**SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1**

**201 W. 5th Street, Suite 1350
Austin, Texas 78701**

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| **Minutes of Regular Meeting****of****The Board of Directors of SH130 Municipal Management District No. 1** |
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The Board of Directors (“***Board***”) of SH130 Municipal Management District No. 1 (“***District***”) met in a regular session, open to the public, on September 18, 2024, at 100 Congress Avenue, 11th Floor, Austin, Texas 78701, a designated office of the District outside the boundaries of the District. Director Mike Krusee, as Chairperson of the Board, called the meeting to order at or about 12:35 p.m.

The following members of the Board were present at the opening of the meeting: Mike Krusee, the Chairperson; Robert Walker, the Vice Chairperson, and Director Albert Hawkins. There being three Directors present at the onset of the meeting, a quorum was had. Director Austin Talley later joined the meeting in person at or about 12:54 p.m. Director Krusee later left the meeting early at or about 3:50 p.m. One Board seat remains vacant. However, a quorum of at least three Directors was maintained at all times during the meeting.

Also present at the meeting were the following persons:

* District staff Aundre Dukes, Tim Alcott, Kristinn Massay, Candice Salazar, and Kerry Joiner;
* Hayes Innovation Center for Advanced Manufacturing (“***HICAM***”) representatives Marcus Metzger, Jon Hockenyos, and Marc Spier (via Zoom);
* Heather Rees of Juice Consulting;
* Tim Green, an attorney with Coats Rose;
* Jim Carpenter, a landowner within the District, and Felix Zayas and Vance McMurry of the Emerald Island project;
* Kristina Hayes, a landowner within the District;
* Attorneys Emilio B. Nicolas and Jennifer Freel, and paralegal Tracey Green of Jackson Walker L.L.P. (“***Jackson Walker***”), legal counsel for the District;
* Jo-Anne Kaplan;
* Dan Webster; and
* Jacob Perkins, a videographer with Hen’s Bread Productions, attended the meeting in person to operate recording equipment during the meeting.

References herein to “***Agenda Item No.***” refer to the corresponding agenda item number set forth in the meeting’s *Public Notice of Regular Meeting of the Board of Directors of SH130 Municipal Management District No. 1* dated September 13, 2024.

# With regard to Agenda Item No. 3: Director Krusee called for public comments. There being none, the Board moved to the next item on the Agenda.

# With regard to Agenda Item No. 4: The Board was presented with the minutes of the regular meeting of the Board held on August 21, 2024. Director Hawkins moved to approve the minutes in their current form, subject to any objections or corrections that Director Talley might raise when he later joins the meeting. Director Krusee seconded and Director Walker agreed. Upon joining the meeting at or about 12:54 p.m., Director Talley expressed no objection to the minutes. Thus, the minutes of the August 21, 2024 regular meeting were unanimously approved.

# With regard to Agenda Item No. 5: Next, the Board received an update on the overall operations at HICAM and the status of its building renovation. Mr. Hockenyos advised the Board that HICAM’s 2025 fiscal year was beginning, that they had a budget in place, and that HICAM expected to have budgetary independence in the next three to five years. The HICAM team was enthusiastic about a recent meeting between HICAM and the Chancellor of Austin Community College, and discussions about a possible Austin Community College campus on the HICAM property. Mr. Metzger informed the Board that the HICAM building construction project remained on time and on budget, and that HICAM expected zone-by-zone certificates of occupancy to be issued in the near future. Ms. Rees updated the Board on plans for a grand opening, and media interest in HICAM, including a KXAN interview that should air soon. HICAM presented a short video showing the current progress of the building’s renovation. The Board thanked the HICAM team for their presentation.

# With regard to Agenda Item No. 6: The Board next discussed filling the vacant Director’s seat. Director Krusee reported to the rest of the Board that although he had made time to meet with proposed candidates, he wished to consider postponing a formal vote on the appointment of the new Director until the next meeting. Director Krusee did not feel a consensus would be reached in the current meeting, and did not wish to bring forward a series of failed votes. Director Hawkins agreed to postpone the vote, as he had not yet met with everyone. Director Walker mentioned that he thought all proposed appointees were good candidates, and he felt the Board was moving closer to a decision, but similarly wished to have more time for Board members to interview and consider the candidates because it had been a busy time of year. Mr. Nicolas advised the Board about deciding the matter sooner rather than later. No action was taken on the matter of filling the current Board vacancy.

# With regard to Agenda Item No. 7: Candice Salazar presented the District’s financial reports in her usual manner. After summarizing the cash activities, Director Hawkins asked for additional detail on certain disbursements, and Ms. Salazar provided the requested information. A list of outstanding invoices were presented to the Board for approval. Mr. Alcott advised the Board that Mr. Nicolas had agreed to begin reducing Jackson Walker’s attorney fees by 10%. The Board was asked to approve Mr. Dukes’ credit card expense reimbursement request, and discussion was had. Director Hawkins asked why Affordable Housing Compliance Services, LLC’s fees were charged at three months, and it was explained that it invoices at three months in arrears. Director Krusee stated his concern about legal bills, but that he would not abstain because only three Directors were currently present at the meeting. Following discussion on the expenditures, Director Krusee moved to approve and pay all of the invoices, Director Walker seconded, and Director Hawkins agreed; thus, such approval was had.

# With regard to Agenda Item No. 8: Director Talley joined the meeting at or about 12:54 p.m.; Director Krusee took a moment to update Mr. Talley on the matters disposed of before he joined the meeting; and Director Talley did not object to any of the matters determined by vote up to that point. This occurred as the Board began its discussion on the budget materials provided by HICAM and the District. Continuing that discussion, Mr. Hockenyos spoke to overarching factors of both the District’s and HICAM’s budgets, and asked to have shown on-screen/overhead, and it was shown on-screen/overhead, a copy of an .XLS spreadsheet included the in the board materials packet for this meeting. First, Mr. Hockenyos advised the Board that there was an expectation for reduced spending in fiscal year 2025, but, that said, on the revenue side, based upon what could be known at this stage, they were facing a shortfall in 2025. The projected shortfall would be due in part to the capital expenditures needed to finish the HICAM building. Further, the combination of expected revenue against estimated expenses indicated a half million dollar shortfall going forward. Mr. Hockenyos then invited the Board to request detailed information on specific budget items, which he thought would be more productive than reviewing all of the information in the packet line-by-line as a whole.

# Director Hawkins asked for more information about the balance requirement of the District’s Frost account as it related to the expenditures they were contemplating. Ms. Salazar provided more detail to the Board on the balance requirement. Director Hawkins went on to express concern about the shortfall issue, and asked to explore options to reduce costs going forward and generate revenue. In response, Mr. Hockenyos suggested that, as the HICAM building is completed, a move to permanent financing may be preferable to the cash expenditures currently being made. He gave the Board some rough numbers to illustrate this concept, and explained how such a move might improve cash flow. He also suggested the sale of a four-acre tract of land owned by the District and appraised at or about $5.9 million because it is a capital asset not doing anything right now. He then updated the Board on his communications with the City of Austin concerning the District’s attempts to annex the HICAM property. Director Krusee suggested looking further into the prospect of selling of the four-acre tract of land, and asked Mr. Hockenyos for a copy of its appraisal. Director Hawkins suggested that the Board give the staff guidance to explore the possibilities with a potential sale.

Director Hawkins inquired there things the Board should do to clarify any of the revenue and expense uncertainties in the budget. Mr. Hockenyos noted that some of those things are a legal question, such as the potential outcome of a pending lawsuit in Williamson County, and that certain uncertainty items would be in a contingent category of the budget. Mr. Hockenyos continued with providing more information on the budget contingencies in the board materials packet for this meeting. Director Hawkins also noted that he did not see a line item in the budget for the salary of a new President for the District; and Mr. Hockenyos responded that there was no change in the salary budget because the salary budget for fiscal 2025 was taken from the one for fiscal 2024, and that he did not know there was direction from the Board not to keep that figure constant. Director Krusee encouraged the Board members to give some deep thought as to how they may cut the District’s expenses; Director Walker recommended having a budget workshop; Director Krusee encouraged the Board members to consider a budget workshop, but that no action was being taken at this time on having a workshop; and Mr. Hockenyos noted that a budget workshop would be the normal process to work through a lot of the issues.

Director Krusee moved to approve and pass the budget, and Director Walker seconded the motion. Director Hawkins requested an amendment to the motion to provide current funding for the President’s position because he wants the President’s salary set before the job for the District’s permanent President is posted. Director Hawkins reminded the Board that they had all previously agreed to begin the selection process for a permanent President, and expected the Board to reaffirm at today’s meeting to start the selection process, but expressed concern that the current budget did not have room in it to pay one. Director Talley requested discussing the President salary during executive session, so they could go into further detail about the sensitive matter and his concerns.

Director Hawkins also asked information gathering questions about expenditures in the PFC budget, including for compliance services and legal, and Ms. Salazar provided answers and information. After some deliberation of the matter, Director Hawkins noted that he wanted a set timeframe to consider budget adjustments. Mr. Hockenyos proposed a quarterly budget update, explaining that if an update shows significant movement then that would trigger an opportunity for the Board to consider taking a closer look at the details, and that such is good practice. Mr. Talley noted that he wanted to see a budget based on known and consistent revenue streams versus sporadic, inconsistent revenue streams; and Mr. Hockenyos responded that such is what he tried including in the budget. Mr. Hockenyos also reminded the Board about potential future income for the District from HICAM; and suggested letting the year play out, see what revenues are generated, and let that inform the conversation for the operating subsidies for fiscal 2026. Further discussion about potential sources of revenue streams for the District was had.

Further discussion about wording the motion for approving the budget was had, including addressing the issue of salary. The Board decided that further discussion about the salary portion of the budget should be had during executive session, given the sensitive nature of District employee compensation, and since the matter was part of the noticed topics for closed session. Accordingly, Director Krusee noted that no action by the Board was being taken on agenda item no. 8, but that the Board reserved its right to revisit the item later in the meeting.

# With regard to Agenda Item No. 9: At or about 1:30 p.m., the Board recessed into executive session. The executive session was attended by all four current Directors. The executive session was also attended, in whole or in part, by Mr. Alcott, Mr. Dukes, Ms. Massay, Ms. Salazar, Ms. Joiner, Mr. Nicolas, Ms. Freel, and Mr. Green. The executive session was had to discuss or deliberate the matters set forth in Agenda Item No. 9, specifically:

## Update and deliberation regarding negotiations with independent school districts about affordable housing programs, *see* Tex. Gov’t Code § 551.072 (deliberation regarding real property), *see* Tex. Gov’t Code § 551.087 (deliberation regarding economic development negotiations);

## Update, legal advice, and deliberation regarding the employment agreements for the District’s Vice-President and Director of Business Development, *see* Tex. Gov’t Code § 551.074 (personnel matters), *see* Tex. Gov’t Code § 551.071 (consultation with attorney);

## Discuss potential cybersecurity audit services for the District, *see* Tex. Gov’t Code § 551.076 (deliberation regarding security devices or security audits); and

## Report, deliberation, and private consultation with the District’s attorneys, including related attorney-communication and/or work product privileged matters, concerning: director, officer, and staff roles for the District, *see* Tex. Gov’t Code § 551.071 (consultation with attorney), pending TCEQ proceeding involving board vacancy issue, *see* Tex. Gov’t Code § 551.071 (consultation with attorney), pending litigation matters involving the District and/or its affiliated entities, *see* Tex. Gov’t Code § 551.071 (consultation with attorney), pending potential modification of “Oversight and Compliance Management Services Agreement” with Affordable Housing Compliance Services, LLC and related legal issues, *see* Tex. Gov’t Code § 551.071 (consultation with attorney), *and* Tex. Gov’t Code § 551.072 (deliberation regarding real property), and proposed legislation needs and issues concerning the District, *see* Tex. Gov’t Code § 551.071 (consultation with attorney).

# With regard to Agenda Item No. 10: The executive session adjourned at or about 3:36 p.m., at which time Director Krusee announced that no action was taken during the executive session, and the Board would reconvene in public session.

After reconvening, Director Krusee moved to approve the proposed budget, subject to quarterly review as discussed. The Motion was seconded by Director Walker, and unanimously carried by Directors Hawkins and Talley.

Next, Director Talley moved that the affordable housing program with Round Rock ISD go to 74 units at $350 per unit in an effort to increase participation. Director Krusee seconded, all other Board members were in favor, and the Motion was passed unanimously.

Director Krusee moved to form a committee comprised of Directors Hawkins and Walker to form a process to define the scope of the President’s position, which was seconded by Director Walker and passed unanimously.

Director Walker moved to form a committee comprised of Directors Krusee and Walker to engage an independent vendor for cybersecurity, and that nothing could be done with the committee or the engagement of the vendor without the approval of both committee members. The motion was seconded by Director Krusee and unanimously carried.

Then, at or about 3:43 p.m., Director Krusee left the meeting for another appointment, and authority to preside over the remainder of the meeting was thereby delegated to Director Walker as Vice-Chairperson.

Upon Motion made by Director Hawkins and seconded by Director Walker, the three remaining Board members voted to approve the retainer of the Coats Rose and Cokinos law firms to represent the District; thus, the motion passed.

Upon Motion made by Director Hawkins and seconded by Director Talley, the three remaining Board members voted to approve the retainer of Patricia Murphy’s housing compliance firm (Murphy HTC, LLC) to provide the District with compliance services as needed; thus, the motion passed.

Director Hawkins clarified for staff that, with respect to the motion for budget approval, staff should provide budget updates at the first regularly scheduled meeting following each fiscal quarter; that the updates can occur in other contexts, such as emergencies, as the need arises; and that the want is to target and allow for staff to be able to present and layout needed changes to the budget and ideas that they want to present to the Board for action to move forward with or to authorize the change. The next time for such update report would be January 2025.

Director Walker then noted the Board’s desire to set a budget work session, at a time and place to be determined.

Director Talley moved to shift the scheduling of all future regular meetings of the Board to the third Thursday of every month with a start time of 12:30 p.m., which was seconded by Director Walker. All three remaining directors voted in favor of the motion and, thus, the motion passed.

# With regard to Agenda Item Nos. 11 and 12: There being no additional business to conduct, with the date of the next regular meeting of the Board tentatively scheduled for the third Thursday of October 2024, the Board adjourned the meeting at or about 3:50 p.m.

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APPROVED AND ADOPTED on this \_\_\_\_ day of October, 2024.



 **SH130 Municipal Management District No. 1**

By:

Print Name: Kristinn Massay

Title: District Secretary