

CYPRESS RANCH WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
Minutes of August 20, 2020

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 Tiemann, Shahady & Hamala, PC, 102 N. Railroad Ave., Pflugerville, Texas 78660, at 1:00 p.m. on August 20, 2020, via video conference call and telephone conference call. The roll was called of the members of the Board of Directors, to-wit:

Ronald den Hoed
Rick Shute
Joanne Molinyawe
Tony Salinas
Richard Kenyon

All of said Directors were present, except Director Salinas, thus constituting a quorum. Others in attendance included Jeff Monzingo, of Montoya & Monzingo, LLP; Hank Smith and Xavier Garza, of Atwell, LLC; Hal Lanham, Tammy Hargett, and Amanda Rodriguez of AWR Services, Inc.; Richard Hamala and Jonathan Cochran, of Tiemann, Shahady & Hamala, P.C; Todd Nartner, of LBS; and Garry Kimball of Specialized Public Finance.

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 Shute, and unanimously carried by the Board.

2. Receive public comments; receive Director comments for future agenda items.

Director den Hoed addressed the Board. He would like a complete review of the system, including the new facilities, and submit the system to a stress test to determine the system's weak points so we can avoid the usual "summer" crisis due to water supply issues. Director den Hoed would also like to look at increasing the watering to two times per week. This should enhance the "look" of the tract and increase property values He also suggested a three-year contract with performance clauses, to ensure all consultants are excelling at their positions.

3. Consider and take action regarding a preliminary budget for fiscal year 2020-2021.

Mr. Monzingo addressed the Board and presented a preliminary budget; the final budget will be adopted at next month's meeting. Mr. Kimball added that in regard to the tax rate for the debt service, we're not proposing any change from last year for debt service: \$0.75, which covers payments expected to be coming in the next fiscal year. Mr. Monzingo said the assessed value of the District is \$175,000,000. For the debt, Mr. Kimball needs \$0.75 that's due this next year. If the tax rate is capped the same at \$0.90, that leaves \$0.15 for operation and maintenance. At 98% collection, that would put just under \$1.3 million into the debt service fund and \$257,000 for operating. For this next year the District has \$585,000 due on bond principal and interest is \$690,000.

Revenue is pretty well set, unless the District has a rate change. Total revenue is about \$1.3 million. On the expenditure side, looking the water system maintenance and repairs, we've had good luck this past year; Mr. Monzingo recommends knocking that down from what we had budgeted in the prior year. In regard to well maintenance and repairs, that's what we've had in there every year, but has been bumped down a little bit because we added a well inspection and rehab amount of \$200,000 per year, at the recommendation of Atwell.

In regard to the \$300,000 amount for "wells new," that is for the three wells under construction now. We may not need that next year; we may finish that up this year. If that gets all finished it will reduce our cash and so we won't have to budget for next year but we'll have less cash going into next year. If we don't complete the wells, we'll have more cash as we finish the year, but we'll need to add this to the budget to finish the wells. These can be adjusted next month.

The other new item is the new electronic meters. Right now, Mr. Monzingo has \$56,000 budgeted for that. We've also budgeted \$50,000 for water purchases in the event of an emergency situation; we've had to use that before. In regard to sewer maintenance and repair, Mr. Monzingo proposes \$120,000, based on an average of the last five years. In regard to operating fees, mowing has been increased slightly. One item we may need address in regard for budgeting is road repairs. If we do not make any changes to the preliminary budget, we would spend \$437,000 more than we would bring in this next year.

We're projected right now to end the year with \$1.9 million. With the road invoice in here that may be a little less. With that negative this year we would end next year, 9/30/2021, with \$1.5 million in the bank. And of that \$1.5 million, \$494,000 are the contractual capacity fees that we set aside and are assigned funds, which would leave just over a million of operating cash to use going into 2022. Even though it looks like we may need to spend more than we bring in this year, we have a nice sum of money in the bank as we roll forward into the year.

4. Consider and take action to propose a tax rate for tax year 2020, and to schedule and authorize notice of a public hearing on a proposed tax rate for tax year 2020.

Mr. Kimball of Specialized Public Finance (SPF) addressed the Board. We're proposing the District publish notice for this same tax rate in 2020 as was adopted in 2019; total tax rate being \$0.90. The appraisal values came in from TCAD. They did not certify final values due to Covid-19; they sent out estimates, so these numbers could still change. Values came in at \$175 million versus \$177 million in 2019, but there is about \$24 million worth of protested value in that number and that could go either way; we don't expect much change from the certified value estimate of the \$175 million value estimate.

As Mr. Monzingo discussed, that does generate a budget deficit on the operating side but it adequately covers our bond payments. We think the operating side will correct over time. We will be bringing back in some cash to our reserve levels once we move ahead with the bond issue that was approved by TCEQ last year. For purposes of calculating the rollback rate, the District will be considered a "developing" district, which gives us an 8% allowable increase in maintenance tax

rate, when calculated against the average home value from year to year. The average home value went up less than a quarter of one percent from 2019 to 2020. SPF recommends a \$0.90 tax rate.

Director Molinyawe inquired as to the status of the wastewater treatment plant. Mr. Smith said he expects bidding the project late this year (November-December), and start construction in January, and then 9-12-month construction time; construction should be completed by the end of 2021. We'll need to issue bonds before we start construction. Mr. Smith anticipates that we'll need the full \$4 million dollar bond amount.

In regard to getting a time extension on the authorization to issue the bonds, Mr. Kimball said we're not kicked off in the process of issuing the debt. Mr. Kimball will need three or four months from the point the engineer says here's the project cost number, we're ready to move ahead on issuing the bonds. Given that, the TCEQ approval that we have on hand expires in early January 2021. But we're allowed to request a one-year extension with no rationale needed. SPF recommends we request the one-year extension from the TCEQ so that we're not pushing up against a hard deadline of January 2021.

Director Molinyawe made a motion to propose a tax rate of \$0.75 for debt service and \$0.15 for operation and maintenance, for a total of \$0.90 per \$100 of valuation for tax year 2020, and to schedule and authorize notice of a public hearing on a proposed tax rate for tax year 2020; the motion was seconded by Director Kenyon, and unanimously carried by the Board.

5. Receive report and take action as necessary regarding District mowing, greenbelt and landscape maintenance.

Mr. Narter addressed the Board. There are no updates to report.

6. Consider and take action to add additional right-of-way areas to District mowing schedule.

Mr. Cochran addressed the Board. At a previous meeting the Board approved adding the pond in Phase 1, Section 6 to the mowing schedule. The pond will be mowed approximately twenty times per year at a cost of \$100 a month. For Board consideration and approval today is the additional mowing of three areas: the right-of way at the Rock Wren cul-de-sac; mowed approximately thirty-two times per year at a cost of \$70 a month; the right-of-way at the end of Wild Foxglove; mowed approximately thirty-two times per year at a cost of \$70 per month; and the vegetative filter strips at the end of Cypress Ranch Blvd.; mowed approximately twenty-four times per year at a cost of \$50 per month. The addition of the pond, the two right-of-way areas and the vegetative filter strips adds \$290 per month to the Landscape Agreement. With these additional mowing areas, including the pond, the total compensation per month to LBS under the Landscape Agreement shall be \$10,820 (up from \$10,530).

Director Molinyawe made a motion to approve the additional mowing of the right-of way at the Rock Wren cul-de-sac; mowed approximately thirty-two times per year at a cost of \$70 a month; the right-of-way at the end of Wild Foxglove; mowed approximately thirty-two times per year at a cost of \$70 per month; and the vegetative filter strips at the end of Cypress Ranch Blvd.; mowed approximately twenty-four times per year at a cost of \$50 per month, for a total of \$290 per month added to the Landscape Agreement; the motion was seconded by Director Kenyon, and unanimously carried by

the Board.

7. General Manager's report.

Mr. Lanham addressed the Board. AWR noted a leak at the entrance of the WTP; AWR coordinated with contractors who then excavated the area to investigate the source and determined there was a leak on the 8" water line. AWR then notified residents with a boil water notice due to the leak and made the necessary repairs. In regard to Well no. 15, AWR found that the meter was not properly communicating with the SCADA system. Coordination is ongoing to determine the communication issue. The remainder of the General Manager's report is covered in the items, below.

8. Consider and take action regarding the taking of District water from fire hydrant.

Mr. Hamala addressed the Board. In regard to unauthorized water use, there was a company that was taking unauthorized water from the fire hydrant. We have a few options as to how to proceed. We could have the sheriff prosecute them for the theft of the water. Another option is to recover the amount of water that was taken from the company that took it. The problem is that we don't know the quality of the water, plus we run a different chlorine system, and when you start mixing chlorines, you can get dangerous results. The favored option is to charge them as if they had done the right thing, which is to have come in and applied for a fire hydrant meter, paid the monthly charge, and paid for the water, and then tack on a \$200 penalty for failure to follow the rules – a one day penalty amount. The total comes to approximately \$430, with the cost of the water, fire hydrant fee, and the penalty. Mr. Hamala added that there is a provision in our District rules that says there is a \$500 penalty for bypassing a meter, which we could argue would be applicable. The Directors concurred that the penalty should go up to \$500. General Counsel and AWR will send a letter to the company for the \$500, plus the amount for the fire hydrant meter, the monthly charge, and the water.

9. Consider and take action regarding an electronic meter purchasing plan for the District.

Mr. Lanham addressed the Board. At the last meeting Ms. Hargett prepared an electronic meter summary. We have 293 meters that would need to be changed to electronic. We have 22 on hand, so we would need 271 additional electronic meters. Total cost to the District would be \$167,565.00. A three-year meter conversion program would cost about \$55,000 per year. Whatever program the Board decides to adopt, Mr. Lanham requests that amount be placed in this year's budget, as Mr. Monzingo mentioned earlier with regard to the 2020 budget. Mr. Monzingo added that for planning purposes, he budgeted the three-year plan. Director Kenyon made a motion to adopt a three-year electronic meter purchasing plan, with the first year's electronic meters coming out of the 2020 budget; the motion was seconded by Director Molinyawe, and unanimously carried by the Board.

10. Consider and take action regarding the District's rates and fees.

Mr. Hamala addressed the Board. We placed this item on the agenda mainly for discussion purposes; at some point we may want to amend some rates such as increasing the connection fees. Mr. Smith added that the new groundwater conservation district plans to issue new rates to take effect in the first quarter of 2021; they haven't adopted anything yet, but it's basically a \$0.20 fee per 1,000 gallons of District water; possibly a thousand dollars per connection; and permit all of our District wells, permit

renewal fee, annual inspection fee. These are not big numbers, but this is something we need to address in our rates as a pass-through to the groundwater District that everybody voted in. It will increase the resident's monthly bill by a few dollars a month. Mr. Hamala added that the District is going to be paying most of the cost of the new groundwater conservation district and WCH or the District does not have representation on their Board; there are three positions available for anyone who uses groundwater within the boundaries of the conservation district. Mr. Smith said that the conservation district may get approximately \$30,000 from the District a year, which will account for about half of their revenue; it will cost them about \$250,000 a year to operate the district.

This may be something we want to consider putting on the budget for 2021. The Board then considered and discussed the possibility (and effect on the system) of lowering the water rates for higher water usage, in light of the new wells coming online; essentially, being able to use more water for less money. No action was taken to amend the District's rates and fees. The item will be addressed again at the October meeting in two months. Several Directors said that the HOA has been sending out "brown lawn" letters to residents. Director Kenyon volunteered to communicate with the HOA regarding the letters.

11. Consider and take action to delegate authority to enter greenbelt access license agreements to the District's President or General Manager.

Director Kenyon made a motion to delegate authority to enter greenbelt access license agreements to the District's General Manager; the motion was seconded by Director Shute, and unanimously carried by the Board.

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

Mr. Lanham addressed the Board. 525 customers were billed in the last billing period; there were 87 high water users, up from 61 the month before. Three customer locations were converted from mechanical to electronic meters. Seven endpoints were replaced at customer locations.

13. Engineer's report.

Mr. Smith addressed the Board. Three new wells should be operational by the end of next week and another week to get them started up; in two weeks they should be in service. We do have the ability to hook a generator up to one of the new wells on an emergency basis, if needed. We had a leak in the system last week that caused the tanks to drop down quite a bit; they are recovering. Phase 4 is under construction; they anticipate being completed by October 31, 2020, and then start construction of homes. Phase two Section 5 and Phase 2 Section 6 are going through the design review process; construction planned for 2021. In regard to the Lake Travis ISD easements, they are complete and awaiting all signatures. The remainder of the engineering report is covered, below.

14. Consider and take action as necessary to ratify and/or approve pay estimates and change orders for construction projects as recommended by the District's Engineer.

Mr. Smith addressed the Board. For the water well project, we have Pay Application No. 4 from

Liberty Construction for \$48,555.00; this is for the District to pay. In regard to construction in Phase two, Section 4, we have a Pay Application No. 3 from Pulte Homes for \$284,555.11; this is for the developer to pay. In regard to well-road maintenance, phase one of the rehabilitation is complete; we have Invoice No. 1 from Holman Services for \$71,079.75 for this work. We'll need to look at doing phase 2 of the road rehabilitation next, Atwell recommends a proposal from Holman Services for \$71,933.25. Director Molinyawe made a motion to approve Liberty Construction's Pay Application No. 4 for \$48,555.00; Pulte Homes' Pay Application No. 3 for \$284,555.11; and Holman Services' Invoice No. 1 for \$71,079.75; the motion was seconded by Director Kenyon, and unanimously carried by the Board.

15. Consider and take action regarding improvements for wastewater facilities.

Mr. Smith addressed the Board. Mr. Smith has been working with Mr. Miertschin, the design engineer, this week. Mr. Miertschin will be submitting the design to TCEQ shortly.

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. He discussed transfers of funds, invoices to pay, the capital projects fund, the debt service fund, the budget versus actual, investment reports, financial statements, bank statements, and property tax status. Director den Hoed made a motion to approve payment bills and invoices, ratification of payments; to add the Holman Services invoice to Mr. Monzingo's list of payments to be made and the additional transfer to pay that invoice; and the approval of the investment report; the motion was seconded by Director Kenyon, and unanimously carried by the Board.


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

The next meeting will be September 17, 2020; likely by Zoom conference call. This will be the date of the tax rate hearing. Notice of the tax rate hearing will be published in the Austin American Statesman.

19. Adjourn.

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

APPROVED September 17, 2020



Joanne Molinyawe, Secretary

