

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, open to the public, at Belterra Centre, 151 Trinity Hills Drive, Austin, Texas, the District’s office within the District, for the purposes stated herein, on March 30, 2023 at 4:00 p.m. 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 participated in the meeting and were present at the commencement of the meeting. Also present at the meeting were Matt Kutac of the Law Offices of Matthew B. Kutac, PLLC, Vicki Hahn, paralegal with Winstead PC, Kay Olsen and Jesse Black of Inframark, LLC, the District’s current general management and operations contractor, Lonnie Wright, Beth Wright, John Taylor and Chris Sanchez of Municipal Operations and Consulting, LLC (“MOC”), Lauren Barzilla of Burgess & Niple, the District’s engineers, Chris Lane of Samco Capital, the District’s financial advisor and Allen Douthitt of Bott & Douthitt, the District’s bookkeeper. In addition, Zach Johnson attended a portion of the meeting as noted below.

1. Public Comment: The President called for public communications and comments. Hearing none, the Public Comment session was closed and the Board proceeded to the next item of business.
2. Proposed Amended Budget: Mr. Douthitt gave a detailed presentation of the draft proposed amendment to the FYI 2023 operating budget for the Board’s review. He stated that he had worked with the Finance Committee in preparing the draft of the amended budget.

Mr. Douthitt informed the Board that the Interest Income amount had increased due to the higher interest rates.

Mr. Douthitt noted that any amounts listed on the summary sheet that are joint expenses with HCWCID No. 2 are the gross expense. A credit for the portion owed by HCWCID No. 2 on joint expenses is reflected in the Hays 2 Joint Allocation line item;

Mr. Douthitt noted that the Trinity Park Canopy project probably won't start until next year's budget so the amount listed is an unrefined budget estimate. In addition, the Capital Outlay Adjustment and Debt Service Transfer are budget estimates as well.

With respect to the \$100,000 transfer from the Debt Service, Mr. Douthitt stated that it will be used to pay down the debt rate.

Director Robison does not believe that \$10,000 is enough to complete the Pecan Park Pond Silt Clean Out project. The Board agreed to increase that budget by \$10,000 to a total of \$20,000.

Director Dally mentioned that the Finance Committee has more data on the Crampton Cove repairs and the 8" and 12" pipe repairs with pipe liner but there are still some estimates on the budget. He then noted that there are other items in the budget that may not start until the following year but the Finance Committee wanted to keep them on the budget as placeholders.

With respect to Membrane Maintenance, Director Robison didn't believe that \$40,000 would be enough to complete the project. After a discussion, the Board agreed to increase the amount to \$60,000. Ms. Olsen noted that the Kubota representative has not recommended cleaning the membranes so the full amount budgeted may not be needed. Inframark was planning to look at the membranes at a later date to determine if they need to be cleaned. The Board would like Mr. Wright to look at the membranes to assess the cost. Director Dally mentioned that the \$100,000 budgeted for the Equipment Slab/Cover for the membranes is probably high and some of that money could be used for the membrane cleaning, if needed. After a brief discussion, the Board determined to increase the Membrane Maintenance to \$60,000.

Ms. Olsen mentioned that the Board, at one point, had discussed upgrading the security for the SCADA system. She recommends that a placeholder be included in the budget to address SCADA security.

Mr. Black also noted that he is concerned about the WWTP's residual process. The District has three sludge boxes total, but he does not believe that is enough because each sludge box has to be dried out and it takes a week to dry out in the summer and even longer in the winter. He would recommend that the District move to a Belt Filter Press or similar equipment that dries the sludge. A Belt Filter Press reduces costs for storage, processing, transfer and disposal.

The Board's discussion then moved to the 8" and 12" inch pipes to be repaired with pipe liner. Mr. Kutac noted that the contractor (CPM) requested to use their own form of contract. He also added that CPM's contract contains liquidated damages in excess of \$30,000 per day and a stand by clause that includes a charge of \$20,000 a day for any day the contractor cannot work. He explained that the specific language had been negotiated out of the proposed contract, but that the clauses provided some indication of the type of change order that the contractor would seek in the event of a delay or initial inability to locate the lines into which the liners will be inserted. It was recommended that before CPM starts the work, the District should locate the main lines in the area to avoid these potential expenses.



With respect to Texas Disposal System ("TDS") contract, it was noted that the TDS contract and rates were set for five years. That contract terminates at the end of 2023, and the rates will need to be re-negotiated. Director Botts noted that he is working with Jay, James and Stephanie, the new representative at TDS to re-negotiate the rates. He also informed the Board that the negotiated rates for the next term of the agreement are likely to increase. He reminded the Directors to keep in mind that the increase in TDS rates may trigger a Rate Order increase.

Ms. Olsen noted that there is an open purchase order for the new generator for Lift Station No. 1. The new generator is expected to arrive in August. Ms. Olsen mentioned that the expense for Lift Station No. 1 was \$44,500 but she doesn't remember how much the deposit was. Mr. Black stated that he believes the \$60,000 stated in the budget should cover it.

Mr. Kutac informed the Board that he has met with Kay and they determined a process to get the purchase orders to Mr. Douthitt. He also noted he had given Inframark a May 1<sup>st</sup> deadline to deliver their final invoice to the District. However, Ms. Olsen then stated that Inframark may not be able to provide its final invoice until after May because the last invoice will include more than just Inframark's base fee. Ms. Olsen noted that Inframark is working internally on putting together a list of outstanding purchase orders and work orders which will affect the invoice. She believes that there are approximately 15 open purchase orders but doesn't believe any of them are high dollar.

The Board then discussed the Membrane Maintenance. Mr. Black informed the Board that the membranes that are not currently in use could possibly be re-habbed but they are degrading sitting out in the elements. The Board asked MOC to inspect the membranes or get experts to inspect them to determine if they are worth re-habbing. If they are not worth re-habbing, the Board can decide what to do with them.

Director Botts discussed that he would like to put a light on the flag pole. Freedom Enterprises will put the light on the flag pole for \$1,100. Freedom Enterprises can use the same transformer but the flagpole will require new wiring and a new light.

Director Botts asked that Mr. Kutac leave the meeting so that the Board could have a quick discussion. Mr. Kutac left the meeting. Director Botts then noted that he and Rick Lucas have been meeting on an almost weekly basis with the Joint Management Committee to determine the path from Inframark to MOC and noted that Mr. Kutac has been working above and beyond his retainer fee. Director Botts mentioned that Mr. Kutac keeps track of his hours and has put in approximately \$25,000 worth of time over what is covered by his retainer. Director Botts would like the Board to consider paying Mr. Kutac for his additional time and to take action at the next Board meeting.

Mr. Kutac rejoined the meeting. The Board discussed the plan for a portable diesel/propane generator and related costs. Mr. Black agreed to give MOC the plan.

The discussion then turned to the SCADA System and related costs. Director Botts asked Mr. Wright to assess the SCADA system to determine what should be done for security purposes. Mr. Wright informed the Board that he has an expert coming to review the SCADA System the next day. He will make security for the SCADA System a priority. Mr. Kutac recommended that the Board hire a third party to manage the security for the SCADA System versus having the operator handling it.

Director Robison requested that MOC assess and generate a plan for pond maintenance for consideration at a future meeting.

Director Kelly requested that MOC also investigate WWTP odors and present potential solutions, along with their estimated costs, at a future meeting.

Director Dally then asked Mr. Wright to assess what needs to be done this year, next year and the year after so that the Board can prepare budgets.

Director Lucas mentioned that Zach Johnson, the Boy Scout had completed installing the signs for his Eagle Scout Project in the District. There have been a lot of positive comments about the signs. He would like to draft a Resolution of Appreciation.

Let the record reflect that Mr. Johnson entered the Board Meeting.

Director Lucas asked Mr. Johnson to attend next month's Board meeting, if he can. Mr. Johnson also noted that he has ordered an aluminum sign to go on the signs he installed in the District stating that the signs were donated by Mr. Johnson and Boy Scout Troop 280.

3. Operations Contract Transition Items: The transition from Inframark to MOC was discussed throughout the Board meeting. Director Lucas commended Inframark and MOC for their professionalism in handling the transition. Mr. Wright also introduced the MOC team and gave their credentials. The Board thanked Mr. Black and Ms. Olsen for working through the ice storm.

4. Executive Session: No Executive Session was required.

5. Adjournment: There being no further business to conduct, upon motion by Director Lucas, seconded by Director Kelly and unanimously carried, the Board adjourned until further call.

APPROVED AND ADOPTED on the 13<sup>th</sup> day of April 2023.



  
Daniel B. Robison, Secretary