

**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 21, 2020, 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

Absent: Buddy Hughes

Also present was Wayne Turk and Guy N. Goodson of Germer PLLC as legal counsel to the District.

AGENDA ITEM NO. 1: Call to Order. A quorum being present, the meeting was called to order at 6:01 p.m. by President Maddox.

AGENDA ITEM NO. 2: Action to fill Board vacancy. The Board thanked both legal counsel and Mr. Turk for their review and efforts to determine availability of Mr. Turk to serve as a Board member in light of his present service on the Bolivar Peninsula Special Utility District, and after it was determined that both offices were positions of emolument, it would not currently be possible. President Maddox indicated that he planned to continue to serve on the Board but asked all Board members continue to look to fill the current Board vacancy.

AGENDA ITEM NO. 3: Public Comments. None.

AGENDA ITEM NO. 4: Minutes. The minutes of June 16, 2020 were approved unanimously upon motion duly made by Director Beard and seconded by President Maddox.

AGENDA ITEM NO. 5: Action on 2020/2021 budget. The Board recognized Wayne Turk who presented the 2021 proposed budget. Mr. Turk made a detailed review of the current budget through June 30, 2020 along with a budget to actual calculation which was used to derive items for the proposed 2020/2021 expense budget. Mr. Turk reviewed several of the budget items related to repair and maintenance of the water and sewer services and the manner by which he allocated cost incurred under the contracts with Utility Innovations d/b/a Utility Specialties. Mr. Turk also noted the bond interest expenses of the principal and interest that would be due in the upcoming fiscal year and reviewed in detail the fixed asset-capital project budget. The Board raised questions concerning various line items, and responses were provided by Mr. Turk. Mr. Turk noted the budget had included the possibility of additional services by a manager and the manner by which a cost for salary and benefits for that office might be calculated into the budget. A discussion followed as to the development of a plan for a manager-operated district or a possible amendment to the District's operating agreement with the current operator to provide more clarity on service costs and allocation of responsibilities. After a lengthy discussion and upon motion duly made by Director Beard and seconded by President Maddox, the Board unanimously approved the 2020/2021 budget providing for a total operation and debt service of \$400,943.00 and a fixed asset budget of \$23,000.00 for an aggregate M&O and fixed asset budget of \$423,943.00.

AGENDA ITEM NO. 6: Tax rate reports for Hardin County. Mr. Turk advised that the calculation of the tax reports that were made for the benefit of Hardin County along with the affidavit to be executed by the District, and based on COVID-19, the District had incurred additional costs and requested the waiver to receive the benefit of a voter-approved tax calculation based on 1.08% of the District's previous voter-approved rate (rather than the Senate Bill 2, 1.035% voter-approved rate cap). After review of the tax reports and upon motion duly made by Director

Beard and seconded by Director Jones, the Board authorized the submission of the tax reports to Hardin County as required.

AGENDA ITEM NO. 7: Manager's Report.

(a) Operational Report:

The Board received the Manager's Report dated July 21, 2020 from Utility Specialties. The report noted the operator's response to 28 grinder calls. There was also a notation on the water pumpage at Well No. 1 and Well No. 2 noting the averages were almost identical. The report indicated that Utility Specialties had installed an air relief valve at Well No. 2, installed a new check valve at 1210 Pine Shadows, had to repair a sewer leak at 222 Pinevale Way, repaired one water leak, had purchased two pumps and had two panels and three pumps in the inventory.

(b) TTHM Issues:

The Board then moved to consideration of action on the TTHM issue which had no report. Upon motion duly made by Director Beard and seconded by President Maddox, the Manager's Report was approved as submitted.

AGENDA ITEM NO. 8: Current and possible water & wastewater treatment options. The Board agreed this item could be deleted from future agendas.

AGENDA ITEM NO. 9: TWDB CWSRF Urgent Need Project (Residential Sanitary Sewer Grinder Stations).

(a) Pay Requests:

The Board recognized Wayne Turk who stated that on Monday, July 20, 2020, the TWDB had advised him by email that Outlay No. 10 in the amount of \$155,256.14 had been approved and funds were being submitted to Amegy Bank for release to both Jet Aeration

and LJA Engineers based on previously submitted outlay report pay request. Mr. Turk noted that Outlay No. 11 with a current estimated pay request of \$58,000.00 was in preparation but was not ready to be considered by the Board.

(b) Change Orders:

The Board moved to consideration of change orders, and it was noted by President Maddox that the current units with Jet Aeration did not include disconnects in the units, however, a line item cost for such had been included in the proposed project. It was noted that if disconnects were removed and not required to be reinstalled on the units in a place in the project and future units to be installed, the District would need to approve a change order, and those funds may be reprogrammed for additional units to be installed in the project. After discussion and upon motion duly made by President Maddox and seconded by Director Beard, the Board directed LJA Engineers to prepare a proposed change order subject to TWDB approval to remove the disconnects proposed for installation in the project and request reallocation of those project costs to the installation of additional grinder station units. The motion passed unanimously.

(c) Sewage Backflow (June 5, 2020):

President Maddox and legal counsel noted there was no additional report on this agenda item.

AGENDA ITEM NO. 10: Report from Pine Island Bayou Drainage Committee. No report.

AGENDA ITEM NO. 11: Monthly Financial Statements. The Board received and reviewed the financial statements from BBVA Compass Bank dated July 21, 2020 showing service fees of \$29,046.54 and a transfer of \$20,000.00. Questions followed, and Mr. Turk noted that additional funds had been received through the tax office as shown in the report. After discussion and upon

motion duly made by Director Beard and seconded by President Maddox, the monthly financial statements were unanimously approved as presented.

AGENDA ITEM NO. 12: Accounts Payable. Mr. Turk noted the accounts payable in the amount of \$29,383.05 which included two months of invoices from Germer PLLC. Mr. Turk also provided responses to questions concerning the invoice from Simply Aquatics and Automatic Pump. After discussion and upon motion duly made by Director Jones and seconded by Director Beard, the accounts payable in the amount of \$29,383.05 were unanimously approved for payment.

AGENDA ITEM NO. 13: Correspondence. The Board recognized Mr. Turk who noted a new representative for the District on its FEMA project and the name change for the cable company.

AGENDA ITEM NO. 14: Comments from Board Members. President Maddox stated he wished to bring two matters to the Board's attention prior to the next meeting and one was someone may need to accompany LJA Engineers on the walk through for the punch list on the Jet Aeration sewer grinder station installation project. President Maddox advised that 131 units had been installed, and there were approximately 40 additional units to be installed. Additionally, President Maddox noted that an issue may arise at that time which he asked legal counsel to address with LJA Engineers which was when the 1-year warranty period began for the sewer grinder station project. President Maddox noted that the contract documents should be reviewed to determine whether the warranty started all at the same time once the project was deemed substantially complete or whether the warranty period began on the completion of each grinder installation.

AGENDA ITEM NO. 15: Adjourn. There being no further business, the meeting was adjourned at 7:43 p.m.

President of the Board

ATTEST:

Secretary of the Board