

**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 and Improvement District No. 1 was held on Tuesday, July 19, 2016, 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

Paul Gustafson

Jerry Giardina

Buddy Hughes

Absent: Tim Beard

Also present were Charles Adams, Josh Armfield and Liz Will of Utility Innovations, LLC dba Utility Specialties, Robin Dedweiler as a resident of the District, 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 6:31 p.m. by President Maddox.

AGENDA ITEM NO. 2: **Public Comments.** The Board recognized Liz Will who in turn recognized Robin Dedweiler, a resident of the District, who indicated he had been on vacation from June 2-9, and in that time period and although he had attempted to take precautions, a hose broke and flooded his yard, an adjacent ditch, and pond. Mrs. Will indicated that Mr. Dedweiler had requested the billing adjustment under the policy of the District. Mrs. Will reviewed the policy and indicated that after the adjustments were provided, Mr. Dedweiler's bill would be adjusted

down to \$149.50. After discussion and upon motion duly made by President Maddox and seconded by Director Gustafson, the Board approved the billing adjustment under the District's policy.

AGENDA ITEM NO. 3: Minutes. The Minutes from the June 14, 2016, meeting were reviewed and approved as presented upon motion duly made by Director Giardina and seconded by Director Hughes.

AGENDA ITEM NO. 4: Presentation by Kevin Hester of Simply Aquatics. President Maddox indicated that the representative of Simply Aquatics, Mr. Kevin Hester, could not be in attendance at the meeting, and they would consider rescheduling this at a later meeting.

AGENDA ITEM NO. 5: Manager's Report. Josh Armfield presented the Utility Specialties Report dated July 19, 2016, showing a response to 24 grinder calls, the repairing of 2 sewer leaks, and 5 water leaks. It was also shown that the District was pumping approximately three million gallons of water from its two wells, and that the amount of water pumped at each well had reversed due to a 1 PSI adjustment on the front well.

Mr. Armfield and Liz Will then presented information concerning misuse of District facilities by property owners or tenants at 198 Woodshire and 1034 Pine Needles. It was noted that these property owners had misused District facilities by flushing improper items into the sanitary sewer grinder stations of the District. President Maddox reviewed from the District's website the Water and Sewer Use Order, and it was determined that any resident which abused the District system would be subject to a \$100 per callout following the second event in any "calendar year." The Board noted that for both of these properties in the 2016 calendar year, there had only been two owner misuses of the District's facilities. The Board suggested that the policy be amended to change the imposition of this additional charge per callout after two incidences by an owner in a 12-month period, rather than a calendar year. The Board then indicated it would follow the policy as

written and recommended a letter be sent to both property owners advising them that they had two owner misuses of the District's system for the current year, and any callout after this would be a \$100 per incident charge on the customer's bill.

President Maddox then asked to review the Manager's Report on balancing water well pumpage. It was noted that in order to bring more pumpage to the front well, a 1 PSI increase had been programmed resulting in a reversed total water volume pumpage between the two wells. Mr. Armfield advised without a communications system between the two wells, an exact balancing or even a close balancing of well pumpage could not be achieved. Utility Specialties recommended a procedure to alternate on a periodic basis, the PSI level on the front well to increase or decrease the PSI pumpage level was raised or lowered. The Board agreed to initiate this operations plan to equalize the usage and any future maintenance on both wells.

President Maddox addressed issues as to the recent demolition by Idylwild Country Club of its club building and relocation of utility facilities to a temporary building. President Maddox noted that this had been discussed with the owners of Idylwild months before their demolition, but notwithstanding that meeting and the agreements of the District's management of removal of facilities and relocation, the owners undertook to have private contractors remove and relocate District facilities. The District subsequently incurred additional costs due the manner in which the contractors attempted the service disconnects and reconnects. President Maddox indicated that after the final billings were received from Utility Specialties for their connection work, he would present these invoices to the owners of Idylwild, to the golf club or to the electrical contractors who had attempted to undertake the service disconnect and reconnect to pay.

AGENDA ITEM NO. 6: Water distribution system upgrades and repairs. It was noted by President Maddox that the TCEQ had deemed the District's surplus funds application

administratively complete, and the application was now in technical review. President Maddox hoped that the review would be concluded so the District would be free to start undertaking contracts for surplus funds projects within the next 60 days.

AGENDA ITEM NO. 7: **Monthly Financial Statements.** The Board recognized Wayne Turk was on vacation. The Board received and reviewed his bank accounting statement from BBVA Compass Bank dated July 19, 2016. After review and comments and upon motion duly made by Director Gustafson and seconded by Director Hughes, the financial statements were approved as presented.

AGENDA ITEM NO. 8: **Accounts Payable.** The Board again recognized Mr. Turk's absence and reviewed the accounts payable. After discussion and upon motion duly made by Director Hughes and seconded by Director Giardina, the Board approved the accounts payable in the amount of \$25,808.90.

AGENDA ITEM NO. 9: **Initial review of 2016-17 Budget.** President Maddox indicated that this was only a preliminary review, but the Board needed to finalize its review and consideration of modification of certain District income streams to meet its operation and maintenance obligations, so the Board agreed to a meeting in approximately 2 weeks following the receipt by the District of its Certified Appraisal District rolls from the Hardin County Appraisal District. Director Hughes indicated that this should be received by the end of the month, and the Board then would have a few days to review the new tax roll and what would be the likely effective tax rate for the District's operation and maintenance tax to be used for maintenance and operation purposes. Legal counsel noted that the bond obligations of the District payable from the debt service tax was calculated exclusively based on the debt service schedules for those bond obligations and was not affected by any roll back calculations. President Maddox indicated that the Board would have to consider likely

a change in the minimum rate for District service or reduce the volume of water available under the current minimum charge or increases in the maintenance and operation tax to provide sufficient funds to offset an anticipated \$50,000 budget need. President Maddox reminded the Board that this same amount of revenue shortfall had been experienced in the 2015-16 budget year, and it had been accomplished through a transfer from the District's operational reserves. President Maddox noted that he did not wish to make that same transfer amount this year and asked legal counsel what the District's policy should be for maintenance of an operation and maintenance reserve. Legal counsel stated the standard was to have in reserves not less than revenue equal to 6 months of District operational cost.

AGENDA ITEM NO. 10: **District website.** President Maddox indicated they were nearing completion of the District's website, and it should be operational in the near term.

AGENDA ITEM NO. 11: **County drainage grant and project progress report.** President Maddox gave a report that the bids for the project had been received, a contractor had been selected, the total project was under budget, and the project should be underway in September 2016.

AGENDA ITEM NO. 12: **Correspondence.** President Maddox indicated that in Mr. Turk's absence, the only significant correspondence was the regulatory filings undertaken by Hilltop Securities on behalf of the District including its filings on the EMMA System.

AGENDA ITEM NO. 13: **Comments from Board Members.** The Board recognized Director Hughes who provided an update on certain related local entity tax rates and actions by boards.

AGENDA ITEM NO. 14: **Adjourn.** There being no further business before the Board, the meeting was adjourned at 7:30 p.m.

President of the Board

ATTEST:

Secretary of the Board