

CYPRESS RANCH WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
Minutes of March 21, 2019

A regular meeting of the Board of Directors of Cypress Ranch Water Control and Improvement District No. 1, open to the public, was held outside the boundaries of the District, at the offices of Texas Engineering Solutions, LLC, Barton Creek Plaza III, Suite 300, 3815 South Capital of Texas Highway, Austin, Texas 78704, at 12:00 noon on March 21, 2019.

The roll was called of the members of the Board of Directors, to-wit:

Ronald den Hoed
Rick Shute
Joanne Molinyawe
Tony Salinas
Greg Junghans

All of said Directors were present, except Director Salinas and Director Shute, thus constituting a quorum. Others in attendance included Jeff Monzingo, of Montoya & Monzingo, LLP; Hank Smith of Texas Engineering Solutions, LLC; Hal Lanham and Brett Lanham, of AWR Services, Inc.; Cody Greaney of Landscape and Business Services, LLC; Richard Hamala and Jonathan Cochran, of Tiemann, Shahady & Hamala, P.C.; Ken Heroy, of Jones-Heroy & Associates, Inc., Garry Kimball, of Specialized Public Finance, Inc.; and Jacqueline Hale, of McCall, Parkhurst & Horton, LLP.

1. Consider and take action regarding the minutes of the previous Board meeting.

Director Molinyawe made a motion to approve the minutes of the previous Board meeting; the motion was seconded by Director den Hoed, and unanimously carried by the Board.

2. Public comments.

Director den Hoed addressed the Board. For the Board's consideration, Director den Hoed provided photographic images of a copse of dead trees across from Rock Wren in the District. Mr. Greaney was then instructed to investigate, and return with a proposal and estimate for removal of the dead trees in April.

3. Consider and approve a preliminary official statement and authorize advertisement of sale of Series 2019 Bonds; review and approve schedule for issuing Series 2019 Bonds.

Mr. Kimball addressed the Board. He presented the preliminary official statement, which details and provides certain information in connection with the issuance by the District its \$3,000,00, Unlimited Tax Bonds, Series 2019. The Bonds are being issued pursuant to a Bond resolution authorizing the issuance of the Bonds adopted by the District's Board of Directors as fully registered bonds.

The Bonds are scheduled to mature as serial bonds August 15, 2020 through 2046. The Bonds will be issued in denominations of \$5,000. Interest on the Bonds accrues from the date of initial delivery and is payable August 15, 2019, and each February 15 and August 15 thereafter, until the earlier of maturity or redemption.

Mr. Kimball further said that at this time, the TCEQ has given approval to move forward with the Series 2019 Bond sale. The District will consider the award of the sale of the Bonds on Thursday, April 18, 2019. Mr. Smith added that when we dig new wells in the District, we can take money out of this Bond issue for the drilling of wells. Mr. Smith continued that the District still owes the developer about \$8 million; the current bond debt is \$17.5 million; and with this new bond issue, we'll be over \$20 million.

According to Mr. Kimball's timetable presented to the Board for moving forward, on April 10, a rating will be assigned to Series 2019 Bonds by Moody's Investors Service; on April 18 the Bond Sale will occur; bids are received and Series 2019 Bonds are awarded by the District Board; on May 16, the Board will approve the Reimbursement Audit and distribution of Bond proceeds; on May 21, Closing; Series 2019 Bonds are delivered and proceeds are distributed according to a Board-approved closing letter.

In regard to the Series 2019 Bonds, Director Junghans made a motion to approve and authorize the preliminary official statement; the advertisement of sale of Series 2019 Bonds; the schedule for issuing Series 2019 Bonds; an engagement letter with the District's auditor for audit matters related to the Bond sale; a resolution approving the preliminary official statement; authoring distribution of the preliminary official statement; publication of a notice of sale of Bonds; and approving other related matters; the motion was seconded by Director Molinyawe, and unanimously carried by the Board.

4. Receive report and take action as necessary regarding District mowing and trail improvements.

Mr. Greaney addressed the Board. He is aware of the weeds in the median of Cypress Ranch Blvd. LBS has been experimenting with different weed killers; Mr. Lanham added that they are restricted in the use of chemicals and pesticides, per TCEQ regulations. Mr. Greaney said the weed killers they have been trying, thus far, have not been working well and they are looking at new options. Mr. Greaney further reported that LBS recently completed the bi-annual mulching. Director Junghans inquired to if LBS could set up the automatic sprinklers to water early (such as the middle of the night). Mr. Lanham inquired as to what time the sprinklers are currently set for. Mr. Greaney said he would have to check, but added that they could change the sprinklers to water at any time. Director den Hoed suggested 2 a.m. There will be an item placed on the April agenda to re-visit this issue and receive a follow-up report from LBS.

5. Receive report regarding mortaring and rock replacement at the District retention pond.

Mr. Greaney addressed the Board. This project is underway and has not yet been completed. LBS still needs to fill in the area behind the repair with dirt. LBS will provide a status update at the April Board meeting.

6. General Manager's Report.

Mr. Lanham addressed the Board. In regard to District Well rehabilitation and Well system pumping capacity improvements, AWR is working with TES and well experts to provide the Board options to improve well production and possibly drill new wells in the District. A conference call was held in March 2019 to discuss the locations to drill test wells, well improvements, and the possibility of drilling "Well No. 5-A" and decommission the existing steel cased Well No. 5. Water well experts, WellSpec, did not recommend the drilling of Well No.5-A, and instead recommended one of the successful well test sites be utilized.

In regard to water treatment plant repairs, AWR responded to an alarm from the booster pump #2. The pump would not disengage properly unless high pressure levels were met. AWR attempted to reset the pump, tested operations, and were unable to achieve normal operations. AWR then contacted contractors who assessed the pump and determined the cla-val speed control unit needed to be rebuilt along with a solenoid valve. Repairs were made and additional parts for the PCV No. 1 valve may need to be replaced to ensure the pumps actuate and disengage properly. Additionally, some controls changes were required on SCADA for the pumps to display properly.

7. Receive update regarding repairs to the Coral Bean lift station.

Mr. Lanham addressed the Board. In regard to repairs to the Coral Bean lift station, Pump No. 2 was completely rebuilt along with a new motor. Once the pump was rebuilt, it was sand-blasted and relocated to help resist corrosion. The rebuilt pump and motor have been installed and placed into service.

8. Consider and take action regarding repair and replacement of the aeration system for the wastewater treatment plant.

Mr. Lanham addressed the Board. The current aeration system at the WWTP is beyond repair and needs to be replaced as soon as possible; it could fail any day now. Mr. Lanham recommended using PrimeSpec Construction for the project. Mr. Carlisle will provide the equipment and services to install a new aeration system. Director Junghans made a motion to hire PrimeSpec Construction to replace the aeration system for the WWTP for a total not to exceed \$70,214.00; the motion was seconded by Director den Hoed, and unanimously carried by the Board.

9. Receive update and take action regarding no trespassing signs within the District.

Director Junghans suggested placing "No Trespassing" signs on the existing signs. Mr. Lanham concurred. Mr. Lanham said he could have signs made for ten locations. Director Junghans will comprise the sign subcommittee. AWR uses Stoke Signs to make signs. Director den Hoed made a motion to approve ten "No Trespassing" signs with a maximum budget of \$1,000; the motion was seconded by Director Junghans, and unanimously carried by the Board.

10. Consider and take action regarding facility operation and maintenance, utility service, billing, and collections.

No action.

11. Engineer's report.

Mr. Smith addressed the Board. In coordination with Mr. Vickers, Mr. Bond, and AWR, TES has come up with certain recommendations: do not recommend installation of bigger pumps for Wells 13 and 14 as they will affect production levels of future Wells 22-25; do not recommend installation of a replacement well adjacent to Well 5 due to unfavorable characteristics of the well site and a new permit would be required from TCEQ; do not recommend testing of well sites 16-20 as all well sites will be necessary in the future; choosing which well site will be drilled first of the sites with approved construction plans is not critical.

Recommended actions: recommend moving forward with getting interim approval on all five sites that have approved construction plans (16-20). Costs: \$60,000 per well site for Interim Approval. A total of \$300,000 for all five sites. Interim Approval includes well testing, chemical testing, construction certificate, etc. After Interim Approval, well sites will be ready to be incorporated into the District system as funds become available. The proceeding step will be construction of the infrastructure to incorporate the well into the District system. Engineering cost estimate is \$325,000 for one well, \$620,000 for two wells, \$1,200,000 for four wells. TES recommends moving forward with producing and permitting construction plans for well sites 21-25 to have these well sites ready for future needs. Permitting will take about 8-12 months.

In regard to capital costs, the current capital costs are \$70,214. Anticipated capital costs are \$5.6 million, with approximately \$1.6 million cost participation from LTISD (assumes 25% participation for WWTP and 50% participation for wells). The remainder is \$4 million to be paid by the District with a 30-year loan.

12. Receive report, consider, and take action regarding a replacement well at the Well No. 5 location.

Mr. Lanham addressed the Board. Mr. Vickers at WellSpec does not recommend drilling a replacement well at the Well 5 site. We will likely get another bad well with low GPM. See Engineer's report above for additional information.

13. Receive report, consider, and take action regarding the drilling of test wells within the District.

Mr. Lanham addressed the Board. He said that the District needs to drill at least four new wells. Currently, the District does not meet TCEQ requirements for GPM per customer per day. Mr. Lanham warned that the District could be in real trouble this summer; last summer we got a pass from the TCEQ, so we need to move forward with new wells now.

Mr. Monzingo added that the District currently has cash now in the bank for a new well. Mr. Lanham said that Mr. Vickers at WellSpec said that instead of drilling test wells, we need to move forward with drilling actual wells. Test wells will cost a total of \$70,000 and that money is better spent drilling actual wells. Mr. Smith said we could dig two more wells this year.

Mr. Lanham said that if we use TWDB for funding, we need to start that process now, but it's better to use bonds. Mr. Kimball added going through the TWDB presents all sorts of problems: there is a lot of state-regulated environmental red tape that can really hold up the process for a long time. Mr. Kimball continued that a District would utilize the TWDB when it qualifies for federally subsidized money and our District would not qualify for that. Mr. Kimball said the cheapest financing option is to get TCEQ approval and bid bonds on the open market.

Mr. Lanham said right now the best use of District money is a four-well package and use bonds to do it; we can use the pre-paid interest to cover the first year. Mr. Smith estimates four new wells at \$1.6 million. After a discussion by the Board, it was decided that the District will dig five new wells at the recommendation of TES – one of which to become fully operational now, with the other four wells dug but not to be placed in operation at this time.

Director den Hoed made a motion to approve the drilling of five new District wells, one of which will become operational, for a total of \$625,000, and approved the District reimbursing itself out of the proceeds of the future bond issue; the motion was seconded by Director Molinyawe, and unanimously carried by the Board.

14. Receive report regarding improvements for water and wastewater facilities.

Mr. Smith addressed the Board. In regard to a new WWTP, Mr. Smith said we can build a new, 100,000 GPD plant next to the District's existing plant for about \$1,000,000. Mr. Lanham added that he and Mr. Smith would like to look into diffused air flotation technology for the new plant. Mr. Lanham said they would have to do some research to see if it will work. Mr. Smith said this approach could potentially be a lot less than if the District had TRC come in and design a new plant. The Board then authorized (without a formal motion) AWR and TES to research the diffused air flotation technology for the new plant, and come back in April with more information.

15. Consider and take action to adopt an order amending rates for District services.

Mr. Smith went over the proposed new rates for the District and out-of-District customers. Mr. Hamala added that we will raise the rates for Angels Icehouse and the Colinas Office Park; they could appeal the rate increase to the PUC and the District would have to defend it, which it could in light of the needed facility upgrades and replacements. Mr. Hamala also discussed the in-District water rates for the elementary school.

Further, a letter will be sent to all residents and customers of the District, which will explain the rate increases and the reasoning behind it (facilities outdated). Director Molinyawe then made a request to have the rate and fee schedule simplified. Director Junghans then requested that on the bill, the permissible watering days be in a larger font. Mr. Lanham said he would check into it.

Director den Hoed made a motion to amend the District rates, as presented by Mr. Smith and Mr. Hamala; the motion was seconded by Director Molinyawe, and unanimously carried by the Board.

16. Consider and take action as necessary to authorize permit applications, and trail, drainage, and facility maintenance and construction projects as recommended by the District's Engineer.

No action.

17. Receive a report from the District's Accountant and consider and act on approval of bills and invoices, ratification of payments, and funding of Manager's account.

Mr. Monzingo addressed the Board and delivered the financial report. A bill for \$6,600 for surveys in regard to the access roads will be deleted and charged to the developer. Director den Hoed made a motion to approve the bills, invoices, ratification of payments, and funding of Manager's account; the motion was seconded by Director Molinyawe, and unanimously carried by the Board.

18. Discuss and take action regarding future meeting dates, and such other matters as may come before the Board.

The next Board meeting will be April 18, 2019.

19. Adjournment.

Director Junghans made a motion to adjourn the meeting; the motion was seconded by Director Molinyawe, and unanimously carried by the Board.

APPROVED April 18, 2019



Joanne Molinyawe, Secretary