

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 3<sup>rd</sup> day of September, 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 Belterra Centre for the commencement of the workshop session. Also present in person were Matt Kutac of the law offices of Matthew B. Kutac, PLLC, Kristi Hester of Inframark, the District's general management and operations contractor, Lauren Barzilla with CMA Engineering ("CMA"), the District's engineers and Allen Douthitt of Bott & Douthitt PLLC ("Bott & Douthitt"), the District's bookkeeper. In addition, joining via telephonic conference were Andy Barrett with Andy Barrett & Associates, PLLC, Judy McAngus, paralegal with Winstead PC and Chris Lane of SAMCO Capital Markets, Inc. ("SAMCO"), the District's financial advisor.

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 next reviewed the Minutes of the Board's July 9, 2020 Regular meeting, its July 23, 2020 Special meeting and its August 6, 2020 Special meeting. Following a motion by Director Kelly, seconded by Director Botts and unanimously carried, the Board approved said Minutes from all three meetings.

3. By way of explanation, Matt Kutac noted that most all Board committees are comprised of current Board members with the one exception, thus far, being former Director Roger Durden who resigned from the Board in the Fall of 2018 and who the Board had subsequently appointed as a volunteer member of the District's Infrastructure Committee. Mr. Kutac reviewed a form of Resolution Expressing Appreciation for Committee Service which explained the circumstances as to his appointment to such committee, the Board's appreciation and confirmed his removal from the Board's Infrastructure Committee as of September 3, 2020. Following a review and discussion, upon motion by Director Kelly, seconded by Director Botts and unanimously carried, the Board approved said Resolution, a copy of which is attached hereto as **EXHIBIT "A"**.

4. Next the Board recognized Allen Douthitt who reviewed in detail a Proposed Operating Budget ("Budget") for the District's fiscal year of October 1, 2020 through September 30, 2021 (v. 2, dated September 2, 2020) with the Board. It was noted that such Budget also included a budget variance for 2020-2021 and projected budgets for FY 2022 through FY 2025.

It was noted in general that some items that were not needed had been removed from the Budget, certain items (which were determined to be included in Inframark's maintenance cap) had been reduced, and certain repairs initially projected were expected to cost less than originally anticipated (due to the Board's decisions relating to building up spare parts in its inventory). It was noted that discussions between Inframark and CMA continued with regard to further reductions that may provide additional savings in the Budget, mainly relating to WWTP operational costs in view of recent repairs and maintenance. The Board requested that Ms. Hester provide additional notes to the Maintenance Cap Schedules attached to the Budget for the Board's better understanding of such costs and timing of various repairs or upgrades, etc. Ms. Hester agreed to provide such information to Mr. Douthitt for his incorporation into an updated for of Budget for the Board's further review.

In addition, Mr. Douthitt noted that he still plans to work with Matt Kutac on a few minor revisions to the existing Sixth Amended and Restated Joint Facilities Agreement which will allow the simplification and streamlining of bookkeeping for shared costs with Hays County WCID No. 2 as to the WWTP and other joint operations. The main result will be that all the accounting of costs and detailed books for certain of the joint facilities (i.e. as owned by the District) will be maintained by the District and Hays County WCID No. 2 will simply get a bill from the District each month with details of the costs.

Director Dally noted that he would rather not see negatives in the costs vs. revenue of the various services included in the District's Service Rate Order. Allen Douthitt noted that he had

some additional recommendations to discuss with Matt Kutac with regard the existing form of the District's Service Rate Order with regard to the breakdown of services and would hope to have those available for the Board's review at an upcoming meeting. He stated that the proposed changes would not have an effect on the overall bottom line.

In addition, Mr. Douthitt noted that he was still looking into various auto-drafts from the District's accounts, noting that they appear to be tied to the SCADA system lines, but that he is working with Kristi Hester to identify all such charges and eventually set up new ACH payments. He then plans to discontinue the prior auto-drafts to verify that all are properly identified and paid each month from the correct account. Director Botts noted that he spent about an hour on the phone with Mr. Douthitt trying to flush out and figure out which numbers go with which equipment to ensure only proper costs are being routinely paid.

Mr. Douthitt noted that he appreciated the Board having patience with him during the transfer of bookkeeping services to his firm, noting the transfer and timing hit during Bott & Douthitt's busiest season of the year (i.e., budget preparation, tax rate adoption and the ending of most all other Districts' fiscal years that his firm handles). The Board likewise expressed their thanks to Bott & Douthitt for their hard work during the transition.

5. With regard to item 7 on the agenda – "Consideration and possible action with respect to ongoing review of prior bookkeeper's conduct and questionable actions during two most recent fiscal years and related financial matters", Matt Kutac provided a quick update noting that the original schedule had proposed that Maxwell Locke & Ritter LLP ("MLR"), the District's auditor who had been separately engaged by Mr. Kutac's firm, would have a preliminary report to him early in September for review and discussion with the Board at today's meeting. Mr. Kutac noted the draft report is still being prepared by such firm, but that they had reported to him an additional \$3,000 in costs had been identified in their review, which constituted a discrepancy with respect to Inframark's initial reporting. Mr. Kutac noted that most likely it would be later on in September before the complete report is finalized and that he would forward such report to the Board following receipt, and then determine a meeting date to thoroughly review such matter with the Board.

Also, Director Lucas inquired as to whether any additional regularities might have been picked up by Bott & Douthitt through the transfer of bookkeeping records to them and their initial accounting services provided to the District. Matt Kutac noted that he and Allen Douthitt had discussed such possibility previously, and for that reason, a slight delay in completion of the final Maxwell Locke & Ritter report might actually be beneficial in leading to a more thorough and accurate reflection of any additional costs that may come to Bott & Douthitt's attention. Mr. Kutac noted that he would update the Board more thoroughly in an Executive Session discussion of such matter at a future meeting, and perhaps be able to set a date certain when the current phase 2 of the report would be completed.

Director Botts noted that though the Board would like to have seen this process move faster, but he feels that it is important that the pace doesn't detract from the mission.

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 8<sup>th</sup> day of October, 2020.



  
Daniel B. Robison, Secretary