

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 10th 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 both in-person and also 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 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.

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 Accounting 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:

Accounting Report: The Board first called on Allen Douthitt to present the Bott & Douthitt Accounting Report. Mr. Douthitt reviewed the updated Accounting Report summary for September 10, 2020 as set out herein below:

1) Review Cash Activity Report, including Receipts and Expenditures
Action Items:

- a) Approval of director and vendor payments
- b) Approval of fund transfers
 - From TexPool Operating Account to TexPool SPA Account: \$9,176.02
 - From TexPool Tax Account to TexPool Operating Account: \$14,624.97
 - From TexPool SR2020 Capital Projects Account to TexPool Operating Account: \$61,000.00

2) Financial Highlights:

- a) The month of July came in ahead of plan by \$58,000. Favorable revenues made up \$23,000 and favorable expenditures made up \$35,000 of the favorable variance
- b) Year-to-date the District is ahead of plan by \$44,000
- c) Through July the actual charges to the Joint Maintenance Account are \$65,000 less than the monthly billings to date
- d) Through June the actual charges to the General Maintenance Account are \$31,000 less than the monthly billings to date
- e) Year-to-date the District has collection rate of 99.16% on property taxes

In addition, Mr. Douthitt discussed the Managers Account which he noted contained approximately \$10,000 of ACH payments each month. He proposed closing the existing account, noting that debits will be cut off, and authorizing the opening of a new account to properly track all such expenditures. He additionally requested the transfer of \$15,000 for the initial deposit into the new Manager's Account. He then explained the safeguards in place with regard to such account. Also, Mr. Douthitt explained that certain developer deposits had not been fully funded by developers, that efforts would need to be made to have such deposits funded because the District had already paid for engineering fees that should have been covered by such deposits, and noted that Lauren Barzilla had put additional CMA related work to be done (for the developer projects) on hold until needed deposits had been replenished. Matt Kutac noted that he had spoken with Daniel Campbell, though he is no longer with Endeavor, and indicated he would work to resolve such matters. Mr. Campbell noted that he could not remember the last time they had been invoiced from the District. It was noted that there were about 15 separate deposit accounts and that Ms. Barzilla and Mr. Douthitt were working to clearing up amounts to

offset CMA amounts as had been paid by the District. Ms. Barzilla noted that the items CMA was holding up on were not critical at this time.

In addition, Mr. Douthitt next reviewed the updated, proposed Operating Budget which had been updated following the Board's September 3, 2020 special meeting. He noted that the main addition to the updated format included the additional line item descriptions that the Board had requested, which Kristi Hester had provided to him to include.

General Manager's Report: Ms. Hester was asked to review Inframark's General Manager's Report ("GM Report"). Ms. Hester reviewed and updated the Board with respect to operational matters concerning the District's wastewater treatment plant ("WWTP"), the Re-Use Water System – Drip System, Distribution System-Billing, Collection System, Drainage/Pond matters, Parks-Trails, Construction, Customer Care, Infrastructure Committee and Facility Committee updates. The following is a Summary of activities which Ms. Hester reviewed with the Board:

1) Wastewater Treatment Plant

- a) 10,091,000 Gallons Treated @ 65% Capacity
- b) All facilities are in compliance
- c) Aeration blowers on the MBR plant are not operational and Inframark is diagnosing the issue
- d) Due to the blowers being off line the EQ basin cleaning project has been postponed
- e) Preventive maintenance on chlorination system is completed
- f) Site glass for hydro tank installed
- g) MBR Basin 2 CPI done (operated for 6 weeks before needed)

2) Re-Use Water System – Drip System

- a) 9,562,000 Irrigated

3) Distribution System – Billing

- a) 278 AMI meters installed with 46 users on portal
- b) Installed 12 AMI meters in August
- c) Installation of master meters is complete

4) Collection System

- a) Additional testing of the 2 recently identified collection line sags is underway

5) Drainage/Ponds

- a) Several irrigation heads repaired and replaced
- b) Cleaning of Pecan Park forebay is complete
- c) Cleaning of Aspen pond is complete
- d) Removal of vegetation from Commercial East Pond scheduled pending water level

6) Parks – Trails

- a) Committee will be reviewing possible changes to the landscaping map

- b) Signs for water schedule and hays website - frames are being modified should be complete by the end of the week
 - c) Benches expected to arrive this month
- 7) Construction
 - a) Several inspections for the commercial tract development
 - b) 62 construction inspections completed in August
- 8) Customer Care
 - a) Nothing to report
- 9) Infrastructure Committee
 - a) Nothing to report
- 10) Facility Committee
 - a) Looking at audio options for Zoom meetings

In addition, under the WWTP update under 1(c), Ms. Hester emphasized that they were diagnosing issues with the aeration blowers on the MBR plant, noting that they are having to do a clean in place more often than should be required until such issue is resolved. She confirmed Inframark would be recommending a new motor as two are currently under repair and they do not have a 2nd spare motor on the shelf. Director Kelly asked if the issues with the blowers make smells from the WWTP any stronger. He noted that with his residence being in close proximity to the WWTP, he felt he needed to go on the record to report that odors emanating from the plant seemed worse in recent weeks, and he hoped there was a solution soon that would curb the odors. Ms. Hester noted that Inframark had scheduled a cleaning of the EQ tank, but will need to wait until both blowers are up and running before performing that cleaning. She noted that once the cleaning is completed (\$125,000 already in the budget), there would be more air circulating and it should help address any odor issues. She also noted that if the cleaning did not produce results, Inframark would reevaluate other options at that time.

Also, Ms. Hester noted that Inframark was seeing an increase in the Accounts Receivables (total of about \$6,000.00), and though a good bit of that amount includes past due amounts from a few commercial tenants (Gold's Gym and Sky Cinema who are working through various bankruptcy issues), she wanted to alert the Board. She indicated that Inframark had a system set up that allows delinquent accounts to pay their current bills on time while setting up a payment plan for any past due amounts. With regard to late fees on delinquent accounts, Ms. Hester confirmed that due to COVID-19, the late fees on accounts have not been assessed. Director Dally expressed concerns over the account receivable amounts and requested that Ms. Hester begin listing the commercial customer names and such past due amounts on her reporting.

Ms. Hester confirmed for Director Botts that the District was now in Stage 2 Water Conservation, and thus customers were not being fined for not adhering to the recommended watering schedule.

In addition, Director Lucas inquired as to whether Inframark had installed the control panel covers at the Lift Stations (both within the District and Hays County WCID No. 2). Ms. Hester confirmed Inframark was working on that.

Director Kelly thanked Ms. Hester for providing the irrigation report but inquired as to a few areas that had been cut down to two days a week, noting that it appeared some of the locations were being watered twice on those days. Director Botts noted that he recalled such issue being an item that the Infrastructure Committee was going to look into further. Director Botts noted that it appears the District spends about \$20,000 annually on potable irrigation water, and that the Infrastructure Committee would be working with Inframark and WLE on how to cut down on watering in such areas and maintain the landscaping, and also work with CMA to evaluate whether any of such areas might be candidates utilizing reclaimed water from existing 210 supply lines if at all feasible. It was hoped that such reduction in watering could at least result in cutting down such expense to \$10,000 annually. With regard to potable water usage, the Customer Care Committee will most likely be visiting with Chuck Loy, the rate consultant that previously provided services to the District, to get an estimate with regard to a proposal to reevaluate existing tier structures in the District's current Service Rate Plan and receive guidance from him on such matter as may tie into an updated water study.

With respect to the Commercial East Pond, Director Robison noted that he felt the pond needed to be cleaned and left it to CMA and Inframark to recommend how to go about that and to provide a cost estimate.

Ms. Hester reported that the District's new website just went LIVE.

Lastly, Ms. Hester noted that she had received an estimate for \$9,812.86 from Terrain, a landscape service provider, along with a proposal to provide services to an Empire Court residence for access through the District's greenbelt area to install a swimming pool. It was noted that should the resident accept such offer, they would be required to put up a deposit for such amount and Terrain would handle the project construction and bill the District for the agreed to amount of the \$9,812.86. Matt Kutac noted that during the Regular Meeting, if the Board decided to proceed with such offer, they would need to grant a variance to the District's Rules and Regulations.

Engineering Reports: Lauren Barzilla presented the WWTP and 210 Reuse Irrigation Engineering Report and updated the Board on the a series of dates related to the on-going Drum Screen Replacement project noting that the pre-construction meeting is slated for September 8, 2020 and final completion of the project anticipated to occur on December 25, 2020. She noted there were no action items needed with regard to such report. She noted a potential issue is being worked through relating to a proposed Change Order that may be coming due to the as-builts of the existing area not being exact and which may require the location of one of the drum screens to be modified. She noted that CMA was working on a solution, which may entail a variance or repositioning of a portion of the project to maintain the required 150' buffer. It was noted that CMA's General Engineering Report would be covered during the regular Board meeting.

The record shall reflect that the workshop was closed and the Board next moved to its regular Board meeting.

REGULAR MEETING - 5:00 P.M.:

Matt Kutac, general counsel for the District, confirmed that Directors Botts, Kelly, Robison, Dally and Lucas, along with Kristi Hester, Matt Kutac, Lauren Barzilla and Allen Douthitt remained at Belterra Centre for the regular board meeting and Andy Barrett, Chris Lane and Judy McAngus remained on the telephonic call for the regular portion of the Board meeting. In addition, Chris Calvisi, with WLE, the District's landscape service provider, was on the call for a portion of the meeting and perhaps additional persons might have been present on the dial in number made available to the public. It was noted that no members of the public were present at Belterra Centre for such meeting. All directors present when votes were taken voted on all matters unless an abstention is set out in any such item. Mr. Kutac reminded the directors and consultants to state their name prior to speaking and requested that motions/seconds be noted by name. In addition, he advised those present that the meeting was being recorded.

1. Matt Kutac confirmed that no members of the public had signed up for public comment in advance of the meeting but indicated that no one had submitted an email. He further called for public communications and comments from any person, including any persons tied in the meeting via audio. He asked that any member of the public wishing to comment with regard to the Public Hearing on the 2020 Tax Rate please hold their comments until such hearing. 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. Matt Kutac opened the Public Hearing on the District's 2020 Tax Rate. He noted that proper notice had been provided of such hearing in accordance with the published and posted Water District Hearing on Tax Rate as required by law. He briefly confirmed that the proposed total tax rate as had been proposed by the District was \$0.86 per \$100 valuation and was comprised of a \$0.5750 debt tax rate and a \$0.2850 operations and maintenance ("O&M") tax rate. No persons were present to address the Board either in person or via audio and the public hearing and upon motion by Director Botts, seconded by Director Robison and unanimously carried, the public hearing was adjourned at 5:05 p.m.

3. Financial Items:

The Board confirmed its review of the updated version of the final proposed Operating Budget for the upcoming fiscal year of October 1, 2020 to September 30, 2021. It was noted that the O&M tax rate included in the final proposed budget was \$0.2850 per \$100 of assessed valuation. In addition, Chris Lane, with SAMCO Capital Markets, Inc., the District's financial advisor, reconfirmed that a 2020 debt tax rate of \$.5750 per \$100 would cover the existing debt service.

Prior to a vote on the proposed Operating Budget, Mr. Kutac noted that Director Kelly had submitted an affidavit in accordance with applicable laws disclosing a potential conflict of interest as related to a sign company operated by his spouse. Mr. Kutac further noted that he recommended voting separately on item 7.003 of the proposed Operating Budget (regarding Belterra Centre Expense) because Director Kelly would need to abstain from voting on such

item. Following such recommendation, upon motion by Director Botts, seconded by Director Robison and approved by a vote of 4-0 with Director Kelly abstaining, item 7.003 of the Operating Budget was approved.

Following further comments from Board members and additional discussions, upon motion by Director Lucas, seconded by Director Botts and unanimously carried, the Board adopted a Resolution Adopting Operations Budget, a copy of which is attached hereto as **EXHIBIT "E"**.

The Board confirmed the proposed Debt Service schedule for the upcoming fiscal year noting again that SAMCO was recommending a 2020 debt service tax rate of \$0.5750 per \$100 of assessed valuation and following such review and upon motion by Director Botts, seconded by Director Dally and unanimously carried, the Board adopted a Resolution Adopting Debt Service Budget, a copy of which is attached hereto as **EXHIBIT "F"**.

Following the approval of the District's operating and debt service budgets for the District's upcoming fiscal year, the Board reviewed a proposed Order Setting Tax Rates for 2020, a copy of which is attached hereto as **EXHIBIT "G"**. It was noted that such 2020 rates would cover operations and debt service payments during the District's fiscal year of October 1, 2020 through September 30, 2021. Following a full discussion and motion by Director Dally, seconded by Director Lucas and unanimously carried, the Board approved said Order Setting Tax Rates for 2020. In connection with the levying of such tax rate, it was confirmed that Hays County, through the County Tax Assessor and Collector, would continue to serve as the District's tax collector.

4. Reports:

Ms. Barzilla next reviewed CMA's General Engineering Report with the Board. She provided an update of Commercial Tract Development, Belterra Village Multifamily project, Pad X, Building S and Commercial East Pond Updates (the most recent update on the pond being that Inframark had completed the removal of the silt fencing around the pond by 4:00 p.m. today). It was agreed that such pond still needed further attention and CMA and Inframark would be addressing maintenance responsibilities. Also, with respect to the Building S and the fact that it was near completion, it was noted that such the developer's deposit was exhausted. It was confirmed that the project would not be approved until an additional developer deposit was received that would cover all remaining, outstanding costs of the project (i.e., costs billed by CMA to the District relating to such project). She additionally confirmed there was no further update on the Hotel site since last month and noted that there were no action items needed with regard to such report.

With respect to WLE's landscape report, Chris Calvisi was called upon and presented his report of the monthly landscaping activities within the District. Mr. Calvisi has responded to various questions from the Board. He noted that a full system inspection of the 210 system usually takes between 2 to 3 days. He noted that due to the recent rains, WLE would be driving the trails and handle minor repairs as well as survey any major damage for any recommended repairs to present to the Board at the next meeting. Kristi Hester said they have a plan for spreading the wildflower seeds and that WLE and Inframark will share their recommendation with the Parks Committee, noting that they would hope to spread the seeds in early October.

Kristi Hester noted that she would be coordinating a Parks Committee meeting and also most likely a Building Committee meeting (with regards to pricing on an audio system and signage).

5. Consent Agenda:

The Board reviewed the consent agenda items. It was noted that the Minutes from the August 13, 2020 Regular Meeting and the September 3, 2020 Special were not yet available for review and approval and were pulled from the consent agenda. Upon motion by Director Dally, seconded by Director Kelly and unanimously carried, the Board approved the following consent items: September 10, 2020 Accounting Report including the director and vendor payments, a listing of wire fund transfers and the July 31, 2020 interim financials, including, but not limited to, cash activity report, cash/investment activity report, collateral analysis schedule, monthly tax collections report, budget comparison, maintenance cap spending chart and debt service fund reporting.

6. Engineering and Development Items:

It was noted that item 6.(a) on the agenda would be discussed in executive session.

By motion of Director Kelly, seconded by Director Robison and unanimously carried, the Board approved CMA's WWTP and 210 Reuse Irrigation Report and its General Engineering Report.

7. Management and Operations Items:

With regard to General Management related action items, Kristi Hester requested, and the Board unanimously approved, the item below by the following motion and second.

a. Upon motion by Director Botts, seconded by Director Robison, the Board authorized the expenditure of \$15,000 to repair and replace 2 MBR blowers at the WWTP, it being noted that such amount is covered by a contingency in the budget and will be charged against the Inframark maintenance cap.

b. Following a detailed discussion, upon motion by Director Botts, seconded by Director Lucas, the Board granted a variance under the District's existing Rules and Regulations and allowed access to the greenbelt behind 160 Empire Court, contingent upon the additional deposit of \$9,812.86 to the District to cover costs to be billed by Terrain (a landscape service company) to the District, to cover the cost of Terrain's proposal to create a pathway the District's greenbelt area into the back of the residence for pool construction and revegetation in such area that would minimize damage to the greenbelt.

The Board acknowledged that the new District website and the District's Facebook page are now LIVE. Director Botts noted that he had spoken with Director Dally with regard to his feeling that the Board has done a lot over the past 12 to 13 years and most recently the past 4 years to be able to reduce taxes and that he would appreciate the Finance Committee summarizing such actions and running a proposed draft by Matt Kutac and having such summary posted on the website, Facebook page and also included in the next District newsletter. Directors Dally and Lucas agreed that they would be glad to handle such assignment.

Following a discussion and upon motion by Director Kelly, seconded by Director Dally and unanimously carried, the Board approved the General Manager's Report.

8. Rules, Policies and Agreements:

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

a. Matt Kutac reviewed a proposed form of Amendment to the Sixth Amended and Restated Joint Facilities Agreement between the District and Hays County WCID No. 2 regarding accounting for certain joint facilities operating costs as had been recommended by Allen Douthitt of Bott & Douthitt. Following such review and motion by Director Botts, seconded by Director Dally and unanimously carried, the Board approved said Amendment, a copy of which is attached hereto as **EXHIBIT "H"**.

b. With regard to the use of Belterra Centre by Hays County WCID No. 2, Matt Kutac explained that at the last regular meeting of the Board, the Building Committee had presented a report following a joint meeting with Hays County WCID No. 2's Infrastructure Committee and felt they had an understanding of what the committee would be recommending to the Board of Hays County WCID No. 2 for consideration and approval. Mr. Kutac noted that at the Hays County WCID No. 2 last Board meeting, it became clear that the Board did not feel comfortable moving down the same path. He informed the Board that following such meeting, he was inclined to discuss proposed continued use by Hays County WCID No. 2 with one member of each Board as the potential benefits of an agreement concerning such use could be advantageous to each District. He explained that he contacted Director Botts from the District's Board, and Director Bethke from the Hays County WCID No. 2 Board, as they had been the most vocal during each Board's discussions of such matters. He stated that though difficult, the discussions had progressed and thanked Director Botts for his time, energy and thought in exploring the matter further.

As a result of the discussions, two potential approaches had emerged. One proposal was for Hays County WCID No. 2 to pay ½ of the utilities and ½ of the replacement costs of certain meeting furniture and equipment, with it being noted that additional details would need to be resolved with respect to such an approach. The second proposal was for Hays County WCID No. 2 to pay \$175 an hour for a minimum of 5 hours each month, with charges being capped once usage reached 10 hours in any given month. Director Botts interjected that the original \$1,800 per month proposal from the Building Committee was intended to help cover usage by Hays County WCID No. 2 of various fixtures (projector, tables, chairs, server, security system, etc. – equipment that eventually will need to be replaced and would be used by both districts) as well as ½ of the utility costs. Mr. Kutac asked if any of the directors had concerns with either proposed alternative, and hearing none, requested that he, Director Botts, and Director Bethke be permitted to continue to work toward a resolution in hopes of coming up with a final proposal that they feel each Board will accept at their October regular meetings.

c. With regard to the posted agenda item 8.(c), Matt Kutac confirmed that Maxwell Locke & Ritter LLC was still waiting on a final bit of information as discussed in last week's special meeting before it released a draft report regarding the inappropriate transactions of the District's prior bookkeeper during the two (2) most recent fiscal years.

9. Water Supply Agreements:

With regard to WTCPUA matters, Matt Kutac noted that there was no action to be taken at this time.

10. With respect to item 6.(a) and 8.(c.) on the posted agenda, Director Botts, seconded by Director Robison and unanimously carried, the Board retired, along with Matt Kutac, to Executive Session at approximately 5:52 p.m.

11. Following such Executive Session and upon motion by Director Botts, seconded by Director Kelly and unanimously carried, the Board reconvened in public session at approximately 6:50 p.m. With regard to item 6.(a) the review and approval of revised billing rates under the existing Engineering Services Agreement with CMA Engineering, Inc., the Board requested the Customer Care Committee to address the proposed matter in greater detail with CMA and to bring back a recommendation to the Board for further consideration. It was confirmed that no action was taken with respect to item 8.(c) during the Executive Session and no action was necessary, at this time, as relates to such item.

12. 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, October 8, 2020 (workshop at 4:00 p.m. and meeting slated for 5:00 p.m.). The Board discussed a possible special meeting date in late September (or such time as the final report noted in item 8.c. herein above was finalized) to review and take further actions regarding such findings.

There being no further business to conduct, Director Dally moved that the meeting be adjourned, which motion was seconded by Director Botts and unanimously approved, and the Board adjourned until further call.

APPROVED AND ADOPTED this 8th day of October, 2020.


Daniel B. Robison, Secretary

