

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 regular session, which included a monthly workshop session and regular meeting, on the 11th day of June, 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

WORKSHOP SESSION 4:00 P.M.:

All members of the Board were present at the commencement of the workshop session. Also present in person were Kristi Hester and Steve Rassette of Inframark, the District's general management and operations contractor, Matt Kutac of the law offices of Matthew B. Kutac, PLLC, Chris Lane of SAMCO Capital Markets, Inc., the District's financial advisor and Lauren Barzilla with CMA Engineering ("CMA"), the District's engineers. In addition, joining via telephonic conference were Andy Barrett with Andy Barrett & Associates, PLLC, Judy McAngus, paralegal with Winstead PC and Allen Douthitt of Bott & Douthitt PLLC ("Bott & Douthitt"), the District's bookkeeper. In addition, Chris Calvisi with WLE, the District's landscape service company, joined the workshop for a short time via telephonic conference.

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.

The purpose of the workshop session was to review details pertaining to the consent items and agenda items on the posted Agenda for said meeting, hear updates on committee reports, review the current monthly General Manager's Report (see **EXHIBIT "A"**), which report includes operations updates and a summary of activities since the last regular Board meeting and recommended action items for the regular meeting, review the current Bookkeeping Cash Activity Report (see **EXHIBIT "B"**), and review the current monthly CMA WWTP and 210 reuse irrigation engineering report (see **EXHIBIT "C"**) and the separate general engineering report (see **EXHIBIT "D"**). During the workshop session, no formal action was taken, but the following matters were discussed in detail:

- Ms. Hester was asked to review Inframark's General Manager's Report ("GM Report"). She introduced Steve Rasette with Inframark noting that Mr. Rasette was now the lead operator at the District's WWTP. She also confirmed that Scott Manual was still an operations manager. Ms. Hester reviewed and updated the Board with respect to operational matters concerning the District's wastewater treatment plant ("WWTP"), the Re-Use (210) Water System, Distribution System-Billing, Collection System, Drainage/Pond matters, Parks-Trails, Construction, Customer Care, Facility Committee matters, Infrastructure Committee matters and miscellaneous other updates.
- Ms. Hester explained an issue that a control panel at Hays County WCID No. 2's Catalina Lift Station had overheated, causing a phase monitor failure that resulted in an overflow. She noted that the heat index was over 100 and the sun was hitting directly on the panel. She noted that the auto dialer had alerted Inframark who responded within 12 minutes of the notification. She noted that any time Inframark gets a call, they routinely call Wastewater Transport Services first and head over to investigate. She noted that Inframark was currently surveying all lift stations that feed into the WWTP to see which others may be subject to direct heat from the sun and thus need measures installed to prevent a similar situation from happening.
- Ms. Hester explained the procedure over the next month that will be utilized in cleaning the District's parks (same initial protocol being followed by the Belterra HOA and the City of Dripping Springs) – weekly cleanings at a monthly cost of \$8,900.00. It was discussed that there was not a precedent for this type of situation but that the District would be using reasonable care in maintaining such facilities. Directly Lucas noted that it would appear the District may be going over and above what is needed in view of the costs and frequency. Ms. Hester noted that the entire initial protocol would be revisited by the Parks Committee and the Board at its next regular meeting to determine its effectiveness. In addition, it was noted that the Parks Committee wanted to do a little further research into what type of benches would be installed for those that are in need of replacement.
- Ms. Hester explained that Inframark had reviewed their administrative and inspections costs for swimming pool installations and were proposing that the Board consider an increase in the non-refundable portion of such costs to the homeowners from the existing \$100.00 to \$250.00 to cover such costs.
- Ms. Hester noted that the new water irrigation schedule (which will be effective July 1, 2020) was posted on the joint website, the old signs were taken down (that related to the old watering schedule) and she would be working with the Customer Care committee on the wording for new signage and would hope to get those up soon. She noted that most customers who had called with questions seemed to understand the reason why the Board had made such changes.

- Ms. Hester completed her report by reviewing each item on a list of current items that the Board would need to take action on during the regular meeting. Most were self-explanatory; however with respect to the WLE proposal of \$11,781.85 for flower bed enhancements/replacements, Director Botts inquired as to whether there was a provision in the WLE contract (i.e., whether such actions would be covered by routine services or improvements already included in the contract) that covered all or part of those costs. Chris Calvisi with WLE noted that he was not familiar enough with the provisions of the existing contract with the District to provide a response at the meeting and would need to get back with an answer. Director Robison expressed his appreciation to WLE for their good work on the Highway 290 entrance. Ms. Hester pulled up photos that WLE had provided showing the bare spots in the landscape and Mr. Calvisi explained what types of plant materials they were proposing be installed in those areas. Director Kelly reiterated it would be good to know what the WLE existing contract might cover before making a decision. Matt Kutac noted that he would need to review the contract and that his recollection relates more to WLE's standard replacement of any plant it plants if the plant dies within a year of installation. Also, the Board discussed whether they might need to reconsider more xeriscape related plants. Mr. Calvisi noted that most of the recommended plants were native plants that did well in the area with a minimal amount of watering and the flowering ones were perennials used throughout the District that simply required cutting back, but that he saw no additional maintenance costs associated with the filling in of similar plant materials proposed to the existing beds. He noted that they could look more at cactus and yucca plants that would require a little less water, but explained that the same watering schedule would need to be kept to maintain certain other existing landscape in the same areas. Mr. Calvisi was asked about river rock as a xeriscape alternative in some areas. He noted that it created a different look but that it could be an alternative if the Board wanted to consider that option.
- The Board agreed to continue on with its review of the bookkeeping and related engineering reports as part of its regular meeting agenda. It was noted that it was 5:00 p.m and the Board proceeded as follows into the regular meeting agenda.

REGULAR MEETING - 5:00 P.M.:

Directors Botts, Kelly, Robison, Dally and Lucas, along with Kristi Hester, Matt Kutac, Chris Lane and Lauren Barzilla remained at Belterra Centre and Allen Douthitt, Andy Barrett and Judy McAngus remained on the telephonic call for the regular portion of the Board meeting. All directors present when votes were taken voted on all matters unless an abstention is set out in any such item.

1. Matt Kutac called for public communications and comments from any person, including any persons tied in the meeting via audio. There being no person 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 held off on a review and approval of the consent agenda until such time as Allen Douthitt with Bott & Douthitt, the District's new bookkeeping firm, presented the current bookkeeping report, which time did not allow for during the Workshop session. Allen Douthitt was called on to present such report, and Mr. Douthitt thanked the Board for retaining his firm to handle the bookkeeping needs of the District. He noted that Inframark had delivered the District's bookkeeping records to his firm shortly after they were retained, but that it would

take some time before they would be able to present a full set of financials for the Board's review and approval. He noted that in place of a full set of financials, his firm had prepared a June 11, 2020 Cash Activity Report noted above as **EXHIBIT "B"**. The Board followed along with such report, noting various wire transfers and reviewed the detailed listing of the cash activity in the District's Bancorp South Operating Account, including current proposed expenditures for approval at the current meeting as well as a detailed Cash/Investment Activity Report summarizing all balances in all of the District's accounts. He noted that he had reviewed the report and related invoicing with the Finance Committee in advance of the Board meeting and had also added one additional check to the list which was Operating Check No. 2506 to Andy Barrett & Associates in the amount of \$11,620.00 for additional services with regard to the final payment owed to the developers for the Tier 4 reimbursements. The Board thanked Mr. Douthitt for his report and confirmed they had no questions. Director Botts noted that the report would be approved later on in the meeting as part of the consent agenda.

3. Reports:

With regard to additional reports that had not been completed during the Workshop Session, Director Botts called on Lauren Barzilla to present CMA's monthly reports.

4. Engineering and Development Items:

In connection with CMA's District Engineering Report and the WWTP and 210 Reuse Irrigation Report, Ms. Barzilla presented such report. Ms. Barzilla reviewed the details of item 4.a. and 4.b. herein below and additionally updated the Board with regard to the pending contract on the Drum Screen Replacement project noting a few pending submittals for minor changes and also noted that the contractor had provided the District with a letter stating that there may delays under the contract due to COVID-19, noting that Matt Kutac has been provided with a copy of such letter. Mr. Kutac indicated receipt of the letter and provided the Board with his initial comments following his review. He noted the Board's main concern as relates to completing the project timely is to make sure that the additional 5 years of the Kubota warranty on the recent WWTP membrane installation is not voided. He reminded the Board that the Kubota warranty provided for 10 years of coverage if the drum screen project is timely completed under the contract documents, and only 5 years if not. He recommended that the District respond with a letter stating its position that occurrence of the coronavirus pandemic did not constitute a force majeure event for purposes of this project, and stated that he would have a further update for the Board at its regular July meeting.

Ms. Barzilla next reviewed CMA's general engineering report with the Board giving a full update on the status of the pending bond application, the commercial tract development, Belterra Village Multi-family, Hotel Site, Pad X, Building S, Grafton Lane Open Space Drainage and the final watering (irrigation) schedule exhibit. With respect to the Grafton Lane Open Space Drainage project underway by WLE, the Board did not feel the initial proposed change order in the amount of \$1,234.48 was a fair price for the final work to be performed and discussed the proposed change order in greater detail.

Following such reports, the Board unanimously approved, the following engineering items by the following motions and seconds:

a. Upon motion by Director Botts, seconded by Director Robison, the Board reviewed CMA's recommendation letter and approved Pay Application No. 2 (and final) under the Kubota Membrane USA - WWTP Membrane Replacement project in the amount of \$175,000, a copies of which are attached hereto as **EXHIBIT "E"**.

b. Upon motion by Director Dally, seconded by Director Botts, the Board acknowledged and approved CMA's letter recommendation for final acceptance of the WWTP Membrane Replacement project, a copy of which is attached hereto as **EXHIBIT "F"**.

c. Upon motion by Director Botts, seconded by Director Lucas, the Board approved Change Order No. 2 for the Grafton Open Space Project in an amount not to exceed \$1,000, asked Lauren Barzilla to work with WLE on a revised form of Change Order No. 2 for such services, and authorized execution of same by the Board President at a cost to not exceed \$1,000.

5. The Board reviewed the consent agenda items. Upon motion by Director Robison, seconded by Director Dally and unanimously carried, the Board approved the following consent items

- Minutes of May 14, 2020 Regular Meeting; and
- Bookkeeping Cash Activity Report: including a Cash Activity Report and Cash/Investment Activity Report summarizing all balances in all of the District's accounts.

6. Financial Items:

a. The Board recognized Chris Lane who confirmed the closing of the District's \$1,925,000 Unlimited Tax Refunding Bonds, Series 2020.

b. With respect to item 5.(b) on the agenda, it was noted that the final Texas Commission on Environmental Quality ("TCEQ") approval of the District's pending Series 2020 Bond Application had not yet been received, but was expected shortly. Ms. Lane noted that depending on the timing of such approval, the Board might want to call a special meeting to authorize the sale of such bonds due to the current low interest rates on recent similar bond sales.

c. With respect to item 5.(c), the Board reviewed a standard form of an engagement letter from Bott & Douthitt with regard to the preparations of financial statements and following a motion by Director Botts, seconded by Director Dally and unanimously carried, the Board approved the engagement letter, a copy of which is attached hereto as **EXHIBIT "G"**, and additionally authorized various letters and authorizations to banks, government entities and vendors with respect to the recent change in District's bookkeeping services to Bott & Douthitt.

d. With respect to item 5.(d) on the posted agenda, upon motion by Director Botts, seconded by Director Robison and unanimously carried, the Board retired, along with Matt Kutac, to Executive Session at approximately 5:45 p.m.

7. Following such Executive Session and upon motion by Director Botts, seconded by Director Robison and unanimously carried, the Board reconvened in public session at approximately 6:25 p.m. The record shall reflect that Finance Committee will take the Board's

discussions during the Executive Session into consideration and work with Kristi Hester and Matt Kutac on a final form of proposed Amendment to the Inframark Operations and Management Agreements for both the Joint Facilities and also the general District services.

8. Management and Operations Items:

With regard to General Management related action items, Kristi Hester requested, and the Board unanimously approved, the related items by the following motions and seconds.

a. Upon motion by Director Robison, seconded by Director Botts, the Board authorized the expenditure of \$36,390.00 for WWTP GST Basin Cleaning with WWTS.

b. Upon motion by Director Robison, seconded by Director Lucas, the Board authorized the expenditure of \$21,415.00 for WWTP EQ Basin Cleaning with WWTS.

c. Upon motion by Director Kelly, seconded by Director Robison, the Board authorized the expenditure of \$8,970.00 for WWTP Aeration Basin Cleaning with WWTS.

d. Upon motion by Director Robison, seconded by Director Botts, the Board approved an expenditure of \$6,069.70 for the replacement of Lift Station No. 3, Pump. No. 2.

e. Upon motion by Director Lucas, seconded by Director Kelly, the Board authorized an expenditure of \$1,000.00 for the materials needed for replacement of the District park sign poles.

f. Upon motion by Director Kelly, seconded by Director Botts, the Board authorized an expenditure of approximately \$8,900.00 for sanitizing the District playground equipment with Ten Point Services.

With regard to a recommendation by Inframark of WLE's invoice in the amount of \$10,206.75 to cover proposed landscape enhancements, Director Botts noted that he would expect WLE to come back with a revised proposal. Director Dally noted that he felt like WLE was not staying on top of needed maintenance related items and that he had noticed many dead trees that he felt needed to be cut down and disposed of that should have been identified by WLE and brought to the Board's attention for action. Director Lucas recapped the Board's concerns and noted that the Parks Committee would be looking at the WLE contract with Matt Kutac to determine (1) whether any of the proposed improvements included in the current proposal might be covered under the terms of the existing WLE contract; (2) whether it might be prudent to include more xeriscape related replacements; and (3) more broadly, whether the existing WLE contract should be revisited in light of concerns. Director Botts noted that he would prefer to see a 2nd proposal in connection with a similar installation. Director Kelly noted that he was pleased with WLE's recent work at the Highway 290 Belterra entrance as Director Robison had stated during the workshop. Director Botts noted that he just wants to be sure that, if the District pays \$10,000 on landscape improvements, the improvements are thought out and deemed necessary and that the work is fairly priced. Ms. Hester confirmed that she would work to secure a second proposal for the Park Committee's initial review.

Under the Management and Operation standing items, Ms. Hester also recommended the consideration and approval of the master vaults to house the new master meters at a cost of

\$10,000.00, which Director Kelly motioned for approval, and upon a second by Director Botts, the Board unanimously approved.

In addition, Ms. Hester pulled up and showed a draft of the joint Facebook page that would be shared with Hays County WCID No. 2 and which had been prepared by Touchstone District Services ("Touchstone"), the District's new communications consultant, for the Board's review.

With regards to Park matters, Ms. Hester noted that she had received a request to reserve one of the parks (to set up a water slide, etc. for a child's party) but in view of COVID-19 and other concerns, had decided against allowing such use. The Board confirmed they agreed with such action.

Upon motion by Director Robison, seconded by Director Dally, the GM Report was approved.

9. Rules, Policies and Agreements:

In connection with various rules, policies and agreements, the following updates were provided:

a. Matt Kutac reviewed a proposed Resolution Acknowledging Receipt of Reconciliation Payment under Sixth Amended Joint Facilities Agreement wherein the board acknowledged receipt of payment due to the District from Hays County WCID No. 2. Matt Kutac noted that it was just a good auditing trail to have the Board formalize and approve such resolution now that the payment had been made. Following a brief discussion and motion by Director Daly, seconded by Director Robison and unanimously carried, the Board approved said Resolution, a copy of which is attached hereto as **EXHIBIT "H"**.

b. With regard to the posted agenda item 7.(b), Matt Kutac confirmed that he had circulated a confidential memorandum to the Board with respect to an update on potentially questionable bookkeeping transactions from the two (2) most recent fiscal years and would provide any further updates in an additional Executive Session.

c. Matt Kutac reviewed an amended Service Rate Order with the Board to formalize Kristi Hester's earlier request in the workshop session for an increase in the amount of the non-refundable portion of the existing swimming pool deposit (from \$100 to \$250) to cover Inframark's costs in handling the administration costs and inspections required. Upon motion by Director Lucas, seconded by Director Kelly and unanimously carried, the Board approved an Order Adopting Amended Service Rate Order (June 11, 2020), a copy of which is attached hereto as **EXHIBIT "I"**.

10. Water Supply Agreements:

With regard to WTCPUA matters, Matt Kutac indicated that there were no additional discussions or actions to be taken on this matter.

11. With respect to item 7(b) on the posted agenda, Director Robison, seconded by Director Lucas and unanimously carried, the Board retired, along with Matt Kutac, to Executive Session at approximately 6:48 p.m.

12. Following such Executive Session and upon motion by Director Botts, seconded by Director Robison and unanimously carried, the Board reconvened in public session at approximately 7:00 p.m. It was confirmed that no action was taken during the Executive Session and no action was necessary following such session.

13. District Calendar and Schedule.

The Board discussed various committee meetings and it was noted that Kristi Hester would be arranging any necessary Committee meetings. The Board confirmed its next regular meeting to be on Thursday, July 9th (workshop at 4:00 p.m. and meeting slated for 5:00 p.m.). The Finance Committee set up an additional committee meeting with Chris Lane and certain other consultants to be held in advance of a proposed special Board meeting slated for June 25th at 5:00 p.m, it being noted that the main purpose of the special Board meeting would be for a budget review and to address possible recommendations and changes to the District's existing homestead exemption policies.

There being no further business to conduct, Director Robison 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 9th day of July, 2020.



Daniel B. Robison, Secretary