

**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, April 16, 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, Marty Adams of Utility Innovations, LLC dba Utility Specialties, residents 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. All the Board being present, the Board President announced that due to recent property valuation notices received by property owners in the District, the District had set two agenda items to discuss the property valuation notices and provide a presentation on the District's bond indebtedness obligations and intent to pay debt service rate.

AGENDA ITEM NO. 3: Public Comments. President Maddox asked for those members of the public in attendance who wished to address a matter not related to the property valuation and notices received by the Hardin County Appraisal District. The Board recognized Cindy Bates, a resident of the District, who stated that she understood that water bills were going to increase due to the need for the District to have funds to pay for TCEQ violations. President Maddox indicated that

the District would be discussing matters related to a TCEQ enforcement action later on the agenda, but there was no plan or any need for increasing water bills at this point to address that matter.

AGENDA ITEM NO. 2: Discussion of Hardin County Appraisal District property valuation

notices. The Board received a presentation from President Maddox who stated that contrary to much speculation and social media buzz, the District had not in any manner used or planned to use any funds derived from Hurricane Harvey including FEMA funds or grant funds nor any insurance proceeds for any projects other than those that were explicitly required for the reconstruction of District water plants, wastewater plant or the sewer collection system including grinder station, grinder pumps and electrical panels. President Maddox then proceeded to advise those in attendance that the District had received approximately \$160,000 from FEMA which had to be documented in accordance with federal regulations, and all invoices were duly documented, and the District would anticipate a post close-out audit of those expenditures. President Maddox also noted that the District some years ago had acquired property insurance through the Texas Municipal League Inter-Governmental Risk Pool and paid approximately \$3,500/year for that coverage, and thanks to the placement of that coverage on District plants, the District anticipated receiving approximately \$800,000 in insurance proceeds from its insurance provider. President Maddox again noted that these funds were on a reimbursement basis, so the District did not have latitude to utilize these funds for anything other than coverage of insured assets. President Maddox further advised that the District's policies covered its operating plants and equipment but did not cover some of the sanitary sewer system including electrical panel, grinder stations and pumps. President Maddox then advised that the District had applied for and received a forgivable grant from the Texas Water Development Board in the amount of approximately \$450,000, which grant would be used to pay for costs associated with the repair of the District's system that was not paid for by either FEMA funds or insurance proceeds being most specifically replacement of grinder stations

and electrical panels at individual home sites. President Maddox noted that some grinder station work had been done and paid for by District funds. President Maddox then asked that the audience allow a presentation by Director Hughes who worked for the Jefferson County Appraisal District to provide a brief outline of the property value notices that had been received from the Hardin County Appraisal District. Director Hughes stated that all of those in attendance had received valuation notices based on preliminary values prepared by appraisers for the Hardin County Appraisal District but were only based on exterior valuations as no appraiser from the Hardin County Appraisal District had any authority to enter a person's home without their consent. Director Hughes also noted that the appraisals were for the valuation of property as of January 1, 2019. Director Hughes recommended to each property owner in attendance that they tell their neighbors and friends in the District that each property owner that wished to protest the new value of their home do so in accordance with the notice they had received from the Hardin County Appraisal District and do so by the May date that was provided. Director Hughes stated that the most expedient way to get a protest favorably reviewed by an appraisal district was to have documentary evidence including photographs as well as invoices of work done to a home and work left to be done to return a property to a habitable condition. Director Hughes noted that the Appraisal District should expect quite a number of residents of the District to consider protest due to the substantial rise in their valuation.

AGENDA ITEM NO. 4: Presentation on District bond debt obligations and anticipated debt service rates. The Board received a presentation from Wayne Turk who provided two spreadsheets, one on the current total bond indebtedness for both series of District bonds which were outstanding showing the payments that had been paid for the current fiscal year 2019 and those that would be paid in the 2020 tax year. Mr. Turk also presented a historical record from 1982-2019 of all of the bond issues and related bond payments of the District along with the

corresponding tax value in the District for each of those years. President Maddox noted that following the flooding in 1994 and following Hurricane Rita in 2005, the District had noted drops in its ad valorem tax base, but each of those events were very small decreases compared to that which followed Hurricane Harvey whereby the District's entire tax rate was lowered by 60%. President Maddox then asked residents for questions, and a number of citizens in attendance did provide questions which were answered by Board, Mr. Turk, and legal counsel. A property owner asked if once the protests were completed and a final tax roll was adopted in late summer/early fall 2019, if the property owners could also protest the water rates. President Maddox and legal counsel noted that the District was contractually obligated to set a debt service rate to pay all of its bond indebtedness which was not subject to protest, but citizens were more than welcome to attend the budget workshops and hearings in late summer before a tax rate was adopted in September of 2019 to hear questions concerning the immediate funds to operate the District. Legal counsel also noted that the state law mandated an M&O tax rate be calculated each year based on the then current certified tax roll and then creating a tax rate that would generate the exact same dollar amount of revenue that the District had for the previous tax year. Legal counsel further noted that while in the past, that rate could be increased without voter input by 8%, but due to current legislation pending in the Texas Legislature, that rate was most likely going to reduce to approximately 3.5%.

The questions of the citizens having been answered, President Maddox noted that they were going to move to consideration of the balance of the agenda and welcome the audience to stay but advised those persons who wished to leave could do so.

AGENDA ITEM NO. 5: Minutes. The Board approved the minutes of March 19, 2019 upon motion duly made by Director Beard and seconded by President Maddox.

AGENDA ITEM NO. 6: Manager's Report.

(a) Operational Report:

Marty Adams noted that Utility Specialties had responded in March to 19 grinder calls, one brown water call on Pinemont Blvd., had performed 16 line locates and installed a grinder at 1034 Pineglen. Additionally, it was noted that the District had received the TCEQ exit interview for inspection, reviewed, signed and sent back, had gathered data for the TCEQ response to the water inspection and prepared work orders for the items addressed. Mr. Adams then noted that a contractor hit a District sewer line while making a swimming pool repair, the repairs had been made, and those charges had been separately invoiced for rebilling to the customer. It was noted that Utility Specialties had replaced three pumps during the prior month and had four pumps and three panels in inventory.

- (b) Repairs due to Harvey – President Maddox noted that the generator had been set and a number of repairs had been made to the building, but it was further noted that an additional cost item would be presented to the Board later due to the fact that certain additional conduit would have to be laid.
- (c) Report and possible action on TTHM issues – The Board then talked about the TTHM problem and the TCEQ enforcement matter briefly and indicated that these would be moved to executive session.
- (d) Report on TCEQ Enforcement Action – See above.
- (e) Lead-Copper Testing – Mr. Adams also noted that the District was in the process of providing locations for lead copper sampling. After discussion and upon motion duly made by Director Beard and seconded by Director Hughes, the Manager’s Report was approved as presented.
- (f) Well#2 Sanitary Control Easement – None.

AGENDA ITEM NO. 7: Wastewater Treatment Plant Construction Project/Pay Request/Change Order #1. The Board received Pay Request No. 4 for the wastewater treatment

plant project in the amount due of \$42,808.32 which included Change Order No. 1 for supply and installation of the new SCBA in the amount of \$4,000.00. After discussion and upon motion duly made by President Maddox and seconded by Director Beard, Pay Request No. 4 and Change Order No. 1 were approved as presented. Additionally, Mr. Turk advised that an invoice for the project had been provided by LJA Engineers in the amount of \$6,052.00. After discussion and upon motion duly made by President Maddox and seconded by Director Hughes, the Board unanimously approved payment of the LJA invoice as a part of the Hurricane Harvey Disaster Recovery Project.

AGENDA ITEM NO. 8: TWDB CWSRF Urgent Need Project (Residential Sanitary Sewer Grinder Stations). Mr. Turk provided a report that the TWDB Grant had closed, and the District had received \$10,000 for the amount charged in part by LJA Engineering for preparation of the application fee. President Maddox noted though that no additional funds had been released by the Texas Water Development Board to the District's escrow agent, Amegy Bank, and the District also had a \$5,040.00 invoice for LJA for work done in the project. After discussion and upon motion duly made by Director Beard and seconded by Director Hughes, the Board authorized the payment of the \$5,040.00 engineering service fee invoice from LJA Engineering subject to the receipt and release by Amegy Bank of funds.

AGENDA ITEM NO. 9: Report on Federal Emergency Management Agency ("FEMA") Public Assistance/approve actions for FEMA Public Assistance. The Board recognized Wayne Turk who indicated he was still waiting on approximately \$18,000 for grinder work completed to date. He also noted that FEMA, as he had previously noted, had changed the procedure for submission of Direct Administrative Costs which the District had submitted in the amount of approximately \$25,000, and Mr. Turk was responding by providing the information requested. Mr. Turk further noted that although there were still payments in process, all project work orders had been closed.

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

AGENDA ITEM NO. 11: Monthly Financial Statements. The Board recognized Mr. Turk who presented the monthly accounting statement from Compass Bank and reviewed both the system operations and the debt service account. After discussion and upon motion duly made by Director Beard and seconded by Director Hughes, the Board approved the accounting statement as presented.

AGENDA ITEM NO. 12: Accounts Payable. It was noted that there was one very small TCEQ testing invoice in the amount of \$16.98. Mr. Turk confirmed that amount was correct, and after discussion and upon motion duly made by Director Hughes and seconded by Director Beard, the accounts payable in the amount of \$43,411.52 were approved as presented.

AGENDA ITEM NO. 13: Correspondence. The Board then reviewed with Mr. Turk, correspondence to the District.

- **Executive Session.** Pursuant to §551.072, Texas Government Code, the Board moved into executive session at 8:10 p.m. to discuss the TTHM and TCEQ enforcement order action.
- **Action Regarding Deliberation of the Executive Session.** The Board reconvened at 8:28 p.m., and President Maddox indicated that no action was necessary as a result of executive session.

AGENDA ITEM NO. 14: Comments from Board Members. None.

AGENDA ITEM NO. 15: Adjourn. There being no further business, the meeting was adjourned at 8:29 p.m.

President of the Board

ATTEST:

Secretary of the Board