

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 jointly with the Board of Directors of Hays County Water Control and Improvement District No. 2 ("HCWCID No. 2"), open to the public, at Belterra Centre, 151 Trinity Hills Drive, Austin, Texas, the District's office within the District, on March 1, 2023 at 4:00 p.m. The roll was called for the members of the Board to-wit:

Douglas L. Botts	President
Paul Kelly	Vice President
Daniel B. Robison	Secretary
Bill Dally	Treasurer/Assistant Secretary
Rick Lucas	Assistant Secretary

All members of the Board were present at the commencement of the meeting. In addition, Matt Kutac of the law offices of Matthew B. Kutac, PLLC and Kimberly Studdard, paralegal with Winstead PC, Mark Yentzen and Kay Olsen of Inframark, the District's current general management and operations contractor, Lauren Barzilla of Burgess & Niple ("BN"), the District's engineers and Lonnie Wright, Beth Wright and John Taylor of Municipal Operations and Consulting, LLC, the proposed general management and operations contractor attended the meeting. In addition, Doug Spitler, a member of the public also attended.

Also in attendance were members of the Board of Directors of HCWCID No. 2 to wit:

Samantha E. Bethke	President
Lynn J. Lee	Vice President
Sean McGillicuddy	Secretary
William Carroll Kelly IV	Treasurer/Assistant Secretary
Chris Kopperud	Assistant Secretary

All members of the Board of Directors of HCWCID No. 2 were present at the commencement of the meeting. The record shall reflect that each of the above members of the Board of Directors of HCWCID No. 2 are herein referred to as a "Director" in the interest of comity, notwithstanding that they are not members of the District's Board. In addition, the Board of Directors for the District and the Board of Directors for HCWCID No. 2 are referred to as the "Boards" and the District and HCWCID No. 2 are sometimes collectively referred to as the "Districts" herein.

1. PUBLIC COMMENT: Mr. Kutac 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. BACKGROUND: Mr. Kutac gave the following summary with respect to Inframark's history with the District and with HCWCID No. 2 and developments over the last several months.

a) Approximately a year ago, Kristi Hester, the prior District Manager left Inframark. Ms. Hester had been with the District and HCWCID No. 2 since their inception in 2002. When Ms. Hester left, Mr. Kutac had conversations with both Boards regarding their concerns. The biggest concern was the loss of institutional and operational knowledge. Prior to Ms. Hester's departure, the Boards had already raised some concerns regarding whether they needed to hire their own employee staff, and some were concerned that certain projects were falling off the radar, etc.

b) Inframark was quick to reassure the Boards that Inframark was up to the task and that, while there might be some "bumps in the road," they would work through this and perhaps end up in a better place.

c) The Boards decided to create a Joint Management Committee, composed of Douglas Botts and Rick Lucas for the District and Samantha Bethke and Sean McGillicuddy for HCWCID NO. 2 ("JMC") to review staffing options, review and monitor Inframark's performance under the current contracts, and generally explore potential options for improvement of the operation and management of the Districts.

d) Early on, the Boards requested that Inframark provide Ms. Olsen on a 40-hour per week basis, primarily out of fairness to her.

e) There were other pending matters, the Maintenance CAP removal, scope and base fee changes. The Boards requested that Inframark present a proposal for moving forward and addressing the Boards' concerns. This proposal was not ready for consideration when expected so the Boards decided to look at other options.

f) The Boards decided to explore the use of other contractors that were recommended by consultants. The JMC met with 4 potential alternative contractors over the summer. Those contractors were Municipal Consulting and Operations ("MOC"), Crossroads, Capital Area Utility Management and BVRT. The JMC members were initially impressed with both MOC and Crossroads. Summaries of the meetings were provided to the Boards in memos disseminated on a monthly basis.

g) The JMC also wanted to meet with Inframark. In the late summer/early fall, the JMC had a productive meeting with Kay Olsen, Mark Yentzen and Mark Steelman. The JMC requested a proposal, a very simple summary which would include the scope of services, pricing and contract term changes. In essence, highlighting what Inframark would be willing to provide under new contracts with the Districts. The JMC waited for this summary (which was often referred to as the "the LOI") throughout the fall. In the meantime, the Boards and the District settled various staffing discussions temporarily.

h) While waiting for the proposal summary, the JMC met with MOC and Crossroads again.

i) Nearing the end of the year, while still waiting for the proposal summary from Inframark, the JMC became more intrigued with the possibility of a contract with MOC.

j) The JMC wanted to clarify a few issues and make sure everyone was on the same page before a recommendation was made, so they made a simple but formal request for a staffing plan and pricing proposal from MOC and Inframark.

k) The JMC received MOC's proposal on January 6<sup>th</sup> and Inframark's proposal on January 25<sup>th</sup>. Both proposals were provided to the Boards for review.

l) The JMC asked Mr. Kutac to work with MOC to put together contract terms, which was done over the last few weeks.

m) In February, the JMC was satisfied with the status of the proposed contract terms and began working on a recommendation. Director Bethke then noted that the JMC is recommending to the Boards that MOC be the new management and operations contractor for the Districts. She also explained the JMC's position that the recommendation was not related to the performance of local staff members. Instead, the JMC considered MOC the best value to the Districts in consideration of staffing plans, cost, depth of services, and responsiveness. The JMC was unanimous in this recommendation.

Director Carroll Kelly noted that while he was looking at the staffing in the MOC contract, he saw that there is not a specific person listed as the customer service representative for MOC. He questioned who would be filling that position. It was noted that the person to fill that position was to be determined. MOC will either transfer an existing customer service representative or hire someone to staff this position. Until they hire someone, they will have a senior person on site to fill in. They will possibly hire a temp or train someone for this position. The position will work for each District 20 hours per week. Director Botts noted that the JMC is still working on some of these items and discussed having 2 positions dedicated to the Districts.

Director Paul Kelly asked if they have worked out a transition plan. It was noted that the JMC has not commenced those discussions with MOC. The Boards discussed that Inframark's contract requires a 60-day notice so, if a decision is reached today, MOC would start at the beginning of May.

Director Carroll Kelly asked if a change would affect the Sunscape agreement and asked if there would be any interruptions in service. It was noted that there should be no interruption in service because Sunscape contracts directly with each of the Districts.

When asked if this would impact the Wastewater permit, Mr. Kutac noted that the Texas Commission on Environmental Quality ("TCEQ") of the change in the operator, but that the operator would meet all permit requirements.



Director Dally asked if the Districts would be saving money. Mr. Kutac responded that a clear financial comparison to the existing Inframark agreements would be very difficult (“apples to oranges”) because the agreements are so different. The existing Inframark agreements are more inclusive in terms of base services. Consequently, the base fee is expected to be slightly lower but there will be more labor and material costs for maintenance and repair work. He also noted that Inframark’s most recently proposed staffing and pricing plan took a similar approach, with many maintenance and repair services previously included in the base fee being removed and charged on a time and materials basis. Overall, he believes the pricing proposals received from both MOC and Inframark are similarly structured from a pricing perspective.

Director Kopperud questioned whether the agreements between the two districts would need to be amended. Mr. Kutac responded that MOC’s services for the Districts would not commence until the date of the transition. He assured the Boards that they would not be paying two operator’s base fees at any given time.

Director McGillicuddy and Director Botts stated that MOC will do their own evaluation of the Districts systems during and after the transition and then they will bring their findings to the JMC.

The Boards recognized Lonnie Wright of MOC who presented MOC’s background. He stated that MOC has been in utility operation business for over 20 years. They have a proforma in place for the benefit of all mistakes made to date. Beth Wright will personally oversee the customer service person until they can fill the position. She has experience and knows exactly what the job entails. The Wrights just purchased a home in Austin so Ms. Wright can be in the Districts as often as possible. MOC has slowly been moving toward Central Texas for quite some time. The Districts will be the first Austin districts MOC has worked with, but not the first Central Texas districts. John Taylor explained MOC’s approach with respect to staffing, and noted that he also personally handles certain training.

The Boards also recognized Mr. Yentzen of Inframark who stated that if the Districts elect to move forward with MOC, Inframark would work to part ways amicably, but also stated that Inframark would appreciate the opportunity to continue working with the Districts, stating that Inframark took pride in its work within the Districts.

### 3. ACTION ITEMS - HCWCID NO. 1:

a) Upon motion by Director Botts, seconded by Director Lucas and unanimously carried, the Board accepted MOC’s proposal for operations and management services between MOC and HCWCID No. 1 and authorized execution of the contract.

b) Upon motion by Director Botts, seconded by Director Lucas and unanimously carried, the Board accepted MOC’s proposal for joint facilities operations and management services between MOC and HCWCID No. 1 and authorized execution of the contract.

c) Upon motion by Director Botts, seconded by Director Lucas and unanimously carried, the Board approved termination of the current operations and management contract between Inframark and HCWCID No. 1 and, for the convenience of

the District, authorized Mr. Kutac to issue a Notice of Termination and negotiate related contract separation matters with Inframark pending execution of the contract with MOC.

d) Upon motion by Director Botts, seconded by Director Robison and unanimously carried, the Board approved termination of the current joint facilities operations and management contract between Inframark and HCWCID No. 1 and, for the convenience of the District, authorized Mr. Kutac to issue a Notice of Termination and negotiate related contract separation matters with Inframark pending execution of the contract with MOC.

e) Upon motion by Director Botts seconded by Director Robison and unanimously carried, the Board authorized Mr. Kutac to negotiate a lease of office space in the Belterra Centre and bring the draft Lease to the Board at the next Board Meeting.

ACTION ITEMS - HCWCID NO. 2:

a) Upon motion by Director Bethke, seconded by Director Lee and unanimously carried, the Board accepted MOC's proposal for operations and management services between MOC and HCWCID No. 2 and authorize execution of the contract.

b) Upon motion by Director Bethke, seconded by Director Lee and unanimously carried, the Board approved termination of the current operations and management contract between Inframark and HCWCID No. 2 and, for the convenience of the District, authorized Mr. Kutac to issue a Notice of Termination and negotiate related contract separation matters with Inframark pending execution of the contract with MOC.

4. EXECUTIVE SESSION: No Executive Session was necessary.

5. ADJOURNMENT: There being no further business to conduct, each Board took the following action:

Director Botts moved that the meeting be adjourned, which motion was seconded by Director Dally and unanimously approved, and the Board of HCWCID No. 1 adjourned until further call.

Director Bethke moved that the meeting be adjourned, which motion was seconded by Director Lee and unanimously approved, and the Board of HCWCID No. 2 adjourned until further call.

APPROVED AND ADOPTED by HCWCID No. 1 on this 13<sup>th</sup> day of April 2023.



  
Dan Robison, Assistant Secretary