

The La Vernia City Council held a Workshop on January 15, 2013 at 6:30 p.m. at City Hall, La Vernia, Texas.

Item No. 1. Call to Order Mayor Gregory called the workshop to order at 6:32 p.m. and declared a quorum. Councilmen Randy Leonard, Bobby Richter, John Richter, and Eloi Cormier were in attendance. Councilman Brad Beck was absent. Officer Janet Thelen was in attendance.

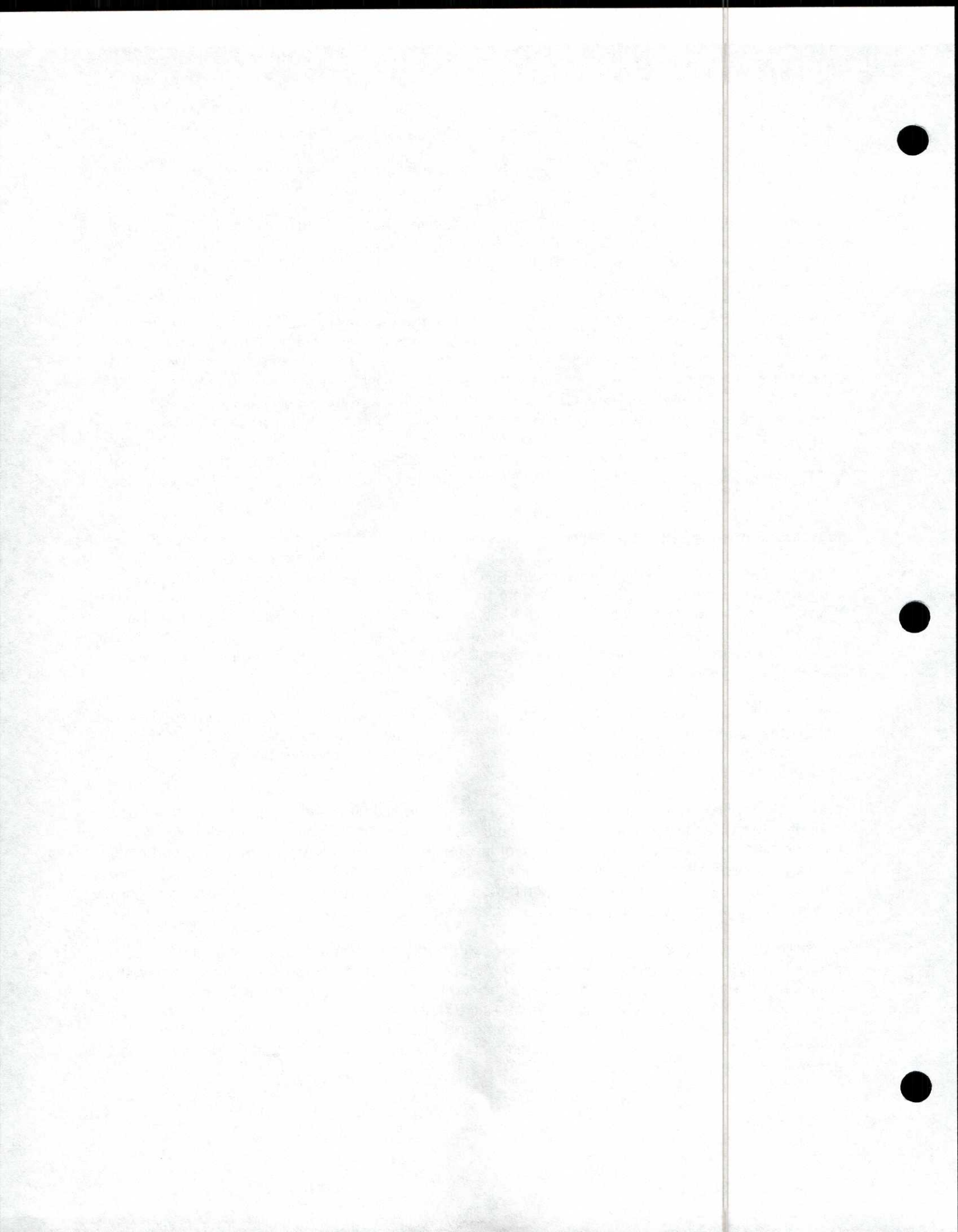
Item No. 2. Discuss the City of La Vernia well project options. Mayor Gregory started the discussion with comments from Southwest Engineers regarding selecting other well sites on Mr. Callaway's property. Mayor Gregory advised that Mr. Callaway has expressed that he would be amicable to changes. Mayor Gregory advised that moving the site would require a new Environmental Information Document (EID) per the EPA grant. The George Jones with Naismith Engineering informed Mayor Gregory that the EID conducted on the present Callaway Well #7 site required seven months at a cost of \$20,500. Mr. Jones also advised that the "drop-dead" date for the EPA grant monies is December 31, 2013. The city can within 10-15 days of the drop-dead date apply for an extension. Mayor Gregory will contact Mr. Jones and determine if the extension can be requested now.

Mayor Gregory advised that a second meeting was held with Sutherland Springs Water Supply (S.S. Water) to discuss possible options for addressing La Vernia's future water needs. Herb Williams, General Manager expressed that S.S. Water is not interested in Option 1 or Option 2. Option 3 that allowed the City of La Vernia to assist with construction cost, but the well and operation of the well would belong to S.S. Water was the only option that S.S. Water would support. The city would then receive water without payment for a specific time period, with other considerations for well operation and line use to be decided during the contract negotiating of Option 3.

The councilman discussed that East Central and Canyon Regional Water Authority (CRWA) are not interested in purchasing water from La Vernia. Originally, it was believed that either or both would be interested in purchasing La Vernia's surplus water if wells were built in La Vernia and excess water was produced.

Mayor Gregory has reviewed the various contracts that the city has entered into with CRWA and cannot find any language that specifically addresses a contractual obligation for the city to pay line use and administrative fees. The Mayor is interested in possible terms within the contracts regarding severability. Councilman Leonard and Councilman Bobby Richter inquired about increases in the past in line use and admin fees. Mayor Gregory advised that there have been several increases and we are currently paying around \$36,000 per year.

Councilman Bobby Richter presented information from the CRWA meeting held on Monday, January 14, 2013 and advised that the Texas Water Development Board and the Texas Water Alliance is considering making changes to the acre feet to land requirement for groundwater. Some parts of the state are already using a 1 acre foot to one acre formula. Currently our area is at 2 acre feet of water per one acre. The change could be to 1.5 acre feet per one acre or even as restrictive as the one to one requirement. This would greatly impact well locations and expenses for new well construction.



Mayor Gregory stressed that to meet our financial obligations, if La Vernia became water self-sufficient we would need to end the contract with CRWA. This would stop line use and admin fees.

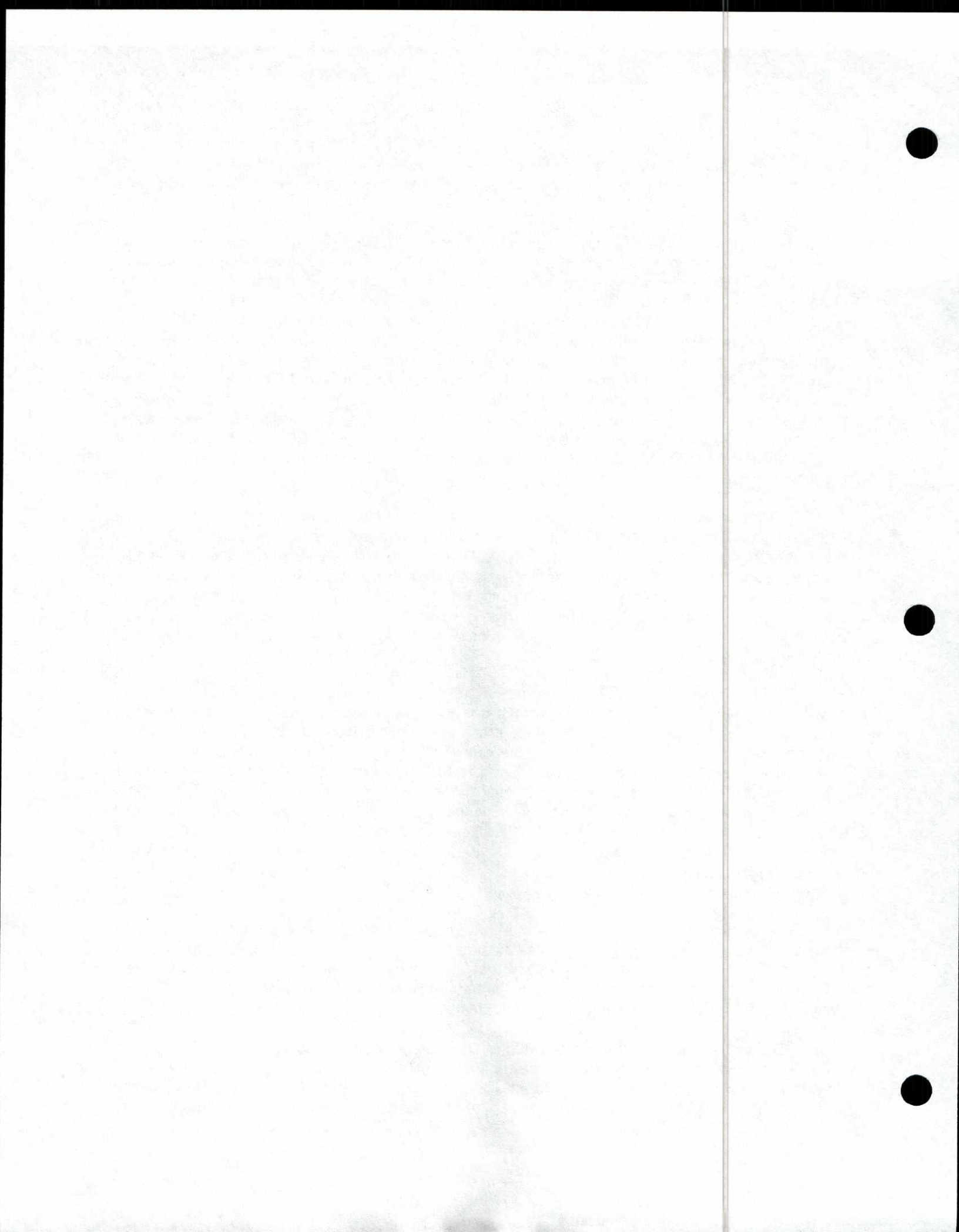
The discussions moved back to the recent meeting with S.S. Water in which Clarence Littlefield of Southwest Engineers was in attendance. The well being discussed would be in the CR 307 and US Hwy 87 area. The well would be either a 1,000 gpm or 1,200 gpm. Mayor Gregory reference the email sent on January 14, 2013 from Neal Goedrich with Southwest Engineers regarding the short notice Southwest Engineers were given prior to the meeting with S.S. Water and that the cost estimates and discussions were lacking specifics for moving the pumped water from the well, through the S.S. Water distribution system and into the La Vernia water distribution system. The Mayor discussed the maps that accompanied the three options and possible methods of moving the water from the well to the city. Additional research is needed on this portion of the possible plan to partner with S.S. Water. The city would need two points of connection with S.S. Water to attain the self-sufficiency required by TCEQ. S.S. Water does not need a 1,000 or 1,200 gpm well, so all upsizing needed for La Vernia and La Vernia's future growth would be funded by the city.

The council then discussed the plans for Well #6 and Well #7 and the issues with the cost of filtration. S.S. Water does not filter their water, but they sequester the iron with chemicals. The result is iron dropping out of the water and settling in the lines especially in the dead-ends. Council Leonard advised that he does not want to provide the water customers with a lesser quality of water than currently is being provided. The CRWA Wells Ranch well field is heavily filtered. Mayor Gregory advised that S.S. Water would like to go to filtration, but currently it is not in their funding plans. If the S.S. Water does add filtration, La Vernia would be expected to participate in the costs.

Mayor Gregory advised that La Vernia currently uses 277 gpm per day. The city must get off CRWA if two wells are built as the city could not absorb the \$36,000 line use and admin fees plus any future increases. The CRWA contract lasts until December 31, 2030. The Mayor projects the city could be using 325 gpm per day within two years. The CRWA contract allows the city 400 acre feet of water per year. The city has never used that much water, but future growth could result in water demands that might meet the 400 acre feet per year. The council discussed the pros and cons of drilling two wells, partnering with S.S. Water for development of one large well, or moving completely to CRWA. Everyone agreed that the council still has insufficient information to make that decision. Councilman Bobby Richter and Councilman Leonard expressed a desire to stay with CRWA instead of drilling wells. Councilman John Richter expressed concerns of not having wells in the city.

Mr. Callaway was in attendance at the meeting and advised that he had reviewed the report from Southwest Engineering that included comments of drilling two wells on his property to a depth of 500 feet. Mr. Callaway expressed that the Wilcox Aquifer has upper and lower strata and the upper layer has lesser quality water than the lower strata. Mr. Callaway has a 700 foot well on his property and the water is of good quality.

Mayor Gregory met with Wilson County Judge Quinney, and Gary Marrow and Bob Williams of P³ Finance regarding Public Private Project financing. The County is considering this method of paying for the repairs to the Wilson County Courthouse. That project would be bundled with other projects and the funding would have interest rates 2.5 percent. Mayor Gregory then



stated that a lower interest rate is better, but the City must still find ways to fund the payments. Mayor asked the rates for the Certificate of Obligation taken for the well projects. No one knew the exact amount, but believed it was around 4.3 percent. The discussion progressed to investigating the current income generated through water bills. There was a brief discussion of the auto read meters and how that should improve income.

Again, the discussion turned to the possible options to be considered including getting out of the water production business and utilizing only purchased water from CRWA, or drilling two water wells and pricing the construction costs with and without filtration.

Councilman Leonard discussed the need for overhead storage with a minimum capacity of 500,000 gallons. With a large overhead storage tank, the city could eliminate the need for pump stations and ground storage tanks which are currently spread cross the city for water distribution.

Mayor Gregory advised that he would continue to gather information. He advised that if the city remains on CRWA that the upcoming rate increase planned for 2015 by CRWA should be phased in over the next few years to avoid hitting customers with one huge increase that they cannot easily plan for.

Councilman Leonard stated that EPA will require submission of all new construction documents for approval prior to releasing grant funds. This discussion also included verifying with EPA if the funds could be used to fund an overhead storage tank, second connection point with CRWA, or filtration. Mayor Gregory confirmed that he will contact George Jones with Naismith Engineering to determine the parameters of the EPA grant funds.

Mr. Callaway advised that he will modify his agreements with the city if needed and was willing to assist in any way to help the city.


The council further discussed issues related to currently secured funds (grant and Certificate of Obligation funds) and the difficulty of small cities to fund growth for utilities.

The council decided to hold another workshop on Tuesday, January 22, 2013.

Item No. 3. Adjournment With no further discussion the meeting adjourned at 8:25 p.m.



Robert Gregory, Mayor



Janet Thelen, Code Enforcement Officer/Project Coordinator



