

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 25th 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. In addition, joining via telephonic conference were Judy McAngus, paralegal with Winstead PC and Allen Douthitt with Bott & Douthitt, the District’s bookkeeper. Matt Kutac noted that Chris Lane with SAMCO Capital Markets, Inc. (“SAMCO”), the District’s financial advisor, had a conflicting meeting and hoped to perhaps be able to later join in a portion of the meeting.

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. There being no persons participating in the meeting who wished to address the Board under this item, the Board proceeded to the next item of business.

2. With that he turned the meeting over to Director Dally who confirmed that the Finance Committee (Directors Dally and Lucas) had taken the Board's direction at its June 4, 2020 meeting and had met to further review the preliminary operating budget for the upcoming fiscal year and tax rate related matters in more detail with Chris Lane. He noted that following such meeting and assembly and review of additional information and input with not only Chris Lane, but certain other District consultants including Kristi Hester, Matt Kutac and Allen Douthitt had formulated a recommendation for the Board's consideration.

Director Dally confirmed the Board's receipt of the committee's June 25, 2020 Homestead Exemption Presentation, a copy of which is attached hereto as **EXHIBIT "A"** and reviewed the entire Power Point presentation in detail with the Board. In doing so, he summarized the Mission Statement, Management Objectives, the Finance Committee Objectives including multiple consideration points, extraordinary budget items that had or would be completed in the 2019-2020 fiscal year, fund balances including the capital reserve fund balance, future growth and the guiding principles behind the committee's recommendation for a change in the existing homestead exemption. In summary, he noted that the committee was recommending an increase to the existing homestead exemption from two (2) percent to five (5) percent noting that, in addition, the committee recommends that the Board keep the existing 65 years or older homestead at the current level of \$10,000.

3. Matt Kutac presented the form of Order Adopting Residential Homestead Exemption. Prior to adoption of the final form of the Order, the Board voted on the following separate items:

Motion by Director Kelly, seconded by Director Lucas and unanimously carried to continue the existing tax exemption under Section 11.13(d) of the Texas Tax Code for individuals 65 or older; and following the separate approvals, the following Order was approved.

Motion by Director Dally, seconded by Director Lucas and unanimously carried to grant a tax exemption under Section 11.13(n) of the Texas Tax Code for all individuals based on five (5) percent of the appraised value of each residential homestead; and following separate approvals, the following Order was approved.

Following such votes taken individually and final discussions, upon motion by Director Botts, seconded by Director Robison and unanimously carried the Board voted to adopt the Order Adopting Residential Homestead Exemptions, a copy of which is attached hereto as **EXHIBIT "B"**.

It was confirmed that the final Order would be provided to the HCAD Chief Appraiser and the Hays County Tax Collector on the following day, confirmations of which would be received from both prior to June 30th.

Director Dally expressed his appreciation to Kristi Hester, Chris Lane, Matt Kutac and Allen Douthitt for all of their assistance in preparing and providing the committee with materials

necessary to formulate such recommendation. The Board concurred with that statement and additionally thanked the Finance Committee for taking the necessary time and effort to complete such in depth review and recommendation to the Board.

4. It was noted that the Board had recently (March of 2020) adopted a new form of Order Approving an Investment Policy and Appointing an Investment Officer and that form had been updated to simply reference the change in the District's Investment Officer (from Kristi Hester to Mary Bott and Allen Douthitt). Upon motion by Director Dally, seconded by Director Kelly and unanimously carried, the Board adopted such updated order, a copy of which is attached hereto as **EXHIBIT "C"**.

5. With respect to the District's Ninth Bond Application, the Board was informed that a copy of the draft Texas Commission on Environmental Quality Order Approving an Engineering Project and the Issuance of \$6,380,000 in Unlimited Tax Bonds for the District ("TCEQ Order") approving the project and bond issue, which included a draft of the supporting TCEQ Staff memorandum, was received on June 12, 2020. It was noted that Mr. Kutac and Ms. Barzilla had reviewed the draft order and that Mr. Kutac had signed and returned the TCEQ required consent on behalf of the District. It was noted that typically following the receipt by the TCEQ of such consent (which receipt was confirmed by Mr. Kutac), the formal executed TCEQ Order is provided within a week.

Judy McAngus confirmed that it appeared that Chris Lane with SAMCO had still not been able to join today's meeting, but noted that Ms. Lane, in advance of the meeting, had confirmed SAMCO's recommendation that the Board proceed with a private placement of the bonds in lieu of a public offering, and had requested that the Board set a sale date for July 16, 2020. Ms. McAngus confirmed that the State Attorney General's office required that the formal notice of sale be given in the same manner as would be a public sale of such bonds and noted that such notice could be authorized to be provided, pending receipt, in advance of formal publication, of the executed TCEQ Order. Matt Kutac responded to an inquiry from Director Lucas, confirming that the bonds are issued under State law but are regulated securities under Federal Law. Following a full discussion and upon motion by Director Dally, seconded by Director Lucas and unanimously carried, the Board confirmed, that following receipt of the final approved and executed TCEQ Order, proper notice be given for a proposed private placement sale of such bonds on July 16, 2020, or such revised date as may be determined necessary and allowed by law.

6. With respect to the opening of a Series 2020 Capital Projects Account in connection with the proposed Series 2020 Unlimited Tax Bonds, Allen Douthitt confirmed that no formal action was necessary as Bott & Douthitt, under prior Board direction regarding TexPool accounts, would open a separate TexPool Capital Projects Accounts that would be used for such issue. To clarify the directive, upon motion by Director Dally, seconded by Director Robison and unanimously carried, the Board authorized Bott & Douthitt to open the additional TexPool Capital Projects Account for such bond issue.

7. It was noted that the Finance Committee had also met with Kristi Hester and consulted with Matt Kutac regarding proposed amendments to the existing Inframark Operation and Management Agreements with the District. The Board acknowledged receipt and review of the two (2) separate proposed amendments as related to the joint facility operations and ordinary District operations.

Director Botts noted in the proposed amendment relating to the Joint Facilities, that item 4 – an adjustment to the Key Personnel was overdue and reminded Inframark that is their responsibility to request any proposed changes to key personnel on a more timely basis. For the benefit of Directors Dally and Lucas who were not on the Board at the time such initial agreement was negotiated, he noted that amongst other issues, the WWTP plant was not maintained in accordance with the District's expectations (noting also that now things are in good order). He explained that the personnel assigned to the Districts was a significant factor in the negotiations and ultimate approval of the contracts with Inframark. He further stated that it was essential that the Board be informed of any changes to key personnel and reminded Ms. Hester of the need to comply with the requirements under the agreement at all times in particular those related to the timely notification of key personnel.

Also Director Botts noted that at some point he would like the Finance Committee to visit with Kristi Hester with regard to perhaps using the savings due to the removal of bookkeeping services under the existing agreements to assist with costs of perhaps bringing on an assistant general manager to assist Ms. Hester with the general management responsibilities. It was agreed that such item would be taken under advisement and handled initially at committee levels.

Director Lucas noted various components of the proposed amendments with Matt Kutac briefly summarizing and reviewing the proposed changes to the existing agreements.

Following a thorough review and discussion, upon motion by Director Lucas, seconded by Director Dally and unanimously carried, the Board approved an Amendment to Operations and Management Agreement (Joint Facilities) dated as of June 1, 2020 between the District and Inframark, a copy of which is attached hereto as **EXHIBIT"D**".

In addition, following a thorough review and discussion, upon motion by Director Lucas, seconded by Director Kelly and unanimously carried, the Board approved an Amendment to Operations and Management Agreement relating to the District facilities dated as of June 1, 2020 between the District and Inframark, a copy of which is attached hereto as **EXHIBIT"E**".

8. With regard to items 8. [matters relating to the West Travis County Public Utility Agency ("WTCPUA")] on the posted agenda for the meeting, upon motion by Director Botts, seconded by Director Kelly and unanimously carried, the Board retired, along with Matt Kutac to Executive Session at approximately 6:01 p.m.

9. Following such Executive Session and upon motion by Director Botts, seconded by Director Robison and unanimously carried, the Board reconvened in public session at approximately 6:25 p.m. The Board confirmed that they had reviewed a June 11, 2020 letter from the WTCPUA with respect to the existing Wholesale Water Service Agreement between the WTCPUA. Upon motion by Director Botts, seconded by Director Robison and amended by Director Lucas, the Board directed Matt Kutac to prepare a response letter to the WTCPUA consistent with the direction discussed during such Executive Session, and to also send a letter to the Hays County Commissioner for Precinct 4 (who was recently appointed to serve on the WTCPUA Board) to make him aware of such matters related to the District's service agreement.

There being no further business to conduct, Director Botts moved that the meeting be adjourned, which motion was seconded by Director Robison 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