alternative 2 - Multi-Family – Treats multifamily accounts reclassifies into a separate class.
 - Right now, all accounts are charged based on meter size this alternative will take all Multifamily accounts and put them in separate rate class and will charge a residential monthly minimum charge to each unit in the complex. Like a “door charge.” Numbers are very preliminary
 - Benefits: treats multifamily customers same as residential, and getting more guaranteed revenue
 - Challenges: some will see big increases others decreases; higher rate increase for non-condo customers to make up the revenue; it will be a challenge to implement- requires a lot of staff work to identify condos, how many units in every condo, and setting up a billing system
- Raw Water Rate Recommendations:
 - Raw water rate reimburses the District for the raw water transportation costs to water treatment plant 2
 - What is a fair and reasonable rate to charge raw water customers?
 - When other customers want to use it, it’s a risk.
 - A standard rate-making policy “rate of return.” Compensation for risk, investment, and challenge that went into developing the raw water. Adding it to the cost is \$1.04 per 1,000 gallons (6.0% rate of return added to the cost of raw water). It’s a comfortable rate; a higher number can be justified.
- Infrastructure Rate -
 - Separate charge or rate totally devoted for paying infrastructure
 - Money is set aside and goes into a special fund that is used to build infrastructure

ACTIONS:

- Feedback from staff (Director of Operations and Finance Director) on multifamily units
- Regular Meeting for Wednesday, June 27, 2018, moved to Thursday, June 28, 2018
- Workshop Meeting on Thursday, June 28, 2018, @ 4:30 PM
- For Regular Meeting on Thursday, June 28, 2018, @ 5:30 PM place agenda item for Board action.

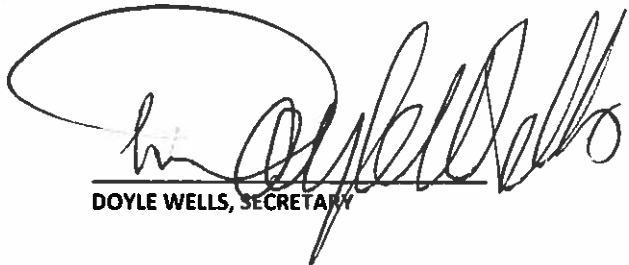
ITEM #4

ADJOURNMENT

The Workshop Meeting was adjourned at 5:20 PM.



SCOTT FRIEDMAN, CHAIRMAN



DOYLE WELLS, SECRETARY

MINUTES APPROVED THIS 28th DAY OF JUNE 2018.