

**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, May 21, 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

Jody Aiena

Buddy Hughes

Absent: Tim Jones

Also present were Wayne Turk, Josh Armfield and Marty Adams of Utility Innovations, LLC dba Utility Specialties, Mitchell Fontenote as accountant to the District, Jeff Leavins of LJA Engineering, 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 6:30 p.m. by President Maddox. President Maddox asked the Board, and the Board agreed to move to Agenda Item No. 6.

AGENDA ITEM NO. 6: 2018 audit. Mitchell Fontenote was recognized and presented the audit report for the fiscal year ending December 31, 2018. The Independent Auditor's Report was presented showing an unqualified opinion for the District followed by a review of the management discussion and analysis of the audit. The Board was then presented with the Statement of Governmental Fund Balance, Net Position and Statement of Activities in Governmental Revenue

Expenditures and Changes in Fund Balances. The Board was advised that the financial reports were the notes to the financial statements which basically gave greater detail to items enumerated in the financial reports. Following the financial reports, there was a review of the budget for the year, and a lengthy discussion followed concerning the receipt and reporting of FEMA as well as insurance proceeds and the capital outlays for which those funds were utilized. It was noted that there was a slight increase in the cash position of the District, but this was due to the receipt of funds for capital outlays and not based on charges for utility services. The Board was then advised that the balance of the report was TCEQ required reports. President Maddox stated that he did want more clarification on the bond debt of the District for the prior year and the coming year. Legal counsel asked the Board to look at page 27 of the audit report which addressed the question from President Maddox that in the next fiscal year which would end in 2020, the total debt service of the District would drop from \$310,000.00 in the current year to \$200,000.00. Legal counsel's comments were followed by comments from Mr. Turk who noted that it would be addressed later in the meeting, but that the District had received preliminary numbers for appraised value in the District, and the District's ad valorem tax rate would drop significantly due to both the reduced debt service payments and the anticipated increase in taxable value from the prior year. After further review of the receipt of federal insurance funds and upon motion duly made by Vice President Beard and seconded by Director Aiena, the audit was approved as presented.

AGENDA ITEM NO. 2: Discussion of Hardin County Appraisal District property valuation notices. President Maddox stated that Agenda Items 2 and 4 had been left on the agenda based on the prior Board meeting. Mr. Turk stated his only comment would be, as he had noted previously, the District had received the estimated taxable value from the Hardin County Appraisal District showing a valuation of \$79,000,000.00.

AGENDA ITEM NO. 4: Presentation on District bond debt obligations and anticipated debt services rates. See Agenda Item No. 2 above.

AGENDA ITEM NO. 3: Public Comments. President Maddox asked if there were any public comments, and there being none, the Board moved to Agenda Item No. 5.

AGENDA ITEM NO. 5: Minutes. The Board approved the minutes of April 16, 2019 upon motion duly made by Vice President Beard and seconded by Director Hughes.

AGENDA ITEM NO. 7: Manager's Report.

(a) Operational Report:

The Board recognized Josh Armfield who presented the Utility Specialties Operating Report for May 21, 2018. It was noted that Utility Specialties had responded to 26 grinder calls. A review of the Well Pumpage Report showed the pumps moving more closely into a comparable average. The Operator's Report noted that during the previous month, there had been 6 line locates and while there had been a brown water complaint from the TCEQ made by a resident, it was noted that this complaint had not initially been provided to the District. A brief discussion followed by a note that the Operator's Report stated that a resident at 270 Pinemont had discovered a hole in the yard, but it was due to an old sewer tank on his property and was not the responsibility of the District. The Board had a brief discussion concerning a repaired water leak and meter at 435 Piney Point. Mr. Armfield noted that the operator had prepared for a note with TCEQ for the wastewater inspection, and a few minor items had been requested for correction. The report concluded with a notation that Utility Specialties had replaced three panels and three pumps and had one panel and zero pumps on hand, but others had been ordered. After discussion and upon motion duly made by Vice

President Beard and seconded by Director Hughes, the Operational Report was approved as presented.

- (b) Repairs due to Harvey – Mr. Armfield noted that the final improvements had been installed to the sewer plant, and the project was at a closeout stage.
- (c) Report and possible action on TTHM issues – Mr. Armfield acknowledged that there continued to be a TTHM issue in the District's water system and proposed this could be in part due to the addition of the caustic in the system which due to its higher PH may cause issues. A discussion followed about relocating the suction and supply line to create turbulence in the water. Mr. Armfield and Mr. Leavins discussed the best manner by which to create turbulence or aeration in the water to assist in reduction of the TTHM problem. Mr. Armfield stated the source of the issue was bromide, and there was a continued discussion about whether lowering the level of the tank would be beneficial or if that could negatively affect the needs in the District including fire protection. President Maddox asked questions concerning the timing of the well cycling, and Mr. Armfield stated he did not believe it was happening as often as the Board suggested and stated that issues had to do with the accuracy of the Scada System of which it was acknowledged not to be fully installed. Legal counsel noted that based on correspondence received by the District and the latest TTHM exceedance being on a sample dated February 28, 2019, notice to the consumers had to be provided no later than Tuesday, May 28, 2019. President Maddox stated he would work with Karen at Utility Specialties to ensure this was addressed.
- (d) Report on TCEQ Enforcement Action – Mr. Turk noted that a Notice of Violation dated April 22, 2019 had been received, and Mr. Armfield stated that the items in that Notice of Violation had been corrected.

(e) Lead-Copper Testing – It was noted that this was underway and was being concluded.

(f) Well#2 Sanitary Control Easement – No action.

In closing of the Manager's Report, President Maddox noted that a plumbing company had relocated District facilities at a home owned by Mr. Liedtke and had not received prior approval from the District nor had it dealt with such improvements and apparently was not done in accordance with District specifications. President Maddox noted that Mr. Liedtke stated this was a matter for the plumber to address with the District, but he had failed to do so, so President Maddox advised and the Board concurred that he would give Mr. Liedtke an additional week notice and that the District would have Utility Specialties dig up the improvements to ensure they were in full compliance with the District installation, specifications, and any cost for such would be borne by Mr. Liedtke.

AGENDA ITEM NO. 8: Well Site #1 Rehabilitation Project – Construction Award (Award to T. Johnson Industries). The Board recognized Jeff Leavins who indicated that based upon the bids, the project was proposed to be awarded to T. Johnson Industries for \$94,200.00 for a construction contract time (working days) of 50 days. After discussion and upon motion duly made by Vice President Beard and seconded by Director Hughes, the Board awarded the Well Site #1 Rehabilitation Project to T. Johnson Industries.

AGENDA ITEM NO. 9: Wastewater Treatment Plant Construction Project/Pay Request/Change Order #2. The Board again recognized Jeff Leavins who indicated that the Change Order was due to a corroded conduit that would have to be replaced, but there was no pay request for the month, and this was only consideration of the Change Order. After discussion and upon motion duly made by President Maddox and seconded by Vice President Beard, the Board approved Change Order #2 for the Wastewater Treatment Plant Construction Project.

AGENDA ITEM NO. 10: TWDB CWSRF Urgent Need Project (Residential Sanitary Sewer Grinder Stations). No action. At that time, President Maddox had to leave the meeting, and the meeting was then chaired by Vice President Tim Beard.

AGENDA ITEM NO. 11: Report on Federal Emergency Management Agency (“FEMA”) Public Assistance/approve actions for FEMA Public Assistance. Mr. Turk noted as he had stated in previous meetings, the District had two project worksheets to be finalized.

AGENDA ITEM NO. 12: Report from Pine Island Bayou Drainage Committee. No action.

AGENDA ITEM NO. 13: Monthly Financial Statements. The Board recognized Mr. Turk who presented the financial statements and noted there were no unusual items for the month. After discussion and upon motion duly made by Vice President Beard and seconded by Director Hughes, the financial statements were approved as presented.

AGENDA ITEM NO. 14: Accounts Payable. The accounts payable were presented in the amount of \$29,919.61. In reviewing the invoices, it was noted that an invoice in the amount of \$475.00 from Simply Aquatics should have been submitted to T. Johnson Industries, so deducting that invoice, the accounts payable aggregated \$29,444.61 which was approved upon motion duly made by Director Hughes and seconded by Director Aiena. Mr. Turk did request that additional invoices for sampling that appeared to be from metals testing be reviewed by Utility Specialties to determine their accuracy. The Board then noted that in the capital projects, the District had received an invoice from LJA Engineering in the amount of \$10,686.00 which was approved upon motion duly made by Director Hughes and seconded by Director Aiena.

AGENDA ITEM NO. 15: Correspondence. Legal counsel advised of a subpoena that had been received by the District from resident concerning water usage at the residence and adjacent residence. Mr. Turk advised that the subpoena documents had been provided, and the District had

been compensated for cost. Mr. Turk also provided Texas Department of Health Service reports to the operator and advised that the Consumer Confidence Report was being prepared by Liz Will and would be noted on the utility bills and posted on the District's website.

AGENDA ITEM NO. 16: Comments from Board Members. Vice President Beard noted that he prepared ID badges for the District in anticipation of any future emergency events that would then allow the Board access to the community.

AGENDA ITEM NO. 17: Adjourn. There being no further business, the meeting was adjourned at 7:43 p.m.

President of the Board

ATTEST:

Secretary of the Board