

MINUTES
BEXAR METROPOLITAN WATER DISTRICT
SPECIAL BOARD MEETING
2047 W. MALONE, SAN ANTONIO, TEXAS 78225
P. O. BOX 245994, SAN ANTONIO, TEXAS 78224
JUNE 6, 2005

In accordance with Chapter 551 of the Texas Government Code, Vernon's Annotated Civil Statutes, Section 31, the Board of Directors for the BEXAR METROPOLITAN WATER DISTRICT held a **Regular Board of Directors Meeting at 5:30 p.m. on the 6th day of June, 2005**, in the Board Room of Bexar Metropolitan Water District, 2047 W. Malone, San Antonio, Texas.

BOARD MEMBERS PRESENT: Victor Villarreal; Lesley Wenger; Jim Clement; Jose Gallegos.

STAFF MEMBERS PRESENT: Gil Olivares; Adolfo Ruiz; Larry Bittle; Mike Albach; Johnnie A. Terrazas; Jesse Morin; Diane Pfeil; Steve Sandoval; Martin Kufus; Liliana Oranday.

CONSULTANTS PRESENT: Clay Binford (Winstead Sechrest).

GUESTS PRESENT: Pete Maldonado (Premier Government Services); Bob Anderson (CRWR); Larry Ramos; James Fenimore; Robert Morin

MINUTES

The open session of this meeting was tape recorded. These minutes are a summary record of the Board's actions at the meeting. For a detailed record of discussions and statements made by persons speaking at the meeting, please consult the audio files at the District's office.

Item 1:

Mr. Villarreal called the meeting to order at 5:33 p.m.

Item 2:

[No citizens signed up to be heard.]

Item 3:

Mr. Villarreal asked if anyone would like to discuss any of the consent items.

Ms. Wenger moved that the Board approve consent items a through i. Motion was seconded by Mr. Gallegos.

Mr. Gallegos asked to pull items h and i for discussion.

Mr. Gallegos discussed agenda item h. (To approve the firm Ernst & Young LLP to conduct the arbitrage rebate calculations for Bexar Metropolitan Water District Waterworks System Revenue Bond, Series 1995.) He asked staff if Ernst & Young is BexarMet's financial advisor. Mr. Olivares responded that they are not BexarMet's financial advisor. Mr. Gallegos asked how Ernst & Young were selected. Mr. Olivares answered that they have been doing this very specialized type of work for a number of years, and were selected based on their background.

Mr. Gallegos questioned why no other Bond Councils or firms were considered. Mr. Olivares introduced Mr. Clay Binford of Winstead Sechrest (the District's current Bond council) to answer Mr. Gallegos' question.

Mr. Binford informed the Board that the reason no other firms were considered was because this firm provides a very specialized type of calculation that few other firms offer or are qualified to do. The District has a long standing history with Ernst & Young in preparing the arbitrage rebate calculations.

Mr. Morin stated part of the reason Ernst & Young was selected without consideration of other firms was because of their experience, specialization and long-standing relationship with BexarMet. He stated it would be more expensive for the District to engage another firm to do the same type of work, the dollar amount in question is \$6,500.00 and it does not meet the procurement policy criteria, so the Board does not have to go out for bids.

Mr. Villarreal asked Mr. Olivares if he could add anything to the discussion. Mr. Olivares added that typically only large firms handle these types of calculations. He explained that if the Board were to appoint a new firm, they would have to come in and start on the arbitrage rebate calculations from scratch. Mr. Olivares stated that he is willing to solicit quotes from other firms if the Board prefers to do so, but warned that it will be far more expensive for another firm to provide the same services because of what's involved with the calculations.

Ms. Wenger called for the vote.

Mr. Gallegos stated he was not finished asking questions and asked Mr. Villarreal if he could continue with his questions. He discussed BexarMet's previous business practices. He stated when he was elected to the Board, one of the major concerns and criticisms received from the public was that contracts were being prepared without a method that allowed an opportunity for different bidders to compete. He does not want the District to make the mistake of continuing to conduct business with the same companies just because that's the way it was done in the past. He stated that as

Treasurer of the Board he was concerned with the fact that he was not included in the process of selection of the firm selected in item h. Mr. Gallegos explained that he is not willing to subject the District and the ratepayers to an additional expense, but he has some concerns and reservations that the process is not open, the way the Board initially intended it to be.

Mr. Gallegos then addressed item i, declaring again that he was concerned that, as Treasurer of the board he was not included in the process of selection. He stated that the item deals with a considerably large amount of money (\$50 million dollars) and he was not involved in any process of the decision making. He again expressed some concern that the Board is not being informed about these decisions.

Mr. Olivares responded the process had in fact been brought before the board on several previous occasions. He stated Mr. Gallegos was aware of the RFQ and of the requests for permission to perform RFQ's.

At Mr. Olivares' request, Mr. Morin described the RFQ's submitted to 21 different banks, and again outlined the process as had been done on several prior occasions. According to Mr. Morin, 7 proposals, out of 21 prospects, were received. Out of those 7 proposals, Bank of America placed the winning bid. He informed the Board that the new commitment fee will be approximately \$600,000.00 less, over three years, than the current commitment fee, that the contract with the current provider ends in August of 2005, that the current provider must be notified 30 days prior to the end of the contract date, and that if approved today, the agenda item will allow the District to seal the contract with Bank of America.

Mr. Villarreal called for the vote on consent items a - i.

Ayes: Clement, Wenger and Villarreal.

Nays: Gallegos

Motion carried.

Mr. Gallegos requested a point of order to again contest the quorum issue. Mr. Villarreal ruled Mr. Gallegos out of order and further noted that the item he was raising was not a point of order. Mr. Ruiz advised the Board that a point of order must be based on items of consideration on the agenda.

Ms. Wenger requested Mr. Villarreal move the agenda.

Mr. Gallegos requested a point of personal privilege. Mr. Ruiz informed him that the personal privilege must relate to the current agenda item, not a previous agenda item and that Mr. Gallegos would be out of order by speaking on an agenda item that has already passed. Mr. Gallegos continued to request points of order and personal privilege to speak on the previously passed item and all requests were denied. Mr.

Gallegos stated that if the Board was not going to let him go forward with his point of personal privilege he would excuse himself from the meeting.

Mr. Villarreal advised Mr. Gallegos that if he left hec. He stated that Mr. Gallegos was being disruptive. Mr. Gallegos stated he did not think the Board was being fair and excused himself from the meeting.

[Mr. Gallegos left the meeting at 5:52 p.m.]

[Given the absence of Mr. Gallegos' the Board was obligated to adjourn the meeting.]

Items 4-10:

[No discussion on these items.]

Item 11:

[Time and date of the next meeting was not discussed.]

Item 12:

Mr. Ruiz asked Mr. Villarreal to make a motion to adjourn. Mr. Villarreal stated the Board does not have a quorum. Mr. Ruiz advised that even though the Board does not have a quorum they can still make a motion to adjourn.

Mr. Villarreal called for the vote to adjourn the meeting.

Motion carried unanimously.

The meeting was adjourned at 5:52 p.m.

Minutes approved this ____ day of _____, 2005.

**Victor V. Villarreal, President
BexarMet Water District**

**Jim Clement, Secretary
BexarMet Water District**