

MINUTES OF MEETING  
OF THE  
BOARD OF DIRECTORS

THE STATE OF TEXAS §  
COUNTY OF HAYS §  
HAYS COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 1 §

The Board of Directors (the “Board”) of Hays County Water Control and Improvement District No. 1 (sometimes referred to herein as the “District”) met in special session on the 4<sup>th</sup> day of June, 2020, at Belterra Centre, 151 Trinity Hills Drive, Austin, Texas, within the District. To mitigate the spread of COVID-19 and pursuant to the guidance provided by the Office of the Attorney General of the State of Texas, the meeting was open to the public by telephonic conference. The roll was called of the members of the Board of Directors, (herein referred to as the “Board”) to-wit:

Douglas L. Botts	President
Paul Kelly	Vice President
Daniel B. Robison	Secretary
Bill Dally	Treasurer/Asst. Secretary
Rick Lucas	Assistant Secretary

All members of the Board were present at the commencement of the meeting. All directors present when votes were taken voted on all matters unless an abstention is set out in any such item. Also present in person were Kristi Hester of Inframark, the District’s general management and operations contractor, Matt Kutac of the law offices of Matthew B. Kutac, PLLC and Lauren Barzilla with CMA Engineering (“CMA”), the District’s engineers and Allen Douthitt with Bott & Douthitt, PLLC, the District’s newly retained bookkeeper. In addition, joining via telephonic conference were Judy McAngus, paralegal with Winstead PC, and Michael Luft with Inframark.

Matt Kutac explained a few guidelines for the telephonic conference meeting regarding a request that each Board member confirm their name prior to making any motion or voting on such matters to insure that the public record of the meeting would be heard and accurately recorded. Notification to the public was given that the meeting was being recorded. The meeting was then called to order, and evidence was presented that public notice of such meeting had been given as required by law.

1. Matt Kutac called for public communications and comments from any person, including any persons tied in the meeting via audio. The Board recognized John Eaton who stated he resides within the District at 273 Wellington. Mr. Eaton shared his observations noting his main comments have to do with items 4 (budget workshop including possible tax exemption

discussions) and 6 (update on the District's Ninth bond application and proposed issuance of its Series 2020 Bonds). With respect to item 4, he proposed that the Board might consider a COVID-19 related one time exemption for the benefit of the community. In addition, with respect to item 6, he noted that he felt the District should be getting to the end of issuing bonds and feels the Board is going in a welcome direction. The Board thanked Mr. Eaton for his comments. There being no further persons participating in the meeting who wished to address the Board under this item, the Board proceeded to the next item of business.

2. The Board next reviewed the Minutes of the Board's April 9, 2020 Regular meeting. Following a motion by Director Dally, seconded by Director Kelly and unanimously carried, the Board approved said Minutes.

3. Matt Kutac was called upon to recap matters relating to the agreed reimbursement amount and final payment to LH Belterra LLC ("LH Belterra") for its Tier 4 Reimbursement Rights. Mr. Kutac noted that the Board had authorized an Ad Hoc committee to negotiate the final payment amount based on the Board's input during Executive Session discussions. Mr. Kutac reported that he had worked with the committee and, along the way, it was determined that there was no need to secure the approval of the Texas Commission on Environmental Quality ("TCEQ") of the use of surplus funds which allowed the negotiations to be finalized. He also noted that at the last meeting they were not certain how Hays County WCID No. 2 would be repaying the District to reconcile \$510,785 in costs under the Sixth Amended Joint Facilities Agreement, and since such time Hays County WCID No. 2 had determined to utilize reserve funds instead of including such amount in a bond issue, and that the payment had been received. For the record Director Dally noted that working through the committee and along with Matt Kutac and Andy Barrett, the Board was able to take a remaining obligation of \$1,200,000 to be paid to LH Belterra down to a final cash amount of \$750,000 and thus, remove an overhanging debt at a discount. Director Dally noted also he also feels that getting that debt out of the way at such a savings is part of the reason that he feels the Board should consider an additional increase in the existing homestead exemption. Following such discussions, upon motion by Director Robison, seconded by Director Dally and unanimously carried, the Board approved an Acknowledgment of Receipt of Payment and Full and Final Waiver and Release of Liability for Tier 4 Reimbursement Rights between the District and LH Belterra, a copy of which is attached hereto as **EXHIBIT "A"**.

4. The Board moved into its workshop with a mid-year review of the District's existing operating budget for the ending September 30, 2020. Ms. Hester noted that she and Allen Douthitt of Bott & Douthitt had worked jointly on the update of the budget for the Board's review. She noted that currently, there are not many delinquent accounts that appear to be related to COVID-19 in general, but reminded the Board that no cut offs had occurred since the disaster happened and the few customers who would have otherwise had their service cut off are handling their payments under payment plans worked out with Inframark. Thus far, she noted that there had been no issues with delinquent payments on the commercial area.

Directors Dally and Kelly requested various clarifications as related to operating expenses and revenues. As related to projections for next year's operating budget, Ms. Hester noted that the Infrastructure Committee will be reviewing the Asset Management Report (as they do on an annual basis) to determine what on-going operations projects need to be handled in the next budget year as well as which on-going capital projects may carry over to the next budget year.

Director Dally noted that those figures are critical in planning for expenses in the next budget and the Finance Committee members would appreciate all other committees (parks, customer care, building committee, etc.) meeting as soon as possible to provide the committee with some placeholders for the next year's proposed operating budget. Director Dally noted that many expenses and uncertainties were dealt with over the past year – i.e., WWTP membrane replacement, 210 project that was completed, WWTP drum screen replacement on-going project that will allow for a longer warranty of the recently installed membranes, the recent savings due to the Series 2020 Refunding bonds, etc.

In addition, as part of the initial review of the next year's operating budget, it was noted that the current draft is a very preliminary view into a proposed final budget that the Board would be adopting in September, but that it was a good starting point.

As part of the upcoming budget, Director Botts noted that the Buildings Committee had come up with some options for the Board to consider as related to various proposals for working with Hays County WCID No. 2 in sharing some of the expenses of Belterra Centre, it being noted that for the past three years since acquiring the building, they had allowed Hays County WCID No. 2 to meet for its Board meetings and committee meetings at no cost. The committee members explained that in view of the capital improvements (conference furnishings, video/audio equipment, upgraded server, new roof, upgraded security, access improvements, new air-conditioning system, parking lot repaving, etc. – estimated at \$100,000) and on-going operating expenses, it would seem fair to work out some sort agreement to offset certain of the expenses the District has paid and expects to incur in the future. It was noted that that hopefully whatever cost sharing could be agreed upon could be set to go into effect with the commencement of the new budget year. The Board narrowed the discussion to an initial two options for discussion with Hays County WCID No. 2. It was noted that it would be good to know by August 1<sup>st</sup> so that the appropriate revenue estimate could be included in the District's final preliminary operating budget for the upcoming fiscal year to be presented at its regular August meeting.

The Board continued through costs updates on certain items it will need for its upcoming operating year and inquired as to Inframark's operations costs. Ms. Hester noted that with the removal of bookkeeping services from Inframark's contract initially she would estimate a total of \$3,000 reduction for both the District and Hays County WCID No. 2 from the base fee. Initially, Director Dally noted that he would expect the amount to be at least a total of \$4,500 (\$3,500 for district and \$1,000 for the District's share of WWTP related services) reduction in the base fee. Further discussions continued with Ms. Hester explaining that Inframark would still be working closely with Bott & Douthitt with regard to bookkeeping matters and thus would still have certain costs that relate to such matters. Director Lucas noted that following the transition of services, that Inframark's related costs of working with the new bookkeeper and on budget matters would simply be part of their overall operational services and thus part of their management related responsibilities. Director Botts suggested that the Finance Committee should meet with Ms. Hester and come up with a recommendation for approval by the Board at the next meeting as relates to the cost reduction under the Inframark contracts resulting from removal of the bookkeeping services for the District.

With respect to water usage and peak flows, Director Botts voiced his concern over the large amount of pools currently under construction within Belterra and concerns over

evaporation and whether the number of pools could adversely affect the District's compliance with the existing the West Travis County Public Utility Agency ("WTCPUA") water supply agreement. Lauren Barzilla with CMA noted that the swimming pools should not contribute to a disproportionate increase in the overall peak flows within the District.

Also, when discussing remaining costs under the existing contract for the WWTP drum screen installation, Matt Kutac informed that Board of CMA's receipt of what appeared to be a blanket notice possibly sent out to all the contractor's projects that asserts the right to declare the coronavirus pandemic as a force majeure event under the contract. He explained that the ordinary remedy for a force majeure event is an extension of time for completion of the project. Matt Kutac noted that he would look closely at the notice before the Board's regular meeting June 11<sup>th</sup> and have a better report. Initially, he noted that his concern was to insure that any revised, projected completion date would not jeopardize the Kubota membrane extended ten (10) year warranty, which is contingent upon the new drum screens being installed in a timely manner.

In connection with the proposed budget, Allen Douthitt noted that it assumed No-Growth on Tax Revenue Projections (based on the Hays Central Appraisal District's 2020 preliminary appraised values) and factored in an anticipated 5% homestead exemption. Director Dally and Director Botts both indicated that it is hoped that the existing 2% homestead exemption can be raised an additional 3% for a total of 5% included in the initial budget projections. Also, it was noted that the projections include keeping the same overall tax rate.

Chris Lane with SAMCO Capital Markets, Inc., the District's financial advisor, provided a rough draft of the proposed Series 2020 debt service schedule. Based on an estimated reduction of 6% of the preliminary values for 2020, such initial draft showed the average taxable value reduction ranging from 1% to 5%.

It was noted that the Finance Committee would be meeting with Chris Lane next Tuesday and would like to propose a special Board meeting for later in the month to review further budget and tax rate related matters in more detail and come up with a final recommendation to the Board as related to proposed changes in the District's existing homestead exemption for final Board discussion and action. A proposed special meeting for 4:00 p.m. on June 25<sup>th</sup> was confirmed as well as various committee meeting dates.

In addition, the following matters relating the proposed budget for the next fiscal year were discussed: revenue the District receives from sales taxes under the existing Strategic Partnership Agreement, tax rate calculations under Senate Bill 2 (86<sup>th</sup> Regular Session) , and water and sewer rates and resulting revenue.

5. Matt Kutac summarized a few housekeeping issues that needed to be addressed with regard to the change in bookkeeping services, and noted that Bott & Douthitt was requesting approval of a TexPool Resolution designating Allen Douthitt, Mary Bott and Patricia Melton as persons at Bott & Douthitt that are authorized to handle the District's TexPool accounts. Allen Douthitt explained that two (2) signatures are needed each time and should either he or Ms. Bott not be available for the 2<sup>nd</sup> signature, Ms. Melton additionally is authorized to sign such authorizations on behalf of the District. Following a motion by Director Botts, seconded by Director Robison and unanimously carried, the Board approved and authorized the execution of such resolution.

In addition, Mr. Kutac noted that Bott & Douthitt had provided him with additional blanket form of notification that needed Board approval and signatures that would be used by Bott & Douthitt notifying other institutions, governmental agencies and vendors that the District authorizes Bott & Douthitt to communicate on behalf of the District as relates to bookkeeping matters. Following a motion by Director Botts, seconded by Director Dally and unanimously carried, the Board authorized the execution of such notification.

6. With respect to the District's Ninth Bond Application, Lauren Barzilla noted that they had not yet received the approval from the TCEQ as of this date and that no action was needed on related matters.

There being no further business to conduct, Director Dally moved that the meeting be adjourned, which motion was seconded by Director Botts and unanimously approved, and the Board adjourned until further call.

APPROVED AND ADOPTED this 23rd day of July, 2020.



*Daniel B. Robison*  
Daniel B. Robison, Secretary