

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 6th day of August, 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

The Board delayed the commencement of the meeting for a few minutes past 4:00 p.m. in order to wait for Director Lucas to arrive. Matt Kutac called the meeting to Order. All members of the Board were present at the commencement of the meeting with Director Paul Kelly departing briefly for approximately 10 minutes during the detailed discussion in item 3 herein below. 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 and Matt Kutac of the law offices of Matthew B. Kutac, PLLC. In addition, joining via telephonic conference were Chris Lane with SAMCO Capital Markets, Inc. ("SAMCO"), the District's financial advisor, Judy McAngus, paralegal with Winstead PC, Allen Douthitt with Bott & Douthitt, the District's bookkeeper and Jimmy Romell with Maxwell Locket & Ritter, PLLC ("MLR"), the District's auditor.

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. The Board confirmed receipt of the July 24, 2020 2020 certified estimates of value for the land within the District, a copy of which is attached hereto as **EXHIBIT "A"**. It was noted that due to COVID – 19 and other issues, the Hays Central Appraisal District had been unable to finalize the appraisal rolls in its usual manner. It was discussed that the District's 2020 tax rate calculations would be based on the July 24th certified estimates. It was noted that a safeguard had been provided in the estimates in the form of a 20% reduction in the value that is still under protest for a total of \$446,541,553.

3. Next Allen Douthitt confirmed receipt by the Board of an updated Proposed Budget for the District's upcoming fiscal year ending September 30, 2021. He noted that the Board had reviewed its initial proposed budget at the June 25th meeting when they considered homestead exemptions and that the updated budget was based on the same tax value included in the earlier preliminary budget. (\$442,430.62, which included the currently adopted exemptions and a 99% tax collection factor for a slightly more conservative total when compared to the above-noted certified estimate). He continued through the review of the budget updating the Board on the various sections where the changes had occurred. With regard to certain proposed Infrastructure Cost relating to the WWTP, Bill Dally noted that he had been told there are some larger items that are being discussed with Robby Callegari at CMA that may be deducted from the 2021 budget and moved to the 2022 budget. Ms. Hester noted that Inframark was hoping to work through those items with Mr. Callegari very soon to be able to make further updates to the budget on those matters. Allen Douthitt confirmed that the District had about \$4,500,000 in reserves. A special reserve fund was discussed as could relate to WWTP expenses, however, Matt Kutac noted that it is probably best to avoid unnecessarily encumbering funds, and instead retain them in a general reserve fund to use as needed. Mr. Douthitt confirmed that the proposed M&O portion of the total proposed 2020 tax rate is \$0.2850, while the proposed debt service component is \$0.5750 for a proposed total 2020 tax rate of \$0.86 per \$100 valuation. It was noted that there was no action to be taken with regard to the updated budget or tax rate matters at this time.

4. It was noted that the preliminary approval in connection with the District's issuance of its \$6,380,000 Unlimited Tax Bonds ("Series 2020 Bonds") was in hand and that it is anticipated that the Series 2020 bonds would close as initially scheduled on August 11th. In connection with the proposed August 11, 2020 closing of such bond issue, Chris Lane with SAMCO reviewed a copy of a Final Closing Memo with the Board, a copy of which is attached hereto as **EXHIBIT "B"**. Upon motion by Director Botts, seconded by Director Lucas and unanimously carried, the Board acknowledged receipt and authorized its President to execute such memo confirming the details relating to the upcoming closing.

5. The Board recognized Jimmy Romell with MLR who reviewed the final Agreed Upon Procedures ("AUP") report for the Series 20120 Bonds, a copy of which is attached hereto as **EXHIBIT "C"**. Matt Kutac noted that the majority of the developer reimbursements from the proceeds of the Series 2020 Bonds are payable to ERG Belterra, Ltd. ("ERG" - sometimes also referred to as "Endeavor") and that ERG had signed off on their approval of the reimbursement of \$5,240,113 detailed in such AUP. In addition, Matt Kutac noted that LH Belterra LLC was

owed a total of \$396,836.00 from the proceeds of the Series 2020 Bonds with a small portion (estimated to be between \$53,000 and \$54,000) due to Preston Hollow Capital LLC ("Preston Hollow") under an existing Assignment of Assigned Reimbursements between LH Belterra LLC and Preston Hollow Capital, LLC. ("Preston Hollow"). He noted that Tiffany Darst with LH Belterra LLC had indicated that the amount in question had been previously paid to Preston Hollow, and that she was in the process of providing him with a Release from Preston Hollow for the District's records – which was anticipated to be in hand prior to the closing or shortly thereafter.

Jimmy Romell ended the report summary by noting that it appeared the District would have approximately \$349,257 in remaining surplus bond funds from the Series 2020 Bonds. It was noted that in most cases the Board would need to receive approval of the use of surplus funds and initial options for use of such funds were briefly discussed, it being noted that typically it takes a few months to determine that all final costs have been paid from the proceeds prior to deciding on any intended, proposed use of such remaining funds.

Following a review of such report, upon motion by Director Dally motioned, seconded by Director Botts and unanimously carried, the Board approved the Series 2020 AUP. The Board confirmed and executed a representation letter addressed to MLR as relates to the information provided to MLR in conjunction with the preparation of the AUP.

In conjunction with Schedule C, page 7 of such AUP, the Board upon motion by Director Botts, seconded by Director Dally, and unanimously carried, authorized the release of all cash disbursements in accordance with the AUP, with the exception of the check or wire to LH Belterra LLC, which shall be held until Matt Kutac confirms receipt of a release from Preston Hollow as to any remaining amounts due from the proceeds under the above-referenced Assignment or until Mr. Kutac is provided support for the remaining amount due to Preston Hollow and corresponding amounts as may be due to each of LH Belterra LLC and Preston Hollow are confirmed.

6. Jimmy Romell next reviewed the engagement letter from MLR for the preparation of the District's audit of its financial statements for the fiscal year ending September 30, 2020. Mr. Romell confirmed an estimated fee of \$18,000 to prepare the audit and noted that he would coordinate to schedule the approval of such report in advance of the due date for the filing of such annual report with the Texas Commission on Environmental Quality ("TCEQ"). Following such presentation, upon motion by Director Dally, seconded by Director Kelly and unanimously carried, the Board approved said proposal, a copy of which is attached hereto as **EXHIBIT "D"**.

7. In connection with item 7 on the report, Allen Douthitt noted that he would propose to work with Matt Kutac with respect to amending wording in the Sixth Amended and Restated Joint Facilities Agreement between the District and Hays County WCID No. 2 to take out certain language related to a cumbersome calculation of operating costs for certain joint 210 facilities and substitute language which would result in a more efficient and accurate monthly calculation. It was noted that both Bott & Douthitt and MLR agree that it would be beneficial to revise such language for operational, accounting and auditing reasons. Mr. Douthitt also noted that the recommended changes more match with the "best practices" approach to handling such joint facility costs. In addition, Mr. Douthitt noted that he would bring necessary paperwork to the next meeting that will enable unused Collateral currently being held at Bancorp South to be released as Bott & Douthitt is attempting to move more cash funds over to the District's TexPool

accounts and there is no need to pay for unnecessary costs associated with unnecessary collateral.

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

APPROVED AND ADOPTED this 3rd day of September, 2020.



Daniel B. Robison, Secretary