

**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, February 19, 2019, pursuant to notice duly posted in accordance with law. The meeting was held at 333 Commercial Drive, Hardin County, Texas. The following members of the Board were present:

Jack Maddox

Tim Beard

Tim Jones

Jody Aiena

Buddy Hughes

Also present were Wayne Turk, Larry Davenport and Marty Adams of Utility Innovations, LLC dba Utility Specialties, James Gilley of U.S. Capital Advisors, Jeff Leavins and another representative of LJA Engineering as well as 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 Board approved the minutes of January 15, 2019 upon motion duly made by Director Beard and seconded by Director Jones.

**AGENDA ITEM NO. 4: Manager's Report.** The Board recognized Larry Davenport who presented the Utility Specialties Operator's Report for the month of January. Mr. Davenport noted that Utility Specialties responded to 37 grinder calls, provided a report on water pumpage at each

well site, performed 8 locates, responded to 3 water leaks (all on the customer side), installed 2 grinder stations, replaced 1 panel and 5 pumps and had purchased and installed a decant pump for the Wastewater Treatment Plant. Mr. Davenport closed with advising that Utility Specialties had 8 panels and 3 pumps in inventory.

Comments followed from the Board on repairs and new installation and that no further grinder station repairs should be undertaken or installed except for new connections until the Texas Water Development Board grinder replacement grant could be initiated. The Board then reviewed correspondence from Utility Specialties on the abuse by certain customers of District facilities and repeated clogging issues. After a lengthy discussion, legal counsel was asked to prepare correspondence to be provided to each of these property owners stating any future violations would place them under fines and penalties outlined in the District's Water and Sewer Use Order. The Board also discussed other matters concerning water volume pumpage to sold and noted that a significant amount of potable water was being used at the District's facilities.

The Board then moved to discussion of the TTHM issues, and Mr. Turk provided correspondence from the TCEQ dated January 10, 2019, providing a Notice of Violation ("NOV") and correspondence from the TCEQ dated January 18, 2019 providing Notice of Enforcement ("NOE") action. Legal counsel indicated that the District should anticipate receiving from TCEQ an Agreed Order which would outline certain penalties to be paid by the District and placing additional regulatory responsibilities on the District to ensure satisfaction of the violations leading to the NOE. The Board followed with a lengthy discussion on matters that the District had employed and was continuing to employ to address the TTHM issues but noted that other entities had attempted corrective matters only to result in large capital expenditures for plan modifications.

Legal counsel asked Mr. Turk and President Maddox to provide him the Agreed Order as soon as received.

**AGENDA ITEM NO. 7: TWDB CWSRF Urgent Need Project (Residential Sanitary Sewer Grinder Stations).** The Board recognized Mr. Jeff Leavins who advised that the actions identified in the agenda item all needed to be approved by the Board for the project to proceed. Mr. Leavins and Mr. Turk noted that the District was required to execute and authorize a Representative Agreement Resolution and to engage an Escrow Agent who would then join the District in an Escrow Agreement for the utilization of grant proceeds. Legal counsel noted that both he and the District's engineers had suggested Zions Bank Corporation, National Association, Amegy Bank Division as the Escrow Agent. Legal counsel also noted the District needed to provide approval of the TWDB Principal Forgiveness Agreement and ratify its Financial Services Agreement with U.S. Capital Advisors. After discussion and upon motion duly made by Director Beard and seconded by President Maddox, the Board approved the authorized Representative Agreement, engaged Zions Bank as Escrow Agent for the TWDB CWSRF Urgent Need Grant Program, approved the TWDB Principal Forgiveness Agreement and ratified the Financial Advisory Services Agreement with U.S. Capital Advisors.

The Board then recognized James Gilley who noted his appreciation for consideration of U.S. Capital Advisors to be financial advisors to the District. Mr. Gilley provided a brief presentation on his firm. The Board then was advised by Mr. Turk that while not on the agenda, after a surveillance call and providing responses, the District had received a bond rerate by Standard & Poor's, changing the bond rating from BBB+ to BBB- with a stable outlook. Mr. Turk and Mr. Gilley discussed the rerate process, and legal counsel stated he would coordinate with the financial

advisors on any further action that needed to be undertaken with the District's current bond holders and/or bond insurer.

**AGENDA ITEM NO. 5: Well Site #2 Construction Project.** The Board recognized Mr. Leavins who presented Payment Request No. 5 and No. 6 (Final) for the Well Site #2 Construction Project. Mr. Leavins noted that Payment Request No. 5 and No. 6 totaled \$76,644.00, and the final payment would also call for the release of retainage in the amount of \$36,532.00. After discussion and upon motion duly made by Director Beard and seconded by Director Aiena, the Board approved Pay Request No. 5 and No. 6 (Final) and released a retainage as recommended by the engineers. Mr. Leavins also noted that the Board would receive a Certificate of Construction Completion once punch list items were completed and an executed Bills Paid Affidavit was received from the contractor.

**AGENDA ITEM NO. 6: Wastewater Treatment Plant Construction Project/Pay Request.** The Board received a report from Mr. Leavins noting Pay Request No. 2 was in the amount of \$120,441.60 and represented the project as 65.38% complete with a utilization of approximately 1/3 of the allocated time for the project. After discussion and upon motion duly made by President Maddox and seconded by Director Hughes, the Board approved the Wastewater Treatment Plant Pay Request No. 2 in the amount of \$120,441.60. After further discussion and upon motion duly made by Director Beard and seconded by Director Hughes, the Board approved the invoice from LJA Engineering in the amount of \$2,094.00 for engineering services. The Board thanked Mr. Leavins for his presentations.

**AGENDA ITEM NO. 8: Report on Federal Emergency Management Agency ("FEMA") Public Assistance/approve actions for FEMA Public Assistance.** The Board received a report

from Wayne Turk on notification from FEMA of a request to finalize the project and closeout, including the payment of Direct Administrative Cost.

**AGENDA ITEM NO. 9: Report from Pine Island Bayou Drainage Committee.** No report.

**AGENDA ITEM NO. 10: Monthly Financial Statements.** The Board recognized Mr. Turk who presented the BBVA Bank statement dated February 19, 2019. Mr. Turk provided a detailed review of the accounting statement noting transfers between the General Fund and the TML Insurance proceeds account as well as notice of the payment of bond interest and principal payments as of February 15, 2019 totaling \$335,450.00. The Board reviewed the monthly tap fees, payments by Don Williams and a tax repayment. After discussion and upon motion duly made by Director Beard and seconded by Director Aiena, the financial statements were approved as presented.

**AGENDA ITEM NO. 11: Accounts Payable.** The Board recognized Mr. Turk who reviewed the accounts payable in the amount of \$37,491.95, reviewed various invoices and directed the Board's attention to matters including the invoices to Automatic Pump & Equipment and the system repairs from Simply Aquatics. After discussion and upon motion duly made by Director Hughes and seconded by Director Beard, the accounts payable in the amount of \$37,491.95 were approved for payment as presented. President Maddox then noted that the Board needed to acquire a laptop for Mr. Turk to perform the continued services for the District. After discussion and upon motion duly made by President Maddox and seconded by Director Jones, the Board authorized the purchase of the Dell Computer laptop based upon the purchase proposal presented. Director Beard abstained from the vote. The Board also discussed and authorized the placement of a Piney Woods sanitation roll off container for disposal of District surplus or property.

**AGENDA ITEM NO. 12: Correspondence.** Mr. Turk provided a copy of the Texas Municipal Report for the District.

AGENDA ITEM NO. 13: Comments from Board Members. President Maddox and Mr. Turk provided correspondence from the TML concerning the small job issues related to Worker’s Comp and noted that the District would proceed with securing those services on an as needed basis based upon the position of the TML. President Maddox also spoke at length concerning the need to repair roadways to the District’s water and wastewater treatment plants. After discussion, the Board agreed that appropriate material in an amount of approximately \$17,000.00 should be acquired to improve those access roads.

AGENDA ITEM NO. 14: Adjourn. There being no further business, the meeting was adjourned at 8:10 p.m.

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President of the Board

ATTEST:

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Secretary of the Board