

Spring Valley Water Supply Corp.
Regular Meeting of the Board of Directors
May 11, 2021

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President	Larry Hobbs
Vice-President	Zandy Goode
Secretary	Bert Hernandez
Director	Darrell Bledsoe
Director	David Morrison --Absent
Director	Gerald Theut
Director	Kyle Grigsby

ITEM 1. CALL TO ORDER, ROLL CALL, DETERMINATION OF QUORUM

The meeting was called to order at 5:15 p.m. by President Larry Hobbs with a quorum present.

ITEM 2. RECOGNITION OF VISITORS

There was one visitor, Michael Deutschmann.

ITEM 3. PUBLIC COMMENTS

There were no public comments.

ITEM 8. DOUG DEUTSCHMANN QUESTION ON NEW AND OLD LINE AND OLD TAP

Item 8 was moved up on the agenda by motion of Kyle Grigsby. The motion was seconded by Gerald Theut and on vote, was passed unanimously.

Micheal Deutschmann represented Doug Deutschman. He had two issues. The first involved the timeline to install the new water line. At this time the delay was due to obtaining easements for the new line. This is in process. With construction time included, it is expected that it will be completed in seven to eight months.

The second request concerned the process to get a meter installed where there was a tap but no meter. It was explained that a new request for service would need to be applied for since there had been changes on the system since the original meter had been installed and after it had been removed. This process was explained to Mr. Deutschmann. The process was also explained on how to move the meter if it was installed and later deemed to be needed at another location.

ITEM 4. REVIEW AND APPROVE MINUTES FROM PREVIOUS BOARD MEETING

The minutes were reviewed and a motion was made by Darrell Bledose to approve the minutes from the previous Board meeting. Kyle Grigsby seconded the motion. The vote was taken and all approved the motion.

ITEM 5. REVIEW AND POSSIBLE ACTION ON METER REQUESTS

There were two meter requests: Frank Cromwell submitted a request one meter on Box Ranch Road and Randolph Meadows submitted a request for one meter on old Lorena Road.

After reviewing the Engineer's report on Mr. Cromwell's request and discussion with Johnny Tabor, it was determined that the issue in the recommendation to deny the request was due to having too small a line to service the number of meters beyond the current amount.

The request from Mr. Meadows was reviewed and discussed with Johnny Tabor. He recommended not adding the meter because currently the line was too small and because additional capacity was needed at the Moses Plant. Once the planned system improvements are made, the Moses plant will have the capacity to handle the extra meter plus the meter will be able to be installed by doing a road bore to a 4" supply line vs. the current 2" line that services the meters on Old Lorena Road in that area.

A motion was made to accept the Engineer's recommendations on both meters by Larry Hobbs. Kyle Grigsby seconded the motion. On vote, the motion passed unanimously.

ITEM 6. DISCUSS AND POSSIBLE ACTION: OBTAINING FINANCING FOR SYSTEM IMPROVEMENTS

Bert Hernandez and Zandy Goode reported on the progress on getting financing for system improvement from Cobank. It is possible to close on the loan before the next Board meeting according to John DeLuca is the following conditions are met: First the Board would need to approve the \$1.5 million loan and the \$100,000 line of credit. Next the Board would have to designate two signers who are authorized to commit the SVWSC to the loan terms. A payoff statement from American Bank would be needed to be provided to Cobank. There is an issue with the release of lien on a FHA loan made in 1974. This could be handled post closing and John DeLuca offered to help Frank Alexander to obtain that release of lien.

Risks to the SVWSC were discussed next. The main risk is that closing could be delayed and the loan funds would not be drawn out in time to keep the interest rate from rising. Clarification on when rates were going to be locked in was needed so a phone call was made to DeLuca to ask him on how early could we lock in a rate. He stated that the rate while in the construction loan phase of the loan would currently be 2% variable. Once a significant draw was made, the loan could be amortized at our request and that would lock in the permanent rate. We had a year after the loan signature date to do that, or we could at our option, make a draw on the inception of the loan and lock the rate in at that time and just draw to pay contractors from that amount. Patronage fees were discussed. \$1,000 is put up by SVWSC as equity and then .32% of the average loan balance is accumulated each year though this amount cannot be drawn out until a couple of years after the loan is paid off. Another .5% is paid on the average loan balance which reduces the interest paid to yield the lower effective interest rate than the face value rate of the loan.

Larry Hobbs made a motion as follows:

The Board approves the financing package offered by Cobank on a \$1.5 million dollar loan and \$100,00 line of credit subject to our legal counsel's approval. Furthermore, \$ 750,000 should be drawn as early as possible after signing the documents to lock in the interest rate. A frequent follow-up will be made to monitor interest rates so that the balance of \$750,000 can be locked in at a suitable interest rate. Larry Hobbs and Humberto (Bert) Hernandez are authorized to sign the loan documents on behalf of SVWSC and to commit the SWVSC to the loan and the line of credit.

Gerald Theut seconded the motion and on voice vote, the motion passed unanimously.

ITEM 7. TABOR ENGINEERING – UPDATE ON PROJECTS

Johnny Tabor reported on four projects as follows:

Pilgrim Lane Water Improvements – This project is waiting on easements being obtained.

Southern Heights Addition (Bill Fraley) – Two bids were received. One was from JNB Construction LLC for \$128,102.75 and the second was from Bruce Flanagan Construction for \$256,528.50. Larry Hobbs made the motion to accept the bid from JNB construction contingent on developer funding and obtaining easements. Gerald Theut seconded the motion. On vote, the motion passed.

Water Supply & Plant Rehabilitation – This project was on hold waiting funding. Because of the approval of the funding offered by Cobank, Johnny Tabor was given instructions to proceed with designs and submission of them to regulators. The issue of clearing off and restoring the area around the Bethany

Plant was discussed. At the conclusion of the discussion, Mark Kocian was assigned the job of getting bids to clear off all the Bethany tanks, building, valves, etc. and restoring it to its original condition.

A discussion was conducted concerning day-to-day supervision of the projects. Johnny Tabor reported that because the work was localized he did not think it would be necessary to hire a project supervisor to make sure the work was performed according to specs. He felt that he had time and a process to make sure work was performed on time and per specifications. He was asked to give further thought to this issue and to get back with the Board as to whether a day-to-day project supervisor would be wise to be hired.

Judd and Moses Well Rehabilitation Test Pumping Report – The Judd Well was videoed, cleaned, and videoed again. Testing with a 60HP pump indicated a flow of 220 GPM which was a 120 GPM increase in production. The original pump was reinstalled and the well is back in service. The Moses Well was videoed, cleaned, and tested with a 60 HP test pump. The well produced 150 GPM which was a 30 GPM increase. The video review indicates that there are fewer perforations in the Moses Well than in the Judd Well. Additional production can occur in the Moses well by increasing the amount of perforations at a cost of approximately \$12,000.

Jurgenson Pump estimated the cost of upgrading the pumps in both wells to 60 HP pumps at \$123,000 including variable frequency drives but not including additional perforations and the cost of installing power lines to supply more power to the pumps than is currently available.

ITEM 9. FINANCIAL STATEMENT REVIEW BY FRANK ALEXANDER

Frank Alexander was not present to make his report due to a death in his family. However, he did provide the financial statements for April 2021 and sent an e-mail with his advisories to the Board concerning account changes next month due to repairs and the payoff of the note to American Bank to obtain the financing from Cobank.

ITEM 10. REGULAR UPDATE ON BLUEBONNET WATER SUPPLY AND POSSIBLE ACTION

There was no report on Bluebonnet since David Morrison was absent.

ITEM 11. DISCUSSION AND POSSIBLE ACTION: AUTHORIZATION TO PAY BILLS

On review, the motion was made by Larry Hobbs and seconded by Bert Hernandez to authorize payment of bills for May 2021. All were in favor, the motion passed.

ITEM 12. QUESTIONS TO THE BOARD BY AQUA TEXAS REPRESENTATIVES CONCERNING OPERATIONAL ISSUES

There were no questions to the Board. Mark Kocian and Larry Hobbs recognized Aqua employee Israel Torres for outstanding customer service as reported in a letter to them from Ronald Cook who was assisted with a problem he incurred when he was moving from Lorena to Hewitt, TX.

ITEM 13. WATER SYSTEM OPERATIONS REPORT BY REPRESENTATIVE OF AQUA TEXAS (NO ACTION TO BE TAKEN BY THE BOARD) INCLUDING THE FOLLOWING: (A) OPERATIONS REPORT; (B) WATER USAGE AND ACCOUNTABILITY; (C) FACILITIES, EQUIPMENT, AND REPAIRS; AND, (D) FINANCIAL REPORT

Mark Kocian reviewed the Directors' Operations Report with the Board.

Larry Hobbs made the motion to accept the water operations report. It was seconded by Gerald Theut. On vote, the motion passed.

ITEM 14. ADJOURN INTO EXECUTIVE SESSION IF NEEDED AS ALLOWED BY TEXAS GOVERNMENT CODE SECTION 551.074

There was no need for an Executive Session

ITEM 15. RECONVENE INTO PUBLIC SESSION. DISCUSSION AND POSSIBLE ACTION REGARDING MATTERS DISCUSSED IN EXECUTIVE SESSION

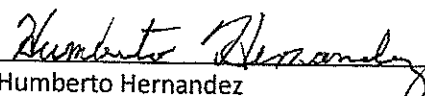
There was no Executive Session so there was no need to reconvene.

ITEM 16. SET TIME AND PLACE FOR THE NEXT REGULAR MEETING OF THE BOARD

The next meeting of the Board will be Tuesday, June 8, 2021 at 5:15 p.m. at the Aqua office at 7025 Sanger, Waco, TX 76710.

ITEM 17. ADJOURN

A motion was made to adjourn by Larry Hobbs and was seconded by Bert Hernandez. All were in favor and none opposed. The motion carried and the meeting was adjourned.

Submitted by: 
Humberto Hernandez
Secretary, SVWSC

May 17, 2021