

FORT GRIFFIN SPECIAL UTILITY DISTRICT

1180 C.R. 109
Albany, TX 76430

FORT GRIFFIN SPECIAL UTILITY DISTRICT Board of Directors met in a Regular Meeting, Wednesday, February 11, 2026, at 609 Railroad Street, Albany, Texas.

President McKelvain presided and called the meeting to order at 12:24 p.m. Board members present: Ted Tidwell, Sam Snyder, Trent Tankersley, Robert Montgomery, Ben Hale, and Mike Bartock. Employees present: Tyler George and Carrie Holson. Visitors present: Michael Hamby, Chief Chad Patrick, Lorie Rohloff, and Beverly Campbell.

There were no visitor comments.

McKelvain introduced Auditor Michael Hamby, who presented the FY 24-25 Audit Report. Hamby reported a clean opinion with no significant findings. He noted the USDA reserve funds are not fully funded, stating he understands USDA and the FGSUD board are aware, but he still has to note that as not met. Hamby discussed the net position of FGSUD, stating he looks at liquidity ratios (current assets vs current liabilities) and likes to see at least a 2:1 ratio, with 3:1 being even better. He stated, unfortunately, FGSUD is currently 0.6:1, which is considered crucial. The question was asked how it could be that low, and he stated the ratio assumes reserves are met. He stated he is not terribly concerned, but if the ratio gets lower, it would be a concern in the future. He stated there was only a net loss of \$6,581 from prior year. He reported a compliance issue, stating the budget had been amended, it was mid-budget year and should be reevaluated and amended as necessary during the last month of the fiscal year. He reported underspending the budget, which is a good thing, but suggested amending it when this happens. Hamby reported that all compliance requirements had been met regarding all major federal programs. Snyder asked if the board needed to do anything regarding USDA reserves, and Hamby reassured him that the SUD has been in contact about the issue and that USDA has requested that payments continue and funds be put aside as available. McKelvain asked Hamby from his experience with other water companies in the region, how FGSUD compares financially and in relation to water charges. Hamby stated he audits several who have base fees significantly higher than FGSUD, running at \$71.50 for the base, plus debt service and tier rates for usage, with over 50,000 gallons of usage being \$41.00/1,000 gallons. Hamby stated that historically, FGSUD has been very tight on the expense side, which makes it difficult when failures occur within the system. He reported some districts have chosen to set aside funds for emergency situations, as opposed to taking from operational funds, however FGSUD has not been in the position to do so. Hamby also noted that the concentration of customers vs. the size of the system makes a big difference: systems in heavily populated areas can charge less due to density, whereas FGSUD is spread out, requiring more facilities and thus higher operating costs. Hamby also discussed the only revenue sources for SUD's are basically increased rates, treating the water vs. purchasing, selling bulk water, or providing waste disposal services. He commended FGSUD for their efforts to add trash services, stating it is a great way to add an additional revenue stream. Hamby encouraged the board to remember that water rates must be based on what it costs to produce it, regardless of any other circumstances, to sustain.

McKelvain stated that water availability is becoming an issue statewide and that he hopes FGSUD can treat water more cheaply than purchasing it. He stated that he also understands our suppliers build their budgets based on what we have historically purchased annually.

Snyder thanked Hamby for his report and made a motion to approve the FY 24-25 Audit Report. Motion seconded by Montgomery, all voting for, motion carried.

McKelvain called for a recess at 1:36.

McKelvain called the meeting back to order at 1:46

George updated the board on trash services, stating the launch date is April 1st. He said he would be meeting with CWS on 2/13 to discuss staging sites. He stated that the latest date other trash providers will be able to service the SUDS customers is Nov 27, 2026. McKelvain stated he felt there was still a great deal of confusion about the trash service, noting that some customers had made remarks on Facebook, and he would like to find a way to clarify what is taking place. He mentioned sending a letter to customers. Other board members agreed there was a lot of confusion, mostly around Hubbard Lake, and attributed it to miscommunication amongst residents. The board agreed that a letter could be beneficial, also noting that surveys had been sent and that many customers had not responded.

Following discussion, Snyder made a motion to approve the Amendments to the bylaws and the policy for waste disposal services for FGSUD customers. Motion seconded by Montgomery, all voting for; motion carried.

George opened a discussion regarding the lease on the backhoe expiring in April 2026. He reminded the board of options, including the buyout of the existing equipment for approximately \$30k; or CAT has appraised the machine and offered \$65K towards a trade-in. The board discussed and relayed that they still want to proceed with the buyout, financing the cost over approximately 36 months to keep the monthly payment near \$1,000. Holson stated she had obtained interest rates from local banks and was working with CAT Financial to get rates from them. Hale made a motion to approve Tyler George and Carrie Holson as representatives of FGSUD, granting them permission to submit a credit application and any other necessary information required to obtain financing options through CAT Financial to finance the buy-out of the Backhoe per contract terms; and to approve Resolution of Authorization. Motion seconded by Tidwell, all voting for; motion carried.

Holson presented the Order of Election for the May 2, 2026, General Election, noting voting location to be determined based on the ability to contract with other entities. Hale made a motion to approve the Order of Election. Tidwell seconded the motion, all voting for; motion carried.

George opened a discussion regarding the Joe Thorp Easement (where the Throckmorton tower is located). George explained that the tower is on Thorpe's property and that FGSUD was given an easement at no cost when the tower was constructed and was recently extended for a line extension. George proposed a rate adjustment for Mr Thorpe to compensate for his generosity to FGSUD. After discussion, Montgomery made a motion to not charge Joe Thorp a monthly water charge for his lifetime in exchange for any past, present, and future easements, noting the agreement as non-transferable. Motion seconded by Tidwell, all voting for; motion carried.

McKelvain asked board members to review the minutes provided for the January 14, 2026, meeting. Montgomery moved to approve the minutes as presented. Motion seconded by Hale, all voting for; motion carried.

Board members reviewed the financials and the budget-to-actuals. George mentioned that PS #7 had issues and that expenses exceeded budget projections. He also noted extra water loss due to the winter storm. Montgomery stated he appreciated the continued service throughout the storm and the crew's dedication under storm conditions. Snyder made a motion to approve the financial reports. Motion seconded by Bartock; all voting for; motion carried.

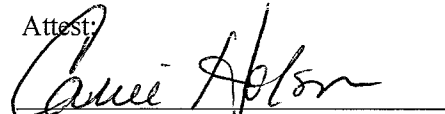
George reported that plant construction is going well, and a change order request has been submitted to enclose and weatherproof the building. He added lines will be run above the concrete slab to ensure easy repairs in the future.

George provided a map of the Cisco Lake area for the board to review. He stated he had met with the Cisco City manager, who shares an interest in FGSUD serving as the treated water provider for residents along the north and south sides of Cisco Lake. He added that Turner is looking at grant options to help fund such a project. George also suggested that, regarding the past discussion of a pump station on The Badley, he had another unique proposal. George stated the Breckenridge tower needs repairs and proposed moving that tower to the Badley in lieu of a new pump station. He feels it could accomplish more than one long-term goal and provide significant cost savings. He

concluded that another option for grant funding that Turner is working on is adding more flow meters to the system (to monitor usage/leaks more efficiently).

Snyder stated he appreciated management being proactive and thinking outside the box in efforts to make improvements. There was no further business, and Snyder moved to adjourn at 3:25 pm. Motion seconded by Hale; all voting for, motion carried.


Burrell McKelvain, Certifying Official
Fort Griffin Special Utility District

Attest:

Carrie Holson, Office Administrator