

**MINUTES OF A REGULAR MEETING OF
THE BOARD OF DIRECTORS OF THE
HARDIN COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 1**

A regular meeting of the Board of Directors of the Hardin County Water Control & Improvement District No. 1 was held on Tuesday, July 25, 2017, pursuant to notice duly posted in accordance with law. The meeting was held at 333 Commercial Drive, Sour Lake, Hardin County, Texas. The following members of the Board were present:

Jack Maddox

Buddy Hughes

Jerry Giardina

Tim Beard

Absent: Paul Gustafson

Also present were Wayne Turk, Josh Armfield and Charlie Adams of Utility Innovations, LLC dba Utility Specialties, and Guy N. Goodson of Germer PLLC as legal counsel for the District.

AGENDA ITEM NO. 1: Call to Order. A quorum being present, the meeting was called to order at 6:30 p.m. by President Maddox.

AGENDA ITEM NO. 2: Public Comments. None.

AGENDA ITEM NO. 3: Minutes. The Minutes from the regularly scheduled meeting of June 20, 2017 were approved as presented upon motion duly made by President Maddox and seconded by Director Giardina.

AGENDA ITEM NO. 4: 2017/2018 Budget. The Board recognized Wayne Turk who presented both a 5-year spreadsheet of District revenues and expenses for comparison to the District's proposed 2017/2018 budget. Questions followed from the Board relative to the fees and costs, and it was noted that the District had been utilizing part of accumulated reserve to satisfy the budget in recent years. Mr. Turk also explained the significant increase under other revenues for the budget

year 2013/2014. Mr. Turk then presented the proposed 2017/2018 budget providing total maintenance and operation funds including water revenues and maintenance and operation taxes of \$343,622.82. Mr. Turk also provided the Board with the District's debt service requirement for the 2017/2018 budget year as \$535,756.25 bringing the proposed budget to a total revenue of \$879,379.08. After discussion and upon motion duly made by Director Beard and seconded by Director Hughes, the Board provided preliminary approval to the 2017/2018 budget in the amount of \$879,379.08.

AGENDA ITEM NO. 5: 2017 Certified Tax Roll. The Board then was presented with the 2017 certified tax roll and a short presentation was made by Director Hughes. Following his presentation and upon motion duly made by Director Hughes and seconded by Director Beard, the Board approved the preliminary 2017 certified tax roll in the amount of \$87,088,753.

AGENDA ITEM NO. 6: Set preliminary 2017 debt service and maintenance and operation tax rates. The Board recognized Mr. Turk who provided the maintenance and operation tax levy of 0.072171 per \$100/valuation and the debt service of 0.416294 per \$100/valuation. A discussion followed, and it was noted that if this rate was adopted, this would result in an approximate force in increase from the previous District levy. After discussion and upon motion duly made by Director Hughes and seconded by Director Giardina, the preliminary 2017 debt service and maintenance and operation tax rate in the aggregate amount of \$0.488465 per \$100/valuation was approved as presented. Legal counsel noted as to the maintenance and operation tax rate that the Texas Legislature was currently in session and considering Senate Bill 1 which would provide for a maximum annual tax rate increase to a roll back of 1.04% rather than 1.08% as in the current law. Legal counsel further noted that Senate Bill 1 was being presented to the Texas House for action, but if a bill was approved for a roll back rate of less than 1.08%, the District would need to amend its proposed maintenance and operation tax rate.

AGENDA ITEM NO. 7: **Set date and provide for publication of public hearing on proposed tax rate.** The hearing date was set as the regular meeting of the Board on August 15, 2017 upon motion duly made by President Maddox and seconded by Director Hughes.

AGENDA ITEM NO. 8: **Proposal for TCEQ Permit renewal by August, 2018.** Tabled.

AGENDA ITEM NO. 9: **Manager's Report.** The Board recognized representatives of Utility Specialties who presented their Management Report dated July 25, 2017. The Operators Report noted response to 30 grinder calls. Mr. Armfield then explained that there was a significant difference in water pumpage at Well #1 than Well #2 due to a possible electrical problem with the well tripping out. It was noted that Entergy had been called to address the problem. Additional operational issues included installation of one water meter, three grinders and the cleaning of the pressure tank for the TCEQ inspection. Utility Specialties also handled one brown water call that might have been related to the cleaning of the pressure tank. The report closed with a notation that the property owners at 198 Woodshire had been cited five times for grinder system callouts due to the placement of inappropriate items into the sanitary sewer system of the District. President Maddox stated that he would proceed to send the notification letter of the additional charge under the Water & Sewer Use Order that would be assessed to the property owners for the excessive callouts. President Maddox then proceeded to request confirmation that the TCEQ Notice of Violation Compliance responses had been submitted since the District had received a supplemental letter from the TCEQ dated July 11, 2017 and that all non-compliant items had not been addressed. Charlie Adams indicated that he believed that all matters had been addressed, and he would contact the field representative at TCEQ. The Board then entered a lengthy discussion concerning maintenance of easement areas on properties where District grinder facilities were located. The representatives of Utility Specialties noted a particularly difficult property owner who would not cut the grass and allowed the conditions to deteriorate since even Utility Specialties could not bring in

riding lawn equipment to cut the grass, and it would need to be cut and maintained in some manner so that access to their facilities, particularly, at times when operational issues arose. Legal counsel noted that there was nothing in the Easement Agreement, nor in the District's current Water & Sewer Use Order that would require a property owner to maintain any specific level of the area within the District's Easement; however, he noted, the District could discontinue said service if there was a health or safety issue.

President Maddox also gave the Board a report on the movement of the District's waterline at the request of the County and KSA Engineers on the drainage improvement project. President Maddox gave a brief update on what work would need to be done and the engineering had been revised, so that the District would not have to place the commercial store within the District out of service for any period of time. Mr. Turk asked that Utility Specialties begin providing backup invoices for any purchases or items that were large and non-routine. The Board then discussed the additional \$200 cleaning charge that had been incurred at the sewer plant, and photographs were shown as to the area in question. The Board questions ended with a discussion of certain charges on the utility service invoice following the presentation of the Operator's Report which was approved upon motion duly made by Director Beard and seconded by President Maddox.

AGENDA ITEM NO. 10: **Monthly Financial Statements.** The monthly financial statements were presented by Wayne Turk who provided the Board again with a review of District account balances. After discussion and upon motion duly made by Director Beard and seconded by Director Hughes, the monthly financial statements were approved as presented.

AGENDA ITEM NO. 11: **Accounts Payable.** Mr. Turk noted payments in the amount of \$36,076.44, which included larger than normal invoices for Utility Innovations, LLC (Utility Specialties) due to the number of recent grinder and system installations. It was also noted that legal counsel's invoice was higher than normal due to the ongoing issues with County drainage

project and the resolution of the easements to serve the PICA development property. After discussion and upon motion duly made by Director Hughes and seconded by Director Beard, the accounts payable in the amount of \$36,076.44 were approved for payment as presented.

AGENDA ITEM NO. 12: **Amendment/Addendum to Water and Sewer Use Order.** This agenda item was tabled.

AGENDA ITEM NO. 13: **Improvements to District water distribution system funding through TCEQ Surplus Funds Application.** The Board received the invoice from Electrical Specialties, Inc. in the amount of \$11,920.70 for the final billing and payment of retainage. After discussion and upon motion duly made by President Maddox and seconded by Director Beard, the Electrical Specialties invoice was paid as presented. The Board then moved to consideration of payment of the invoice by LJA Engineering in the amount of \$1,950 for additional water system improvements. The Board entered a lengthy discussion as to whether these services had actually been contracted by the District prior to their performance. LJA was authorized as to the installation of the additional improvements, and after discussion and upon motion duly made by Director Maddox and seconded by Beard, the Board approved the payment to LJA Engineering in the amount of \$1,950 under invoice dated July 7, 2017.

AGENDA ITEM NO. 14: **Presentation of responses to Request for Proposal for Engineering Services.** Mr. Turk provided responses to Request for Proposals from Arceneaux, Wilson & Cole, Schaumburg & Polk, Inc. and LJA Engineering.

AGENDA ITEM NO. 15: **Select engineers and authorize negotiation of Engineering Services Agreement.** It was agreed that the Board having just received the RFP responses, would review each, and at a special meeting or by the next regular meeting, undertake to evaluate based upon the RFQ selection criteria, each of the proposers and proceed with selecting an engineer to authorize

negotiations of an Engineering Services Agreement. Legal counsel was asked to place agenda items 14 & 15 on the next regular or special Board agenda.

AGENDA ITEM NO. 16: Update from legal counsel on County drainage grant and project.

Legal counsel stated that the matter was still proceeding with KSA Engineering providing drawings of the proposed improvements along the District's property adjacent to the current drain way.

AGENDA ITEM NO. 17: Correspondence. Mr. Turk provided a copy of the TML Claim Experience Report and noted that the annual voting system report had been filed as required. Mr. Turk also noted that the Consumer Confidence Report had been posted on the District's website.

AGENDA ITEM NO. 18: Presentation by legal counsel on service disconnection policies. This agenda item was tabled for the next Board meeting.

AGENDA ITEM NO. 19: Comments from Board Members. None.

AGENDA ITEM NO. 20: Adjourn. There being no further business before the Board, the meeting was adjourned at 8:05 p.m.

President of the Board

ATTEST:

Secretary of the Board