

**MINUTES OF THE BOARD OF DIRECTORS MEETING  
VALLEY MUNICIPAL UTILITY DISTRICT NO. 2  
August 21, 2012**

**1. Roll Call/Call to Order**

The Board of Directors met at the Valley Municipal Utility District No. 2 Office at 9:00 A.M., Tuesday, August 21, 2012 in accordance with the duly posted notice of said Meeting with a quorum of Directors present as follows:

Richard Lindeman	President
Roger Nelson	Vice-President
Chris Partridge	Director
Oscar González	Director
Jim Tipton	Director

Others present:

Craig Stowell	General Manager
Jay Toro	Assistant Manager
Paul Cunningham	Attorney
Kathy Cunningham	Attorney Assistant
Cindy Rathbun	Alderman

The Meeting was called to order by Mr. Richard Lindeman at 9:00 A.M.

**2. Approval of Minutes of the Meeting held on July 17, 2012.**

The Board reviewed the minutes of the previous meetings for approval. Mr. Nelson made a motion to approve the Minutes of the Regular Meeting held July 17, 2012. The motion was seconded by Mr. Partridge. The motions passed by unanimous vote of those present.

**3. Approval of the Financial Report for the Month of July, 2012.**

The Board reviewed last month's financial report. Mr. Nelson made a motion to approve the Financial Report for the Month of July, 2012. The motion was seconded by Mr. Gonzalez. The motion passed by unanimous vote of those present.

**4. Discussion and Action on Capitalization Policy and Bad Debt Write-off.**

Mr. Stowell explained that the District needs to set a threshold for capitalizing assets. He presented a draft of a Capitalization Policy for the Board to approve. Mr. Cunningham suggested consulting with the auditors on the depreciation method and years. Mr. Stowell also mentioned that there is \$19,663.53 in accounts receivables that are six to seven years in arrears. Mr. Cunningham suggested writing off the all arrears from customers that have left the District and if the customers return to the District, then attempts can be made to collect. Mr. Tipton

made a motion to approve the Capitalization Policy with the revisions on depreciation details and authorize writing off arrears in the amount of \$19,663.53, excluding any amount for customers that are still in the District. Mr. Nelson seconded the motion. The motion passed by unanimous vote of those present.

**5. Discussion and Action on Consideration of Sewer Rate Breaks for out of Town Residents and One Time Swimming Pool Fill for Repairs.**

Mr. Stowell presented a letter from Mr. Mateo Codinas of 609 Morelos Avenue. He is requesting that a one-time reduction to his sewer rate because he is refilling his swimming pool. Mr. Gonzalez made a motion to reject any adjustments to Mr. Codina's water and sewer bill, seconded by Mr. Tipton. The motion passed by unanimous vote of those present.

**6. Discussion and David Garza's request for Resaca Water and Annexation into the the District.**

Mr. Stowell reported on the David Garza property research he has completed and presented assessor maps to the board. He explained that this property is not contiguous to the District. There is a piece of property owned by Amelia De Leon that is in between the District's boundaries and Mr. Garza's property. The District would also be responsible for maintaining the Resaca that crosses through this piece of land. Mr. Stowell stated he did not see that it would be beneficial to the District to annex Garza's property. The County has wetlands in Mr. Garza's Resaca and the District would then take on the responsibility of that area. He explained that usually a property is annexed to the District because someone is developing a subdivision and they provide water rights to the District. Mr. Garza will only contribute about \$1600.00 in property tax revenues if he is annexed to the District. An item would need to be placed on a future agenda for action.

**7. Discussion on Policy for the Three Retention Ponds During Drought Restrictions.**

There is one retention pond on the Tesoro/Escandon intersection and two on the Santa Ana/Enchilada area. These ponds were originally built for drainage but are not used anymore. They are owned by the Rancho Viejo Country Club. Mr. Stowell has been reviewing the maintenance costs for these ponds. He reported that he does not have three inch meters to put on the pond to measure the water. He calculates it costs the District between \$3000.00 and \$5000.00 a year to take care of ponds. He met with Rancho Viejo Club owner this month. Mr. Montemayor said that the he can take care of one on Tesoro, and the one on Santa Ana he wants to fill up to sell.

**8. Consideration and Action on Engagement of Auditor for FY 2012.**

Mr. Stowell presented to the Board the engagement letter from Long Chilton quoting a fee of Twelve Thousand Seventy Five dollars and zero cents (\$12,075.00) for their services. Mr. Tipton made a motion to contract Long Chilton with a fee of up to 5% increase of last year to perform the 2012 FY Audit for the District, seconded by Mr. Gonzalez. The motion passed by unanimous vote of those present.

**9. Discussion and Action on FY 2013 Budget Amendment.**

Mr. Stowell reviewed with the Board the increase/decrease changes he made on the FY 2013 budget. Mr. Nelson made a motion to approve the FY 2013 Budget with the amendments as presented by Mr. Stowell, seconded by Mr. Partridge. The motion passed by unanimous vote of those present.

**10. Discussion and Action on Tax Rate for 2012 (FY 2013).**

Mr. Stowell presented information for this year's tax rate and recommended the Ad-Valorem tax rate for 2012 to be thirty-seven cents per one hundred dollar valuation (\$.37/\$100), the same as last year. Mr. Partridge made a motion to approve the Ad-Valorem tax rate for 2012 at .37 cents/\$100 valuation. Mr. Gonzalez seconded the motion. The motion passed by unanimous vote of those present.

**11. Discussion on FEMA Reimbursement for Hurricane Dolly.**

FEMA has completed the claim on the River Bend Tower Damages and has deducted an allowance for insurance not filed leaving a balance of \$7350.00 to be awarded to the District.

**12. Discussion and Action on NRS Proposal for Tower Painting Engineering Support.**

Mr. Stowell presented the cost estimates for the tower painting and inspection. He gave a detailed explanation of the materials to be used and the type of repairs to be made. If the District contracts Dunham Engineering, their fees will include the inspection making the total cost lower. Getting a full time inspector will highly increase costs. Mr. Stowell stated that if the tower is maintained yearly, it will last a longer time. Mr. Lindeman would like to see the RiverBend Tank included in the estimate. Mr. Nelson made a motion to table action on this item, Mr. Partridge seconded the motion. The motion passed by unanimous vote of those present.

**13. Public Input**

Mrs. Rathbun asked if the District has completed the spraying. She would like for the District to spray at 33 Alvarado. The property next to hers has more access to the Resaca and does not grow the algae as much. Mr. Stowell said it has been very difficult to keep the algae from growing even though he is spraying, but it is mainly due to the weather.

#### **14. General Manager's Report**

- **Production and Sales Report** The water loss for July 2012 shows a 28.56% loss.
- **RO Production Report** For July 2012 was distributed to the Board before the meeting. Mr. Stowell explained the report.
- **Raw Water Report** For July 2012 was distributed to the Board before the meeting. Mr. Stowell explained the report.
- **Customer Complaints.** The customer complaints for the month of July 2012 were previously distributed to the Board. There were a total of nine complaints.
- **Operations Report** Mr. Stowell reported on Water, Sewer, Distribution and Lift Station operations. He gave an update on safety issues and incentive programs, the Reserve Fund Projects, and Bond Fund Project.
- **Projects/Task list** Mr. Stowell presented a task list with priority or complete status updates.

#### **15. Recess into Executive Session Pursuant to Texas Government Code Section 551.072 (Deliberation Regarding Real Property) and Section 551.074 (a) (1) (personnel matters).**

- a. Discussion and action on the purchase, exchange lease, or value of real property.
- b. Discussion of evaluation, reassignment, duties and employment of employees.

The Board entered into executive session at 1:40 p.m. and closed out the session at 1:55 a.m.

#### **16. Action on Items Discussed in Executive Session.**

- a. No Action.
- b. Mr. Nelson made a motion    The motion was seconded by Mr. Gonzalez. The motion passed by unanimous vote of those present.

There being no further business to come before the Board of Directors, President Richard Lindeman adjourned the Regular Meeting at 2:05 p.m.

  
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RICHARD LINDEMAN, PRESIDENT

ATTEST:

  
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CHRIS PARTRIDGE, SECRETARY