

Port O'Connor Improvement District
P.O. Box 375
Port O'Connor, Texas 77982

MINUTES OF A
SPECIAL MEETING OF THE BOARD OF DIRECTORS
JANUARY 25, 2018

Pursuant to notice duly posted on January 22, 2018 a Special meeting of the Port O'Connor Improvement District was called to order on Thursday, January 25, 2018 at 1:00 p.m. in the District's office located at 39 Denman Drive, Port O'Connor, Texas.

A. CALL TO ORDER

President Leon Brown called the meeting to order and established that a quorum was present and welcomed everyone.

DIRECTORS PRESENT: Leon Brown, Marshall Bradford, and Bobby Raybon

DIRECTORS ABSENT: Nathan O'Neill

ALSO PRESENT: Dottie Palumbo, Bojorquez Law Firm, LLC, General Counsel
Ronald Kettelman, USW Utility Group, Personnel
Jeffrey Dupont, USW Utility Group, Personnel
Callie Stafford, USW Utility Group, Personnel
Joel Valdez, CP&Y, Inc., District Engineer

- B. CONSENT AGENDA:** *The following items are anticipated to require little or no individualized discussion due to their nature being clerical, ministerial, mundane or routine. In an effort to enhance the efficiency of POCID Board meetings, it is intended that these items will be acted upon by the POCID Board with a single motion because no public hearing or determination is necessary. However, a POCID Board Member or citizen may request separate deliberation for a specific item, in which event those items will be removed from the consent agenda prior to the POCID Board voting on the consent agenda as a collective, singular item. Prior to voting on the consent agenda, the POCID Board may add additional items that are listed elsewhere on the same agenda.*

1. APPROVAL OF MINUTES

A.) January 11, 2018 Special meeting minutes

B.) December 14, Special meeting minutes

2. APPROVAL OF PAYABLES

A.) Port O'Connor Improvement District – USW Invoices that had been approved for payment on January 11, 2018 but were not corrected for payment were pulled. Jeffrey Dupont discussed the resubmittal of the part of the invoice that was approved.

MOTION: Bobby Raybon

SECOND: Marshall Bradford

APPROVED: 3-0

To approve the minutes of the January 11, 2018 Special Meeting and the December 14 Special Meeting Minutes and payables except for .USW check.

3. APPROVAL OF POCID AGREEMENTS AND AUTHORIZE PRESIDENT BROWN TO EXECUTE UPON APPROVAL OF GENERAL COUNSEL.
 - A.) District Project Manager temporary employment agreement with Royse Macha
 - B.) IT Professional Services Agreement with Robert Half International or affiliate
 - C.) AVR Agreement and Addendum
 - D.) Water/Wastewater Professional Service Agreement with waterTalent
 - E.) Authorize President Brown to notify Fagan Answering Service for answering services for POCID
 - F.) Additional laboratory and backflow testing services from CP&Y
 - G.) Additional Administrative and Website Services from Bojorquez Law Firm, P.C.
 - H.) Website Services Agreement
 - I.) Temporary employees from Texas Workforce Commission

MOTION: Bobby Raybon

SECOND: Marshall Bradford

APPROVED: 3-0

To approve POCID Agreements and notification for Fagan Answering Service for agenda items 3 A-G, and agenda item 3.I

No action on agenda item, 3H., POCID has website agreement with the Rural Water Association.

B. ITEMS FOR CONSIDERATION AND TAKE APPROPRIATE ACTION IF NEEDED:

1. Report of US Water District Project Manager
 - A.) District Status, condition of vehicles and facilities and repairs, including trenching and repair of County roadways by US WATER UTILITY GROUP
 - B.) Work in Progress
 - C.) Water Production Report with corrections from January 11, 2018 meeting
 - D.) Wastewater Treatment Plant Summary
 - E.) Approval of repairs and/or inventory
 - F.) Compliance Reports for January 2018
 - G.) Hurricane Harvey report with corrections
 - H.) Standard Operating Procedures
 - I.) Pending Open Record Request for USW data and documents.

President Brown reconvened the Board meeting after the break.

2. Report of Engineers
 - A.) Water Supply Status
 - B.) Wastewater System Status
 - C.) Other Updates, including but not limited to LCI Change Order No. 1, Payment No. 9
 - D.) Condition of Facilities
 - E.) Wastewater Plant Line Segment Repair

Joel Valdez, with CP&Y, Inc., gave the District Engineers Report. The following projects were discussed:

- (1) continued work on the water and sewer overall maps for POCID to include new 11 x 17 grid maps;
- (2) TWBD 21750 - CP&Y team have been working on re-re-drafting TWBD 21750 design files and reproducing cad sheets to start tracking construction progress;
- (3) Operator advertisements for reaching out to numerous firms with potential operators to discuss interest, that included Crossroads Inc., Corix Utilities, Aqua America, TumCO, Severn Trent Environmental, American Water;
- (4) There were no plat requests received during the reporting period;
- (5) several requests for water and sewer service applications have been received in the past few months, working on formalizing the review process to be provided to the Board, Attorney and Manager for review;
- (6) received O&M's for most of the equipment to prepare routine maintenance schedule and checklist for the equipment, regular routine maintenance on the equipment and facilities have not been completed yet, as well as a routine checklist for the water and sewer system;
- (7) started developing an asset management plan to rank and score assets based on the development maintenance plans and future site visits, future water and sewer modeling, which would be beneficial to implementing the POCID Bond Funds;
- (8) Reviewing the operator contract and preparing recommendations to submit to the attorney and the board for review and approval, current contract promotes major replacement activities and does not promote proper routine maintenance on the system. The opinion of the District Engineer that routine maintenance is not properly being performed resulting in frequent problems on the system with lack of proper maintenance could be attributed to lack of proper documentation of equipment and system; and
- (9) Reviewing the O&M on the generator equipment for sizing and maintenance will require 60 days to fix.

No action taken on the Engineers Report.

D. CONSIDER AND TAKE APPROPRIATE ACTION ON THE FOLLOWING

1. Offers of employment to US Water Utility Group employees, including the Equipment Operator, Laborers, Water Wastewater Operator, Maintenance Technician and Customer Service Representative for temporary employment with POCID commencing on February 1, 2018 and application process.

MOTION: Marshall Bradford

SECOND: Bobby Raybon

APPROVED: 3-0

To authorize President Brown to deliver a letter offering employment at the same USW Utility Group salary and health benefit, if any, with POCID starting on February 1, 2018 until such time as POCID transfers operation of POCID to another operator to the following employees John DeLeon, Equipment Operator, Joe Sartuche, Maintenance Technician, Michael Raby, Water/Wastewater

Operator, Evangelina Trevino, Customer Service Representative, and Melvin Riley, Laborer

2. District vehicles, equipment and facilities and repair or replacement by US Water Utility Group.

Jeffrey Dupont stated that the C-100 White 2011 Truck was estimated at \$7,124.95 to repair damage to the vehicle. He proposed to pay that amount to POCID. Jeffrey Dupont is checking USW records for condition of the vehicle and equipment when USW commenced operations on April 1, 2016. Jeffrey Dupont stated that USW will clean up vehicles before January 31, 2018. On January 31, 2018 a representative of USW and the District Project Manager will document the condition of the vehicles and equipment on that date. Inventory of tools needs to be prepared by USW and confirmed by District Project Manager. USW to provide detail of purchases at hardware store and account for items.

MOTION: Leon Brown

SECOND: Marshall Bradford

APPROVED: 3-0

Jeffrey Dupont to add the amount of \$7,124.95 as a credit on the Annual Reconciliation Work Authorization.

3. US Water Utility Group work authorization and invoice requests and direction to Municipal Accounts to place disputed amounts in a separate escrow account pursuant to Section 5.7 of the Operations, Maintenance and Customer Services Agreement between the Port O'Connor Improvement District, (POCID), and US Water Utility Group.

US Water Utility Group WA and backup.

US Water was asked to review the previous Board action on January 11, 2018 where the Board approved Don Rauschuber's engineering services WA# 4310-7 in the amount of \$8688.30 but are disputing the 18% margin and will be putting \$1907.19 in an escrow account. The Board of Directors approved the work authorization for the Hurricane Harvey expenses, WA # 4310-17 and agreed to pay \$9,852.79, but are disputing \$2,184.76 and put the disputed amount in an escrow account

No action taken. USW submitted invoices previously approved on January 11, 2018. Jeffrey Dupont to resubmit invoice for undisputed amount.

4. US Water Utility Group Proposed Exit Transition Plan and US Water Utility Group Work Authorization Request for Exit Transition Services and authorize the President to execute the Exit Transition Plan, including but not limited to documents or agreements, identification of USW Utility Group exit transition staff, cost of the task and a detailed description of the task listed below:
 - Documentation on the return of the Facilities (including electronically stored information and other records, documents,

and information) to POCID in the same or better condition as they were upon the Commencement Date.

- Customer Service/Billing task documentation identified as task numbers, 31-39 of the US WATER UTILITY GROUP proposed exit transition plan.
- Vendor agreements so that the agreements can be terminated or transferred to POCID.
- Documentation associated with Information Technology tasks identified as task numbers 56-69 of the exit transition plan.
- Documentation necessary for the transition of US Water Utility Group employees to POCID. POCID requested documents associated with the transition of the following employees as referenced by the job title, Equipment Operator, Laborer, Water Wastewater Operator, Maintenance Technician and Customer Service Representative.

Jeffrey Dupont stated that there would be no charge to POCID for USW exit transition services. USW to provide POCID will all vendor agreements. Jeffrey Dupont stated that USW would release employees that would work for POCID on February 1, 2018.

No action taken.

5. Outstanding US Water Utility Group invoices.

Documentation of US WATER UTILITY GROUP invoices that are outstanding with backup

No action taken. Invoices submitted had been previously submitted at the January 11, 2018 meeting.

6. Startup fee request for payment by US WATER UTILITY GROUP

Startup fee documentation

USW Utility Group to continue to submit Startup Fee Invoices per the Operation, Maintenance & Customer Service Agreement between Port O'Connor Improvement District and USWater Utility Group dated March 23, 2016

No action taken

7. US WATER UTILITY GROUP Annual Reconciliation, including items and documentation requested by POCID

Backup documentation has been reviewed and disputed. Overtime does not have sufficient backup. Training and American Water Association Membership expenses are disputed as not a reimbursable expense. USW employee expenses need backup on how POCID was charged for USW employees not working at POCID.

MOTION: Leon Brown

SECOND: Bobby Raybon

APPROVED: 3-0

To put the amount of \$21, 861.73 in the disputed fee USW escrow account.

8. US WATER UTILITY GROUP Proposed Agreement for Termination and Exit Transition.

Postponed to next meeting.

9. Designation of POCID Dispute Representative for payment disputes arising out of the Operation, Maintenance & Customer Service Agreement between Port O'Connor Improvement District and US WATER UTILITY GROUP Utility Group dated March 23, 2016.

MOTION: Bobby Raybon

SECOND: Marshall Bradford

APPROVED: 3-0

To designate Leon Brown as the POCID Dispute Representative for payment disputes arising out of the Operation, Maintenance & Customer Service Agreement between Port O'Connor Improvement District and US WATER UTILITY GROUP Utility Group dated March 23, 2016.

10. Interlocal Agreement with Guadalupe-Blanco River Authority for services relating to the operation of POCID facilities; including operation, maintenance, repair ,laboratory and testing services

MOTION: Marshall Bradford

SECOND: Bobby Raybon

APPROVED: 3-0

To Authorize President Brown to negotiate an Interlocal Agreement with GBRA based on the Request for Proposals for an Operator prepared by General Counsel with input from the District Engineer

- E. EXECUTIVE SESSION. President Brown recessed the Open Meeting and announced the convening of the Executive Session on items, E. 1- 4, below at 3:06 pm. and the Board convened into Executive Session.

The Port O'Connor Improvement District may consider in Executive Session any of the identified items posted on the agenda pursuant to the following exceptions:

Texas Government Code Ann. § 551.071: Consultation with Attorney

Texas Government Code Ann. § 551.072: Real Property

Texas Government Code Ann. § 551.074: Personnel Matters

Consultation with General Counsel pursuant to Texas Government Code Section 551.071, Consultation with Attorney, on pending or contemplated litigation; or a settlement offer; or on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Texas Government Code Chapter 551 for the purpose of receiving legal advice concerning status of pending projects, including but not limited to and Texas Government Code Section 551.074, Personnel to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee:

1. Legal issues related to Operation, Maintenance & Customer Service Agreement between Port O'Connor Improvement District and USWater Utility Group dated March 23, 2016; including US Water Utility Group, US Water Utility Group's letters of November 2, 2017, December 21, 2017, and January 3, 2018 including but not limited to US Water Defaults; US Water Utility Group Proposed Agreement for Termination and Exit Transition; Additional US WATER UTILITY GROUP Services requested by POCID; Return of the Facilities (including electronically stored information and documents) to POCID in the same or better condition as they were upon the Commencement Date.
2. Deliberate the appointment or employment of a District Project Manager and US Water Utility Group employees, including the Equipment Operator, Laborer, Water Wastewater Operator, Maintenance Technician and Customer Service Representative from resumes or applications submitted to the Port O'Connor Improvement District.
3. Legal issues related to pending open records requests.
4. Any other legal issues related to US Water Utility Group.

F. ACTION AS A RESULT OF EXECUTIVE SESSION. President Brown reconvened the meeting into open session at 3:50 pm. No action was taken in Executive Session.

1. Legal issues related to Operation, Maintenance & Customer Service Agreement between Port O'Connor Improvement District and USWater Utility Group dated March 23, 2016; including US Water Utility Group, US Water Utility Group's letters of November 2, 2017, December 21, 2017, and January 3, 2018 including but not limited to US Water Defaults; US Water Utility Group Proposed Agreement for Termination and Exit Transition; Additional US WATER UTILITY GROUP Services requested by POCID; Return of the Facilities (including electronically stored information and documents) to POCID in the same or better condition as they were upon the Commencement Date;
2. Deliberate the appointment or employment of a District Project Manager and US Water Utility Group employees, including the Equipment Operator, Laborer, Water Wastewater Operator, Maintenance Technician and Customer Service

Representative from resumes or applications submitted to the Port O'Connor Improvement District

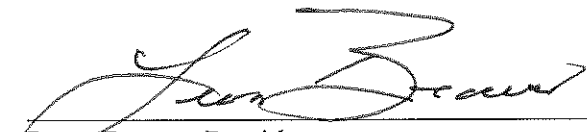
3. Legal issues related to pending open records requests. Jeff Dupont stated that US WATER UTILITY GROUP would provide the documents requested by POCID.
4. Any other legal issues related to US Water Utility Group

No action taken on Executive Session items.

G. ITEMS FROM BOARD MEMBERS (Note: Board members may request specific factual information, recitation of existing policy, or placement of items on the Agenda for discussion at a later meeting.)

H. ADJOURN. President Brown adjourned the meeting at 3:55 pm.

Signed on this 15 day of February, 2018.


Leon Brown, President
R W (Bobby) Raybon, Secretary