

Board of Supervisors
Meeting Minutes
April 28, 2014

Board Members Present:

Richard Jones, President
Stephen Clarady, Vice President
Belinda Ross, Secretary
Jemmie Hageon, Treasurer

Board Members Not Present:

N/A

ANRA Staff:

Kelley Holcomb, General Manager
Dyan Stanford, Office Manager

Guests:

Steve Knight, Lufkin Daily News
Guessippina Bonner, NAACP
Numerous Community Members

1. Call to order: Mr. Richard Jones called the meeting to order at 3:30 p.m.
2. Confirm quorum: Mr. Jones declared a quorum present and introduced the Board members to those in attendance.
3. Invocation: Mr. Stephen Clarady gave the invocation at the request of Mr. Jones.
4. Recognition of guests: Mr. Jones introduced Mr. Kelley Holcomb to those in attendance and thanked the community members for coming to the meeting.
6. Consider and Act upon Customer Petitions calling for:
 - A. Review of the Board of Supervisors prior decision to provide first time sewer service and encumber the District.

B. Special Election of Board Members for Expired Terms and Vacancies:

Mr. Richard Jones summarized the petitions presented at the Board's last public meeting on April 22, 2014. Mr. Jones opened the floor for comments from those in attendance. Mr. Kelley Holcomb asked to inform the Board of their responsibility with regards to the petitions. Mr. Holcomb stated that the petitions ask the Board to consider action. Based upon statutes that govern the Board, they are to consider the petitions presented and then take action as they see fit on their topics. With regards to a special election to be conducted immediately, the Board does not have the authority to enact this request within the time frame specified. The Board is only authorized to conduct elections on the uniform date as stated in the Elections Code, which is even-numbered years, in the months of May or November. The Board can use their discretion as whether to conduct an election in November, but that is the earliest date an election can be conducted under the statutes.

Mr. Holcomb further explained that the second petition regarding the sewer service decision was made back in August 2013, but it can be undone prior to issuing the debt. This project does not have to go through unless the loan documents are signed on June 5, 2014 to close on the debt. If the decision is reversed, there will be consequences that the District needs to keep in mind. The District annexed Redland Estates and thus took on its problems with regards to their failed sewer system. The Texas Commission on Environmental Quality (TCEQ) has agreed to not enforce on the District, as long as there is a solution being actively worked out. If the agreement is cancelled with regards to this sewer project, TCEQ would then be forced to reconsider their waiver of enforcement regarding Redland Estates.

Mr. Holcomb informed the Board that in addition to issuing the debt, the agreement between Angelina & Neches River Authority (ANRA) and the District includes the daily operations of the District. This portion of the agreement can be undone whether or not the District continues on with this new sewer project. Once the debt is issued for this project though, the loan commitment cannot be canceled. Mr. Holcomb reminded the Board and those in attendance that the Board can conduct a special election in November of 2014, but it cannot happen before the loan closing date of June 5, 2014.

Mr. AJ Hunt asked the Board who will repay the money on the loan if something happens to Mr. Holcomb, such as death. Mr. Richard Jones stated that ANRA will still be around and the District will pay its bills. Mr. Holcomb explained that ANRA would hire a new General Manager and ANRA operations would continue as normal. Mr. AJ Hunt stated that the contract between ANRA and the District expires in 2017, so if ANRA is no longer hired to operate the District, who will. Mr. Holcomb explained that Mr. Hunt is quoting from the old contract between the District and ANRA. The new contract approved in August 2013, now automatically renews each year, but has a 30 day cancellation clause associated with the operations of the District. ANRA continues to operate the District under the new contract, but can now issue debt as well. Mr. AJ Hunt asked who has seen this new contract. Mr. Holcomb explained that only the

District Board of Supervisors has seen it at this time. Mr. AJ Hunt questioned how many District Board members have seen the contract documents for this new grant. Mr. Richard Jones stated that the Board members understand the grant. Mr. AJ Hunt asked whether Mr. Jones has seen the principal and interest listed with regards to this new project.

Mr. Kelley Holcomb explained that the old contract was valid. The Board agrees to charge a good and reasonable charge, meaning a cost based service schedule. For example, if the District has operations costs of \$100,000 per year, they cannot charge \$200,000 for services. Mr. AJ Hunt asked whether anyone on the Board can tell those in attendance how much interest the District is looking to pay with this new project. Mr. Richard Jones stated that the interest rate the Board was able to secure for the loan is 2.18%. Mr. AJ Hunt asked if Mr. Jones saw the contract. Mr. Jones stated that everyone has to pay interest. Mr. AJ Hunt asked the Board if they had considered the resale value of property within the District since the water rates and tax rates are so high. Mr. Hunt asked how much his bill will be to pay back the loan. Mr. Richard Jones stated that Mr. Hunt's bill should be unaffected. Mr. Hunt again asked how much he will look to owe.

Mr. Richard Jones stated back in 2005, there was a petition submitted to the Board asking for sewer service to be established in the District. An unidentified female noted that she has sewer service and the rates have been going up. Her kids and grandkids will be paying on this loan in the future, while they already have to pay water taxes. Mr. AJ Hunt asked for a duplicate bill to be issued so that customers can budget to prepare for the increase associated with this project. Mr. Kelley Holcomb explained that the District has done rate calculations to determine the best and worst case scenarios that they could be facing. Mr. Holcomb stated that he understands their concerns but the District is not the City of Lufkin. The District is supposed to provide water and sewer services. Mr. AJ Hunt asked how the loan will be paid back if it is defaulted on. Mr. Kelley Holcomb informed those in attendance that the loan can only be paid back through water and sewer bills, not through tax money.

Mr. AJ Hunt stated that he believes this new sewer system will cost customers more than if they deal with their own septic system. Mr. Ron Oliver asked how much ANRA is paid to run the District's operations, to which Mr. Holcomb replied approximately \$60,000 per year. Mr. Richard Jones explained that the Board is looking to do a five year plan and will consider looking for an operator at that time, but right now the District is happy with the services ANRA provides. Mr. Holcomb reminded everyone that once the debt is issued, the District cannot change its mind. Mr. Patrick McKelvey stated that in the long run, this project is going to cost him. Mr. McKelvey noted that he is not mad at Mr. Kelley Holcomb, because if he was, he would have already whooped his [expletive]. Mr. McKelvey stated that he just knows when he is getting screwed. Mr. Kelley Holcomb stated that if ANRA was not operating the system, the District would have to find someone else for operations.

Mr. AJ Hunt asked for a clear answer to what his bill might be. Mr. Richard Jones stated that currently Mr. Hunt is paying \$83.00 total for water and sewer service. Mr. Jones estimates that Mr. Hunt's bill will continue to be the same. Mr. AJ Hunt noted that Mr. Jones explained that everyone in the District has to pay for the project, so ultimately everyone's bill will go up. Mr. Kelley Holcomb stated that it would not surprise him if bills go down because the costs noted so far are over-estimated. Mr. Holcomb also highlighted that the more Out-of-District customers who tie onto the system will help with costs as well. Mr. Holcomb noted that over time, everyone's bill would increase as the result of inflation. Mr. Daryl Hart spoke that he needs sewer at his service address. Mr. Hart expressed concern that those such as Mr. Hunt and Mr. McKelvey who have sewer service already are speaking for those who do not have it and need it. Mr. Hart stated that he lives down Jackson Road and he wants the new sewer service. Mr. Patrick McKelvey argued that his bill is going to go up so that Mr. Hart can get the service.

Mr. Richard Jones informed those in attendance that ANRA has been a benefit to the District. Since 2005, the Board has been working on getting this sewer service for the District. Mr. Ron Oliver stated that he wants the sewer service, but he does not want to pay before he receives the service. Mr. Richard Jones stated that this loan/grant is the best that the District can do to provide sewer service. Mr. Oliver asked Mr. Jones if he currently has sewer service. Mr. Richard Jones stated that he does have sewer service at his home. Mr. Jones noted that some customers will get service quicker than others depending on when the system can be constructed. An unidentified male asked what happens if a person has a personal septic system. Mr. Richard Jones informed the individual that waivers will be allowed to defer connection to the system. The unidentified male clarified though that if he ties onto the system later, it will be at his own cost, to which Mr. Kelley Holcomb agreed. Mr. Ron Oliver stated that an election should have been held to determine whether or not the District wanted this sewer project. Mr. Patrick McKelvey agreed that an election should have been conducted before the decision was made. Mr. Richard Jones stated that matters get voted on all the time during the District's board meetings.

Mr. Patrick McKelvey noted that he had only received notice of the project since April. Mr. Richard Jones summarized that the Board has heard that those in attendance want the service, but they do not want to pay for it. Mr. Ron Oliver agreed that he does not want to pay before he receives the service. An unidentified male stated to Mr. Jones that the Board promised no new taxes upon the annexation of Redland Estates, so how do customers know that the Board is telling the truth about receiving the grant. Mr. AJ Hunt stated that the Board needs to look at property taxes and attracting people. Mr. Holcomb informed those in attendance that the District has added about 10 new customers over the past year. An unidentified male asked who sets the price for sewer service, to which Mr. Holcomb replied the District Board of Supervisors.

An unidentified female asked who will come out to inspect the personal septic systems, to which Mr. Holcomb stated that it will be Terry Free from Angelina County & Cities

Health District. The female clarified that if the system is exempt, the customer does not have to pay the \$32.50, which Mr. Holcomb agreed is correct. Mr. Holcomb reminded those in attendance that the District does have the power to force customers onto its sewer system as long as they lie within the District boundaries.

Mr. AJ Hunt stated that the District will eventually cost people out of moving to the District. Mr. Holcomb replied that the District has seen growth recently more than it has in the past. No one knows at this time how much the sewer bills will go up once service has been established for the entire District. Mr. Holcomb agreed to mail Mr. Hunt a copy of the principal and interest related to the project. Mr. Patrick McKelvey asked whether the money has been received yet for the project. Mr. Holcomb stated that no money has been received yet, but will come through after the loan closing date of June 5, 2014.

General discussion occurred between multiple speakers and thus conversation could not be tracked.

Commissioner Timmons asked if both sides of Bar-B-Que Road are considered In-District. A discussion ensued regarding what is considered to be an In-District versus Out-of-District customer.

Mr. Richard Jones summarized that the loan closing date is set for June 5, 2014. Mrs. Belinda Ross reminded those in attendance that the Board is looking at an age limit for those septic systems requesting an exemption. Mr. Patrick McKelvey stated that he did not see why septic systems could not continue their use because concrete does not rot. Mr. Richard Jones reminded everyone that if you join the project now, costs are included and service is fully established within those costs. If you tie on later, the customer is required to pay to establish the service. Mr. Jones restated that a 2005 petition is what led to this project, in that it requested no trash service, but instead the provision of sewer. Mr. Jones also reminded those in attendance that an election cannot happen until November. Mr. Jones stated that if the Board backed out now from the agreement, the repercussions would be great. Redland Estates annexation helped to secure the grant for the District. Mr. Jones assured the customers that decisions are made by the Board with considerations of money and the use of common sense.

Mr. Richard Jones noted that after June 5, 2014, the District will have a payment due in 30 days. No other option has been found that will provide better options for the District. In total the District will only have to pay 30% of the cost plus interest. Once the system is being used, customers will be on a flat rate, with the only difference being those Out-of-District customers. Mr. Jones reminded everyone that for the District to flourish, the sewer system project needs to happen. Commissioner Timmons asked if the people on the left side of Ethel Lewis and Jackson do not pay tax, to which Mr. Jones agreed because they are considered Out-of-District customers. Mr. Jones stated that the District has received the best deal it can and there is no turning back.

Mr. Patrick McKelvey stated that the Board may have been working on the project, but they should have notified the community before April. Mr. Richard Jones assured Mr. McKelvey that if the Board had known about the project 10 months ago, they would have notified customers then. Mr. Jones stated that the Board has nothing to hide. An unidentified female asked who schedules the public meetings for 3:30 p.m. Mr. Jones explained that meetings are scheduled to work around the schedules of many people. An unidentified male asked if the water taxes will be going up because of the new sewer project. Mr. Kelley Holcomb noted that if the District can get the City of Lufkin to annex them, all of their problems could be solved. Mr. Richard Jones explained that the money from taxes are used to operate the District. The District is not rich. Mr. Patrick McKelvey stated that maybe the District should consider downsizing. Mr. Jones stated that the District has reviewed its expenses and the fat is gone, it is down to bone now.

Mr. Patrick McKelvey stated that the decision for the sewer project needs to be tabled until the November election can occur. Mr. Richard Jones replied that on June 5, 2014, the District will be moving forward with the project because commitments have been made. Mr. AJ Hunt asked if there is a penalty associated with not taking the loan. An unidentified male stated that maybe the District cannot afford this project. Mr. Kelley Holcomb noted that the decision was part of a contract. Customers can argue over how much to pay with regards to their sewer rate, but not regarding if the District can charge the rate at all. Mr. Richard Jones explained that the District will charge \$32.50 at first, and then the bill will increase to \$48.00 when the service has been established.

An unidentified male asked for the timeline of when construction will begin, to which Mr. Jones replied 18 months. Mr. AJ Hunt asked what the payment per year is for this loan. Mr. Richard Jones restated that now customers will pay \$32.50 if they are not currently on the system, and then \$48.00 once service has been established. Mr. Jones reminded everyone that the Board is just carrying out what was requested by the community. Mr. AJ Hunt stated that customers do want sewer, but maybe consider doing just one block at a time. Mr. Kelley Holcomb reminded those in attendance that many variables affect the completion date of the project. Mr. Richard Jones stated there is no off ramp from the project. Mr. AJ Hunt replied unless someone blocks the Board legally.

Mr. Jemie Hageon motioned to continue with the signing for loan closure and the installation of the new sewer system for the District. Mrs. Belinda Ross seconded the motion. All members voted in favor and it was passed to move forward with the new sewer service project.

With regards to the petition for a special election, Mr. Kelley Holcomb reminded the Board that legally an election cannot be held within 30 days. One could be scheduled for November 2014. Ms. Guessippina Bonner noted that an election held in November would not be considered a special election. Mr. Kelley Holcomb replied that it would be considered special due to the normal election for the District usually occurring in May of the election year. Mr. Steve Clarady asked if the motion can be tabled until a legal

opinion is sought, to which Mr. Holcomb stated yes. Mr. Richard Jones stated that the request is to change the Board composition so that it can affect the decision to move forward with the sewer project. Mr. Kelley Holcomb stated that he recommends the Board table the matter until a legal opinion is sought. Mr. Richard Jones noted that he recommends moving forward to vote down the request so that nothing is looming over the heads of Board members.

Mrs. Belinda Ross motioned to carry out an election in November of 2014, with no elections occurring between the time frame of present day to November. A second was provided by Mr. Steve Clarady. All members voted in favor and thus a request for an election within 30 days was denied. An election will occur in November of 2014.

Mr. Patrick McKelvey asked if the decision was to go ahead with the sewer project, to which Mr. Richard Jones agreed it was. An unidentified female asked if she drills a well, can she get off of services from the District, to which Mr. Kelley Holcomb stated that she could.

A break was taken at 5:41 p.m.

The Board re-convened into session at 5:55 p.m.

5. Consideration and Approval of Meeting Minutes from March 27, 2014 Board Meeting, April 8, 2014 Public Meeting, and April 22, 2014 Public Meeting: Board members reviewed the minutes from each of the meetings.

Mr. Jemmie Hageon motioned to approve each of the meeting minutes as presented. Mr. Clarady seconded the motion. All members voted in favor and the minutes were approved.

7. Consideration and Act upon Interim sewer rates for first time sewer customers to be served by the TWDB FY 2014 Clean Water State Revolving Fund sewer project: Mr. Holcomb reminded the Board that they can decide on multiple ways to carry out the rates and there are options for down the line. Mr. Richard Jones stated that the Board wants to continue with the same rate as customers pay in Redland Estates.

Mrs. Belinda Ross motioned to institute a rate of \$32.50 for first time sewer customers related to the new sewer project beginning with the bill delivered at the end of May. Mr. Jemmie Hageon seconded the motion. All members voted in favor, thus the motion passed and a rate of \$32.50 will be instituted.

8. Consider and Act upon a waiver program for first time sewer customers who have an adequate, fully functional, appropriately permitted on-site sewage facility: Mr. Holcomb informed the Board that they have the option of tabling this matter, but the rate will be instituted on the bill due June 15, 2014. Mr. Holcomb provided a proposed Exemption

policy for those customers who have recently invested in a septic system for their home. Mrs. Ross noted that if a system is 10 years old and a waiver is issued for 10 years, then that system will be 20 years old upon transfer to the new sewage system. Mrs. Ross proposed changing the window from a 10 year old system, to only a 5 year old system because older systems can be tricky. Mr. Kelley Holcomb noted that he recommends to table this item until a later date. A letter will be sent out to customers notifying them of the rate the Board has decided to charge. Mr. Holcomb explained that the Board can direct ANRA to research the matter for them. Mr. Richard Jones stated that he would rather implement a decision and then make changes later down the road if needed.

Mr. Kelley Holcomb reminded the Board that they can regulate sewer systems in their District. One option is to have Terry Free come out and inspect the system requesting a waiver. Mr. Steve Clarady highlighted that the Board has the option to pick and choose the amount of years a system can be deferred. Mr. Richard Jones noted that the Board can decide the deferment based upon the results of an inspection. Mr. Clarady further stated a new system could then receive a longer deferment, an older system a shorter deferment. Mr. Kelley Holcomb noted that many systems will not qualify for the exemption at all. Mr. Daryl Hart stated that he believes many people will be tapping on to this new sewer system. Sewer services attract people, and the more that get on the system, the better rates will be. Mr. Holcomb stated that ANRA will send out notifications to those affected.

Mr. Jemmie Hageon motioned to accept the waiver program as presented in the Board packet. A second was made by Mrs. Belinda Ross, with all members voting in favor of the motion. The provided waiver program was unanimously approved.

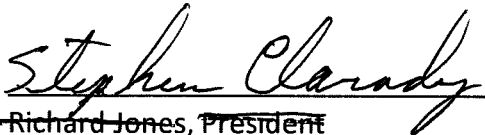
9. Establish Date, Time and Agenda Items for the Next Meeting: Mr. Richard Jones stated that Out-of-District customers can opt-in to this new sewer project. Notifications need to be sent out to those customers regarding opting in to the program. All customers In-District will be charged \$32.50 if they do not currently have sewer service and have not been exempted. A discussion ensued regarding the difference between In-District versus Out-of-District customers. Mr. Steve Clarady noted that sewer exemptions can also affect property sales.

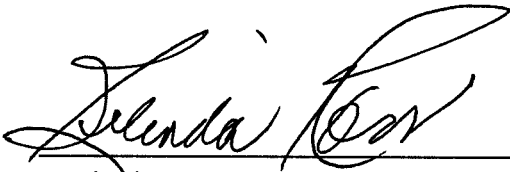
Mr. Kelley Holcomb stated that the Board has had a vacancy for quite some time. An application has been submitted to fill that vacancy by Daryl Hart. The Board can vote to appoint him to fill that vacancy. It will come up at the next Board meeting the District schedules. Mr. Richard Jones asked that Mr. Holcomb provide a binder to keep at the District office that has relevant District information. The next meeting will likely be held the second or third week of May.

10. Closure of Business: Mr. Jones adjourned the meeting at 6:36 p.m.

APPROVED THIS 27th DAY OF May, 2014.

ATTEST:


~~Richard Jones, President~~
Stephen Clarady,
Vice President


Belinda Ross, Secretary