



**SOUTH TEXAS
COLLEGE**

Board of Trustees

Special Board Meeting

**Tuesday, February 19, 2019
5:30 p.m.**

**Pecan Campus
Ann Richards Administration Building
Board Room
McAllen, Texas**

Online Board Packet

**SOUTH TEXAS COLLEGE
BOARD OF TRUSTEES SPECIAL MEETING
Tuesday, February 19, 2019 @ 5:30 p.m.
Ann Richards Administration Building Board Room
Pecan Campus, McAllen, Texas 78501**

AGENDA

“At anytime during the course of this meeting, the Board of Trustees may retire to Executive Session under Texas Government Code 551.071(2) to confer with its legal counsel on any subject matter on this agenda in which the duty of the attorney to the Board of Trustees under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551 of the Texas Government Code. Further, at anytime during the course of this meeting, the Board of Trustees may retire to Executive Session to deliberate on any subject slated for discussion at this meeting, as may be permitted under one or more of the exceptions to the Open Meetings Act set forth in Title 5, Subtitle A, Chapter 551, Subchapter D of the Texas Government Code. At this meeting, the Board of Trustees may deliberate on and take any action deemed appropriate by the Board of Trustees on the following subjects:”

- I. Call Meeting to Order**
- II. Determination of Quorum**
- III. Consideration and Action on Committee Items**
 - A. Finance, Audit, and Human Resources Committee**
 - 1. Review and Action as Necessary on the Contract for Electric Power Services 3 - 5
 - B. Facilities Committee**
 - 2013 Bond Construction Program Items**
 - 1. Discussion and Action as Necessary Regarding the Pecan Campus 2013 Bond Construction Program Thermal Plant Project Incident..... 6
 - 2. Discussion and Action as Necessary on 2013 Bond Construction Starr County Campus Thermal Plant Chiller System Incidents..... 7
- IV. Announcements 8**
 - A. Next Meetings:
 - Tuesday, February 26, 2019
 - 5:30 p.m. – Regular Board Meeting

Discussion and Action as Necessary on Electric Power Service

Review and action as necessary on electric power service is requested.

Purpose – To rescind the previous approval to contract with the Texas General Land Office (GLO) State Power Program for the purchase of electric power services and also to either enter into a newly proposed interlocal agreement with the General Land Office (Option 1) or authorize administration to solicit competitive sealed proposals and contract with a consultant (Option 2).

Justification – On January 29, 2019, administration presented electrical power service contract rates that were not accurate, and could not be executed with the vendor.

In reviewing the rates proposed by the Texas General Land Office (GLO) State Power Program / Cavallo Energy Texas, administration provided the Board with the “effective rates.” The Board acted upon the rates provided by administration, and the College subsequently discovered that those were not executable contract rates.

Effective Vs. Executable Rates

As the GLO provider, contracting with Cavallo would exempt the College from paying two additional costs:

- Gross Receipt Tax (GRT) – assessed to recover the miscellaneous gross receipts tax imposed on retail electric providers operating in an incorporated city or town having a population of more than 1000
- Public Utility Commission Assessment (PUCA) Fee – assessed to recover the statutory fee for administering the Public Utility Regulatory Act

Any non-GLO provider would assess both costs to the College in addition to their executed contract rate.

The effective rate was provided by Cavallo for the sole purpose of comparing a competitor’s rate against the GLO rate.

The executable rate was calculated by Cavallo as follows:

Cavallo Executable Rate	\$0.04665
Less: Assessed Cost (if-non-GLO provider)	\$0.00214
Effective Rate	\$0.04451

As per Cavallo, any competing quote that exceeded the effective rate would, once taxes and fees were assessed, cost the College more than Cavallo’s executable contract rate.

Presentation of Effective Rate instead of Executable Rate

When staff presented the rates to the Board on January 29, 2019, the effective rate was provided for the Board’s consideration and action, instead of Cavallo’s executable contract rate. The action taken by the Board cannot be honored by Cavallo Energy Texas, and should be rescinded.

The sixty (60) month effective rate and the final executable contract price at January 29, 2019 were \$0.04451 and \$0.04665, respectively, a difference of \$0.00214.

Start Date	6/1/2019	6/1/2019	6/1/2019
Term (months)	36	48	60
\$kWh Renewal Effective Rate	\$0.04751	\$0.04594	\$0.04451
\$kWh Renewal Contract Rate	\$0.04972	\$0.04811	\$0.04665
Existing GLO Contract Price	\$0.05482	\$0.05482	\$0.05482

New Executable Contract Rate

For the Board’s reference, Cavallo was asked to provide an updated executable contract price as of February 7, 2019. The rates are as follows:

Start Date	6/1/2019	6/1/2019	6/1/2019
Term (months)	36	48	60
\$kWh Renewal Contract Rate	\$0.04878	\$0.04723	\$0.04590
Existing GLO Contract Price	\$0.05482	\$0.05482	\$0.05482

A procurement method for electric services must be selected to secure a contract for the electric power services prior to the end of the existing contract on May 31, 2019. It is requested that the Board of Trustees make a recommendation for the procurement of the electric power services by selecting one of the two options below:

- Option 1: Enter into a newly proposed interlocal agreement with the General Land Office with updated rates as of February 19, 2019
 ⇒ This option could be acted on immediately upon Board approval
- Option 2: Authorize administration to solicit competitive sealed proposals for electric power services, which requires contracting with a consultant
 ⇒ This option is approximately a six week procurement process

Background – The following is South Texas College’s history on providers and rates:

Method	Service Provider	Period	Rate per kWh
General Land Office	Reliant	04/1/02 - 03/31/04	\$0.03944
General Land Office	Reliant	04/1/04 - 05/31/06	\$0.05397
RFP	Hino Electric	06/1/06 - 05/31/07	\$0.08099

Method	Service Provider	Period	Rate per kWh
RFP	Hino Electric	06/1/07 - 05/31/08	\$0.08650
RFP	Gexa Energy	06/1/08 - 05/31/11	\$0.10200
RFP/General Land Office	Cavallo Energy Texas	06/1/11 - 05/31/14	\$0.05676
General Land Office	Cavallo Energy Texas	06/1/14 - 05/31/19	\$0.05482

Funds for this expenditure are available in the Utilities budget for FY 2018 - 2019.

Mary Elizondo, Vice President for Finance and Administrative Services, George McCaleb, Director of Operations and Maintenance, and Becky Cavazos, Director of Purchasing, will attend the February 19, 2019 Special Board of Trustees meeting to address any questions.

On Tuesday, February 12, 2019, the Finance, Audit, and Human Resources Committee was asked to recommend Board approval to rescind the January 29, 2019 approval to contract with the Texas General Land Office (GLO) State Power Program for the purchase of electric power services and further recommend that the Board of Trustees approve either the proposed new interlocal agreement with the GLO at the current executable rate of \$0.04590 or authorize administration to solicit competitive sealed proposals for electrical power services and contracting with a consultant as presented.

Due to a lack of quorum for a Special Board Meeting to act upon that recommendation the same evening, the Finance, Audit, and Human Resources asked what impact a delay might have.

Mr. Bill Starnes, Senior Management Consultant with ReSolved Energy Consulting (formerly RJ Covington), stated that while he could not be certain about future pricing, the weather reports predicted mild temperatures across the state in the near future, and he was comfortable that pricing would not begin to increase significantly until energy consumption began to rise in response to warming temperatures.

The Committee declined to make a formal recommendation, and asked that pricing be provided directly to the Board at the next opportunity.

Recommendation:

It is recommended that the Board of Trustees of South Texas College approve and authorize rescinding the January 29, 2019 approval to contract with the Texas General Land Office (GLO) State Power Program for the purchase of electric power services and further approve either the proposed new interlocal agreement with the GLO at the current executable rate, to be updated on February 19, 2019, or authorize administration to solicit competitive sealed proposals for electrical power services and contracting with a consultant as presented.

The Following Minute Order is proposed for consideration by the Board of Trustees:

The Board of Trustees approves and authorizes rescinding the January 29, 2019 approval to contract with the Texas General Land Office (GLO) State Power Program for the purchase of electric power services and further approves either the proposed new interlocal agreement with the GLO at the current executable rate, to be updated on February 19, 2019, or authorize administration to solicit competitive sealed proposals for electrical power services and contracting with a consultant as presented.

Approval Recommended:

Shirley A. Reed, M.B.A., Ed.D.
President

**Discussion and Action as Necessary Regarding the Pecan Campus
2013 Bond Construction Program Thermal Plant Project Incident**

Mr. Jesus Ramirez, Legal Counsel, will provide an update on Pecan Campus 2013 Bond Construction Program Thermal Plant Project Incident.

Recommendation:

It is recommended that the Board of Trustees of South Texas College approve and authorize action as necessary regarding the Pecan Campus 2013 Bond Construction Program Thermal Plant Project Incident.

The Following Minute Order is proposed for consideration by the Board of Trustees:

The Board of Trustees approves and authorizes action as necessary regarding the Pecan Campus 2013 Bond Construction Program Thermal Plant Project Incident.

Approval Recommended:

Shirley A. Reed, M.B.A., Ed.D.
President

Discussion and Action as Necessary on 2013 Bond Construction Starr County Campus Thermal Plant Chiller System Incidents

The Board will discuss and take action as necessary on matters regarding the 2013 Bond Construction Program Starr County Campus Thermal Plant Chiller System incidents.

Recommendation:

It is recommended that the Board of Trustees of South Texas College approve and authorize action as necessary regarding the 2013 Bond Construction Program Starr County Campus Thermal Plant Chiller System Incidents.

The Following Minute Order is proposed for consideration by the Board of Trustees:

The Board of Trustees approves and authorizes action as necessary regarding the 2013 Bond Construction Program Starr County Campus Thermal Plant Chiller System Incidents.

Approval Recommended:

Shirley A. Reed, M.B.A., Ed.D.
President

Announcements

A. Next Meetings:

- Tuesday, February 26, 2019
 - 5:30 p.m. – Regular Board Meeting