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RATEPAYERS APPEAL OF THE
DECISION BY WINDERMERE OAKS
WATER SUPPLY CORPORATION TO
CHANGE WATER AND SEWER
RATES

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BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS

DIRECT TESTIMONY

OF

JOE GIMENEZ III

ON BEHALF OF

WINDERMERE OAKS WATER SUPPLY CORPORATION

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MARCH 10, 2021

**DIRECT TESTIMONY OF
JOE GIMENEZ III**

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RATEPAYERS APPEAL OF THE § **BEFORE THE STATE OFFICE**
DECISION BY WINDERMERE OAKS §
WATER SUPPLY CORPORATION TO § **OF**
CHANGE WATER AND SEWER §
RATES § **ADMINISTRATIVE HEARINGS**

1 I. INTRODUCTION

3 A. My name is Joe Gimenez III. I am the President of the Board of Windermere Oaks
4 Water Supply Corporation (“WOWSC” or the “Corporation”). My business address in
5 this capacity is 424 Coventry Road, Spicewood, Texas, 78669.

7 A. I am filing direct testimony on behalf of WOWSC.

10 A. My professional and educational background are as follows:

- 004

1 I own G3 Public Relations, a public relations and marketing consulting
2 company. I am or have been an advisor and counselor, and my teams have provided
3 services to, to multibillion dollar pension funds, software companies, healthcare
4 companies, management consultancies, law firms, and oil companies. I consult on
5 setting and achieving business goals needing communications activities for increased
6 business opportunities, marketing, regulatory issues management, and crisis
7 management, among other things.

8 **Q. HOW LONG HAVE YOU BEEN INVOLVED WITH WOWSC?**

9 A. I have been a customer member since September 2014. I was elected to the WOWSC's
10 volunteer Board of Directors on March 9, 2019.

11 **Q. WHAT IS THE PURPOSE AND SCOPE OF YOUR TESTIMONY IN THIS**
12 **PROCEEDING?**

13 A. The purpose of my testimony is to provide an overall background on the history and
14 governance of WOWSC, including how it operates, its current financial health, and its
15 reasons for employing a law firm to supply legal counsel. I will also give a timeline
16 and explain the various operational challenges to WOWSC's system that were present
17 at the same time that legal challenges escalated, not only in the form of lawsuits against
18 the company, but also public information act requests and the need to address member
19 concerns about the conduct of our board operations. My testimony will provide support
20 for the corresponding legal expenses that have been included in WOWSC's rate
21 increase, while also explaining the general need for increased operational funds for the
22 company to address forward-looking issues, especially the growth of its membership
23 base, the repair and replacement of aging infrastructure, natural challenges like zebra

1 mussel infestation, and preparation for the always looming prospect of drought
2 conditions.

3 II. WOWSC DESCRIPTION

4 Q. PLEASE DESCRIBE THE WOWSC.

5 A. WOWSC is a non-profit, member-owned, member-controlled water supply and sewer
6 service corporation. WOWSC has one class of “members,” as defined by Texas Water
7 Code § 13.002(11), and the purpose of WOWSC is to furnish water and sewer service
8 to these members. Since its creation, WOWSC has never had more than 300 active
9 water or wastewater customers. Our tariff contains the most complete description of
10 WOWSC, being provided in electronic file-format as *voluminous* Attachment JG-1.

11 Q. WHEN DID YOU JOIN THE BOARD?

12 A. I was elected to the volunteer Board of Directors following vote tabulations at the
13 March 9, 2019 annual members meeting. I earned 96 votes. Mike Nelson earned 134
14 votes. Bill Earnest earned 95 votes. Our opponents, who ran as a slate, included the
15 Ratepayer Representative Patti Flunker, who received 58 votes. Her platform group
16 included candidate Rene Ffrench, who was then a plaintiff in the lawsuit styled *Double*
17 *F Hanger Operations, LLC, Lawrence R. Ffrench, Jr., Patricia Flunker, and Mark A.*
18 *McDonald v. Friendship Homes & Hangars, LLC, and Burnet County Commissioners*
19 *Court*, Cause No. 48292, in the 33rd District Court, Burnet County, Texas. He earned
20 63 votes, and their third candidate, Littleton Billingsley, earned 32 votes.

21 Q. PLEASE EXPLAIN HOW THE WOWSC IS GOVERNED?

22 A. WOWSC is managed by a member-elected Board of Directors. Each director must be
23 a resident of the State of Texas, and both a member and customer of WOWSC.
24 Currently, WOWSC has five board members. The Board of Directors elects its

1 officers, consisting of a president, vice president, and a secretary-treasurer. All are
2 volunteers in this non-profit corporation and receive no dividends, no stock or bonuses
3 or other compensation. The bylaws do allow the company to pay up to \$5,000 yearly
4 to a Board director for the provision of business services to the corporation. The
5 complete governance structure of WOWSC is contained in the bylaws, attached here
6 as Attachment JG-2.

7 **Q. PLEASE EXPLAIN IN DETAIL YOUR RESPONSIBILITIES WITH RESPECT**
8 **TO WOWSC'S BOARD OF DIRECTORS.**

9 A. WOWSC's bylaws set forth the following responsibilities of the President: The
10 president shall be the chief executive officer of the Corporation. He shall preside at all
11 meetings of the directors and members. He shall see that all orders and resolutions of
12 the board are carried out, subject however, to the right of the directors to delegate
13 specific powers, except such as may be by statute exclusively conferred in the
14 president, to any other officers of the Corporation. He or any vice president shall
15 execute bonds, mortgages, and other instruments requiring a seal in the name of the
16 Corporation, and, when authorized by the board, he or any vice president may affix the
17 seal to any instrument requiring the same. The seal when so affixed shall be attested
18 by the signature of either the secretary or an assistant secretary. He or the
19 secretary-treasurer shall sign certificates of membership. The president shall be
20 ex-officio a member of all standing committees. He shall submit a report of the
21 operations of the Corporation for the year to the directors at their meeting next
22 preceding the annual meeting of the members and to the members at their annual
23 meeting.

1 **Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES DURING YOUR TENURE**
2 **WITH WOWSC.**

3 A. My responsibilities have been to execute the duties described in the bylaws and to
4 comply with state laws regarding governance of non-profit water corporations. My
5 responsibilities were also noted by our Board and legal representation to be that of a
6 Chief Administrative Officer (“CAO”), because that person is automatically designated
7 as the Public Information Officer by state law. I was made CAO on May 8, 2019 at the
8 public board meeting. The minutes from that board meeting are included here at
9 Attachment JG-3.

10 **Q. DOES THE WOWSC HAVE ANY FULL-TIME EMPLOYEES?**

11 A. No. There are no full-time employees and no part-time employees. WOWSC does not
12 have a payroll, so it does not have payroll taxes or benefits. WOWSC has contracted
13 for a water manager, George Burriss, as discussed further in the Direct Testimony of
14 George Burriss and the Direct Testimony of Mike Nelson.

15 **Q. WHY DID WOWSC DECIDE TO UTILIZE A LAW FIRM FOR ITS LEGAL**
16 **COUNSEL?**

17 A. WOWSC’s decision to use external counsel has been in place since its inception. In
18 other words, no Board has seen the wisdom in employing a full-time attorney and the
19 staff members needed to support the attorney. By not hiring an attorney or attorneys
20 and the staff members needed to support them, WOWSC has not had to pay the yearly
21 salaries, benefits, payroll taxes that would be associated with that decision.
22 Furthermore, WOWSC has saved other costs that would normally be associated with
23 renting or otherwise buying/maintaining office space for an attorney or attorneys and

1 staff. Thus WOWSC, when in need of legal counsel, has hired law firms with attorneys
2 and staff with the requisite experience and qualifications suitable to particular needs.

3 **III. WOWSC SYSTEM AND FINANCIAL HEALTH**

4 **Q. PLEASE DESCRIBE THE WOWSC SYSTEM.**

5 A. Windermere Oaks is a subdivision located on Lake Travis in the Spicewood area.
6 WOWSC purchases water from Lower Colorado River Authority (“LCRA”) under firm
7 water contract no. 6269009, and sells treated water to approximately 280 retail
8 customers.

9 **Q. WHAT IMPROVEMENTS HAVE BEEN MADE TO THE SYSTEM?**

10 A. In the first four months of 2019, WOWSC was in recovery mode from the October
11 2018 flood event on the entire set of highland lakes managed by the LCRA, including
12 Lake Travis. On or about October 16, 2018, the WOWSC pumping barge had been
13 ripped from its anchors and swept down the lake. The company was able to install
14 temporary pumps to continue water services to its customers while the barge was
15 retrieved, assessments made, and repairs completed. On March 14, 2019, taking into
16 account the slow progress on the barge report and the need for water pumping to be at
17 full capacity for spring, the Board of Directors—including myself and other newly
18 elected member Bill Earnest, along with re-elected member Mike Nelson—gave its
19 manager the authority to “own and drive all barge repairs.” All four barge pumps were
20 restored to working service two weeks later. The six month barge repair effort cost
21 approximately \$60,000, of which roughly \$59,000 was recovered from WOWSC’s
22 insurance company. At its July 2019 meeting, the Board approved purchasing a
23 propane generator for \$63,000, with additional considerations for installation and
24 maintenance contracts, which would total about \$80,000–85,000. In 2019,

1 approximately \$40,000 was paid for this Texas Commission on Environmental Quality
2 (“TCEQ”)-required piece of equipment.

3 **Q. HOW MANY CUSTOMERS DOES WOWSC HAVE?**

4 A. As of January 31, 2021, WOWSC has 287 water customer accounts and 263 wastewater
5 customer accounts. As of January 2, 2020, for the month of December 2019, WOWSC
6 had 271 water customer accounts and 245 wastewater accounts.

7 **Q. PLEASE DESCRIBE THE FINANCIAL HEALTH OF WOWSC.**

8 A. In March 2019, I attended the Texas Rural Water Association annual conference in
9 Austin for the specific purpose of being in two sessions that were intended for board
10 directors. One was presented by NewGen Strategies & Solutions LLC (“NewGen
11 Strategies”) and CoBank regarding financial metrics and lending, and the second was
12 about communications to members regarding system operations. The financial
13 presentation by NewGen Strategies and CoBank turned out to be very beneficial to the
14 WOWSC Board. We invited NewGen Strategies and CoBank to our May 20, 2019
15 Board Meeting and soon after asked our CPA to begin including some of the
16 recommended financial metrics on our monthly financial reports. The company
17 adopted various monthly financial metrics—including days cash on hand and debt
18 service coverage in May 2019—at the suggestion of NewGen Strategies at the May 20,
19 2019 board meeting. The minutes from this board meeting are attached here as
20 Attachment JG-4. These metrics fluctuate somewhat each month, but they help the
21 Board evaluate WOWSC’s financial position beyond simple measures of money-in-
22 the-bank. The first monthly financial report including these new metrics is attached
23 here at Attachment JG-5. The Board of Directors relied on these metrics to approve
24 purchase of the generator in July 2019.

1 The metrics indicated to us that our financial health was very good—especially
2 after we received insurance payment of the roughly \$59,000 check for barge repairs.
3 In March 2019, we also began seeking financing to pay a balloon note loan that would
4 be coming due in 2021. Vice President Bill Earnest and I began seeking quotes from
5 commercial banks and CoBank, one of the presenters at the TRWA conference. In July
6 2019, we were working with CoBank for loan approval in the amount of \$500,000. In
7 September 2019, CoBank offered a loan, and we approved it. However, because cost
8 estimates for the clarifier tank increased from \$150,000 to \$450,000 due to steel prices,
9 we decided in September 2019 to hold off from signing the loan until we understood
10 how much more money we might need.

11 The metrics and the loan approvals were validations in 2019 that our financial
12 health was indeed good. But we sought further reinforcement of validation in July
13 2020, after the rate increase and in view of the mounting legal fees. The WOWSC
14 Board hired NewGen Strategies to conduct a Financial Assessment (the “Assessment”).
15 They reviewed financial results from 2017, 2018, and 2019 to assess WOWSC’s recent
16 financial history and provided a complete report, attached as Attachment JG-6. In
17 general, the system was (and is) financially healthy in view of the lawsuits lodged
18 against WOWSC and the legal fees necessary to defend the Corporation and its current
19 and former directors. However, the Assessment did not take into account items needed
20 to accommodate the operational integrity of our system, including: 1) further expansion
21 of our dispersant field; 2) added outlays for the clarifier tank, and, 3) new technology
22 adoptions for zebra mussel protections for our lake pumping operation. NewGen
23 Strategies also performed what-if calculations for the optimal situation where the
24 lawsuits did not exist. The Assessment clearly shows the impacts of the lawsuits on

1 WOWSC, such that the items needed to maintain operational integrity will cause us to
2 scramble for funds long into the future.

3 **Q. WHEN DID WOWSC INCREASE THE RATES SUBJECT TO THIS APPEAL?**

4 A. The rates subject to this appeal became effective March 23, 2020. The rate increase
5 was approved at the February 11, 2020 board meeting. These meeting minutes are
6 attached at Attachment JG-7.

7 **Q. IF WOWSC HAD NOT INCREASED THE RATES, WOULD IT HAVE BEEN**
8 **ABLE TO PROVIDE SAFE AND ADEQUATE WATER AND SEWER**
9 **SERVICE?**

10 A. No. WOWSC would not have been able to provide safe, continuous, and adequate
11 water and sewer service without the rate increase. Adding the generator, with its
12 \$80,000 price tag, was a substantial investment for the Corporation. This was
13 absolutely necessary, as TCEQ regulations require systems with more than 250
14 customers to acquire generators. The further wisdom of this purchase was readily
15 apparent during the big freeze in February 2021. Our system was able to maintain
16 service to our customers for the entire week of this winter weather event. WOWSC's
17 only setback during the event was having to shut down water service to about one-third
18 of the membership base for approximately 14 hours. That was due to the fact that a big
19 leak had not been found earlier that day, and it was draining our reserves and
20 threatening the rest of the system.

21 The cost of the generator, combined with the mounting legal bills in late 2019,
22 caused us to become concerned in January 2020 that WOWSC would not be able to
23 complete the purchase and installation of the generator (\$40,000), nor would it be able
24 to honor its commitments to the LCRA (\$34,000) for its grant application for a

1 backwash conservation project, to which the LCRA had committed \$14,000 in
2 matching funds. In addition, WOWSC's Board had been advised during its December
3 2019 budget process that the operator needed to replace the Corporation's outdated
4 six-year-old SCADA system (computer and software costing about \$20,000) to
5 monitor and drive the water plant, and also that a security system was needed to comply
6 with Homeland Security recommendations for "hardening" infrastructure assets
7 (\$10,000). As we know now, based on review of our December 31, 2020 Profit and
8 Loss Budget Performance report, the company would have lost \$142,315 in 2020 based
9 on the old rates. This budget report is attached here as Attachment JG-8. Instead, due
10 to the rate increase, the company was able to show a slight profit of \$4,151.69 in 2020.
11 Nonetheless, WOWSC still accrued more outstanding bills for the lawsuits and also the
12 additional fees caused by this rate appeal.

13 In confirming the impact of legal fees on the system, the Assessment further
14 validates the stress the lawsuits have placed on the Corporation. Furthermore,
15 WOWSC needs to buy and install a new clarifier as quickly as possible to keep up with
16 the demand from new houses being built in the neighborhood. In late 2020, WOWSC
17 had to truck water in because a leak had sprung in the system and our clarifier was not
18 keeping up. There also have been about 50 new houses built in our neighborhood in
19 the last four to five years. That represents need for about 20% growth of water delivery
20 and treatment services. WOWSC is meeting some of that demand through the LCRA
21 conservation project-matching grant our Board sought in 2019. The grant was awarded
22 in late 2019 for fulfillment in 2020. As result, we soon will be saving 200,000 gallons
23 per month in treated water that will not be used for filter backwashing, and that water
24 can be sold instead of being lost for internal use. Considering that houses average about

1 10,000 gallons used each month, we have met growth demands on our system by all
2 the new houses being built, but the combination of all these factors ensures that the
3 added financial stress from the lawsuits will be long endured by the members of
4 WOWSC.

5 **Q. DOES WOWSC HAVE ANY VIOLATIONS FROM THE TCEQ FOR WATER**
6 **QUALITY OR SERVICE?**

7 A. No. In the 2019 test year there were no violations. In fact, based on its 2019 application
8 to the TCEQ, WOWSC learned in early 2020 that the TCEQ had granted a 10-year
9 extension of the Corporation's wastewater permit. Usual extensions are five years.
10 The 10-year extension was based on WOWSC's excellent track record. The
11 Corporation's 2019 Consumer Confidence Report had no violations, extending
12 WOWSC's perfect track record to four years. In late February 2021, the company
13 received a TCEQ letter advising that "No violations are being alleged" as result of an
14 evaluation investigation for compliance.

15 **IV. LEGAL CHALLENGES AND EXPENSES**

16 **Q. HAS WOWSC INCLUDED ANY LEGAL EXPENSES IN THE RATE**
17 **INCREASE?**

18 A. Yes. WOWSC's rate analysis indicated \$171,337 in accounting and legal costs for
19 2019, \$85,669 of which was fixed and \$85,669 which was variable. WOWSC included
20 the amount of fixed costs in the rate increase.

21 **Q. PLEASE SUMMARIZE WHY THESE EXPENSES WERE INCURRED.**

22 A. Our legal expenses break down along litigation-related and general counsel categories.
23 WOWSC incurred litigation-related expenses as a result of the following three lawsuits:

- 1 (1) *TOMA Integrity; v. WOWSC*, Cause No. 47531, in the 33rd District
2 Court, Burnet County, Texas (“TOMA Lawsuit”);
- 3 (2) *Rene Ffrench, John Richard Dial, Stuart Bruce Sorgen, and as*
4 *Representatives for Windermere Oaks Water Supply Corporation v.*
5 *Friendship Homes & Hangars, LLC, WOWSC, and its Directors*
6 *William Earnest; Thomas Michael Madden; Dana Martin; Robert*
7 *Mebane; and Patrick Mulligan; (originally styled Double F Hanger*
8 *Operations, LLC, Lawrence R. Ffrench, Jr., Patricia Flunker, and Mark*
9 *A. McDonald v. Friendship Homes & Hangars, LLC, and Burnet*
10 *County Commissioners Court)*, Cause No. 48292, in the 33rd District
11 Court, Burnet County, Texas (“Double F Hanger Lawsuit”); and
- 12 (3) *Windermere Oaks Water Supply Corporation v. The Honorable Ken*
13 *Paxton, Attorney General of Texas*, Cause No. D-1-GN-19-006219, in
14 the 201st District Court, Travis County, Texas (“Paxton Suit”).

15 WOWSC also incurred legal expenses relating to the substantial number of
16 public information act requests received. WOWSC’s volunteer Board members are not
17 required by law or the WOWSC’s bylaws to have background and training on the
18 Public Information Act (“PIA”). Prior to 2019, WOWSC had traditionally received
19 approximately three to four PIA requests per year, and these were handled by various
20 Board members with some assistance from legal counsel. The WOWSC did not have
21 a CAO or a Public Information Officer (“PIO”) at this time, as the position was not
22 previously needed to handle the relatively small number of requests. However,
23 WOWSC then saw an exponential increase in PIA requests, going from an average of
24 three to four per year up to a total of 46 requests in 2019. It is important to emphasize

1 that the vast majority of these requests were from people involved the lawsuits, namely
2 John Richard Dial, Rene French, Bruce Sorgen and Danny Flunker (who was an
3 original founder of TOMA Integrity LLC, with all the former).

4 Notably, on March 19, 2019, WOWSC received its first PIA request from Rene
5 Ffrench. Mr. French was a plaintiff in the TOMA Lawsuit, which at that time was in
6 the appeals process at Mr. Ffrench's and the other plaintiff's request. Not only was
7 Mr. Ffrench involved in the TOMA Lawsuit, but he and the other requestors behind a
8 majority of the 2019 requests were involved in a separate litigation pertaining to the
9 same land sale under dispute in the TOMA Lawsuit, which WOWSC would ultimately
10 be brought into in May 2019 (the Double F Hangar Lawsuit). WOWSC was therefore
11 concerned that many of these requests were attempts to get around the formal discovery
12 process in that case. Furthermore, the requestors had clearly demonstrated a penchant
13 for litigation, and WOWSC was afraid the requestors would aggressively pursue any
14 civil and criminal penalties available if WOWSC did not respond in the precise time
15 and manner required by the Public Information Act. Accordingly, WOWSC frequently
16 sought the help of legal counsel to best ensure compliance with the requirements of
17 each request and the hope of avoiding further lawsuits and legal penalties. The PIA
18 requests, received from 2018 through 2020, are being provided in electronic file-format
19 as *voluminous* Attachment JG-9.

20 Beyond the lawsuits and PIA requests, there were many other legal matters put
21 before the Corporation's general counsel. In view of the large number of PIA requests
22 and the amount of time it was taking me to fulfill them, I asked the Board at the July
23 2019 Board meeting to compensate me to serve as PIO, at the rate of \$416 per month,

1 as allowed by WOWSC's bylaws when a Board member provides services to the
2 corporation.

3 In my first three and half months as Board president, I received 19 PIA requests.
4 There were a handful of WOWSC members who asked the PIA requests—all were
5 related to the ongoing litigation. It seemed plausible to me that the plaintiffs and their
6 friends in the community were trying to use the PIA process to harass me by placing
7 untenable time burdens on my willingness to serve as president of both our
8 community's water board and our neighborhood property owners' associations (at the
9 request and vote of fellow Board members). This is relevant because I agreed to serve
10 in the PIO role in an effort to save WOWSC money by not simply turning the entire
11 PIO function over to the attorneys and paralegals at Lloyd Gosselink Rochelle &
12 Townsend, P.C. ("Lloyd Gosselink").

13 Ratepayer Representative Josie Fuller then led a campaign for a recall petition
14 for my position as president of WOWSC's Board. In October 2019, a petition was
15 presented to the Board. The trial-like event would eventually be held on December 14,
16 2019, after ballots went out to members. The minutes from this meeting are attached
17 here as Attachment JG-10. Ms. Fuller and Ms. Flunker interpreted WOWSC's bylaws
18 to allow them to hold a members meeting on their own, which they did on November
19 23, 2019 outside of the water company authority, with mailings, ballots, and emails
20 that looked similar to the water company letterhead and brand images.

21 The Board members were working with Lloyd Gosselink to work through the
22 legalities, ballot creations, etc., to hold a valid recall hearing for the Corporation, but
23 we also needed their input regarding the meetings that Ms. Fuller and Ms. Flunker were
24 having outside of the authority of the water company. These events were also occurring

1 during active litigation of the Double F Hangar Lawsuit, wherein I was deposed, while
2 also working with legal counsel to conduct inarguably open meetings for the entire
3 membership to attend on a Saturday morning about matters at issue in the case.¹ The
4 Board worked with legal counsel to regularly communicate with its members regarding
5 corrections to falsehoods being spread in the neighborhood and updates on the ongoing
6 litigation.²

7 **Q. WHAT IMPACT DID THESE LEGAL ACTIVITIES HAVE ON THE WOWSC**
8 **BUDGET?**

9 A. Before the TOMA Lawsuit was filed in 2018, our company had very minimal legal
10 expenses—in 2017 legal costs were less than \$3,000 per year. The company's expense
11 structure—and customers' monthly rates—favorably reflected the low yearly amounts
12 which the company was required to spend on legal fees. Legal costs in 2017, when
13 there was “only” a petition drive, cost \$2,247, or 1.75% of all general and
14 administrative (“G&A”) expenses. In 2018, WOWSC defended itself in the TOMA
15 Lawsuit, which cost \$37,981 in legal fees, or 18.8% of all G&A expenses. Then, in
16 2019, when the company was defending itself in the various lawsuits and burdensome
17 PIA requests and the legitimate business issues of the company (contract reviews,
18 bylaw and state code interpretations, etc.), legal expenses soared to \$166,000,
19 becoming 49.9% of our \$333,000 G&A budget. Our rates had to be adjusted especially
20 in view of the likelihood of the lawsuit continuing well into 2020 or beyond, the

¹ See Minutes from WOWSC's Board Meeting dated October 26, 2019 (provided as Attachment JG-11).

² See Communications to WOWSC Members (provided as Attachment JG-12).

1 continuing influx of PIA requests (40 more in 2020), and the need for repair and
2 replacements in our 40-year-old system.

3 **Q. COULD YOU FURTHER DESCRIBE THESE LAWSUITS?**

4 A. The TOMA Lawsuit commenced on March 30, 2018, and alleged violations of the
5 Texas Open Meetings Act (“TOMA”) resulting in the sale of a piece of real estate from
6 WOWSC to one of its individual board members. The plaintiffs sought mandamus
7 against WOWSC to reverse the violation of TOMA and asked the court to declare void
8 the action the WOWSC Board took on December 19, 2015 to sell WOWSC property
9 without the required public notice. The plaintiffs lost this suit and subsequent appeals,
10 including a denial of review by the Texas Supreme Court.

11 The Double F Hanger Lawsuit was filed on July 9, 2018, and sought similar
12 relief regarding the same transaction that was the focus of the TOMA Lawsuit.

13 WOWSC initiated the Paxton Suit on September 16, 2019, in an effort to
14 prevent the disclosure of privileged information sought in a public information request
15 from a WOWSC member asking for copies of multiple years of WOWSC’s legal
16 invoices. The member Danny Flunker was a known ally to the plaintiffs Dial, Ffrench
17 and Sorgen in Docket No. 48292, as he had been an original founding member of
18 TOMA Integrity, Inc. in December 2017 for that organization’s lawsuit in April 2018
19 against WOWSC. Danny Flunker had been offered redacted invoices so that the
20 company could retain privileged information, but he refused. Related minutes from
21 WOWSC’s October 9, 2019 Board meeting are included here in Attachment JG-13.

22 **Q. DID WOWSC RETAIN OUTSIDE COUNSEL TO DEFEND THE WATER**
23 **SUPPLY CORPORATION FROM THESE LAWSUITS?**

1 A. Yes. As previously stated, since its inception, the Corporation has saved its members
2 the expense of staffing a legal office. The low volume of legal issues it faced
3 historically did not warrant such expense. The need for legal counsel increased when
4 customers Dial, Ffrench, and Sorgen filed the TOMA Lawsuit in April 2018, and the
5 Board recognized it needed additional legal resources. Its previous counsel, Mark
6 Zeppa, was ill, so the Board hired Les Romo. In the latter half of 2018, and at the
7 successful conclusion of the TOMA Lawsuit, the Board accepted the resignation of
8 Romo and hired Lloyd Gosselink for both general counsel and for litigation services
9 for the appeal of the TOMA Lawsuit. Lloyd Gosselink was in place when the Double
10 F Hangar Lawsuit was filed in May 2019, naming the WOWSC and five former
11 directors in its first petition. Later in 2019, after the Board conducted its October 26,
12 2019 open member meeting to amend and supersede the 2016 land contract, the
13 plaintiffs modified their suit to include myself, Mike Nelson, and another board
14 member Dorothy Taylor. This caused additional use of legal resources to defend current
15 and former directors.

16 **Q. DID WOWSC USE OUTSIDE COUNSEL FOR PREPARATION FOR BOARD**
17 **MEETINGS?**

18 A. Yes. In 2019 in particular, because the Board was concerned that a handful of members
19 would use any perceived misstep to attack what they perceived and promoted to the
20 membership to be the Board's incompetence and malfeasance. Danny Flunker, and
21 presumably Patti, posted a YouTube page to host edited portions of the videotapes they
22 recorded at Board meetings, beginning with the March 2019 annual member meetings.³
23 There are 53 videos on the page. At one point, they had edited my November 19, 2019

³ See <https://www.youtube.com/channel/UC72wOtVmSuCHRTRQeWliTTw/videos>.

1 deposition and posted select clips on the site, but one of our attorneys successfully had
2 it removed after filing complaints with the Plaintiffs' attorney in the Double F Hangar
3 Lawsuit. To get a sense of the running narrative that was crafted in the neighborhood,
4 please view the May 26, 2020 letter Danny Flunker signed with the plaintiffs and
5 several others in the neighborhood, attached here as Attachment JG-14. Many of the
6 signatories had never been at Board meetings, and none of them bothered to ask Board
7 members whether any of the false light and defamatory narrative was truthful. The
8 WOWSC Board felt the need to take every precaution of seeking outside legal counsel.
9 The consequences of not doing so—lawsuits, filings with the attorney general and
10 regulatory bodies, as well as social media shaming—were and still are always in mind.

11 **A. DID WOWSC USE OUTSIDE COUNSEL FOR RESPONDING TO PIA**
12 **REQUESTS?**

13 A. Yes. Several PIA requests were related to ongoing litigation and required legal advice
14 for the appropriate response. Additionally, as discussed above, the Board was
15 concerned that any potential mistake could result in legal action against the WOWSC.

16 **Q. DID WOWSC USE OUTSIDE COUNSEL FOR CONTRACT REVIEW AND**
17 **SECURING A LOAN?**

18 A. Yes. In 2019, WOWSC was offered an agreement to expand its dispersant field by
19 three acres at zero cost if it would agree to a 10-year deal to supply treated wastewater
20 to the Spicewood Airport Pilots Association ("SAPA") for irrigation of a grass runway.
21 Approximately 75 WOWSC member accounts are airport hangars and use very little
22 water but pay the full monthly service fee. SAPA agreed to pay all costs for
23 establishing the waste water irrigation project. Our Board sought review of the contract
24 by Lloyd Gosselink.

1 In addition, WOWSC went through the application process and earned a
2 \$500,000 loan from CoBank, for: 1) paying off an existing, higher interest rate balloon
3 loan, and 2) financing infrastructure projects, especially purchase of a clarifier tank to
4 replace WOWSC's aging tank. Lloyd Gosselink reviewed the loan, and the Board
5 approved it in the fall of 2019, but ultimately we did not sign it due to escalating
6 estimates (from \$150,000 to \$450,000) for the clarifier tank. We wanted to get a better
7 sense of the money we would need—in 2020, we applied for and were offered a
8 \$680,000 loan. We signed that offer and have taken \$350,000 of the loan. We are
9 pre-approved for the other \$300,000 when needed to fund the clarifier this year.

10 **Q. ARE THE LITIGANTS IN THE LAWSUITS DESCRIBED ABOVE RELATED**
11 **TO OR CONNECTED TO THE RATEPAYER REPRESENTATIVES?**

12 A. Yes. Ratepayer Representatives Patti Flunker and Josie Fuller are known collaborators
13 on several initiatives in the neighborhood involving both the water board and the
14 property owners association. Patti Flunker cohabitates with Danny Flunker, a plaintiff
15 in both the Double F Hangar Lawsuit and the Paxton Lawsuit.⁴ Furthermore, Ms.
16 Flunker and Ms. Fuller are in regular correspondence with the plaintiffs in both the
17 TOMA Lawsuit and Double F Hangar Lawsuit.⁵

18 **Q. HAVE ANY WOWSC MEMBERS FILED PETITION(S) TO REMOVE YOU**
19 **FROM YOUR POSITION ON THE WOWSC BOARD?**

20 A. Yes. As described above, Ms. Fuller led a recall petition drive against me, for the stated
21 reasons on the petition that, "Joe Gimenez's fiduciary duties are compromised in
22 representation of the members as President on both the WOPOA/WOWSC in addition

⁴ See Ratepayers' Response to WOWSC's RFI No. 2-16 (provided as Attachment JG-15),

⁵ See Ratepayers' Response to WOWSC's RFI No. 1-6 (provided as Attachment JG-16).

1 to being elected as Public Information Officer where he receives \$5,000 annually from
2 WOWSC.”⁶ WOWSC bylaws permit petition recall efforts by members without any
3 qualifications so that members may have, as in the case, the broadest latitude in
4 recalling a Board member. The petition gained about 69 signatures from members.
5 After the December 14, 2019 hearing led by Ms. Fuller, there were 56 votes cast to
6 remove me, far short of the 127 needed for removal at the time.⁷ Ms. Fuller and Ms.
7 Flunker doubled the number of their charges against me for their independent
8 November 23, 2019 meeting, and then also presented the increased number of charges
9 at the Board-approved hearing on December 14, 2019. Even though this expansion
10 exceeded the petition’s charges and could have been disallowed I responded to each
11 and every one at the December 14, 2019 meeting.⁸

12 **Q. ARE YOU CURRENTLY UP FOR RE-ELECTION TO THE BOARD OF**
13 **WOWSC?**

14 A. Yes. I reapplied to be elected to the Board of Directors at the election being held on
15 March 27, 2021. I have always maintained at past annual and membership meetings
16 that my goal is to continue to improve the assets and infrastructure of the Corporation.
17 Despite consistent attacks and distractions in 2019 and 2020, our Board achieved that
18 to great effect, as evidenced by the fact we were one of only a few systems in this region
19 to have near perfect and continuous water service during the recent freeze event in
20 February 2021. The generator purchase was a key vote of the Board in July 2019 but
21 also securing loan financing, twice, in anticipation of system development in late 2019

⁶ See Attachment JG-10.

⁷ See Attachment JG-10.

⁸ See Attachment JG-10.

1 and mid-2020, despite ongoing and continuing petition threats, depositions, rate case
2 proceedings, etc. The importance of persevering in this effort was clearly seen in
3 February 2021 when many of the elderly retired in our neighborhood did *not* have to
4 shovel snow into their bathtubs to add to their water stores. There were many accounts
5 of that happening in nearby communities who lost water service.

6 **Q. ARE YOU AWARE OF WHETHER RATEPAYER REPRESENTATIVES**
7 **HAVE SOUGHT INFORMATION FROM INVESTOR-OWNED WATER AND**
8 **SEWER UTILITIES REGARDING POTENTIAL OWNERSHIP OF WOWSC?**

9 A. The Ratepayer Representatives have made it clear they think that selling WOWSC to
10 an Investor-Owned Utility (“IOU”) is their preferred solution. Ms. Flunker, at the 2020
11 annual members meeting, urged members to sell the water company to an IOU, to end
12 the neighborhood politics about the Corporation.⁹ She followed through by inviting and
13 hosting AquaTexas at a community meeting Ms. Flunker and Ms. Fuller hosted on Feb.
14 29, 2020 at the neighborhood pavilion. Moreover, the Ratepayer Representatives
15 created a survey in mid-August 2020 that they sent to WOWSC members. One of the
16 survey questions asked, “Would you attend a town hall meeting to find out more
17 information about our water supply corporation becoming a private utility (investor
18 owned utility—no more boards, elections, politics, etc.)?”¹⁰

19 In the summer of 2020, the Board asked NewGen Strategies to advise on the
20 effects of selling to an IOU, and the corresponding report confirmed that a non-profit
21 has structural advantages that an IOU does not have, such as: 1) not being required to
22 pay state ad valorem and federal revenue taxes; 2) not paying administrative salaries

⁹ See Ratepayers’ Response to WOWSC’s RFI Nos. 1-3 and 1-4 (provided as Attachment JG-19).

¹⁰ See Ratepayers’ Response to WOWSC’s RFI No. 1-9 (provided as Attachment JG-20).

1 and benefits, and; 3) not needing to make profits that end up in the ownership's pockets.
2 The current Board does not believe the higher rates likely with IOU ownership is in
3 members' best interests.

4 V. CONCLUSION

5 **Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**

6 A. Yes, it does. In summary, there is a small group of WOWSC members who have spent
7 the last several years engaging counsel to sue WOWSC and its Board and asking a
8 burdensome number of PIA requests. Throughout 2019, they engaged in activities that
9 required legal counsel for our Board, even as the Board tried to prioritize its attention
10 on the assets and infrastructure of the water company, for the delivery of safe water
11 and waste water services. Given the atmosphere this group of members have created,
12 and given the real, physical needs of our water system, our volunteer Board has been
13 forced by them to use legal resources. The legal expenses required a rate increase so
14 WOWSC could pay its ongoing legal expenses and continue to provide safe and
15 adequate water and wastewater service.

**Attachment JG-1 is
VOLUMINOUS and being
provided in electronic file-
format on CD.**

BY-LAWS
OF
WINDERMERE OAKS WATER SUPPLY CORPORATION

ARTICLE 1 - NAME

The name of the Corporation is Windermere Oaks Water Supply Corporation.

ARTICLE 2 - NONPROFIT CORPORATION

The Corporation is a non-profit, member-owned, member controlled water supply and sewer service corporation incorporated under the provisions and definitions of TEX. REV. CIV. STAT. ANN art. 1434a (now Texas Water Code Chapter 67) and the Texas Non-Profit Business Corporation Act. The Corporation shall have members. The members shall elect the governing Board of Directors. The Corporation shall be subject to the Texas Open Meetings Act, Gov't Code Chapter 551 and the Texas Public Information Act, Gov't Code Chapter 552.

ARTICLE 3 - PURPOSES

The purpose of the Corporation is to furnish a water supply or sewer service, or both, to towns, cities, private corporations, individuals, and military camps and bases, and for the purpose of providing a flood control and drainage system for towns, cities, counties, other political subdivisions, private corporations, individuals, and other persons.

ARTICLE 4 - POWERS

Except as otherwise provided in these bylaws, the Corporation's articles of incorporation or the laws of this state, the Corporation shall have all powers invested in a water supply or sewer service corporation by 1434a, the Texas Non-Profit Corporation Act, the Texas Water Code, and the administrative rules of the Texas Commission on Environmental Quality and its successor agency(ies), not inconsistent with Internal Revenue Code Section 501(c)(12)(A) and related federal regulations, rulings, and procedures.

ARTICLE 5 - RESTRICTIONS AND REQUIREMENTS

1. DIVIDENDS

No dividends shall ever be paid upon the memberships of the Corporation. No income of the Corporation may be distributed to members, directors, or officers in these roles. All profits arising from the operations of the business of the Corporation shall be annually paid out to cities, towns, counties, other political subdivisions, private corporations, and other persons who have during the past year transacted business with the Corporation, in direct proportion to the amount of business so transacted; provided that no such dividends shall ever be paid while any indebtedness of the Corporation remains unpaid and, provided also, that the directors of the Corporation may allocate to such sinking fund(s) such amount of profits as they deem necessary for maintenance, upkeep, operation, and replacements.

2. TRANSFER OF ASSETS UPON DISSOLUTION

Upon discontinuance of the Corporation by dissolution or otherwise, all residual assets of the Corporation remaining after payment of the lawful indebtedness of the Corporation or return of excess profits to members shall be distributed among the members and former members in direct proportion to the amount of their patronage with the Corporation insofar as practical. Any indebtedness due the Corporation by a member for water/sewer service or otherwise shall be deducted from such member's share before final distribution. By application for and acceptance of membership in the Corporation, each member agrees that, upon discontinuance of the Corporation by dissolution or otherwise, all assets of the Corporation transferred to that member shall be in turn immediately transferred by that individual member to an entity that provides a water supply or sewer service, that is exempt from ad valorem taxation. By application for and acceptance of membership in the Corporation, each member grants the Corporation's Board of Directors that member's irrevocable power of attorney to execute all instruments and documents necessary to effectuate such transfers in order to preserve the Corporation's statutory rights to exemption from income and ad valorem taxation.

3. LIMITATION ON ACTIVITIES

The Corporation shall have no power to engage in activities or use its assets in a manner that are not in furtherance of the legitimate business of a water supply cooperative or sewer service cooperative as recognized by 1434a and Internal Revenue Code 501(c)(12)(A).

ARTICLE 6 - OFFICES

1. REGISTERED OFFICE AND AGENT

The registered office of the Corporation shall be maintained at 424 Coventry Road, Spicewood, Texas 78669-3119 in the State of Texas. The registered agent shall be the duly elected President. The registered office or the registered agent, or both, may be changed by resolution of the board of directors, upon filing the statement required by law.

2. PRINCIPAL OFFICE

The principal office of the Corporation shall be at 424 Coventry Road, Spicewood, Texas 78669-3119 provided that the board of directors shall have the power to change the location of the principal office in its discretion.

3. OTHER OFFICES

The Corporation may also maintain other offices at such places within or without the State of Texas as the board of directors may from time to time appoint or as the business of the Corporation may require.

ARTICLE 7 - MEMBERS

1. PLACE OF MEETING

All meetings of members shall be held either at the registered office of the Corporation in Texas or at such other places, either within or without the state, as shall be designated in the notice of the meeting.

2. ANNUAL MEETING

The annual meeting of members for the election of directors and for the transaction of all other business which may come before the meeting shall be held on the first Saturday in February of each year (if not a legal holiday and, if a legal holiday, then on the next Saturday following) at the hour specified in the notice of meeting. In no event, shall the annual meeting be before January 1 or later than April 30 of any year.

The annual meeting of members may be held for any other purpose in addition to the election of directors, which may be specified in a notice of such meeting.

A members meeting (annual or special) may be called by resolution of the board of directors, the president, or by a writing filed with the secretary signed either by a majority of the directors or by members owning a majority of memberships in the Corporation and entitled to vote at any such meeting.

3. NOTICE OF MEMBERS' MEETING

Written or printed notice stating the place, day and hour of the meeting, and in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the president, secretary or the officer or person calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at his address as it appears on the membership books of the Corporation, with postage thereon prepaid.

4. MEMBERSHIPS AND VOTING OF MEMBERSHIPS

The Corporation shall have one class of 'members', which shall be defined by Texas Water Code, Section 13.002(11), as it may be amended.

All customers of the Corporation must hold a membership unless otherwise exempted by law.

Each member shall be entitled to only one vote on each matter submitted to a vote at a meeting of members regardless of the number of memberships held by that member.

A member may vote either in person or ballot mailed or delivered to the Corporation prior to the meeting in the manner and within the deadlines prescribed in the meeting notice.

No member shall be eligible to participate in any vote of the membership if that member has an outstanding utility account balance owed to the Corporation for utility services rendered, membership fees, or authorized fees if said debt has been delinquent for a period of not less than sixty (60) days prior to the date of such election or vote.

5. CLOSING TRANSFER BOOKS AND FIXING RECORD DATE

For the purpose of determining members entitled to notice of or to vote at any meeting of members or any adjournment thereof or in order to make a determination of members for any other proper purpose, the board of directors may provide that the membership transfer books shall be closed for a stated period not exceeding thirty (30) days. If the membership books shall be closed for the purpose of determining members, such books shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the membership books, the by-laws or in the absence of an applicable by-law, the board of directors, may fix in advance a date as the record date for any such determination of members, not later than thirty (30) days and, in case of a meeting of members, not earlier than ten (10) days prior to the date on which the particular action, requiring such determination of members is to be taken. If the membership books are not closed and no record date is fixed for the determination of members entitled to notice of or to vote at a meeting of members, the date on which notice of the meeting is mailed or the date on which the resolution of the board of directors declaring such election is adopted, as the case may be, shall be the record date for such determination of members. When a determination of members entitled to vote at any meeting of members had been made as provided in this section, such determination shall apply to any adjournment thereof, except where the determination has been made through the closing of membership transfer books and the stated period of closing has expired.

6. QUORUM OF MEMBERS

A quorum for the transaction of business at a meeting of the members is a majority of the members present. In determining whether a quorum is present, all members who mailed or delivered ballots to the independent election auditor or the corporation on a matter submitted to a vote at the meeting are counted as present.

7. VOTING LISTS

The officer or agent having charge of the membership books for the memberships of the Corporation shall make, at least ten (10) days before each meeting of members, a complete list of the members entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of memberships held by each, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the Corporation and shall be subject to inspection by any member at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any member during the whole time of the meeting. The original membership books shall be prima facie evidence as to who are the members entitled to examine such list or books or to vote at any meeting of members.

ARTICLE 8 - DIRECTORS

1. BOARD OF DIRECTORS

The business and affairs of the Corporation shall be managed by a board of directors. Directors must be: (a) residents of the State of Texas, (b) utility customers of the Corporation and (c) members in the Corporation.

2. NUMBER OF DIRECTORS

The number of directors shall be five (5) provided that the number may be increased or decreased from time to time by an amendment to these by-laws, but no decrease shall have the effect of shortening the term of any incumbent director. The number of directors may never exceed twenty-one (21).

There shall be two sets of directors, each serving two year terms expiring on alternate years except as provided herein. Each set of directors shall have relatively the same number of directors.

The Corporation shall have three initial directors for purposes of incorporating the Corporation and directing its affairs until the election of the first elected directors at the first annual meeting of members. All directorships shall be open for election at the first annual membership meeting. Four of the directorships shall be for terms of two years; Three directorship shall be for terms of one year. The length of the terms for the first elected directors shall be determined by lot. Thereafter, all directorships shall be for two year terms expiring on alternating years.

3. QUALIFICATIONS FOR ELECTION OR APPOINTMENT AS DIRECTOR.

(a) To be qualified for election or appointment as a director, a person must be:

(1) 18 years of age or older on the first day of the term to be filled at the election or on the date of appointment, as applicable; and

(2) a member or shareholder of the corporation.

(b) In addition to the qualifications prescribed by Subsection (a), a person is not qualified to serve as a director if the person:

(1) has been determined by a final judgment of a court exercising probate jurisdiction to be:

(A) totally mentally incapacitated; or

(B) partially mentally incapacitated without the right to vote; or

(2) has been finally convicted of a felony from which the person has not been pardoned or otherwise released from the resulting disabilities.

(c) If the board determines that a person serving as a director does not have the qualifications prescribed by Subsections (a) and (b), the board shall, not later than the 60th day after the date the board makes that determination, remove the director and fill the vacancy by appointing a person who has the qualifications prescribed by those subsections.

4. BALLOT APPLICATION FOR ALL MEMBER ELECTIONS.

(a) To be listed on the ballot as a candidate for a director's position, a person must file an application with the corporation that includes:

(1) the director's position sought, including any position number or other distinguishing number;

(2) the person's written consent to serve, if elected;

(3) biographical information about the person; and

(4) a statement of the person's qualifications, including a statement that the person has the qualifications prescribed by Water Code Section 67.0051.

(b) The application must be filed with the corporation not later than the 45th day before the date of the annual meeting.

(c) The corporation shall make available director candidate application forms at the corporation's main office and shall provide application forms by mail or electronically on request.

5. BALLOT FOR ALL MEMBER ELECTIONS.

(a) Not later than the 30th day before the date of an annual meeting, the corporation shall mail to each member or shareholder of record:

(1) written notice of the meeting;

(2) the election ballot; and

(3) a statement of each candidate's qualifications, including biographical information as provided in each candidate's application.

(b) The election ballot must include:

- (1) the number of directors to be elected; and
- (2) the names of the candidates for each position.

6. ELECTION PROCEDURES FOR ALL MEMBER ELECTIONS.

(a) A member or shareholder may vote:

- (1) in person at the annual meeting;
- (2) by mailing a completed ballot to the office of the independent election auditor or to the corporation's main office, which ballot must be received by the corporation not later than noon on the business day before the date of the annual meeting; or
- (3) by delivering a completed ballot to the office of the independent election auditor or to the corporation's main office not later than noon on the business day before the date of the annual meeting.

(b) The independent election auditor, appointed by majority vote of the Board of Directors, shall receive and count the ballots before the annual meeting is adjourned.

(c) For each director's position, the candidate who receives the highest number of votes is elected.

(d) If two or more candidates for the same position tie for the highest number of votes for that position, those candidates shall draw lots to determine who is elected.

(e) The independent election auditor shall provide the board with a written report of the election results.

(f) The board may adopt necessary rules or bylaws to implement this section, including rules or bylaws to ensure the fairness, integrity, and openness of the voting process.

7. OFFICIAL BALLOT.

The Board shall adopt an official ballot form to be used in conducting the business of the Corporation for any member election. No other ballot form will be valid. Ballots from members or shareholders are confidential and are exempted from disclosure by the corporation until after the date of the relevant election. Proxies shall not be used.

8 INDEPENDENT ELECTION AUDITOR.

The Board shall select an independent election auditor not later than the 30th day before the scheduled date of the annual meeting. The independent election auditor is not required to be an experienced election judge or auditor and may serve as an unpaid volunteer. At the time of selection and while serving in the capacity of an independent election auditor, the independent election auditor may not be associated with the corporation as:

- (a) an employee;
- (b) a director or candidate for director; or
- (c) an independent contractor engaged by the corporation as part of the corporation's regular course of business.

9. VACANCIES

A director may resign at any time during his term. If a director is absent from three (3) or more consecutive regular meetings of which the director was sent mailed written notice, that director may be removed by two-thirds (2/3rds) vote of all other directors in special meeting. The director subject to removal for absenteeism must be sent written notice of the time, date, place, and purpose of such meeting by certified United States mail at least ten (10) days before the meeting.

A director may be removed majority vote of all members. Any member, officer or director may present charges in writing against a director with the Secretary/Treasurer of the Corporation. If presented by a member, the charges must be accompanied by a petition signed by at least ten (10%) percent of the members of the Corporation. Such removal shall be voted on at the next regular or special meeting of the membership. The director(s) against whom such charges have been presented shall be informed in writing of the charges at least twenty days before the meeting, and shall have the opportunity at such meeting to be heard in person or by counsel, to present witnesses and other evidence in rebuttal of such charges, and to question other witnesses. The person(s) bring such charges shall have the same rights. The president shall preside over the meeting unless (s)he is the subject of the charges, in which case the vice president shall

preside. If both the president and vice president are the subject of the charges, the directors who are not subject to charges shall appoint a presiding officer by majority vote.

Any vacancy occurring in the board of directors may be filled by the affirmative vote of the remaining directors, though less than a quorum of the board. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of directors shall be filled by election at an annual meeting or at a special meeting of members called for that purpose.

10. QUORUM OF DIRECTORS

A majority of the board of directors shall constitute a quorum for the transaction of business. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors.

11. ANNUAL MEETING OF THE DIRECTORS

Within thirty days after each annual meeting of members the board of directors elected at such meeting shall hold an annual meeting at which they shall elect officers and transact such other business as shall come before the meeting. Nothing in these bylaws or any action of the board of directors shall prohibit the holding of the annual meeting of directors immediately following and at the same place as the annual meeting of members except the unavailability of all directors elected at the annual meeting; in which such case, the annual meeting of directors shall be held within thirty days.

12. REGULAR MEETING OF DIRECTORS

A regular meeting of the board of directors may be held at such a time as shall be determined from time to time by resolution of the board of directors.

13. SPECIAL MEETINGS OF DIRECTORS

The secretary shall call a special meeting of the board of directors whenever requested to do so by the president or by two directors. Such special meeting shall be held at the time specified in the notice of meeting.

14. PLACE OF DIRECTORS' MEETINGS

All meetings of the board of directors (annual, regular or special) shall be held either at the principal office of the Corporation or at such other place, either within or without the State of Texas, as shall be specified in the notice of meeting.

The board of directors shall provide access for the public, new service applicants, and/or members to all regular meetings of the board by setting aside time for hearing of suggestions, proposals, or grievances. Reasonable time limitations may be imposed on persons appearing to address the board on such matters.

15. NOTICE OF DIRECTORS' MEETINGS

Notice of regular or special meetings of the Board of Directors shall be given as required by law and shall include posting of the meeting as required by the Texas Open Meetings Act, Texas Government Code, Sections 551.001 et seq., by furnishing the notice to the county clerk or clerks of the county or counties in which the Corporation provides service, and by posting such notice in a place readily convenient to the public in its administrative office at all times at least seventy-two (72) hours preceding the scheduled time of the meeting. Such notice shall specify the date, hour, place and subject of each meeting held by the Board of Directors. In case of emergency or urgent public necessity, which shall be clearly identified in the notice, it shall be sufficient if the notice is posted four hours before the meeting is convened. Cases of emergency or urgent public necessity are limited to imminent threats to public health or safety or reasonably unforeseeable situations requiring immediate action by the Board. In the event of an emergency meeting, it shall be sufficient if notice is posted four hours before the meeting is convened, and the President or two or more Directors calling such emergency meeting shall, if the request therefor containing all pertinent information has previously been filed at the headquarters of the Corporation, give notice by telephone or telegraph to any news media requesting such notice and consenting to pay any and all expenses incurred by the Corporation in providing such special notice. All such meetings shall then be conducted in the manner required by the Texas Open Meetings Act.

Unless waived in writing, each director must be given a copy of all meeting notices within no less than the time limits set forth above. Notice of annual and regular meetings must be given at least ten (10) days before the meeting. Notice to directors may be by regular mail or hand delivery.

16. ATTENDANCE AT MEETINGS

As all meetings of directors must be open to the public, unless otherwise allowed by the Texas Open Meetings Act for emergency situations, telephone or other similar meetings shall not be permitted. Directors must attend meetings in person.

17. COMPENSATION

Directors, as such, shall not receive any stated salary for their services, but by resolution of the board of directors, expenses of attendance, if any, may be allowed for attendance at each annual, regular or special meeting of the board, provided, that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

18. CONFLICT OF INTEREST

The board of directors shall adopt and maintain a conflict of interest policy designed to promote the business of the Corporation and serve the interests of the membership. A director shall not be prohibited from providing goods or services to the Corporation at competitive prices by reason of their directorship, but said director shall not be authorized to vote on any matter in which they may have a pecuniary interest except as a customer of the Corporation. A director has an affirmative duty to exercise reasonable due diligence to investigate and disclose any real or apparent conflicts of interests or pecuniary interests (s)he may have on a matter affecting the Corporation or its members.

No director shall be liable to the Corporation or to the Corporation's membership for monetary damages for any act or omission in the director's capacity as a director of the Corporation, except and unless the director shall be found liable for a breach of the director's duty of loyalty to the Corporation or the Corporation's membership; an act or omission not in good faith that constitutes a breach of the director's duty to the Corporation or an act or omission that involves intentional misconduct or knowing violation of the law on the part of the director; a transaction from which the director receives an improper benefit, whether or not the benefit results from an act or omission for which liability of the director is expressly provided by Texas law.

19. GOOD FAITH RELIANCE

In conducting their duties as members of the board, each director (1) shall be entitled to rely, in good faith and with ordinary care, on information, opinions, reports or statements, including financial statements and other financial data, concerning the Corporation of the Corporation's affairs that have been prepared or presented by one or more officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers, or other persons retained by the Corporation for the development of professional advice and information falling within such person's professional or expert competence; (2) may believe, in good faith and with ordinary care, that the assets of the Corporation are at least that of their book value; and (3) in determining whether the Corporation has made adequate provision for the discharge of its liabilities and obligations, may rely in good faith and with ordinary care on the financial statements of, or other information concerning, any person or entity obligated to pay, satisfy or discharge

some or all of the Corporation's liabilities or obligations; and may rely in good faith and with ordinary care on information, opinions, reports or statements by one or more officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers, or other persons retained by the Corporation provided that said director reasonably believes such matters fall within such person's professional or expert competence. Nevertheless, a director must disclose any knowledge which (s)he may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

ARTICLE 9 - OFFICERS

1. OFFICERS ELECTION

The officers of the Corporation shall consist of a president, a vice-president, and a secretary-treasurer. All such officers shall be elected at the annual meeting of the board of directors. Directors may be elected officers. If any office is not filled at such annual directors meeting, it may be filled at any subsequent regular or special meeting of the board. The board of directors at such annual meeting, or at any subsequent regular or special meeting may also elect or appoint such other officers and assistant officers and agents as may be deemed necessary. Any two or more offices may be held by the same person, except the offices of president and secretary-treasurer.

All officers and assistant officers shall be elected to serve until the next annual meeting of directors (following the next annual meeting of members) or until their successors are elected; provided, that any officer or assistant officer elected or appointed by the board of directors may be removed with or without cause at any regular or special meeting of the board whenever in the judgment of the board of directors the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any agent appointed shall serve for such term, not longer than the next annual meeting of the board of directors, as shall be specified, subject to like right of removal by the board of directors.

2. VACANCIES

If any office becomes vacant for any reason, the vacancy may be filled by a majority vote of the board of directors.

Officers may resign.

Officers may be removed for good cause by the membership under the same procedures applying to directors.

Officers shall serve at the pleasure of the directors and may be removed at any time by a two-thirds vote of the directors. Officers against whom written charges have been brought shall be entitled to the same notice and hearing rights as directors.

3. POWER OF OFFICERS

Each officer shall have, subject to these by-laws and art. 1434a, VATCS, in addition to the duties and powers specifically set forth herein, such powers and duties as are commonly incident to his office and such duties and powers as the board of directors shall from time to time designate. All officers shall perform their duties subject to the directions and under the supervision of the board of directors. The president may secure the fidelity of any and all officers by bond or otherwise.

4. PRESIDENT

The president shall be the chief executive officer of the Corporation. He shall preside at all meetings of the directors and members. He shall see that all orders and resolutions of the board are carried out, subject however, to the right of the directors to delegate specific powers, except such as may be by statute exclusively conferred in the president, to any other officers of the Corporation.

He or any vice-president shall execute bonds, mortgages and other instruments requiring a seal, in the name of the Corporation, and, when authorized by the board, he or any vice-president may affix the seal to any instrument requiring the same, and the seal when so affixed shall be attested by the signature of either the secretary or an assistant secretary. He or the secretary-treasurer shall sign certificates of membership.

The president shall be ex-officio a member of all standing committees.

He shall submit a report of the operations of the Corporation for the year to the directors at their meeting next preceding the annual meeting of the members and to the members at their annual meeting.

5. VICE-PRESIDENT

The vice-president shall, in the absence or disability of the president, perform the duties and exercise the powers of the president, and he shall perform such other duties as the board of directors shall prescribe.

6. THE SECRETARY-TREASURER AND ASSISTANT SECRETARIES-TREASURER

The secretary-treasurer shall attend all meeting of the board and all meetings of the members and shall record all votes and the minutes of all proceedings and shall perform like duties for the standing committees when required. He shall give or cause to be given notice of all meetings of the members and all meetings of the board of directors and shall perform such other duties as may be prescribed by the board. He shall keep in safe custody the seal of the Corporation, and when authorized by the board, affix the same to any instrument requiring it, and when so affixed, it shall be attested by his signature or by the signature of an assistant secretary-treasurer.

The secretary-treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the board of directors.

The secretary-treasurer shall disburse the funds of the Corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements. He shall keep and maintain the Corporation's books of account and shall render to the president and directors an account of all of his transactions as treasurer and of the financial condition of the Corporation and exhibit his books, records and accounts to the president or directors at any time. He shall disburse funds for capital expenditures as authorized by the board of directors and in accordance with the orders of the president, and present to the president for his attention any requests for disbursing funds if in the judgment of the secretary-treasurer any such request is not properly authorized. He shall perform such other duties as may be directed by the board of directors or by the president.

If required by the board of directors, he shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the board for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

The assistant secretary-treasurer shall, in the absence or disability of the secretary-treasurer, perform the duties and exercise the powers of the secretary-treasurer, and he shall perform such other duties as the board of directors shall prescribe.

In the absence of the secretary-treasurer or an assistant secretary-treasurer, the minutes of all meetings of the board and members shall be recorded by such person as shall be designated by the president or by the board of directors.

7. GENERAL MANAGER

a. The Corporation shall not be required to have a general manager; however, the business of the Corporation may be handled under the direction of the board of directors, by a general manger to be elected by a majority vote of the board. The general manager shall be employed at a salary to be fixed by the board of directors. The general manager shall perform such duties and for such term or office as shall be fixed by majority vote of the board of directors.

b. The general manger shall not have authority to expend the funds of the Corporation in excess of \$10,000.00 per expenditure without prior approval of the board of directors.

c. The general manger shall not have authority to sell or dispose of the assets of the Corporation in excess of \$5,000.00 without prior approval of the board of directors.

8. COMPENSATION

The Corporation shall not be obligated to pay salaries to any officer; however, if approved by the board of directors, salaries of all officers of the Corporation, except the secretary-treasurer and general manager, shall not exceed \$5000.00 per annum. The salary of the secretary-treasurer shall be fixed by the board of directors at a sum commensurate with the duties required of him.

9. CONFLICT OF INTEREST

An officer shall not be prohibited from providing goods or services to the Corporation at competitive prices by reason of their office. An officer has an affirmative duty to exercise reasonable due diligence to investigate and disclose to the board of directors any real or apparent conflicts of interests or pecuniary interests (s)he may have on a matter affecting the Corporation or its members.

10. GOOD FAITH RELIANCE

In conducting their duties as officers, each officer (1) shall be entitled to rely, in good faith and with ordinary care, on information, opinions, reports or statements, including financial statements and other financial data, concerning the Corporation of the Corporation's affairs that have been prepared or presented by one or more officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers, or other persons retained by the Corporation for the development of professional advice and information falling within such person's professional or expert competence; (2) may believe, in good faith and with ordinary care, that the assets of the Corporation are at least that of their book value; and (3) in determining whether the Corporation has made

adequate provision for the discharge of its liabilities and obligations, may rely in good faith and with ordinary care on the financial statements of, or other information concerning, any person or entity obligated to pay, satisfy or discharge some or all of the Corporation's liabilities or obligations; and may rely in good faith and with ordinary care on information, opinions, reports or statements by one or more officers or employees of the Corporation; or by legal counsel, public accountants, registered engineers, or other persons retained by the Corporation provided that said officer reasonably believes such matters fall within such person's professional or expert competence. Nevertheless, an officer must disclose any knowledge which (s)he may have concerning a matter in question that makes reliance otherwise provided herein to be unwarranted.

ARTICLE 10 - CERTIFICATES OF MEMBERSHIP, ETC.

1. CERTIFICATES OF MEMBERSHIP

The Corporation is and shall continue to be a Corporation without capital stock, and membership in the Corporation shall be deemed personal estate and shall be transferable only on the books of the Corporation. Notwithstanding the personalty characterization of memberships, memberships may be conditioned upon or tied to ownership in realty property in the area served as may be provided by Texas law.

The certificates for memberships of membership of the Corporation shall be numbered and shall be entered in the Corporation as they are issued. They shall exhibit the holder's name and shall be signed by the president or secretary-treasurer and shall be sealed with the seal of the Corporation or a facsimile thereof. In case any officer or officers who shall have signed or whose facsimile signature or signatures shall have been used on any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before said certificate or certificates shall have been issued, such certificate may nevertheless be issued by the Corporation with the same effect as though the person or persons who signed such certificates or whose facsimile signature or signatures shall have been used thereon had been such officer or officers at the date of its issuance. Certificates shall be in such form as shall in conformity to law prescribed from time to time by the board of directors.

The Corporation may appoint from time to time agents and registrars, who shall perform their duties under the supervision of the secretary-treasurer.

2. TERMINATION OF MEMBERSHIPS

Membership in the Corporation may be tied to fee simple ownership to property with the Corporation's utility service area; however, a fee simple owner of real property within the

utility service area may hold a membership so that tenants or occupants of his property may receive utility service from the Corporation. Non-fee simple title holders who take utility service from the Corporation may hold memberships in their own names, which memberships shall not be tied to real property. The membership rights of any subscriber to utility service from the Corporation shall automatically terminate upon the occurrence of any event or change of circumstances which would disqualify the person from membership as provided by these bylaws, including but not limited to, the sale of the membership real property to which his membership is tied.

Memberships in the corporation may be transferred as provided by art. 1434a, Section 9A, VATCS, as amended, except no membership may be transferred until all monies owed the corporation by the member and/or person obtaining service through such membership have been paid in full.

The board of directors may cancel the membership associated with any utility service account which has an unpaid balance for a period of more than sixty days after the original due date. In the event of such cancelation, the membership fee associated with such membership shall be forfeited to the corporation without prejudice to the corporation's right to pursue such additional collection remedies which may exist at law or in equity. In the event a membership is cancelled for such delinquency, utility service shall not be restored to the service connection associated with such membership until a new membership has been applied for and the current membership fee paid. The applicant for restored service must also comply with all other customary conditions precedent to receiving utility service including, but not limited to, paying customary reconnection or tap fees.

3. TRANSFER OF MEMBERSHIP

(a) A person who owns a membership in the Corporation may not sell or transfer that membership to another person or entity except:

(1) by will to a transferee who is a person related to the testator within the second degree of consanguinity;

(2) by transfer without compensation to a transferee who is a person related to the owner of the membership within the second degree of consanguinity; or

(3) by transfer without compensation or by sale to the Corporation.

(b) Subsection (a) of this section does not apply to a person or entity that transfers the membership to another person as part of the conveyance of real estate from which the membership arose. In such cases the transferee must still qualify for membership as provided herein and pay all applicable membership fees.

(c) The transfer of membership under this section does not entitle the transferee to water or sewer service unless each condition for water or sewer service is met as provided in the Corporation's published rates, charges, and conditions of service.

(d) The Corporation may, consistent with the limitations prescribed by subsection (a) of this section, reassign a canceled membership to any person or entity that has legal title to the real estate from which the canceled membership arose and for which water or sewer service is requested, subject to compliance with the conditions for water or sewer service in the Corporation's published rates, charges, and conditions of service.

4. REGISTERED MEMBERS

The Corporation shall be entitled to treat the holder of record of any membership or certificate of membership as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in such membership on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

5. LOST CERTIFICATE

The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost. When authorizing such issue of a new certificate or certificates, the board of directors in its discretion and as a condition precedent to the issuance thereof, may require the owner of such lost or destroyed certificate or certificates or his legal representative to advertise the same in such manner as it shall require to give the Corporation a bond with surety and in form satisfactory to the Corporation (which bond shall also name the Corporation's agents and registrars, if any, as obligees) in such sum as it may direct as indemnity against any claim that may be made against the Corporation or other obligees with respect to the certificate alleged to have been lost or destroyed, or to advertise and also give such bond.

6. MEMBERSHIP FEES

All persons lawfully receiving or applying to receive public utility service from the Corporation shall pay a membership fee of \$402.50 as a condition precedent to lawfully receiving utility service. The board of directors shall establish reasonable deferred payment policies for the payment of membership fees by any other service applicant upon whom a one time payment of the entire membership fee shall work a financial hardship. Such policies shall be consistent in application on each person without regard to citizenship, race, sex, color, creed, national origin or other protected status under state or

federal law. All applicants for restored service whose memberships have been forfeited to the Corporation shall pay a membership fee of \$402.50 in addition to any applicable reconnection charges. All transferees of memberships as provided by these bylaws shall pay a membership fee of \$402.50. A membership fee and service application shall be required for each service connection requested regardless of whether the applicant already holds a membership. Membership fees will be refundable at the time the service customer leaves the system unless the customer has any unpaid debts or obligations to the Corporation; in which case such membership fees as the customer may have on deposit with the Corporation shall be applied to the customer's debts to the Corporation, without prejudice to the Corporation's right to pursue other legal remedies existing at law or in equity.

ARTICLE 11 - DEPOSITORY

The Board of Directors shall select as depository for the funds of the Corporation, a bank within the State of Texas which is insured with the Federal Deposit Insurance Corporation and shall require of said depository such bond as the Board deems necessary for the protection of the Corporation; and such funds as the Board of Directors may from time to time allocate to a sinking fund for replacement, amortization of debts and the payment of interest which shall not be required to be expended within the year in which the same is deposited shall be invested in bonds or other evidence of indebtedness of the United States of America or deposited at interest with the Federal Deposit Insurance Corporation in a savings account.

ARTICLE 12 - MISCELLANEOUS

1. INFORMAL ACTION

No action required to be taken or which may be taken at a meeting of the members, directors or members of committees, may be taken without a meeting. All actions and votes taken shall be duly recorded in the books and records of the Corporation.

2. SEAL

The Board of Directors shall provide a corporate seal, which shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal of Windermere Oaks Water Supply Corporation".

3. BOOKS AND RECORDS

The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its members, Board of Directors, and committees

having the authority of the Board of Directors, and shall keep at the registered or principal office a record giving the names and addresses of the members entitled to vote. All books and records of the Corporation may be inspected by any member or his agent or attorney for any proper purpose at any reasonable time when so requested in writing.

With prior written request, corporate records, books, and annual reports, subject to exceptions provided by the Texas Open Records Act, Texas Government Code, Sections 552.001 et seq., including any amendments thereto, shall be available for public inspection and copying by the public or their duly authorized representatives during normal business hours subject to reasonable charge for the preparation of copies.

In the event of any conflict between the provision of the Open Records Act and the provisions of these Bylaws, the provisions of the Open Records Act shall prevail.

4. CHECKS

All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

5. FISCAL YEAR

The fiscal year of the Corporation shall begin on the 1st day of January in each and every year.

6. DIRECTORS' ANNUAL STATEMENT

The board of directors shall present at each annual meeting of members a full and clear statement of the business and condition of the Corporation.

8. AMENDMENTS

These by-laws may be altered, amended or repealed in whole or in part by the affirmative vote of a majority of the board of directors. No amendment of these bylaws affecting memberships, the voting rights of members, or the number of directors may be made without a majority vote of a quorum of members.

For so long as the Corporation is indebted for a loan or loans made by or through the Texas Water Development Board, USDA Rural Development, their successor agencies, these by-laws shall not be altered, amended or repealed without the prior written consent

of the General Fund Manager (or equivalent designated agency representative) of the Texas Water Development Board, USDA Rural Development, their successor agencies. If the Corporation becomes indebted to another state or federal financial institution and said creditor requires similar limitations on the amendment of these by-laws as a condition precedent to necessary debt financing, amendment of these by-laws shall be restricted as set forth in the loan agreement.

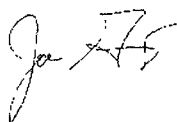
9. OBLIGATIONS INCIDENTAL TO INDEBTEDNESS

The board of directors may establish and operate such financial reserves, sinking funds, or debt service accounts as may be reasonably necessary to comply with loan or bond covenants entered into between the Corporation and its creditors.

Subject to such restrictions as may exist under the laws of Texas or of the United States, the board of directors may encumber the assets of the Corporation by reasonable liens or security interests as provided by the loan or bond covenants entered into between the Corporation and its creditors. When encumbered, the assets of the Corporation may not be sold, conveyed or disposed of without notice to and permission from the creditor holding such liens or security interests as provided in the loan or bond covenants, except as may otherwise be provided by law and/or the sale and distribution of potable water in the ordinary course of business.

Should the Corporation become indebted to the Texas Water Development Board or other state or federal financial institution and such indebtedness is evidenced by bonds or loans, the board of directors shall be expressly empowered to adopt such standard and customary water supply or sewer service corporation bond or loan resolutions as may be required by the Texas Water Development Board or other state or federal financial institution as a condition of such indebtedness.

Amendments approved in manner prescribed by law on the 1st day of February, 2020 and are so certified by our authorized signatures below:

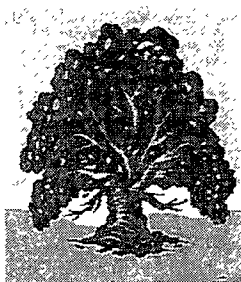


Joe Gimenez, President

Attest:



Mike Nelson, Secretary/Treasurer



Windermere Oaks Water Supply Corporation

424 Coventry Rd
Spicewood, Texas 78669

2019 - 2020 Board of Directors:
Joe Gimenez, President
Bill Earnest, Vice President
Mike Nelson, Secretary/Treasurer
David Bertino, Director
Norman Morse, Director

Windermere Oaks Water Supply Corporation (WOWSC) meeting held: Wednesday, May 8, 2019

2019 - 2020 Board Members Present: David Bertino, Bill Earnest, Joe Gimenez, Mike Nelson

Minutes

The meeting was called to order at 6:02PM by Joe Gimenez. A quorum was established with four Board Members present.

1. Review, consider and take action to approve minutes of prior meetings.
 1. April 15, 2019 Board Meeting
 1. Motion made and carried to approve April 15, 2019 Board Meeting minutes
2. MANAGER'S REPORT – Review, discuss and take any appropriate action.
 1. Move made to table manager's report this meeting per feedback from member on meeting notice agenda specificity.
 2. In the future, the agenda will include Manager's Report on operations, billings, regulatory issues, budget, special projects, etc.
3. CHIEF ADMINISTRATORS REPORT – Review, discuss and take any appropriate action.
 1. At our March 14th Board Meeting, Joe provided a draft business operations table he generated.
 2. George and Dorothy worked on WOWSC's business operations table 'Management Scheduling 2019' to organize WOWSC business items.
 3. Joe plans to post 'Management Scheduling 2019' on our WOWSC website after discussing contact information with our attorney.
 4. The Texas Public Information Act states a water supply corporation's Chief Administration Officer (CAO) is automatically the Public Information Officer (PIO).
 5. Joe is WOWSC's PIO.
 6. Motion made and carried to approve Joe Gimenez as WOWSC Chief Administration Officer.
4. APRIL FINANCIALS REVIEW – Review, discuss and take any appropriate action.
 1. George handed out hard copies of WOWSC's April 2019 Financials.
 2. Standby fees are due by the end of January each year. In the budget the standby fees are spread out across the year.
 3. Insurance was paid in April and was less than budgeted.
 4. Joe to email Mike the April 2019 Financials.
5. REVIEW AND APPROVE UPDATED BUDGET INCREASING LEGAL FEES EXPECTATION FOR 2019 – Review, discuss and take any appropriate action.

1. Legal fees in March and April were ~\$7,500 each month versus \$3166 per month budget.
 1. March was higher from the initial meeting between our newly elected Board Members and our legal team.
 2. April was higher from work on PIA requests and review of Van Eman's airport construction.
 2. Upcoming legal fees include the appeal response.
 3. Potentially reduce maintenance costs to offset legal expenses over the budget amount. Repairs & maintenance expenses were less than anticipated through April, but they will probably even out over the course of the year.
 4. Potential additional revenues from the higher rates may cover some of the unbudgeted legal expenses.
6. UPDATE ON REFINANCING BALLOON NOTE AND REVOLVING LINE OF CREDIT
1. Lone Star Bank discussion: \$375,000 fixed loan with 10-year amortization with seven-year balloon at prime rate (~5.5%) with no origination fees and possibly no appraisal. ~\$4070 per month payment
 1. \$250,000 remaining on existing WWTP loan
 2. \$125,000 high side of generator loan
 3. Commercial loan
 4. Don't know what the balloon payment would be
 5. Would need to move all WOWSC accounts to Lone Star Bank
 2. Co-bank presented to Joe a 4.75% fixed loan with potential 0.5% rebate after one year at the
 3. First United Bank indicated a refinance would be at prime rate (~5.5%)
7. CONSIDERATION OF PURCHASE ON UPDATED BIDS ON GENERATORS Review, discuss and take any appropriate action.
1. Joe Rizzo from Capital Power Systems generated initial pricing options and plans to provide hardened itemized quotes next week. Quotes are to include all subcontractors and piece parts.
 1. Kohler 125KW Diesel Installation \$63,275
 2. Kohler 125KW Propane Installation \$66,275
 3. Cummins 125KW Diesel Installation \$66,500
 2. Diesel generators should not be considered because of:
 1. higher maintenance costs
 2. diesel fuel goes bad over time and requires stabilizer
 3. Propane does not go bad over time and is not as destructive as diesel to the generator
 1. Spicewood does not get cold enough for propane to freeze
 4. May need to include a heater
8. DISCUSS POSSIBLE DATES FOR PRESENTATION BY NEWGEN STRATEGIES– Review, discuss and take any appropriate action.
1. TRWA does not have a financial strategist and recommended Grant Rabon of NewGen Strategies
 2. Joe recommends having Grant present on overview of NewGen Strategies to our Board.
 3. Monday, May 13th, Thursday, May 16th, Monday, May 20th, or Thursday, May 23rd could work for Grant.
 1. Monday, May 13th, and Thursday, May 16th, do not work for Board members.
 2. Monday, May 20th, at 6:00PM, at WO Pavilion was proposed. Joe to confirm with Grant.
9. PUBLIC INFORMATION OFFICER REPORT – Briefing on recent and pending records requests under the Texas Public Information Act (PIA).
1. Received fewer PIA requests in the past four weeks versus initial weeks after the Annual Member meeting in March.
 2. Added degrees of specificity in PIA requests will greatly help.
10. Comments from citizens and members who have signed sign-up sheet to speak (3-minute limit per person).
1. Mark McDonald
 2. Danny Flunker
 3. Rene Ffrench

11. New business and discussion and possible action on agenda for next meeting.
 1. Add specificity to Manager's Report agenda item
 2. Commercial loan for refinance of existing WWTP loan and for generator
 3. Airport property owned by WOWSC with regards to holding pond
 4. Open lot in Center Cove 1
 1. Lots in Center Cove 1 are in a commonly owned area.
 2. At the street, the corners of an open lot are very close to the neighbors' homes.
 3. A previous builder allowed two non-adjacent homes to share the same grinder pump. The sewage lines are crossing the open lot.
 4. The owner of the open lot requested WOWSC forfeit our 5' easement on the open lot used for water and sewage pipes.
 5. Update to Board on responses to the demand letters
 6. Review of May Financials
 7. NEWGEN action if any after Grant Rabon's presentation
 8. Review of foot notes for posting of agenda
12. Set date, time, and place for next WOWSC Board Business meeting
 1. Wednesday, June 12th, at 6:00PM, at WO Pavilion
13. Motion made and carried to adjourn at 7:05PM



Submitted by: Mike Nelson

APPROVED BY WOWSC Board on May 20, 2019



Windermere Oaks Water Supply Corporation

424 Coventry Rd
Spicewood, Texas 78669

2019 - 2020 Board of Directors:
Joe Gimenez, President
Bill Earnest, Vice President
Mike Nelson, Secretary/Treasurer
David Bertino, Director
Norman Morse, Director

Windermere Oaks Water Supply Corporation (WOWSC) meeting held: Monday, May 20, 2019

2019 - 2020 Board Members Present: David Bertino, Bill Earnest, Joe Gimenez, Mike Nelson

Minutes

The meeting was called to order at 6:04PM by Joe Gimenez. A quorum was established with four Board Members present.

1. Review, consider and take action to approve minutes of prior meetings.
 1. May 8, 2019 Board Meeting
 1. Motion made and carried to approve May 8, 2019 minutes
2. FINANCIAL PLANNING AND FINANCIAL POLICY DEVELOPMENT PRESENTATION –
 1. NewGen Strategies and Solutions is a management consulting firm specializing in providing economic, strategic, stakeholder and sustainability services to public and private sector utilities.
 1. NewGen's Grant Rabon reviewed his presentation on the benefits of developing financial policies.
 1. Grant passed out hard copies of presentation
 2. One key benefit is continuity from Board to Board
 3. Grant reviewed highlights of presentation
 1. Importance of Financial Policies
 1. Financial policies ensure the integrity and sustainability of the utility system in a dynamic business environment
 2. Well designed financial policies:
 1. Take long-term view of utility health and stability
 2. Are reviewed and updated periodically to reflect changing business operating conditions
 3. Provide the financial resources to execute the utility business plan
 3. Well designed financial policies offer:
 1. Rate stability
 2. Risk management
 3. Lower cost of capital
 4. Justification of utility cost structure and rates when challenged by stakeholders
 2. Fiduciary Responsibility
 1. Ethical and legal

2. Make many important decisions, including hiring, overseeing and evaluating the manager, monitoring financial reports, and reviewing annual audits
3. Abide by the following general duties:
 1. Duty of care
 2. Duty of loyalty
 3. Duty of obedience
4. Essentially, required to act in the best interest of organization
3. Financial Policy Overview
 1. Establish financial policies which identify and prescribe key characteristics of financial health and sustainability
 2. Common utility financial policies include
 1. Debt Service Coverage
 1. Measure of financial flexibility (ex. 1.5x DSCR)
 1. Available revenue (available cash) to fund debt service
 2. Reserves
 1. Measure of liquidity (ex. 60 days working capital, additional as required by covenants)
 2. Emergency reserve to renew or recapitalize as needed
 3. Line of credit often used as emergency reserve
 3. Equity
 1. Measure of leverage (ex. equity funding at least 20% of major capital projects is desirable)
 4. Credit Rating (if appropriate)
 1. Overall measure of financial health
 5. Other rate related policies might include
 1. Rate stabilization policies
 1. Cap rate increases/decreases
 2. Social Programs
 1. Low/Fixed Income or Disabled
 6. Other
 1. Term of debt not to exceed useful life of asset
 2. Capitalized interest shall only be considered during construction and not to exceed seven years
 3. Ongoing routine preventative maintenance should be funded on a pay-as-you-go basis
 4. Utility shall maintain a quick ratio of 1.50
 1. (current assets less inventory / current liabilities)
 5. Rates shall be set to generate sufficient revenues to support the full cost of operations and debt, provide adequate debt service coverage and meet other bond covenants, and ensure adequate levels of working capital
4. Leverage
 1. Leverage is double – edged sword

1. Borrowing lowers near term costs and spreads them over time, thereby keeping rates low
2. However, heavy borrowing minimizes flexibility to react to financial stress without adjusting rates
2. When to use debt?
 1. To levelize large fluctuations in capital plans that would otherwise significantly draw down reserves and / or result in rate volatility if paid with cash
 2. To match the cost of infrastructure with the useful life given tolerance for debt
5. Establishing Effective Financial Policies
 1. Take a long-term view
 2. Periodically revisit policies to verify effectiveness and relevance
 3. Routinely educate stakeholders as to rationale, costs and benefits associated with the various policies
 4. Include key policy metrics in your financial reporting, planning, and budgeting
 5. Create reserves that are well defined, reflective of financial risks, and effectively manage your utility's cash flow and balance sheet
6. More Debt Capital Funding – Proposed Rates
 1. Reserves and Bills Under Proposed Rates
 1. Fixed Charge
 2. Volumetric Charge
 3. Days Cash on Hand (DCOH)
 4. DCOH Minimum Goal
 2. System Average
 1. System Average Rate Billed (Proposed)
 2. System Average Cost
 3. Revenue Requirement Recovery and DSCR
 1. O&M
 2. Debt Service
 3. Cash Capital
 4. DSCR (Proposed Rates)
 5. Cash Capital
 6. Total Revenue Proposed Rates
 7. DSCR Minimum Goal
 4. Capital Improvement Plan Funding Sources
 1. Capital Reserve (Cash)
 2. Proposed Debt
 3. Impact Fees
 4. Other (ex. grants, contributions)
7. Possible misconceptions
 1. Eliminating all debt is in the best long-term interest of the utility and its customers (or, alternatively, we should use debt for everything)
 2. The Board's job is to minimize rate increases (maintain the existing rates)
 3. Our utility cannot charge more than the neighboring utility

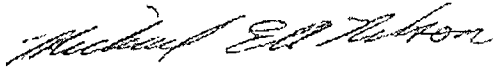
4. Changing auditors will look like something is wrong
2. NewGen does
 1. Financial planning
 1. Setting rates to meet overall goals of organization
 2. Business development
 3. Form financial policies
3. NewGen usually works with not for profit organizations
4. Challenges
 1. Economies of size in rural organizations
 1. Rate settings with fewer members
 2. Volunteer Boards
 1. Not always provided with tools to manage utility
5. NewGen charges based on scope of work
 1. Provides scope of work with not to exceed terms
 1. Bill on time and expenses
6. Grant wants to understand what WOWSC needs to accomplish
 1. Proposal: Start with helping generate a financial policy
7. NewGen helps client move forward with an established plan
8. Most small utilities are much larger than WOWSC. Not much bench marking data available for WOWSC sized organizations.
9. TRWA can help with review of three and five-year plans. TRWA has Excel worksheet tool. George has requested James of TRWA attend an upcoming Board meeting to review WOWSC's financials and five-year plan.

3. MANAGER'S REPORT – Review, discuss and take appropriate actions.

1. Customer issue (Bruce Sorgen). Report on customer communications and adjustment of charges with Corix and Enrique.
 1. George adjusted charges down. Bruce Sorgen requested an itemized bill.
 2. Keep on agenda
2. CSI Inspections. Report on recent customer inspections.
 1. Fourteen of twenty-five homes were inspected.
 1. Four of fourteen failed inspection.
 1. Minor improvements needed to get the four to pass their respective inspection
 2. George proposed calling each home owner that did not respond.
 3. Texas Commission on Environmental Quality (TCEQ) annual inspection reviews all kinds of records
 4. TCEQ and EPA rules are to protect customers from lead poisoning
 1. WOWSC water could leach lead out of customers' pipes into those customers' home as they use water.
 5. Keep on agenda
3. Generator. Report on Capital Power's proposal and separate proposal for routine maintenance.
 1. Capital Power proposal: \$63,285 installed for 125KW diesel generator
 2. Capital Power proposal: \$70,285 installed for 150KW propane generator
 3. Both would run entire WTP
 4. Need maintenance contract quotes
 5. Likely would need to replace unused diesel fuel each year

1. Drain tank and replace
6. Heater included in the proposal
7. 500-gallon propane tank and 298-gallon diesel tanks included in proposal
8. Propane tank liability hazard
 1. More difficult to get propane delivered
9. Service: change oil and filters
10. George to forward proposal email to Board members
4. Van Eman Project. Report on the site inspection and research of legal documents and historical files for assessment by legal counsel of regulatory and liability issues.
 1. Mike Gershon reviewing drainage to creek
5. Membership Transfers. Address customer's request for transfer.
 1. Existing member is building a new home in the neighborhood and requested transfer of existing membership to the new house.
 1. Member rate increased last year from \$350 to \$402.50 → \$52.50 increase
 2. If membership is transferred to the new home, the buyer of the older home is at the \$402.50 membership rate.
 3. No precedence for this request as the membership rate was just increased last year.
 4. Member had to pay equity buy-in fee
 2. Motion made and carried to allow membership transfer to the new home with the buyer of the older home to pay \$402.50 for membership fee
6. Barge. Report on completion of barge repairs, insurance claim, and related FEMA application.
 1. Barge work has been completed
 2. One outstanding invoice from Pat Ross for installation of anchoring system
 3. George is generating claim paperwork for insurance and FEMA
4. CONSIDERATION OF LOAN OFFERS FROM FIRST UNITED, LONE STAR CAPITAL BANK AND CO-BANK FOR PURCHASE OF GENERATOR AND PAY-OFF OF BALLOON NOTE – Review, discuss, take any appropriate action.
 1. Bill has been working with
 1. Lone Star Capital Bank
 1. \$250,000 + \$75,000 = \$325,000 at 5.5% rate
 2. CoBank has loans at 4.25% and 4.75% for twenty years.
 1. \$325,00 loan: \$2024.48/month → \$24293.76/year
 2. Bill providing additional requested information
 2. Bill to hand off loan information to Joe
5. Comments from citizens and members who have signed sign-up sheet to speak (3-minute limit per person).
 1. Rene Ffrench
 2. Bruce Sorgen
 3. Danny Flunker
 4. Robbie Van Eman
6. New business and discussion and possible action on agenda for next meeting.
 1. Add whistle blower policy. Get TRWA's help
 2. Add record retention policy. Get TRWA's help
 3. Generator
 4. Loan
 5. TRWA review of financials and five-year plan
 6. Update from our legal team

7. Set date, time, and place for next Board Business meeting
 1. Wednesday, June 12th, at 6:00PM, at WO Pavilion
8. Motion made and carried to adjourn at 7:48PM



Submitted by: Mike Nelson

APPROVED BY WOWSC Board on June 12, 2019

Billing Questions: (830) 598-7511 Ext 1
Water or Sewer Emergency: Phone (830) 598-7511 Ext 2

Windermere Oaks WSC
Summary of Income/Expense
June 30, 2019

Income	\$ 34,768.58
Expenses	<u>(50,863.95)</u>
Net Income/(Loss)	\$ (16,095.37)

Bank Account Balances	
Checking	\$ 59,250.89
MM+	60,067.71
Capital Expenditure Reserve	<u>41,982.58</u>

Total:	\$ 161,301.18
--------	---------------

WWTP Loan Balance	\$ 243,797.45
-------------------	---------------

Debt to service coverage ratio:	<u>2019</u>	<u>2018</u>
Net operating income	4,011.14	31,624.94
Debt service	24,946.26	24,946.26
DSCR	0.16	1.27

Debt to capital ratio:		
Debt	243,797.45	280,967.60
Total capital	1,427,356.00	1,413,725.00
Debt to capital	0.17	0.20

Days cash on hand:		
Cash on hand	161,301.18	137,564.94
Budgeted annual expense less depreciation	394,215	331,490
Days cash on hand	149.35 *	151.47 *

* Assumption here is that no additional income will be received through the end of the year

Capital Expenditures Reserves
June 30, 2019

Project	Budget	Paid to Date	Balance	Comments
Tennis Village Lift Station	53,000.00	9,888.34		
Tennis Village Lift Station Final	7,666.52			BOD approved 8/30/17
1st Draw Water Mgmt Pumps and tanks		27,416.52		
2nd Draw Water Mgmt		12,500.00		
3rd Draw Water Mgmt		10,000.00		
Total Expenses	60,666.52	59,804.86	861.66	

Beginning C/E Reserve Income Balance			41,982.58
Monthly Transfers from Checking (01/31/19)			
Expenses (2017/2018)			
Barge Damage Expenses/Transfers			-
Grand Total Reserve Income Balance			41,982.58

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Windermere Oaks W.S.C.

Balance Sheet

As of June 30, 2019

07/07/19

Accrual Basis

	Jun 30, 19
ASSETS	
Current Assets	
<i>Checking/Savings</i>	
10200 Cash in Bank-2100725	59,250.89
10205 - Capital Expenditures Reserve	41,982.58
10400 - MM/Contingency Funds-128546	60,067.71
Total Checking/Savings	161,301.18
Accounts Receivable	
1200 - Accounts Receivable	150.00
Total Accounts Receivable	150.00
Total Current Assets	161,451.18
Fixed Assets	
15402 - Water Plant Generator (New Generator)	680.00
15401 - Tennis Village Lift Station (Replace Lift Station)	59,804.86
15000 - Furniture & Fixtures	2,572.62
15100 - Equipment	109,418.15
15200 - Fence	19,017.66
15300 - Water Treatment Facility	191,994.20
15310 - 2004 Water Plant Expansion	6,500.00
15340 - 3-Phase Electrical Upgrade	8,699.00
15350 - 2004 Water Storage Tank	70,649.95
15400 - Improvements	34,888.96
15500 - Building	3,377.58
15600 - Sewer Plant	125,233.87
15650 - Barge Replacement	652.27
15700 - Hydrotank Foundation	9,599.19
15750 - Boat	4,000.00
15800 - Decant Lagoon	18,475.51
15850 - 2014 WW Treatment Plant (Expenditures for WWTP)	788,648.35
15851 - Total Land	
16800 - Lot 253	6,403.75
16900 - Land	54,705.69
Total 15851 - Total Land	61,109.44
15900 - Sewer Plant Bldg new	18,277.70
15950 - 2007 Water Treatment Plant	679,210.33
17000 - Accumulated Depreciation	-848,935.83
Total Fixed Assets	1,363,873.81
Other Assets	
19300 - Standby Fees Delinquent	6,008.00
Total Other Assets	6,008.00
TOTAL ASSETS	1,531,332.99
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 - Accounts Payable	50.00
Total Accounts Payable	50.00
Other Current Liabilities	
25000 - Water & Sewer Taxes Payable	2,521.10
Total Other Current Liabilities	2,521.10
Total Current Liabilities	2,571.10
Long Term Liabilities	
27500 - Membership Fees Refundabl	101,405.25

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Windermere Oaks W.S.C.

Balance Sheet

As of June 30, 2019

07/07/19

Accrual Basis

	Jun 30, 19
27750 - Loan ABT WWTP April 4 2014 (This is first loan for WWTP)	243,797.45
Total Long Term Liabilities	345,202.70
Total Liabilities	347,773.80
Equity	
39005 - Retained Earnings	1,179,298.76
Net Income	4,260.43
Total Equity	1,183,559.19
TOTAL LIABILITIES & EQUITY	1,531,332.99

Windermere Oaks W.S.C.
Profit & Loss Budget Performance
 June 2019

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07/07/19

Cash Basis

	Jun 19	Budget	Jan - Jun 19	YTD Budget	Annual Budget
Ordinary Income/Expense					
Income					
40000 · Standby Fees					
40000-5 · Standby Fees - Water	745.20	1,375.00	16,549.00	8,250.00	16,500.00
40000-6 · Standby Fees - Sewer	745.20	1,375.00	16,549.00	8,250.00	16,500.00
Total 40000 · Standby Fees	1,490.40	2,750.00	33,098.00	16,500.00	33,000.00
40200 · Water & Sewer Services					
40200-5 · Water Services	15,545.68	17,916.67	101,142.73	107,500.02	215,000.00
40200-6 · Sewer Services	10,282.72	11,666.67	67,287.97	70,000.02	140,000.03
40200 · Water & Sewer Services - Other	0.00		-120.32		
Total 40200 · Water & Sewer Services	25,828.40	29,583.34	168,310.38	177,500.04	355,000.03
40300 · Late Charges					
40300-5 · Late Charges - Water	418.56	375.00	1,764.00	2,250.00	4,500.00
40300-6 · Late Charges - Sewer	273.05	250.00	1,111.67	1,500.00	3,000.00
Total 40300 · Late Charges	691.61	625.00	2,875.67	3,750.00	7,500.00
40400 · Membership Fees	-25.05		-1,780.32		
40410 · Membership Transfer Fees					
40410-5 · Membership Transfer Fees-Water	-201.25	12.50	-181.12	75.00	150.00
40410-6 · Membership Transfer Fees-Sewer	-201.25	12.50	-181.13	75.00	150.00
40410 · Membership Transfer Fees - Other	0.00		120.75		
Total 40410 · Membership Transfer Fees	-402.50	25.00	-241.50	150.00	300.00
40500 · Equity Buy-In Fees					
40500-5 · Equity Buy-In Fees - Water	2,300.00	1,150.00	13,800.00	6,900.00	13,800.00
40500-6 · Equity Buy-In Fees - Sewer	2,300.00	1,150.00	13,800.00	6,900.00	13,800.00
Total 40500 · Equity Buy-In Fees	4,600.00	2,300.00	27,600.00	13,800.00	27,600.00
40600 · Water & Sewer Taps					
40600-5 · Water Taps	1,725.00	431.25	6,037.50	2,587.50	5,175.00
40600-6 · Sewer Taps	862.50	431.25	6,037.50	2,587.50	5,175.00
Total 40600 · Water & Sewer Taps	2,587.50	862.50	12,075.00	5,175.00	10,350.00
44000 · Regulatory Assessment fee refun					
44000-6 · Regulatory Assess Fee Ref-Sewer	-0.89		-0.89		
44000-5 · Regulatory Assess Fee Ref - Wat	-0.89		-0.89		
Total 44000 · Regulatory Assessment fee refun	-1.78		-1.78		
46400 · Reconnect fee					
46400-5 · Reconnect Fee - Water	0.00	16.67	0.00	100.02	200.00
46400-6 · Reconnect Fee - Sewer	0.00	16.67	0.00	100.02	200.00
Total 46400 · Reconnect fee	0.00	33.34	0.00	200.04	400.00
Total Income	34,768.58	36,179.18	241,935.45	217,075.08	434,150.03
Cost of Goods Sold					
50000 · COS-Operator					
50000-5 · COS Operator - Water	6,343.75	6,682.83	38,152.50	40,096.98	80,194.00

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Cash Basis

Windermere Oaks W.S.C.
Profit & Loss Budget Performance
 June 2019

	Jun 19	Budget	Jan - Jun 19	YTD Budget	Annual Budget
50000-6 · COS Operator - Sewer	3,456.25	3,598.42	20,737.50	21,590.52	43,181.00
Total 50000 · COS-Operator	9,800.00	10,281.25	58,890.00	61,687.50	123,375.00
57000 · COS-Chemicals					
57000-5 · COS Chemicals - Water	0.00	943.25	2,634.55	5,659.50	11,319.00
57000-6 · COS Chemicals - Sewer	0.00	19.25	0.00	115.50	231.00
Total 57000 · COS-Chemicals	0.00	962.50	2,634.55	5,775.00	11,550.00
57500 · COS-Electricity					
57500-5 · COS Electricity -Water	1,194.98	1,116.50	5,425.46	6,699.00	13,398.00
57500-6 · COS Electricity -Sewer	290.32	808.50	4,725.71	4,851.00	9,702.00
Total 57500 · COS-Electricity	1,485.30	1,925.00	10,151.17	11,550.00	23,100.00
58000 · COS-Sludge Removal					
58000-5 · COS-Sludge Removal - Water	0.00	345.00	0.00	2,070.00	4,140.00
58000-6 · COS-Sludge Removal - Sewer	0.00	405.00	1,390.00	2,430.00	4,860.00
Total 58000 · COS-Sludge Removal	0.00	750.00	1,390.00	4,500.00	9,000.00
58500 · LCRA - Raw Water Fee					
58500-5 · COS-LCRA Raw Water Fee - Water	422.30	600.00	2,369.02	3,600.00	7,200.00
58500-6 · COS-LCRA Raw Water Fee - Sewer	281.54	400.00	2,101.91	2,400.00	4,800.00
Total 58500 · LCRA - Raw Water Fee	703.84	1,000.00	4,470.93	6,000.00	12,000.00
59000 · COS-Lab Fees					
59000-5 · COS Lab Fees- Water	430.00	346.67	1,463.26	2,080.02	4,160.00
59000-6 · COS Lab Fees- Sewer	436.00		3,281.08		
Total 59000 · COS-Lab Fees	866.00	346.67	4,744.34	2,080.02	4,160.00
Total COGS	12,855.14	15,265.42	82,280.99	91,592.52	183,185.00
Gross Profit	21,913.44	20,913.76	159,654.46	125,482.56	250,965.03
Expense					
77600 · Website					
77600-5 · Website - Water	0.00	16.67	0.00	100.02	200.00
77600-6 · Website - Sewer	0.00	16.67	0.00	100.02	200.00
Total 77600 · Website	0.00	33.34	0.00	200.04	400.00
59610 · Install New Service Taps					
59610-5 · Install New Service Taps-Water	1,715.00	375.00	5,444.44	2,250.00	4,500.00
59610-6 · Install New Service Taps-Sewer	1,240.00	375.00	4,641.68	2,250.00	4,500.00
Total 59610 · Install New Service Taps	2,955.00	750.00	10,086.12	4,500.00	9,000.00
62000 · Bank Charges					
62000-5 · Bank Charges - Water	10.74	25.00	61.09	150.00	300.00
62000-6 · Bank Charges - Sewer	10.74	25.00	53.59	150.00	300.00
62000 · Bank Charges - Other	0.00		7.50		
Total 62000 · Bank Charges	21.48	50.00	122.18	300.00	600.00
62400 · Bookkeeping					

Windermere Oaks W.S.C.
Profit & Loss Budget Performance
 June 2019

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 Cash Basis

	Jun 19	Budget	Jan - Jun 19	YTD Budget	Annual Budget
62400-6 · Bookkeeping - Sewer	150.00		500.00		
62400-5 · Bookkeeping - Water	150.00		500.00		
Total 62400 · Bookkeeping	300.00		1,000.00		
62500 · Accounting					
62500-5 · Accounting - Water	0.00	416.67	480.00	2,500.02	5,000.00
62500-6 · Accounting - Sewer	0.00	416.67	480.00	2,500.02	5,000.00
Total 62500 · Accounting	0.00	833.34	960.00	5,000.04	10,000.00
62600 · Billing Services					
62600-5 · Billing - Water	700.00	700.00	3,995.63	4,200.00	8,400.00
62600-6 · Billing - Sewer	700.00	700.00	3,995.62	4,200.00	8,400.00
Total 62600 · Billing Services	1,400.00	1,400.00	7,991.25	8,400.00	16,800.00
62800 · Total Contract Services					
62804-5 · Professional Engineer - Water	0.00	208.33	0.00	1,249.98	2,500.00
62804-6 · Professional Engineer - Sewer	0.00	291.67	500.00	1,750.02	3,500.00
62806-5 · Consulting Fees - Water	0.00	166.67	0.00	1,000.02	2,000.00
62806-6 · Consulting Fees - Sewer	0.00	83.33	0.00	499.98	1,000.00
Total 62800 · Total Contract Services	0.00	750.00	500.00	4,500.00	9,000.00
63000 · Legal/Appraisal					
63000-5 · Legal/Appraisal - Water	0.00	600.00	2,751.33	3,600.00	7,200.00
63000-6 · Legal/Appraisal - Sewer	0.00	600.00	2,751.32	3,600.00	7,200.00
63100-5 · Lawsuit 2017/18-Water (2017/18 Lawsuit)	13,218.64	983.33	21,499.89	5,899.98	11,800.00
63100-6 · Lawsuit 2017/18-Sewer	13,218.63	983.33	21,499.88	5,899.98	11,800.00
Total 63000 · Legal/Appraisal	26,437.27	3,166.66	48,502.42	18,999.96	38,000.00
63500 · Dues & Subscriptions					
63500-5 · Dues/Subscriptions - Water	0.00	77.08	89.23	462.48	925.00
63500-6 · Dues/Subscriptions - Sewer	0.00	77.08	89.22	462.48	925.00
63501 · CTWC Subscription	0.00	166.67	0.00	1,000.02	2,000.00
Total 63500 · Dues & Subscriptions	0.00	320.83	178.45	1,924.98	3,850.00
64000 · Regulatory System Fee					
64010-6 · TCEQ Annual Fee - Sewer	0.00	125.00	0.00	750.00	1,500.00
64020-5 · TCEQ Annual Water System Fee	0.00	62.50	0.00	375.00	750.00
Total 64000 · Regulatory System Fee	0.00	187.50	0.00	1,125.00	2,250.00
65500 · Insurance					
65500-5 · Insurance - Water	0.00	666.67	7,080.28	4,000.02	8,000.00
65500-6 · Insurance - Sewer	0.00	666.67	7,080.27	4,000.02	8,000.00
Total 65500 · Insurance	0.00	1,333.34	14,160.55	8,000.04	16,000.00
66000 · Office Supplies					
66000-5 · Office Supplies - Water	828.63	125.00	858.57	750.00	1,500.00
66000-6 · Office Supplies - Sewer	628.27	125.00	658.21	750.00	1,500.00
Total 66000 · Office Supplies	1,456.90	250.00	1,516.78	1,500.00	3,000.00
66500 · Telephone and Internet					

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Windermere Oaks W.S.C.
Profit & Loss Budget Performance
June 2019

	Jun 19	Budget	Jan - Jun 19	YTD Budget	Annual Budget
66500-5 · Telephone/Internet - Water	160.15	250.00	1,393.77	1,500.00	3,000.00
66500-6 · Telephone/Internet - Sewer	185.15	250.00	1,650.94	1,500.00	3,000.00
Total 66500 · Telephone and Internet	345.30	500.00	3,044.71	3,000.00	6,000.00
67000 · Postage & Shipping Expense					
67000-5 · Postage & Shipping - Water	50.00	166.67	510.04	1,000.02	2,000.00
67000-6 · Postage & Shipping - Sewer	153.78	166.67	570.58	1,000.02	2,000.00
Total 67000 · Postage & Shipping Expense	203.78	333.34	1,080.62	2,000.04	4,000.00
68000 · Equipment Rental Expense	0.00	83.33	0.00	499.98	1,000.00
68500 · Repairs & Maintenance					
68500-5 · Repairs & Maintenance - Water	1,873.00	2,916.67	10,810.11	17,500.02	35,000.00
68500-6 · Repairs & Maintenance - Sewer	135.00	833.33	2,030.25	4,999.98	10,000.00
68522-5 · Barge Storm Damage 10/16/18 (Barge only storm damage)	0.00	500.00	42,747.78	3,000.00	6,000.00
Total 68500 · Repairs & Maintenance	2,008.00	4,250.00	55,588.14	25,500.00	51,000.00
68600 · Repair Parts					
68600-5 · Repair Parts - Water	1,525.17	933.33	3,794.13	5,599.98	11,200.00
68600-6 · Repair Parts - Sewer	0.00	400.00	0.00	2,400.00	4,800.00
Total 68600 · Repair Parts	1,525.17	1,333.33	3,794.13	7,999.98	16,000.00
69000 · Printing Expense					
69000-5 · Printing Expense - Water	0.00	62.50	84.00	375.00	750.00
69000-6 · Printing Expense - Sewer	0.00	62.50	84.00	375.00	750.00
Total 69000 · Printing Expense	0.00	125.00	168.00	750.00	1,500.00
71500 · Interest Expense					
71500-5 · Interest Expense - Water	0.00	1,166.67	0.00	7,000.02	14,000.00
71500-6 · Interest Expense - Sewer	1,010.91		6,119.97		
Total 71500 · Interest Expense	1,010.91	1,166.67	6,119.97	7,000.02	14,000.00
72100 · Taxes-Property	0.00	3.33	0.00	19.98	40.00
77500 · Meetings/Conferences					
77500-5 · Meetings/Conferences-Water	345.00	104.17	587.50	625.02	1,250.00
77500-6 · Meetings/Conferences-Sewer	0.00	104.17	242.50	625.02	1,250.00
Total 77500 · Meetings/Conferences	345.00	208.34	830.00	1,250.04	2,500.00
Total Expense	38,008.81	17,078.35	155,643.32	102,470.10	204,940.00
Net Ordinary Income	-16,095.37	3,835.41	4,011.14	23,012.46	46,025.03
Other Income/Expense					
Other Income					
41000 · Interest Income	85.22		249.29		
Total Other Income	85.22		249.29		
Other Expense					
72500 · Depreciation Expense	0.00	4,666.67	0.00	28,000.02	56,000.00
Total Other Expense	0.00	4,666.67	0.00	28,000.02	56,000.00

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07/07/19

Cash Basis

Windermere Oaks W.S.C.
Profit & Loss Budget Performance
 June 2019

	Jun 19	Budget	Jan - Jun 19	YTD Budget	Annual Budget
Net Other Income	85.22	-4,666.67	249.29	-28,000.02	-56,000.00
Net Income	-16,010.15	-831.26	4,260.43	-4,987.56	-9,974.97



8140 N Mopac Expy
Bldg 1, Ste 240
Austin, TX 78759
Phone: (512) 479-7900
Fax: (512) 479-7905

September 3, 2020
via email

Mr. Joe Gimenez
Windermere Oaks Water Supply Corporation
424 Coventry Road
Spicewood, TX 78669

Subject: Financial Assessment

Dear Mr. Gimenez:

NewGen Strategies and Solutions, LLC (NewGen) performed a high-level financial assessment of Windermere Oaks Water Supply Corporation (WOWSC) to document the impact of the lawsuits on WOWSC's financial position and provide possible financial policies that may benefit the utility.

Recent History

NewGen reviewed the financial results for 2017, 2018, and 2019 to assess WOWSC's recent financial history. The following tables provide a summary of WOWSC's financial condition as measured by various common benchmarks over the past three years. It is important to recognize that WOWSC's involvement in two lawsuits brought against WOWSC by TOMA Integrity, Inc. and by Rene Ffrench, John Richard Dial, and Stuart Bruce Sorgen have placed significant strain on the financial condition of the utility. Further, WOWSC is currently defending its March 2020 rate change, necessitated by legal expenses, at the Public Utility Commission of Texas (PUCT). WOWSC's future financial condition depends on the duration and outcome of its various legal challenges.

Table 1
Leverage Ratios

	2017	2018	2019
Debt to Capitalization			
Debt	\$ 388,064	\$ 357,549	\$ 331,989
Equity	1,177,136	1,179,199	1,128,317
Total	\$ 1,565,199	\$ 1,536,748	\$ 1,460,306
Ratio	25%	23%	23%
Debt to Net Plant Assets			
Debt	\$ 388,064	\$ 357,549	\$ 331,989
Net Asset Value of Plant	1,396,139	1,363,874	1,285,272
Ratio	28%	26%	26%

The debt to capitalization ratio and debt to net plant assets ratio provide an indication of the leverage of the utility. There is not a target leverage ratio that is ideal for all utilities but, generally, the lower the

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leverage ratio, the more financial flexibility the utility has and the easier it is for the utility to finance its capital needs. As a point of reference, in a recent Fitch Ratings report (Fitch Medians)¹, the median value of debt to net plant assets for small systems (defined as utilities serving fewer than 100,000 persons) was 36%. Thus, WOWSC is less leveraged than the Fitch median small system by this metric. It is important to note that WOWSC is significantly smaller than the average system defined as a small system by Fitch.

Table 2
Debt Service Coverage

	2017	2018	2019
Available for Debt Service	\$ 85,606	\$ 91,885	\$ 55,681
Debt Service	50,118	50,104	50,089
Ratio	1.71	1.83	1.11

Debt service coverage is a measure of financial flexibility that judges a utility's financial margin to pay debt service from net revenues after priority expenses, such as operation and maintenance (O&M) expenses, are paid. It is common for utility debt covenants to have a requirement for debt service coverage, such as 1.25. WOWSC's debt service coverage decreased precipitously in 2019 due, in large part, to lawsuit expenses. The Fitch Medians report indicates the median debt service coverage for small systems was 2.6, which is significantly higher than WOWSC's current debt service coverage despite the fact that WOWSC has relatively low leverage. A key benefit of sufficient debt service coverage is that it indicates revenue in excess of cash O&M that can be used to cash fund some portion of capital expenses.

Table 3
Days Cash on Hand

	2017	2018	2019
Actual Results			
Liquid Assets	\$ 144,112	\$ 168,542	\$ 150,994
Less: Capital Expenditure Reserve	(47,158)	(41,983)	(41,983)
Net Unrestricted Reserves	\$ 96,954	\$ 126,559	\$ 109,012
Total Cash Operating Expenses	\$ 291,019	\$ 371,260	\$ 503,795
DCOH	122	124	79
Modified Results if There Were No Lawsuits			
Lawsuit Related Legal Costs (a)	\$ -	\$ 25,480	\$ 159,173
Modified Net Unrestricted Reserves	96,954	152,039	293,665
Modified Cash Operating Expenses	291,019	345,780	344,622
DCOH (hypothetical)	122	160	311

(a) Includes costs directly related to ongoing lawsuits as well as general counsel services for Public Information Act requests

¹ Fitch Ratings, 2019 Water and Sewer Medians, Public Finance, November 12, 2018.

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Days cash on hand (DCOH) serves as an indication of liquidity or ability to meet short-term liabilities, particularly under unforeseen hardships. This is generally calculated as current unrestricted cash and investments, divided by annual cash operating expenditures, divided by 365 days in a year. The Fitch Medians report indicates the median DCOH for small systems was 627.

As shown in Table 3, WOWSC's actual DCOH has been declining significantly as a result of lawsuit expenses. Table 3 also shows a hypothetical DCOH based on what NewGen estimates would have been the financial impact if WOWSC had not had the lawsuit expenses (with all else equal). WOWSC took action in February 2020 to increase water and sewer rates to help mitigate the financial impact of the lawsuits. WOWSC's financial condition would be significantly improved, and rates could be lowered, if all outstanding legal disputes were resolved.

Current Conditions

NewGen developed a financial projection for 2020 based on the WOWSC 2020 budget (with a few line items adjusted), current rates, new CoBank loans, and assumed lawsuit expenses, as shown in Exhibit A. The analysis indicates WOWSC will essentially breakeven on a cash basis if lawsuit expenses are limited to approximately \$245,000 in 2020. It is worth noting that WOWSC has been billed for approximately \$169,000 for legal expenses related to the lawsuit as of May 2020. Thus, further financial deterioration is possible if legal expenses do not abate despite the significant increase in rates approved in February 2020.

Financial Policies

It is good governance for utilities to have written financial policies to guide the utility and ensure consistent decision-making over time. NewGen is not aware of any written financial policies for WOWSC. Therefore, we suggest the following possible financial policies for consideration by WOWSC. Not all of these policies may be needed or appropriate. Further, the inclusion of one policy may impact the stated target of another policy. For example, whether or not WOWSC opts to maintain an emergency reserve fund may alter the number of days cash O&M WOWSC targets for its operating reserve. Utilities that employ financial policies, such as the ones suggested below, tend to be rewarded with better interest rates from lenders and more favorable terms for financing. Further, financial policies can help guide consistent, optimal decision-making.

To be clear, the targets listed in the financial policies below are merely suggestions. The actual targets appropriate for each of the policies below should be selected by the WOWSC Board based on WOWSC's priorities, values, and risk tolerance. WOWSC may not need to adopt all of the suggested policies listed below but, rather, may pick and choose the policies that are appropriate for WOWSC.

List of Possible Financial Policies

- The term of debt generally shall not exceed the useful life of the asset financed, and shall not generally exceed 30 years.
- Debt service coverage of at least 1.50x shall be targeted (and actual debt service coverage shall be in compliance with all relevant debt covenants).
- Ongoing routine, preventive maintenance should be funded on a pay-as-you-go basis.
- Capital projects should be financed through a combination of cash, referred to as pay-as-you-go financing (equity contributions from current revenues), and debt. An equity contribution ratio of at least 15% is desirable.

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- The utility shall maintain operating cash reserves equivalent to a minimum of 90 days of budgeted cash operations and maintenance expense.
- The utility shall maintain an emergency reserve with a minimum of 30 days of budgeted cash operations and maintenance expense.
- The utility shall maintain a repair and replacement reserve with a target balance of 50% of current year depreciation.
- Rates shall be designed to generate sufficient revenues to support the full cost of operations and debt; provide debt service coverage and meet other debt covenants, if applicable; and ensure adequate and appropriate levels of reserves and working capital.

New Fair Market Value Process

The 86th Texas Legislature passed House Bill 3542, which established a fair market valuation process that may be used by Class A or Class B water or sewer utilities acquiring another retail public utility (or facilities of another retail public utility).² This new fair market valuation process provides an acquiring utility the opportunity to put more than original cost less depreciation into rate base (i.e., a positive acquisition premium). Rate base for regulated utilities, such as investor-owned utilities (IOUs), is the invested capital on which they are allowed the opportunity to earn a return. Traditional rate regulation limits the primary component of rate base to original cost less depreciation. Thus, the opportunity to put a positive acquisition premium into rate base is attractive to the acquiring rate regulated utility. The presumed goal of House Bill 3542 was to make it more attractive for larger, more efficient and well financed utilities to acquire smaller and/or distressed utilities. The target utilities may be less efficient due to the scale of their operations or may lack access to sufficient funding to invest in facilities to improve service or satisfy regulatory requirements.³ Thus, although a positive acquisition premium may result in higher rates for the customers of the acquired system, there is the potential benefit to customers of more efficient operations and/or improved service or regulatory compliance. Consolidating systems within a larger entity has the potential to achieve greater economies of scale and spread capital cost recovery over more customers, benefiting ratepayers.

While each situation is different, and there can be benefits of IOU ownership, it is important to note that IOUs have structural cost disadvantages as compared with not-for-profit entities, such as WOWSC. First, an IOU's return on investment, as established by the PUCT, includes profit that a not-for-profit entity does not require. Second, the IOU must pay taxes (property taxes, sales taxes, and income taxes) that a not-for-profit entity does not pay. Thus, in order for the IOU to charge the same or similar rates as the not-for-profit entity, the IOU must operate more efficiently than the not-for-profit entity in order to overcome these structural cost disadvantages and still generate a return for its investors. Further, whereas important decisions for WOWSC, such as rate-setting or impacts to community aesthetic, are made by a board that is elected by the customers, customers of IOUs must rely on the PUCT to ensure that rates, policies, and decisions are just, reasonable and in the public interest of all ratepayers. Thus, there is some loss of control that would accompany a transition from WOWSC's current governance structure to IOU ownership.

² The new rules were adopted by the PUCT in Docket No. 49813.

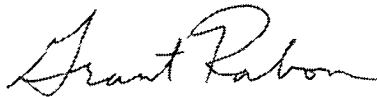
³ NewGen is in no way implying that WOWSC is inefficient or lacks access to sufficient capital funding. These are simply example attributes that are sometimes cited when discussing candidate target utilities under the fair market valuation process.

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We appreciate the opportunity to assist WOWSC. If there are any questions regarding this financial assessment, please feel free to contact me.

Sincerely,

NewGen Strategies and Solutions, LLC

A handwritten signature in black ink that reads "Grant Rabon". The signature is written in a cursive, flowing style.

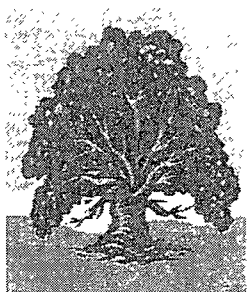
Grant Rabon, Executive Consultant

Windermere Oaks Water Supply Corp

		Actual 2017	Actual 2018	Actual 2019	Budget 2020	Adjustments	Projected 2020	Notes
		A	B	C	E	F	G	H
1	Revenue							
2	Standby Fees	\$ 41,977	\$ 38,959	\$ 44,079	\$ 33,000	\$ 11,079	\$ 44,079	A
3	Service	279,873	341,066	369,541	390,000	145,553	535,553	B
4	Late Charge	6,750	8,575	5,092	5,000		5,000	
5	Membership Transfer Fees	70	350	(1,982)	2,800	(2,800)	-	C
6	Equity Buy-In Fees	24,000	41,800	50,600	27,600	18,400	46,000	D
7	Tap Fees	8,250	16,425	20,700	10,350	13,900	24,250	D
8	Reconnect Fee	35	-	-	-		-	
9	Miscellaneous	-	2,035	59,149	-		-	
10		\$ 360,956	\$ 449,211	\$ 547,180	\$ 468,750		\$ 654,882	
11	Other							
12	Interest Income	\$ 362	\$ 331	\$ 481	\$ 300		\$ 300	
13	Property Sales	-	-	-	-		-	
14		\$ 362	\$ 331	\$ 481	\$ 300		\$ 300	
15								
16	Total Revenue	\$ 361,318	\$ 449,543	\$ 547,661	\$ 469,050		\$ 655,182	
17								
18	Operating Expenses							
19	Operator	\$ 109,800	\$ 116,825	\$ 117,865	\$ 123,375		\$ 123,375	
20	Chemicals	10,425	10,602	12,035	12,450		12,450	
21	Electricity	20,143	21,585	20,922	22,400		22,400	
22	Sludge Removal	8,095	4,521	2,363	5,000		5,000	
23	LCRA Raw Water Fee	8,551	8,468	8,490	9,000		9,000	
24	Lab Fees	5,244	7,166	8,459	6,500		6,500	
25	Website	358	358	-	500		500	
26	New Service Taps	15,455	10,462	20,985	7,200	17,050	24,250	E
27	Bank Charges	481	411	222	600		600	
28	Accounting	4,263	6,465	5,848	17,800		17,800	
29	Billing Services	15,928	14,350	15,679	20,000		20,000	
30	Contract Services	2,657	4,783	3,069	9,000		9,000	
31	Legal and Appraisal	2,247	12,501	7,411	-	7,386	7,386	F
32	Legal - Lawsuit Related	-	25,480	159,173	110,000	135,223	245,223	G
33	Dues and Subscriptions	2,552	1,835	178	4,000		4,000	
34	TCEQ Fees	1,818	1,816	1,816	2,100		2,100	
35	Insurance	12,577	14,083	14,161	21,000		21,000	
36	Meals and Entertainment	-	131	-	500		500	
37	Office Supplies	1,570	1,283	4,707	3,400		3,400	
38	Telephone and Internet	4,156	4,526	6,549	6,000		6,000	
39	Postage and Shipping	2,510	2,094	2,710	5,000		5,000	
40	Equipment Rental	-	-	250	1,500		1,500	
41	Repairs and Maintenance	35,481	76,824	71,060	50,000	11,121	61,121	F
42	Repair Parts	8,468	7,523	6,730	16,000		16,000	
43	Printing	-	2,184	168	1,500		1,500	
44	Interest	15,307	13,603	11,815	14,000	28	14,028	H
45	Taxes - Property	-	-	-	40		40	
46	Meetings and Conferences	2,933	1,382	1,130	2,500		2,500	
47		\$ 291,019	\$ 371,260	\$ 503,795	\$ 471,365		\$ 642,174	
48								
49	Net Income before Depreciation	\$ 70,300	\$ 78,283	\$ 43,866	\$ (2,315)		\$ 13,008	
50								
51	Debt Principal	\$ 34,812	\$ 36,502	\$ 38,274	\$ -	13,008	\$ 13,008	H
52								
53	Net Cash Flow before Cash Capital Outlay	\$ 35,488	\$ 41,781	\$ 5,592	\$ (2,315)		\$ -	I

Notes

- A Assumed to be the same as in 2019
- B Forecasted based on eight months at current rates and four months at prior rates as well as 10 additional water and sewer customers in 2020
- C Assumed to be \$0 based on recent actual fees
- D Based on 10 water and sewer customers added per year
- E Assumed to be equal to the tap fee revenue
- F Based on an average of the actual results for the last three years
- G Estimate for this analysis, includes costs directly related to ongoing lawsuits as well as general counsel services for Public Information Act requests
- H Based on CoBank estimates for loans in the amounts of \$230,000 and \$150,000
- I Assumes bad debt does not increase significantly



Windermere Oaks Water Supply Corporation

424 Coventry Rd
Spicewood, Texas 78669

2020 - 2021 Board of Directors:
Joe Gimenez, President
Patricia Gerino, Vice-President
Mike Nelson, Secretary/Treasurer
Rich Schaefer, Director
Dorothy Taylor, Director

Attachment JG-7

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Windermere Oaks Water Supply Corporation (WOWSC) Board meeting held Tuesday, February 11, 2020 at the Spicewood Community Center, 7901 Co Rd 404, Spicewood TX, 78669

2020 - 2021 Board Members Present: Patricia Gerino, Joe Gimenez, Mike Nelson, Rich Schaefer, Dorothy Taylor

Minutes

The meeting was called to order at 6:01PM by Joe Gimenez.

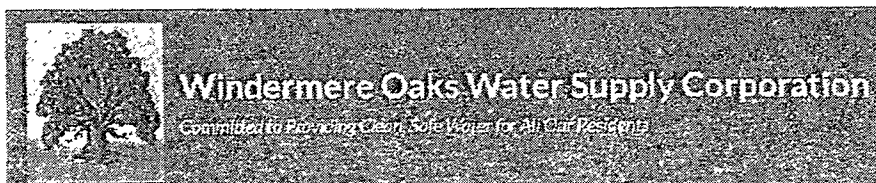
1. Comments from citizens and members who have signed sign-up sheet to speak (3-minute limit per person).¹
 - a. Joe Gimenez
 - i. Received letter from Patti Flunker on Executive Session agenda item 'Deliberations regarding the potential purchase, exchange, lease, or value of real property'
 1. Joe said there is No contract. no discussions, no marketing effort, nothing going on regarding sale of WOWSC property.
 2. Joe said the agenda item would help two new Board members, Patricia and Rich, to get up to speed on WOWSC's real estate
 3. Patti Flunker, Josie Fuller, and Danny Flunker have asked why WOWSC has not sold property to pay for legal bills
 4. Joe said that no action is planned to be taken on property after Executive session
 - b. Danny Flunker
 - i. On agenda item, Executive Session agenda item 'Deliberations regarding the potential purchase, exchange, lease, or value of real property', did not mention sale of WOWSC property.
 - ii. Handed out hard copy of an email from Gary Young from 2015 citing his assessment of issues with the WOWSC and explained why he would not run for the Board.
 - iii. Danny asked Joe to not turn-off recording equipment and to not touch equipment
 - c. Mikki Bertino
 - i. From Mikki's research of Burnet County records on lots 130 and 131, the records did not show a WOWSC easement on the lots' plats.
 - d. Patti Flunker
 - i. Glad to see an attorney is not present today
 - ii. Requested Board discuss with WOWSC's attorneys the Executive Session agenda item 'Deliberations regarding the potential purchase, exchange, lease, or value of real property.' Patti believes Texas Open Meeting Act Executive Session property discussion is specific to a third party.
2. Approval of Board Meeting minutes
 - a. January 23, 2020
 - b. February 1, 2020

¹ The Board is not allowed to take action on any subject presented that is not on the agenda, nor is the Board required to provide a response; any substantive consideration and action by the Board will be conducted under a specific item on a future agenda at a regular meeting of the Board.

3. MANAGER'S REPORT –

- a. GENERATOR INSTALLATION PROGRESS -update on tests, propane tank installation and billings.
 - i. Installing propane tank underground outside the entrance gate. The hole is to be dug Wednesday and the tank installed underground on Thursday.
- b. PRE-TREATMENT FACILITY –Discussion of operator's findings on current clarifier and updates on pricing for new clarifier.
 - i. George's ongoing investigation for pre-treatment equipment is finding more options.
 - ii. A distributor believes he may have equipment that will work for WOWSC. This needs to be investigated and vetted.
 - iii. Recently, many new options are becoming available for water pre-treatment.
- c. TRWA ANALYSIS –Update on communications with TRWA regarding what-if rate scenarios.
 - i. James's initial analysis used WOWSC's Y2019 actual expenses
 - 1. WOWSC's Y2019 legal expense ~\$167,000 (which caused substantial part of rate increase of \$65.73 for 2020).
 - ii. At Board's request, James performed what-if scenarios for rates, keeping all expenses as they were in 2019, but changing the legal expenses to envision what rates might have been, or what might be in the future.
 - 1. At \$0, the impact is a reduction of ~ \$2 to the monthly base rate
 - a. From ~ \$91 to ~\$89
 - 2. At \$30,000, the impact is an increase of \$3 to the monthly base rate
 - a. From ~ \$91 to ~\$94
 - 3. At \$48,000, the impact is an increase of \$6 to the monthly base rate
 - a. From ~ \$91 to ~\$97
 - 4. At \$72,000, impact is an increase of \$10 to the monthly base rate
 - a. From ~ \$91 to ~\$101
 - 5. James did not provide a what if scenario impact for legal expenses of \$250,000
 - a. Rich's estimate is an increase of \$82 to the monthly base rate
 - i. From ~\$91 to ~\$173
- d. AUDIT –Update re communication with CPA regarding audit timing.
 - i. Joe and George have worked with accountant to perform tax-basis audit for approximately \$10,000
 - ii. Audit is being delayed until WOWSC can afford to pay for it
- e. REPLAT OF LOTS 130 & 131 - Documents from title company did not reflect water pipe location down center of replatted lots. Replat approved by WO POA. Owner requesting WOWSC or WO POA to cover the reallocation of the pipeline across nearly 220 feet along outside of new property line. POA Guidelines stipulate this is the owner's responsibility.
 - i. Original plats for Windermere Oaks (WO) proper properties have WOWSC easements
 - ii. Tennis Village was never a part of WO proper. Tennis Village original plats did not include WOWSC easements. It's not clear today where all WOWSC pipes in the Tennis Village are located.
 - iii. No known Tennis Village survey plat shows a WOWSC easement along the lot lines.
 - iv. George believes WOWSC's original covenants and deed restrictions have blanket easement statements that do not necessarily show in plats.
 - v. Request was made by the property owner for WOWSC or WO POA to pay for moving the water pipes.

- vi. ~200 ft of 4" pipe at \$10 to \$15 per ft.: ~\$2,000 to \$3,000
 - vii. WO POA restrictions state that owners are responsible for costs associated with easements when moving property lines (replatting)
 - viii. Joe recommends a WOWSC attorney meet with a WO POA attorney to discuss this with the Title Company and owner.
 - ix. Replat was done in 2017
4. SUBCOMMITTEE APPOINTMENTS –Review, discuss and take any appropriate action regarding assignments to subcommittees, including but not limited to Legal, Budget, Operations, Administrative, and Finances.
- a. Legal sub-committee:
 - i. Members: Joe and Mike
 - b. Budget sub-committee:
 - i. Members: Mike
 - c. Dispersal field at airport: grass runway
 - i. Members: Patricia asked Rich to join
 - d. Pre-treatment facility upgrade:
 - e. Finances: Loan, line of credit at bank
 - i. Members: Joe, Joe asked Patricia to join
 - f. Administrative: resolutions, By-Laws, Tariffs
 - i. Members: Dorothy
 - g. Committees are limited to two Board members per committee
 - h. Tabled further discussion for today
 - i. Formalize sub-committee assignments at future WOWSC Board Meetings
5. TREASURER'S REPORT
- a. Review of January financial statements if available.
 - i. WOWSC has not yet received our January financial report. It's a very busy time of the year for our bookkeepers (accountants).
 - b. Review legal budget billing worksheet and summarize payment plan proposals. Take action as necessary
 - i. Mike's cash flow analysis found ~\$10,000 more in monthly revenue than monthly cost of goods sold and standard monthly expenses
 - 1. Mike to send Patricia, Dorothy, Rich the cash flow analysis for legal payments
 - ii. WOWSC has not yet received a check from LCRA for the water reduction projects
 - iii. Need to pay down legal invoices
 - 1. December 2019 legal invoices: \$62.1K
 - 2. January 2020 legal invoices: \$59.6K
6. TARIFF REVISION – Review, discuss and take any appropriate action including voting regarding updating of the Tariff to include the new rates approved at the February 1, 2020 Annual Board meeting.
- a. Joe read resolution regarding 'NOTICE OF RATE/TARIFF CHANGES EFFECTIVE MARCH 23, 2020
 - b. Motion made and carried by all approving an amendment to the resolution to include a rate review no later than September 2020.
 - c. Motion made and carried by all to approve the amended resolution



DATE: February 11, 2020

TO: ALL WINDERMERE OAKS WSC MEMBERS & CUSTOMERS

RE: NOTICE OF RATE/TARIFF CHANGES EFFECTIVE MARCH 23, 2020

At its February 1, 2020 Annual Board meeting, the Board of Directors of WOWSC voted unanimously to increase water and wastewater utility rates and revise our Tariff accordingly. The new rates will be in effect beginning for utility service between March 23 through the April 2020 reading, and will be reflected on bills you receive in late April/early May. The rate changes are detailed below.

The amount of the rate increase was determined through an analysis of the Corporation's 2019 operating expenses by the Texas Rural Water Association. The rate analysis considered all the operating expenses we incurred, including \$169,000 in legal fees. This historically high amount reflected legal defense costs incurred due in large part to two lawsuits brought against WOWSC by TOMA Integrity, Inc. and by Rene French, John Richard Dial, and Stuart Bruce Sorgen. The Board also committed to revisiting these rates again in September. If the legal battles continue, or if other operational expenses arise, the Board may need to increase rates again. The Board also committed to reducing rates once the suits against it are dropped, settled, or decided in its favor.

The following sections of the Tariff, modified:

Section G. Rates and Service Fees

7. Monthly Charges

a. Base Rate / Service Availability Charge

(1) Water Service

The minimum water Service Availability Charge (5/8" x 3/4" & 3/4" meter) shall be \$90.39

(2) Sewer Service

The minimum sewer Service Availability Charge (5/8" x 3/4" & 3/4" meter) shall be \$66.41

OLD RATES:

Section G. Rates and Service Fees

7. Monthly Charges

a. Base Rate / Service Availability Charge

(1) Water Service

The minimum water Service Availability Charge (5/8" x 3/4" & 3/4" meter) shall be \$90.95

(2) Sewer Service

The minimum sewer Service Availability Charge (5/8" x 3/4" & 3/4" meter) shall be \$40.12

The above new rates become effective MARCH 23, 2020

The Windermere Oaks Water Supply Corporation achieved perfect results for water quality in 2019 from the Texas Commission on Environmental Quality. The legal expenses we are incurring to defend our corporation far exceed the expenses necessary to continue to provide clean drinking water and to effectively treat our effluent. It is our hope that once the legal expenses subside, we can lower these rates to a level reflective of those costs *without* ongoing litigation. If you have any questions, please email WindermereWater@gmail.com or call (830) 613-8137 and someone will get back to you. A copy of the revised tariff will be filed with the Water Utilities Division, Public Utility Commission of Texas, PO Box 13326, Austin, Texas 78711-3326.

From the Board of Directors of Windermere Oaks Water Supply Corporation.

Windermere Oaks Water Supply Corporation
424 Coventry Rd. Spicewood, Texas 78669
Billing Questions: (830) 598-7511 Ext 1
Water or Sewer Emergency: Phone (830) 598-7511 Ext 2

7. MEMBER COMMUNICATIONS -- Review, discuss and take any appropriate action on necessary member communications to give members 30-day notice of rate change before the March 23 meter read offer information on legal matters.
 - a. Notify members 30 days or more in advance of a rate increase
 - b. Expect to read meters March 23rd.
 - c. Plan to communicate rate increase to WOWSC Members before February 22nd
 - d. Motion made and carried by all to mail WOWSC Members the rate increase notification this week
8. Executive Session under Texas Government Code § 551.071(1) and (2) and § 551.072 regarding:
 - a. Jay Grissom Letter to WOWSC advising of intent to take issues to small claims court.
 - b. French, et al., Intervenor-plaintiffs and Double F Hangar Operations, LLC, et al. v. Friendship Homes & Hangars, LLC, Windermere Oaks WSC, et al., Cause No. 48292, 33rd Jud. Dist., Burnet County Dist. Ct.
 - c. Deliberations regarding the potential purchase, exchange, lease, or value of real property
 - i. Entered Executive Session: 7:02PM
 - ii. Exited Executive Session: 7:50PM
 - iii. Board meeting resumed: 7:55PM
9. Consideration and possible action on items discussed in Executive Session.
 - a. Initial claim made for \$12,000 by Jay Grissom for replacement of two industrial grinder pumps allegedly due to WOWSC sewer valve failures that affected Grissom and his neighbor's grinder pumps' ability to send wastewater to the system. Grissom's house is his second home and he was not able to take action to remedy. His neighbor who lives full time in neighborhood was able to shut off overflowing grinder pump. George had originally communicated to Grissom that a single pump would be sufficient and that a replacement should be ~\$1300. Grissom shared replacement bills of ~\$5,000. Board avoided small claims court through negotiation with Grissom and settled on a \$1500 no fault settlement payment. (During this part of meeting, member Josephine "Josie" Fuller moved her chair to within a few feet of the Board table, claiming that she wanted to hear better, but also said something to the effect that she wanted Board members "to look her in the eyes" when discussing this matter and some Board members felt threatened by this action. She made various outbursts disrupting subsequent parts of the meeting.)
 - i. Motion made and carried by Patricia, Mike, Rich, and Dorothy to approve the \$1500 no fault settlement with Grissom, authorize legal council to effectuate the no fault settlement, and for treasurer to make payment.
 1. Joe abstained from voting on the motion
 - b. Members have requested frequent communication on WOWSC issues
 - i. Motion made and carried by all for legal subcommittee, Joe and Mike, to work with attorneys on Member communication regarding the defense of lawsuits and the impact on rates and operation
10. New business and discussion and possible action on agenda for next meeting.
 - a. Financials
 - b. Meeting minutes review and approval
 - c. Manager's report
 - i. Replat issue for lots 130 & 131
 - ii. Generator installation
 - d. Executive session
 - e. Legal fees payment schedule
 - f. Credentials committee
 - g. Sub-committees discussion
11. Set date, time, and place for next meeting.
 - a. Tuesday, March 17th, at 6:00PM or Thursday, March 19th, at 6:00PM at the Spicewood Community Center
12. Motion made and carried by all to adjourn at 8:07PM



Submitted by: Mike Nelson

APPROVED BY WOWSC Board on May 19, 2020

Billing Questions: (830) 598-7511 Ext 1
Water or Sewer Emergency: Phone (830) 598-7511 Ext 2

Windermere Oaks WSC
Summary of Income/Expense
August 31, 2020

Income	\$ 63,506.22
Expenses	<u>(66,975.09)</u>

Net Income/(Loss)	\$ (3,468.87)
-------------------	---------------

Bank Account Balances	
Checking	\$ 55,307.00
MM+	(14,590.12)
Capital Expenditure Reserve	<u>41,982.58</u>

Total:	\$ 82,699.46
--------	--------------

WWTP Loan Balance	\$ 198,146.74
-------------------	---------------

Debt to service coverage ratio:	YTD	<u>2020</u>	<u>2019</u>
Net operating income		30,294.42	84,273.86
Debt service		26,399.50	24,946.26
DSCR		1.15	3.38

Debt to capital ratio:	YTD		
Debt		198,146.74	237,431.63
Total capital		1,131,603.10	1,501,196.88
Debt to capital		0.18	0.16

Days cash on hand:			
Cash on hand	MTH	82,699.46	237,183.70
Budgeted annual expense less depreciation		432,640	394,215
Days cash on hand		69.77 *	219.61

* Assumption here is that no additional income will be received through the end of the year.

Capital Expenditures Reserves
August 31, 2020

Project	Budget	Paid to Date	Balance	Comments
Tennis Village Lift Station	53,000.00	9,888.34		
Tennis Village Lift Station Final	7,666.52			BOD approved 8/30/17
1st Draw Water Mmgt. Pumps and tanks		27,416.52		
2nd Draw Water Mmgt.		12,500.00		
3rd Draw Water Mmgt		10,000.00		
Total Expenses	60,666.52	59,804.86	861.66	

Beginning C/E Reserve Income Balance			41,982.58
Monthly Transfers from Checking (01/31/19)			
Expenses (2017/2018)			
Barge Damage Expenses/Tranfers			-
Grand Total Reserve Income Balance			41,982.58

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Windermere Oaks W.S.C.

Balance Sheet

As of August 31, 2020

09/10/20

Cash Basis

	Aug 31, 20
ASSETS	
Current Assets	
Checking/Savings	
10200 Cash in Bank-2100725	55,307.00
10205 - Capital Expenditures Reserve	41,982.58
10400 - MM/Contingency Funds-128546	-14,590.12
Total Checking/Savings	82,699.46
Other Current Assets	
14700 - Other Current Assets	8,671.46
Total Other Current Assets	8,671.46
Total Current Assets	91,370.92
Fixed Assets	
15000 - Furniture & Fixtures	2,572.62
15100 - Equipment	109,418.15
15200 - Fence	19,017.66
15300 - Water Treatment Facility	194,315.62
15310 - 2004 Water Plant Expansion	6,500.00
15315 - Water Plant Computer Upgrade	7,987.50
15340 - 3-Phase Electrical Upgrade	8,699.00
15350 - 2004 Water Storage Tank	70,649.95
15400 - Improvements	34,888.96
15401 - Tennis Village Lift Station (Replace Lift Station)	59,341.90
15402 - Water Plant Generator (New Generator)	88,715.03
15403 - Security System - Water Plant	11,008.04
15500 - Building	3,377.58
15600 - Sewer Plant	125,233.87
15650 - Barge Replacement	652.27
15700 - Hydrotank Foundation	9,599.19
15750 - Boat	4,000.00
15800 - Decant Lagoon	18,475.51
15850 - 2014 WW Treatment Plant (Expenditures for WWTP)	788,648.35
15851 - Total Land	
16800 - Lot 253	6,403.75
16900 - Land	54,705.69
Total 15851 - Total Land	61,109.44
15900 - Sewer Plant Bldg new	18,277.70
15950 - 2007 Water Treatment Plant	679,210.33
17000 - Accumulated Depreciation	-960,978.99
Total Fixed Assets	1,360,719.68
Other Assets	
19300 - Standby Fees Delinquent	34.93
Total Other Assets	34.93
TOTAL ASSETS	1,452,125.53
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
25000 - Water & Sewer Taxes Payable	5,167.94
Total Other Current Liabilities	5,167.94
Total Current Liabilities	5,167.94
Long Term Liabilities	
27500 - Membership Fees Refundabl	117,207.75
27750 - Loan ABT WWTP April 4 2014 (This is first loan for WWTP)	198,146.74

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Windermere Oaks W.S.C.

Balance Sheet

As of August 31, 2020

09/10/20

Cash Basis

	<u>Aug 31, 20</u>
Total Long Term Liabilities	<u>315,354.49</u>
Total Liabilities	320,522.43
Equity	
39005 - Retained Earnings	1,101,198.23
Net Income	<u>30,404.87</u>
Total Equity	<u>1,131,603.10</u>
TOTAL LIABILITIES & EQUITY	<u><u>1,452,125.53</u></u>

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09/10/20

Cash Basis

Windermere Oaks W.S.C.
Profit & Loss Budget Performance
August 2020

	Aug 20	Budget	Jan - Aug 20	YTD Budget	Annual Budget
Ordinary Income/Expense					
Income					
40000 · Standby Fees					
40000-5 · Standby Fees - Water	299.75	1,375.00	17,400.64	11,000.00	16,500.00
40000-6 · Standby Fees - Sewer	225.00	1,375.00	17,325.87	11,000.00	16,500.00
Total 40000 · Standby Fees	524.75	2,750.00	34,726.51	22,000.00	33,000.00
40200 · Water & Sewer Services					
40200-5 · Water Services	37,581.31	19,500.00	202,101.53	156,000.00	234,000.00
40200-6 · Sewer Services	20,069.36	13,000.00	125,069.02	104,000.00	156,000.00
Total 40200 · Water & Sewer Services	57,650.67	32,500.00	327,170.55	260,000.00	390,000.00
40300 · Late Charges					
40300-5 · Late Charges - Water	149.29	250.00	3,514.37	2,000.00	3,000.00
40300-6 · Late Charges - Sewer	81.10	166.67	2,373.96	1,333.36	2,000.00
40300 · Late Charges - Other	0.00		5.90		
Total 40300 · Late Charges	230.39	416.67	5,894.23	3,333.36	5,000.00
40400 · Membership Fees	0.00	200.00	0.00	1,600.00	2,400.00
40410 · Membership Transfer Fees					
40410-5 · Membership Transfer Fees-Water	20.13	16.67	20.13	133.36	200.00
40410-6 · Membership Transfer Fees-Sewer	20.12	16.67	20.12	133.36	200.00
40410 · Membership Transfer Fees - Other	0.00		80.50		
Total 40410 · Membership Transfer Fees	40.25	33.34	120.75	266.72	400.00
40500 · Equity Buy-in Fees					
40500-5 · Equity Buy-in Fees - Water	2,300.00	1,150.00	18,400.00	9,200.00	13,800.00
40500-6 · Equity Buy-in Fees - Sewer	2,300.00	1,150.00	18,400.00	9,200.00	13,800.00
Total 40500 · Equity Buy-in Fees	4,600.00	2,300.00	36,800.00	18,400.00	27,600.00
40600 · Water & Sewer Taps					
40600-5 · Water Taps	318.02	431.25	5,493.02	3,450.00	5,175.00
40600-6 · Sewer Taps	137.50	431.25	6,175.00	3,450.00	5,175.00
40600 · Water & Sewer Taps - Other	0.00		882.50		
Total 40600 · Water & Sewer Taps	455.52	862.50	12,530.52	6,900.00	10,350.00
44000 · Regulatory Assessment fee refund	0.00		-1,876.00		
48000 · Miscellaneous Income	0.00		14,129.00		
Total Income	63,501.58	39,082.51	429,495.56	312,500.08	468,750.00
Cost of Goods Sold					
50000 · COS-Operator					
50000-5 · COS Operator - Water	12,229.00	6,882.83	58,510.25	53,462.68	80,194.00
50000-6 · COS Operator - Sewer	9,254.00	3,598.42	34,478.50	28,787.36	43,161.00
Total 50000 · COS-Operator	21,483.00	10,281.25	92,988.75	82,250.04	123,375.00
57000 · COS-Chemicals					
57000-5 · COS Chemicals - Water	2,410.11	1,016.87	12,424.46	8,133.36	12,200.00
57000-6 · COS Chemicals - Sewer	0.00	20.63	0.00	166.68	250.00

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Cash Basis

Windermere Oaks W.S.C.
Profit & Loss Budget Performance
August 2020

	Aug 20	Budget	Jan - Aug 20	YTD Budget	Annual Budget
Total 57000 · COS-Chemicals	2,410.11	1,037.50	12,424.46	8,300.04	12,450.00
57500 · COS-Electricity					
57500-5 · COS Electricity -Water	1,041.45	933.33	8,726.39	7,466.68	11,200.00
57500-6 · COS Electricity -Sewer	1,204.67	933.33	6,646.52	7,466.68	11,200.00
Total 57500 · COS-Electricity	2,246.12	1,866.66	15,372.91	14,933.36	22,400.00
58000 · COS-Sludge Removal					
58000-5 · COS-Sludge Removal - Water	695.00	166.67	1,436.25	1,333.36	2,000.00
58000-6 · COS-Sludge Removal - Sewer	0.00	250.00	3,995.88	2,000.00	3,000.00
Total 58000 · COS-Sludge Removal	695.00	416.67	5,432.13	3,333.36	5,000.00
58500 · LCRA - Raw Water Fee					
58500-5 · COS-LCRA Raw Water Fee - Water	599.77	450.00	3,546.26	3,600.00	5,400.00
58500-6 · COS-LCRA Raw Water Fee - Sewer	399.85	300.00	1,975.84	2,400.00	3,600.00
Total 58500 · LCRA - Raw Water Fee	999.62	750.00	5,522.10	6,000.00	9,000.00
59000 · COS-Lab Fees					
59000-5 · COS Lab Fees- Water	0.00	250.00	2,478.21	2,000.00	3,000.00
59000-6 · COS Lab Fees- Sewer	0.00	291.67	2,438.00	2,333.36	3,500.00
Total 59000 · COS-Lab Fees	0.00	541.67	4,916.21	4,333.36	6,500.00
Total COGS	27,833.85	14,893.75	136,656.56	119,150.16	178,725.00
Gross Profit	35,667.73	24,168.76	292,839.00	193,349.92	290,025.00
Expense					
77600 · Website					
77600-5 · Website - Water	0.00	20.83	0.00	166.68	250.00
77600-6 · Website - Sewer	0.00	20.83	0.00	166.68	250.00
Total 77600 · Website	0.00	41.66	0.00	333.36	500.00
59610 · Install New Service Taps					
59610-5 · Install New Service Taps-Water	1,378.17	300.00	6,464.40	2,400.00	3,600.00
59610-6 · Install New Service Taps-Sewer	0.00	300.00	1,922.70	2,400.00	3,600.00
Total 59610 · Install New Service Taps	1,378.17	600.00	8,387.10	4,800.00	7,200.00
62000 · Bank Charges					
62000-5 · Bank Charges - Water	14.07	25.00	129.08	200.00	300.00
62000-6 · Bank Charges - Sewer	14.07	25.00	1,384.47	200.00	300.00
Total 62000 · Bank Charges	28.14	50.00	1,513.55	400.00	600.00
62400 · Bookkeeping					
62400-6 · Bookkeeping - Sewer	400.00	200.00	1,800.00	1,600.00	2,400.00
62400-5 · Bookkeeping - Water	400.00	200.00	2,648.55	1,600.00	2,400.00
Total 62400 · Bookkeeping	800.00	400.00	4,448.55	3,200.00	4,800.00
62500 · Accounting					
62501 · Accounting - Other	0.00	916.67	0.00	7,333.36	11,000.00
62500-5 · Accounting - Water	0.00	83.33	647.50	666.68	1,000.00
62500-6 · Accounting - Sewer	0.00	83.33	647.50	666.68	1,000.00

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09/10/20

Cash Basis

Windermere Oaks W.S.C.
Profit & Loss Budget Performance
August 2020

	Aug 20	Budget	Jan - Aug 20	YTD Budget	Annual Budget
Total 62500 - Accounting	0.00	1,083.33	1,295.00	8,666.72	13,000.00
62600 - Billing Services					
62600-5 - Billing - Water	1,575.00	833.33	6,705.41	6,666.68	10,000.00
62600-6 - Billing - Sewer	1,575.00	833.33	5,450.00	6,666.68	10,000.00
Total 62600 - Billing Services	3,150.00	1,666.66	12,155.41	13,333.36	20,000.00
62800 - Total Contract Services					
62804-5 - Professional Engineer - Water	0.00	208.33	0.00	1,666.68	2,500.00
62804-6 - Professional Engineer - Sewer	0.00	208.33	3,438.00	1,666.68	2,500.00
62806-5 - Consulting Fees - Water	0.00	166.67	0.00	1,333.36	2,000.00
62806-6 - Consulting Fees - Sewer	0.00	166.67	0.00	1,333.36	2,000.00
Total 62800 - Total Contract Services	0.00	750.00	3,438.00	6,000.08	9,000.00
63000 - Legal/Appraisal					
63001 - Legal/Appraisal - Other	0.00	1,000.00	0.00	8,000.00	12,000.00
63000-5 - Legal/Appraisal - Water	0.00	600.00	0.00	4,800.00	7,200.00
63000-6 - Legal/Appraisal - Sewer	0.00	600.00	0.00	4,800.00	7,200.00
63100-5 - Lawsuit 2017/18-Water (2017/18 Lawsuit)	9,941.50	9,316.67	70,667.11	74,533.36	111,800.00
63100-6 - Lawsuit 2017/18-Sewer	9,941.50	9,316.67	70,667.12	74,533.36	111,800.00
63000 - Legal/Appraisal - Other	0.00		416.00		
Total 63000 - Legal/Appraisal	19,883.00	20,833.34	141,750.23	166,666.72	250,000.00
63500 - Dues & Subscriptions					
63500-5 - Dues/Subscriptions - Water	343.00	125.00	543.00	1,000.00	1,500.00
63500-6 - Dues/Subscriptions - Sewer	343.00	125.00	543.00	1,000.00	1,500.00
63501 - CTWC Subscription	0.00	83.33	0.00	666.68	1,000.00
Total 63500 - Dues & Subscriptions	686.00	333.33	1,086.00	2,666.68	4,000.00
64000 - Regulatory System Fee					
64010-6 - TCEQ Annual Fee - Sewer	0.00	125.00	0.00	1,000.00	1,500.00
64020-5 - TCEQ Annual Water System Fee	0.00	50.00	594.24	400.00	600.00
Total 64000 - Regulatory System Fee	0.00	175.00	594.24	1,400.00	2,100.00
65500 - Insurance					
65501 - Insurance - Other	700.00	416.67	1,750.00	3,333.36	5,000.00
65500-5 - Insurance - Water	0.00	666.67	8,804.00	5,333.36	8,000.00
65500-6 - Insurance - Sewer	0.00	666.67	7,781.00	5,333.36	8,000.00
Total 65500 - Insurance	700.00	1,750.01	18,335.00	14,000.08	21,000.00
65900 - Meals & Entertainment	0.00	41.67	0.00	333.36	500.00
66000 - Office Supplies					
66001 - Office Supplies - Other	0.00	33.33	0.00	266.68	400.00
66000-5 - Office Supplies - Water	0.00	125.00	523.48	1,000.00	1,500.00
66000-6 - Office Supplies - Sewer	0.00	125.00	88.39	1,000.00	1,500.00
Total 66000 - Office Supplies	0.00	283.33	611.87	2,266.68	3,400.00
66500 - Telephone and Internet					
66500-5 - Telephone/Internet - Water	189.77	250.00	1,942.76	2,000.00	3,000.00
66500-6 - Telephone/Internet - Sewer	269.77	250.00	1,702.84	2,000.00	3,000.00

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Cash Basis

Windermere Oaks W.S.C.
Profit & Loss Budget Performance
August 2020

	Aug 20	Budget	Jan - Aug 20	YTD Budget	Annual Budget
Total 66500 · Telephone and Internet	459.54	500.00	3,645.60	4,000.00	6,000.00
67000 · Postage & Shipping Expense					
67000-5 · Postage & Shipping - Water	145.85	208.33	1,569.74	1,666.68	2,500.00
67000-6 · Postage & Shipping - Sewer	119.50	208.33	1,350.67	1,666.68	2,500.00
Total 67000 · Postage & Shipping Expense	265.35	416.66	2,920.41	3,333.36	5,000.00
68000 · Equipment Rental Expense					
68000-5 · Equip Rental Expense - Water	0.00		500.00		
68000-6 · Equip Rental Expense - Sewer	0.00		806.91		
68000 · Equipment Rental Expense - Other	0.00	125.00	0.00	1,000.00	1,500.00
Total 68000 · Equipment Rental Expense	0.00	125.00	1,306.91	1,000.00	1,500.00
68500 · Repairs & Maintenance					
68500-5 · Repairs & Maintenance - Water	5,349.98	2,916.87	15,205.83	23,333.36	35,000.00
68500-6 · Repairs & Maintenance - Sewer	5,421.09	1,250.00	20,836.31	10,000.00	15,000.00
68522-5 · Barge Storm Damage 10/16/18 (Barge only storm damage)	0.00		5,625.00		
Total 68500 · Repairs & Maintenance	10,771.05	4,166.87	41,467.14	33,333.36	50,000.00
68600 · Repair Parts					
68600-5 · Repair Parts - Water	0.00	933.33	5,260.69	7,466.68	11,200.00
68600-6 · Repair Parts - Sewer	0.00	400.00	6,805.16	3,200.00	4,800.00
Total 68600 · Repair Parts	0.00	1,333.33	12,065.85	10,666.68	16,000.00
69000 · Printing Expense					
69000-5 · Printing Expense - Water	0.00	62.50	119.52	500.00	750.00
69000-6 · Printing Expense - Sewer	0.00	62.50	119.52	500.00	750.00
Total 69000 · Printing Expense	0.00	125.00	239.04	1,000.00	1,500.00
71500 · Interest Expense					
71500-5 · Interest Expense - Water	0.00		1,784.38		
71500-6 · Interest Expense - Sewer	0.00	1,166.67	834.37	9,333.36	14,000.00
71500 · Interest Expense - Other	824.99		4,243.43		
Total 71500 · Interest Expense	824.99	1,166.67	6,862.18	9,333.36	14,000.00
72100 · Taxes-Property	0.00	3.33	0.00	26.68	40.00
77500 · Meetings/Conferences					
77500-5 · Meetings/Conferences-Water	195.00	104.17	348.75	833.36	1,250.00
77500-6 · Meetings/Conferences-Sewer	0.00	104.17	73.75	833.36	1,250.00
Total 77500 · Meetings/Conferences	195.00	208.34	422.50	1,666.72	2,500.00
79000 · Uncategorized	0.00		0.00		
Total Expense	39,141.24	36,053.33	262,544.58	288,427.20	432,640.00
Net Ordinary Income	-3,473.51	-11,884.57	30,294.42	-95,077.28	-142,616.00
Other Income/Expense					
Other Income					
41000 · Interest Income	4.64	25.00	110.45	200.00	300.00
Total Other Income	4.64	25.00	110.45	200.00	300.00

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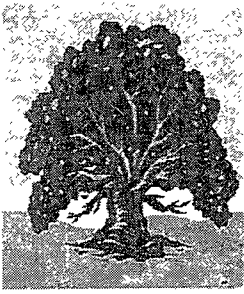
09/10/20

Cash Basis

Windermere Oaks W.S.C.
Profit & Loss Budget Performance
 August 2020

	Aug 20	Budget	Jan - Aug 20	YTD Budget	Annual Budget
Net Other Income	4.64	25.00	110.45	200.00	300.00
Net Income	-3,468.87	-11,859.57	30,404.87	-94,877.28	-142,315.00

**Attachment JG-9 is
VOLUMINOUS and being
provided in electronic file-
format on CD.**



Windermere Oaks Water Supply Corporation

424 Coventry Rd
Spicewood, Texas 78669

2019 - 2020 Board of Directors:
Joe Gimenez, President
Bill Earnest, Vice President
Mike Nelson, Secretary/Treasurer
Patricia Gerino, Director
Dorothy Taylor, Director

Attachment JG-10

Page 1 of 7

Windermere Oaks Water Supply Corporation (WOWSC) Special Members Meeting held: Saturday, December 14, 2019 at the Spicewood Community Center

2019 - 2020 Board Members Present: Bill Earnest, Patricia Gerino, Joe Gimenez, Mike Nelson, Dorothy Taylor

Minutes

The meeting was called to order at 9:05AM by Bill Earnest. A quorum was established with all five Board Members present. Joe Gimenez recused himself.

1. Comments from citizens and members who have signed sign-up sheet to speak (3-minute limit per person).
 1. Patti Flunker
 1. Provided handout to meeting attendees
 2. Patti has been a WOWSC member for ~15 years
 3. Directors should know governing documents. Stated today's meeting established a quorum of Directors but not of the Members and that this is a Special Members Meeting.
 4. Joe Gimenez stated in his application to become a WOWSC Board Director that he read and understood the By-Laws and governing documents. But Joe did not know WOWSC was a 501C-12A at the deposition.
 5. Articles trump By-Laws.
 6. Article states that no corporation income is to be distributed to members, directors, or officers.
 7. No directors had signed conflict of interest policy document.
 8. Directors don't follow our governing documents
 2. Bruce Sorgen
 1. Does anyone know what a water co-op is?
 2. You own WOWSC and the Board works for you.
 3. Joe Gimenez did not know what a water co-op was.
 4. This Board gave away a road. It was stuck in the deal.
 5. Joe did not know where the road was.
 3. Danny Flunker
 1. Members called their own Special Members Meeting in November.
 2. Board informed our tax accountant that the Board did not authorize the members' request for help.
 3. WOWSC's attorney is present at today's Special Member Meeting.
 4. Removal ballots were sent to WOWSC members.
 5. Removal process is a farce.
 6. This is the most corrupt Board ever to serve.
 7. Current Board should be removed.
 4. Dorothy Taylor
 1. It's a sad day in Windermere. Not a single person who signed the removal petition submitted an application to be on the WOWSC Board of Directors.
2. Hearing on Joe Gimenez Removal Petition: Bill Earnest read the following prepared statement on meeting procedures.

Attachment JG-10
Page 2 of 7

My name is Bill Earnest. I'm the Vice President of the Windermere Oaks WSC, and by resolution of our Board of Directors I was appointed as Presiding Officer over the Removal Petition of Director Gimenez which was submitted to our Board by some of our members in October.

I'd like to lay out a few procedural rules to help this proceeding run smoothly. I've developed these rules in compliance with the petition process as established in our Bylaws and in consultation with our legal counsel. They are as follows:

i. Time

1. The Petitioners and Director Gimenez shall each have one hour to make their cases regarding the petition.
2. This time includes any opening statement, all questions and cross examination of witnesses, and any closing arguments. The parties may choose to use their time as they see fit.
3. I will ask for each party to state the names of the witnesses they will call before getting started. This will allow the Petitioners and Director Gimenez to decide how much of their time they'd like to reserve for cross-examination of witnesses. I will note that neither the WSC nor any of the parties here today has the legal power to compel anyone to testify – all witnesses who testify today do so voluntarily.
4. I will keep track of time for both parties, and will be glad to provide time updates upon request. I will also provide a "ten minute warning" to each party when they reach 50 minutes of their allotted hour.

ii. Order

1. The Petitioner, via their designated Representative, shall go first. The Petitioners' Representative shall make an opening statement if he or she desires, present any evidence and/or witness testimony, and may make a statement in closing if they wish.
2. Director Gimenez shall follow the Petitioners. Director Gimenez may also ask questions of any witnesses called by the Petitioners during the presentation of their case, but any time questioning such witnesses will count towards Director Gimenez's hour and not the Petitioner's time.
3. Again, if the Petitioners wish to question any witnesses called by Director Gimenez, they may do so, but their Representative needs to be sure to reserve time during their direct case to do so. Any questioning of witnesses called by Director Gimenez by the Petitioners shall not count against the time allotted for Director Gimenez's case.

iii. Scope

1. The scope of this hearing shall encompass evidence and witness testimony surrounding only the charges brought against Director Gimenez as such charges were stated in the petition to remove him. This provision in our Bylaws prohibits charges being added after a member signs an accompanying petition in order to avoid a situation where a member who signed the original petition *doesn't* agree with or support charges added after the fact, for example charges based on allegations or conduct a member knows to be untrue.
2. Again, this requirement comes directly from our Bylaws, and exists to ensure that any and all members who signed the petition were explicitly aware of the specific charges being brought against Director Gimenez and the grounds for his proposed removal. By signing the petition, a member indicated his or her support of those charges, or at least their support to hear evidence and testimony regarding those charges through the procedure in this meeting.
3. As the Presiding Officer I will determine at any time if/when the scope of evidence or witness testimony presented goes beyond the charges presented in the petition. Any such evidence or testimony should not be considered by members voting on this petition.

iv. Conduct

1. I expect both Director Gimenez, the Petitioners' Representative, and all members present today to conduct themselves in a respectful and courteous manner. At no time shall there

Attachment IG-10
Page 3 of 7

be any outbursts or interruptions from the crowd during the time allotted for the Petitioners or for Director Gimenez to make their respective case. Each side must have the opportunity to make their case without interruption or interference.

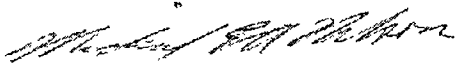
1. Presiding Officer, Bill Earnest, stated charges brought in petition and discussed all hearing rules and procedures.
 1. Charges: Joe Gimenez fiduciary duties are compromised in representation of the members as President on both the WOPOA/WOWSC in addition to elected as Public Information officer that he receives \$5,000 annually from WOWSC.
2. Presiding Officer, Bill Earnest, makes predicate Findings of Fact for record.
 1. On October 9, 2019, a petition to remove Director Gimenez from various members of Windermere Oaks WSC was submitted to the Board.
 2. Article VIII, Section 9 of our Bylaws require the signatures of 10% or more of WSC members in order to bring a valid removal petition against a director.
 3. 63 members signed the Petition to remove Director Gimenez. 63 is over 10% of our membership and thus the petition is valid.
 4. Our Bylaws require that the charges alleged against a director sought to be removed must be accompanied by the corresponding petition. Bylaws Article VIII, Section 9.
 5. The grounds stated for removing Director Gimenez as indicated in the petition were:
 1. "Joe Gimenez fiduciary duties are compromised in representation of the members as President on both the WOPOA/WOWSC in addition to elected as Public Information officer that he receives \$5,000 annually from WOWSC."
 6. Notice of the charges against him were provided to Director Gimenez within 20 days of this hearing in accordance with Bylaws Article VIII, Section 9.
 7. The attempted special membership meeting on Saturday November 23, 2019 was not called in accordance with WOWSC Bylaws. Our Bylaws allow for members to call and hold a special membership meeting. However, there is a requirement that a writing setting that meeting be filed with the WOWSC secretary and signed by the requisite number of members to call a special membership meeting. No such writing for a special membership meeting was ever filed.
 8. Notice of today's special membership meeting was provided to our members on December 3, 2019, over 10 days but less than 50 days from the date of this meeting and thus in compliance with Bylaw Article VII, Section 3.
 9. Along with the notice of this special membership meeting, members were provided with a ballot to vote on the petition to remove Director Gimenez to be submitted by mail or hand delivery to WOWSC.
 10. Richard Crow is the election auditor and worked with the WOWSC manager to collect votes by mail and hand delivery to the WOWSC drop box. Those ballots have remained sealed upon collection and will be reviewed and tabulated at the close of this proceeding.
 11. Members in attendance today may also vote on the Removal Petition at the close of today's meeting.
 12. Article VIII, Section 9 of our Bylaws provides that a director may be removed by majority vote of all WSC members.
 13. Currently the WSC has 253 members, and thus 127 votes are needed to remove a director.
3. Opportunity for opening statement of Petitioner Representative, followed by opening statement of Joe Gimenez.
 1. No separate opening statements
4. Presiding Officer, Bill Earnest, calls Petitioner Representative to present case/question witnesses, subject to cross-examination.
 1. Petitioner Representative: Josie Fuller
 1. Josie does not plan to call any witnesses
 2. Josie is a WOWSC member
 3. Removal petition was signed by 63 WOWSC Members

4. Expects Directors to take fiduciary responsibilities seriously
5. Josie provided hard copy of charges to Bill Earnest and to some meeting
6. Board was provided removal petition three times
7. Josie received email response from WOWSC attorney
8. Jose received WOWSC's members list 33 days after initial request
9. WOWSC did not communicate well to members regarding the Special Member Meeting for Removal Petition
10. Charges
 1. Charge 1:
 1. Joe made motion to receive \$5,000/year as WOWSC PIO
 2. Joe signed a WOWSC check that was payment to WOWSC's PIO
 3. Was G3 hired as WOWSC's PIO?
 2. Charge 2:
 1. No income from WOWSC corporation is to be paid to members, directors, or officers
 2. Articles trump By-Laws
 3. Charge 3:
 1. Joe is the WOWSC president
 2. Joe is also President of WO POA
 3. Joe is also the WOWSC PIO
 4. Joe brought to WOWSC Board a proposal for WOWSC to pay \$1500 for WO POA Board Director's grinder pump
 5. Prefers Joe only be Director on one of WO's two Boards and prefers he be on WO POA Board
 6. No one now wants to be on the WOWSC Board
 7. Several people have been kicked-off Boards by Joe Gimenez
 8. Joe acted without WOWSC Board approval to sue Texas Attorney General
 1. Double Horn Creek has spent ~\$400,000 in their lawsuit with the Texas Attorney General
 2. Josie is tired of the lawsuits
 9. Stand up for your rights
 10. Expect assessment fees to pay for legal fees
 11. Loss of our assets
 1. Gave away easement to Dana Martin for free
 2. Assets are now depleted
 12. Believes this will lead to public ownership of WOWSC
 13. Believes this will lead to depletion of WOWSC assets and then rate raises
 14. Believes Joe should step down as 63 members signed petition and met in November
 15. Should have established Members quorum at today's meeting. Self interest in Board and not community
 16. Your pocket books will pay for it.
5. Presiding Officer, Bill Earnest, calls Joe Gimenez to present case in response/question witnesses, subject to cross-examination.
 1. Joe provided handout to meeting attendees, containing PIO report and all Public Information Act requests received since March 9
 2. Joe believes in community service and is pleased to serve on both WO Boards
 3. Joe is sad that we are here today
 4. Our community has a spirit of outrage which is a shame
 5. Information spread throughout community is half-baked and meant to inflame and generate outrage
 6. Joe prays for our community to heal
 7. Nothing in WOWSC and WO POA By-Laws prevent a Member to serve on both Boards
 8. The Board requests assistance from our attorneys to ensure the Board operates properly to avoid another legal situation.

9. Received yesterday the final disposition of the TOMA lawsuit vs WOWSC from the Texas Supreme Court which denied the petition for review. WOWSC has spent ~\$40,000 of the year in defense from this lawsuit.
10. Additional lawsuit is still being defended.
11. Being a board member of both WOWSC and WO POA does not violate Texas law.
12. There is a potential conflict of interest if WOWSC and WO POA were in disagreement on a topic. In such a case, Joe would recuse himself from that topic on both Boards.
13. Grinder pump
 1. Two WOWSC Members had issue with a failed waste water valve.
 2. First Member was able to shut-off their grinder pump and had no issues.
 3. The second Member was not present and was not able to shut-off their grinder pump.
 4. Joe brought proposal to Board on behalf of the second Member as he would for any Member.
14. Witness
 1. In response to questions from Joe, George Burriss confirmed:
 1. Joe coordinated activities between WOWSC and WO POA
 1. Pavilion water issue: Plumbing leaks inside of walls that Enrique repaired.
 2. Drainage issues this year: Engaged a Project Engineer who provided recommendations to clean ditches to improve drainage. Enrique completed the work.
 3. George mentioned WOWSC plant was dirty. Joe provided name of WO POA cleaning help who was hired by WOWSC and has been doing good work.
 4. Worked with Jeff Hagar on ACC to understand Center Cove 1 easements.
15. Why does Joe take on all of these positions?
 1. Joe learned from his Jesuit schooling to be a man for others.
16. Joe responded to Ms. Fuller's saying that "Several people kicked off the Board."
 1. Norm Morris missed six consecutive meetings. Bylaws allow for removal after someone misses three consecutive meetings.
 2. David Bertino resigned on his own accord.
17. Joe Responded to Ms. Fuller's concerns about Joe signing check to G3 Public Relations, his company:
 1. Three Board Officers, President, Vice-President, and Secretary / Treasurer have WOWSC check signatory authorization.
 2. G3 Public Relations is his DBA ("does business as" assumed name): Joe is registered at the Burnett County Court house as G3 for tax reasons. G3 is the same as Joe Gimenez in the eyes of the law. Joe wants clear distinction between business and personal income for tax purposes and invoices as G3 Public Relations for that reason, but accountant has lately been paying checks as Joe Gimenez.
 3. When George Burriss needs WOWSC checks signed, he finds which of the three Board Officers is available to sign the checks.
 4. Joe heard our Members request that he not sign checks made to him or G3 and is complying with that request.
18. Bill Earnest: Joe stepped-up to be PIO when no one else volunteered to be PIO.
19. PIA requests:
 1. Lists do not have be created for requests when the requested lists do not exist.
 2. There are many rules and restrictions on PIA requests.
 3. WOWSC's ongoing litigation makes it difficult to respond to PIAs and requires attorney review.
 4. Prior to WOWSC's Y2019 election on March 9, 2019, WOWSC received a total of four PIA requests.
 5. Received PIA request March 19th.
 6. Received PIA request March 20th.
 7. Received PIA request March 21st.

8. Joe read two of the first PIA requests. One for key roster list. Another asking canceled check and minutes agendas. Joe noted that he passed the minutes to the requester for that time period but that person wanted Joe to read all the minutes and agendas and provide the specific instance he requested.
 9. Joe raised at the March 29th WOWSC Board meeting that WOWSC needed a PIO and that he did not want to be the PIO. Joe was elected as temporary PIO as no other Board Member (Bill Earnest, Mike Nelson, David Bertino, Norman Morris) would accept the role. Joe noted that Bill and Mike already had officer duties but Bertino and Morris did not.
 1. Attorney cost to respond to PIA request is ~\$150/hour, so Joe noted the savings of paying \$416/month.
 10. By July 10th, 19 PIA requests had been submitted since the election.
 11. At the July 10th WOWSC Board meeting Joe proposed our WOWSC PIO be paid to respond to PIAs. WOWSC By-Laws state that Officers may be paid for services rendered. Joe asked our attorneys if as PIO he could be paid and our attorneys confirmed it.
 12. Joe stipulated that payment would only be made in months where PIA requests were worked on.
 13. Payments to our PIO are an expense of WOWSC and are not dividends or interest.
 14. ~45 PIA requests have been received since the March 9th election
 15. Joe has received \$2,090 from WOWSC for PIO work
 16. Joe is committed to be a servant and working as our WOWSC PIO for Members PIA requests
 17. Our attorneys researched and found estimate of \$83,000 yearly salary for a full-time PIO
 18. WOWSC money is being saved by Joe being our WOWSC PIO
 19. Some of the PIA requests are repetitive, demeaning, and harassment
 20. Joe will continue to work with Board Members and attorneys to serve properly and in the best interest of the WOWSC
6. Opportunity for closing argument of Petitioner Representative, followed by closing argument of Joe Gimenez.
1. Josie Fuller
 1. Board has fiduciary duty to WOWSC
 2. Board should have reached out to our community regarding suing Texas Attorney General
 3. A three-minute video from Joe's seven-hour deposition was shown
 4. WOWSC hired attorneys who do not provide proper guidance
 5. Josie is not certain why the WOWSC attorney is present today
 6. Josie wants Joe to step down
 7. Josie does not see why Joe should serve on both Boards
 8. Board has fiduciary responsibility for WOWSC
 9. Josie encourages the WOWSC Board to do the right the thing
 10. There are many new WO residents who could be WOWSC Board Directors
 2. Joe Gimenez
 1. Responding to Fuller's comments about suing the attorney general, Joe said a PIA request was received for WOWSC's attorney bills. WOWSC's PIA response had copies of the bills with redaction to item descriptions with legal strategy based upon attorney client privilege due to ongoing litigation. The requester would not accept redacted invoices. The PIA requestor submitted a complaint to the Texas Attorney General regarding the redactions. The Texas Attorney General responded that some redactions were proper and others were not. Our WOWSC attorneys requested a judge to rule on the Texas Attorney General's response regarding the redactions. Protecting the work product of our attorney-client privileged information is the default position of the corporation and acting upon the advice of counsel Joe took the actions he did. Our WOWSC Board ratified defending our attorney client privilege.
 2. Please contact our WOWSC Board when you have questions
 3. Joe hopes the lawsuits will end soon.
 4. Joe heard yesterday from the Texas Supreme Court that one of the lawsuits has ended.

5. Board is looking at WOWSC's five-year plan
 6. WOWSC received a \$14,000 grant from the LCRA for water conservation projects a 3% return on the money for these projects (\$32,000).
 7. Dorothy was a volunteer working on the LCRA grant prior to returning to the WOWSC Board.
 8. Joc thanked members for their attendance and asked them to vote against removal.
3. Presiding Officer, Bill Earnest, declares that a quorum of WOWSC members are present, makes a final call for submission of ballots and vote counting begins.
 1. Quorum of WOWSC Members are present
 2. Final call for ballots
 3. Ballot counting started at 10:36AM
 4. Ballot counting ended at 10:55AM
 4. Independent Election Auditor, Richard Crow, submits official report to Presiding Officer, Bill Earnest, and recall petition vote results announced.
 1. Independent Election Auditors: Janet Crow, Richard Crow, Janie Richardson, Marsha Westerman
 2. Ballots cast in person: 28
 3. Ballots cast prior to election: 68
 4. Total number of ballots cast: 96
 5. Total number of ballots not counted due to defects: 0
 6. For removal of Joe Gimenez: 56
 7. Against removal of Joe Gimenez: 40
 8. Currently the WSC has 253 members, and thus 127 votes are needed to remove a director.
Joe Gimenez was not removed from the WOWSC Board of Directors.
 5. Meeting adjourned at 11:01AM



Submitted by: Mike Nelson

APPROVED BY WOWSC Board on January 23, 2020



Windermere Oaks Water Supply Corporation

424 Coventry Rd
Spicewood, Texas 78669

2019 - 2020 Board of Directors:
Joe Gimenez, President
Bill Earnest, Vice President
Mike Nelson, Secretary/Treasurer
Dorothy Taylor, Director

Windermere Oaks Water Supply Corporation (WOWSC) meeting held: Saturday, October 26, 2019 at the Spicewood Community Center, 7901 County Road 404, Spicewood Tx, 78669

2019 - 2020 Board Members Present: Bill Earnest, Joe Gimenez, Mike Nelson, Dorothy Taylor

Minutes

The meeting was called to order at 9:00AM by Joe Gimenez. A quorum was established with four Board Members present.

1. **REPLACEMENT OF BOARD VACANCY** – Article 8, Section 9 of the WOWSC Bylaws states that “Any vacancy occurring in the board of directors may be filled by affirmative vote of the remaining directors, though less than a quorum of the board. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.” Following the resignation of board member David Bertino, the board shall consider and act upon filling that vacancy.
 1. Member Comment
 1. Josie Fuller:
 1. Provided notice and ballot to hold meeting Nov 16th for removal of Joe Gimenez
 2. Send out as an agenda item to members replacement of Board Member
 2. Danny Flunker: Transparency of process is important
 3. Patti Flunker:
 1. Transparency of process is important.
 2. Proposed members submit Board Member application.
 4. Mikki Bertino: Ask the person at last election who had the next highest number of votes if they still want to serve as they had expressed interest to serve
 2. Board has not received from members any interest in filling the Board vacancy for the remainder of the term (next four months).
 3. Motion made and carried by all to table item until next meeting
2. **ADOPTION OF ELECTION PROCEDURES FOR THE ANNUAL MEMBERS MEETING** – Board will consider possible action needed to begin adoption of election procedures for 2020 annual meeting, including but not limited to assigning specific board seats as “Place 1, Place 2, Place 3,” etc., consistent with the WOWSC Bylaws.
 1. Our WOWSC Credentials Committee emailed to Board members on October 20th the ballot form, director application forms, the annual meeting packet, the meeting notice and other related forms and notices for the annual meeting.
 2. Board will need to recommend a person to fill the role of Independent Election Auditor by Dec 18th for approval by Dec 23rd.
 3. Member Comment
 1. Bruce Sorgen: Election procedure is a sham.
 2. Danny Flunker:
 1. Why is election procedure changing?
 2. When Member Comments occur is inconsistent meeting to meeting.
 3. Patti Flunker:
 1. Remember the Board is working to be consistent our Bylaws.

2. From her TRWA work experience, believes the spirit of a Board having places 1, 2, 3, 4, 5, etc. is for representation of large varied member groups in large Corporations. Understands Board places are in our Bylaws. Not certain if places are needed for WOWSC.
4. Beth Burdett:
 1. Why can't our Board answer all questions at Open Meetings?
 1. Jose de la Fuente: That would be acting outside of Opens Meeting Act guidelines and rules. Board can only answer fact based questions.
5. Marshall Meece: Are elections procedures with places 1, 2, 3, etc. a change?
 1. Jose de la Fuente: They are not a change from WOWSC Bylaws. But is a change from previous election year way of working.
6. Dick Dial: Did Jose de la Fuente represent both sides of the street?
7. Mikki Bertino: What is being changed?
 1. Jose de la Fuente:
 1. Holding member comments before deliberation is to comply with Open Meeting Act
 2. Assign Board seats as place 1, 2, 3, 4, 5 as outlined in our WOWSC Bylaws
8. Josie Fuller:
 1. Vacancy on Board was not clear.
 2. Bylaws says Board selects replacement Member.
9. Barry Stein: Thanked the Board for their time and effort
10. Brad Davis: Why are we having problems if everything is so wonderful?
4. Motion made and carried by all to approve the Credential Committee's recommendations for the director ballot form, director application forms, the annual meeting packet, annual meetings notice, election procedures and any other related forms for the annual meeting.
5. Next step is to send out Board applications to members
6. Previous WOWSC Board election practices did not always follow our WOWSC Bylaws. Present Board has been working to follow our WOWSC Bylaws.
7. Motion made and carried by all to add Place numbers to Board Member seats as outlined below to comply with current Bylaws:
 1. Place 1: Joe Gimenez with term ending at election 2021
 2. Place 2: Bill Earnest with term ending at election 2021
 3. Place 3: Mike Nelson with term ending at election 2021
 4. Place 4: Director Vacancy with term ending at election 2020
 5. Place 5: Dorothy Taylor with term ending at election 2020

3. ANNOUNCEMENT OF AMENDED AND SUPERSEDING AGREEMENT REGARDING SALE OF PIPER LANE PROPERTY FOR BOARD CONSIDERATION (proposed terms and other considerations summarized on page 3 of this agenda).

SUMMARY OF TERMS OF A PROPOSED AMENDED AND SUPERSEDING AGREEMENT BETWEEN WOWSC AND FRIENDSHIP HOMES AND HANGARS, LLC TO BE SUBJECT TO PUBLIC COMMENT, BOARD DELIBERATION AND POSSIBLE BOARD ACTION

- ☐ Friendship will surrender and terminate its existing "right of first refusal" as to the remaining 7.01 acres +/- tract;
- ☐ Stewart Title Guaranty Company shall pay WOWSC the sum of \$20,000, \$2,500 of which shall be payable upon closing of the real property transactions above, and \$17,500 of which is to be held in trust until the dismissal with prejudice or a final judgment in Friendship's favor of all claims against it and Dana Martin in the currently pending "French et al v. Friendship Homes and Hangars LLC et al" lawsuit (with the first \$2,500 being subject to refund if the litigation is not dismissed as described above within one year); the payment of such sum is additional purchase money for Friendship's acquisition of the 3.86 acre +/- Piper Lane tract;
- ☐ In place of the current easement, a formally recorded 50-foot non-exclusive access easement in favor of WOWSC, providing WOWSC standard easement rights, including the right to maintain, repair, and improve the easement, and the right to enforce against encroachments, in common with

Friendship Homes and Hangars, with Friendship Homes to obtain similar easement grant from Hans and Johannes Mair;

- ☐ Friendship will impose and record 25 foot setback on the northern boundary of the easement to the extent allowed LCRA and/or the county;
- ☐ WOWSC will execute a deeded conveyance to Friendship of a certain .5151 acre +/- portion/tract that was included in the sales contract but not deeded;
- ☐ WOWSC will record a restrictive covenant covering the remaining 7.01 acres +/- tract providing that if any or all of the property is sold as airport lots, the owners must become Class A members of the Spicewood Airport Pilots Association;
- ☐ Upon dismissal or final judgment as described above, WOWSC, Friendship, and Dana Martin shall be responsible for their own court costs and attorney's fees;
- ☐ WOWSC on one hand and Friendship and Dana Martin on the other shall sign a broad mutual release of the other, conditioned upon dismissal or final judgment as described above in favor of WOWSC, its former directors, Friendship, and Dana Martin as to all claims in the lawsuit; and
- ☐ Authorizing two members of the Board to coordinate with legal counsel to finalize and then execute on WOWSC's behalf the Amended and Superseding Agreement between WOWSC and Friendship Homes and Hangars, LLC, as well as any and all other agreements, contracts, and closing documents necessary to effectuate the terms and transactions described above.

4. Comments from citizens and members who have signed sign-up sheet to speak (5-minute limit per person)

1. Joe Gimenez:

- 1. 2016 WOWSC and Friendship Home property sale has been under litigation
- 2. Motion is to amend and supersede the 2015-2016 contract
- 3. Sale was made to pay down WOWSC debt on new WWTP
- 4. Elements like right of first refusal to be amended
 - 1. Removes right of first refusal
 - 2. Strengthens easement
- 5. Revaluation of property includes \$20,000 additional to be paid to WOWSC
- 6. Ongoing litigation costs WOWSC dollars and makes it difficult to find members who want to serve on the Board

2. Sandy Neilson: Submitted the following statement prior to meeting that was read to meeting attendees.

- 1. Dear WOWSC Board Members —
- 2. I want to thank the WOWSC board for your concerted efforts to keep our Water Company moving forward. I know it has been a challenge, but I believe you are on the right path. Since I cannot attend today's meeting to personally support the board's decisions moving forward, I ask that my note be admitted in the record of minutes.
- 3. It would be my hope that new residents of our community will take the time to research and understand that there has been sufficient documentation as well as commentary by the previous Board Members (and those previous to them) in open WOWSC meetings, as well as court proceedings to attest to the fact that a prior WOWSC Board performed their due diligence re: appraisal of land in question and the subsequent sale. It has also been made evident that parties fighting the WOWSC had full knowledge of the transaction and involvement, or the ability to be involved, at that time.
- 4. It's a shame that a small group of people are costing us all by continuing their lawsuit against the WOWSC.
- 5. Please let it be known for the record, that some of these same individuals instigated the 2017 lawsuit with the marinas. As POA Board Members, some of these same people approved over \$25,000 of the community budget to fight what appeared to be a personal vendetta of the POA President. This lawsuit additionally cost a couple dozen property owners (who were also marina members) thousands of dollars each each out of their own pockets (totalling over \$175,000 total) to fight bogus claims.
- 6. It's appalling and shameful that these dissenters would accuse honest boards (both WOPOA & WOWSC) of impropriety when, in fact, one of the very people they support, Danny Flunker, acted as President of the WOPOA in 2016, 2017 and did so with blatant disregard to the POA bylaws in

his many many actions. His occupancy of a seat on the board itself, much less as president, was in direct contravention to the WOPOA bylaws, since he was not a property owner.

7. Thank you for your perseverance in these matters.
8. Sincerely
9. Sandy Neilson
10. WOPOA Owner / WOWSC member
3. Bob Mebane: Submitted the following statement prior to meeting that was read to meeting attendees.
 1. I'd like to give a brief history re: the Property within the Airport that was sold to Friendship homes and Hangars in March of 2016.
 2. During a WOWSC Open Board meeting on August 24, 2013 the WOWSC Board discussed the proposal to build a new Waste Water Treatment Plant and in that meeting also stated that the Board would be selling property in the airport that was owned by WOWSC to pay down the debt that would be incurred for the Plant construction.
 3. There was 11 acres identified within the airport as land not required for present or future use by WOWSC, so it was known by people in the airport and the neighborhood that this property was to be sold.
 4. Before I joined the Board the prior Board had consulted with a real estate agent re: the Value of the Property.
 5. There was a contract received for a lot within the WOWSC airport property that was accepted and the sale was completed.
 6. In 2015 when I became a member of the WOWSC board, I began investigating the value of the remaining WOWSC airport property. I discussed with several people: a small airport developer, a member with the State of Texas Aviation agency, a real estate agent familiar with small airports in the area and also the agent that was previously contacted in 2013 by another WOWSC Board member
 7. I also contacted people in the neighborhood for their input. Primarily I heard from neighbors to not allow helicopters.
4. Nancy Lerner: Submitted the following statement prior to meeting that was read to meeting attendees.
 1. We support these changes.
 2. Nancy & Steve Lerner
5. Dick Dial:
 1. Question for attorney: Do you work for both sides of the street?
 2. Bob Mebane worked long on this.
6. Josie Fuller
 1. How does this work?
 2. Does the Board decide?
7. Pattie Flunker
 1. The center of ongoing litigation in Windermere Oaks is Dana Martin
 2. Patti has pointed out over the years inconsistent Board practices with regards to our WOWSC Bylaws.
 3. Previously two current Board Members discussed ongoing Board actions and practices with Patti
 4. Dorothy Taylor said Dana Martin acquired property and that WOWSC needs to do something about it
 5. Bill Earnest said books were out of order when member of the previous board
 6. WOWSC had a balloon payment and needed the cash to pay down the note
 7. WOWSC received a 2006 appraisal with value of \$375K for the 11 acres at the airport
 8. POA submitted offer for small portion of land which was turned down as the Board decided to sell the entire 11 acres as a whole and to not portion it out.
 9. Get the facts out
 10. Do members have the right to request agenda items?
 1. Jose de la Fuente: Yes. But it is the Board's decision to make agenda topics, Board's discretion.
 11. Patti quoted from letter she received from her boss that Joe considered quitting from our WOWSC Board due to harassment and threatening letters from her.
8. Bruce Sorgen