

MINUTES OF MEETING
OF THE
BOARD OF DIRECTORS

THE STATE OF TEXAS §
COUNTY OF HAYS §
HAYS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1 §

The Board of Directors (the "Board of Directors" or "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, all open to the public, at Belterra Centre, 151 Trinity Hills Drive, Austin, Texas, the District's office within the District, on October 12, 2023 at 4:00 p.m. The roll was called of the members of 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 participated in the meeting and were present at the commencement of the workshop session except Director Botts. Also present at the workshop were Matt Kutac of the Law Offices of Matthew B. Kutac, PLLC, Lonnie Wright, Beth Wright, Chris Sanchez and Sally Gomez of Municipal Operations and Consulting, LLC ("MOC"), the operations and management contractor for the District, Bill Ball of Burgess & Niple, the District's engineers, Vicki Hahn, paralegal with Winstead PC, Chris Lane with Samco Capital, the District's financial advisor, Jesse Trevino and Sinjon Merrick of Sunscape Landscaping, the District's landscapers. In addition, Allen Douthitt of Bott & Douthitt, the District's bookkeeper and Andy Barrett of Andy Barrett & Associates attended the meeting by telephone. In addition, members of the public included Daniel Heape, Erin Heape, Bobb Ruggio and George Baker.

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 of the monthly General Manager's Report, which report includes operations updates and a summary of activities since the last regular Board meeting and recommended action items for the regular meeting, and review of the current Accounting Report. During the workshop session, no formal action was taken, but the following matters were discussed in detail:

1. Management and Operations: Ms. Wright reviewed MOC's Management Report. In addition to the report, Ms. Wright discussed the following items, in more detail, with the Board.

With respect to the Notices of Violation of watering restrictions ("Notices"), the Board asked Ms. Wright what process MOC was following when issuing the Notices and notifying the customers of the fines. Ms. Wright replied that MOC hangs door tags with the Notices explaining in detail what the Notices are for. She noted that, currently, the 4th violation penalty is a disconnect. They have not had any disconnects so far. Ms. Wright noted that she would come to the Board for approval before there are any disconnects but the Board stated that the Board is fine with disconnecting on the 4th violation without their approval. The Board mentioned that it does not want to push so hard that the Board angers the residents but they also need to enforce the watering restrictions per the requirements in their contract with the WTCPUA.

The Board discussed the loss of water revenue in connection with the watering restrictions. Mr. Kutac stated that during the last severe drought several years ago, the District adopted a drought surcharge to offset the lost revenue. He noted that the drought surcharge remains in the District's service rate order, but that it had not been imposed in several years.

The Board discussed why a workshop is used and questioned why it is needed. Mr. Kutac explained that the workshop was originally intended to provide members of the Board an opportunity for more detailed discussion concerning operations, landscaping and planning matters while allowing for the business items to be addressed more efficiently later in the meeting. However, the Board noted that this does not appear to be shortening the meeting and that the consultants end up reiterating the majority of their reports from the workshop.

Mr. Wright reviewed the operations report and discussed the following items, in more detail, with the Board.

With respect to the membranes, Mr. Wright noted that the cost was \$403,213.64 and the District had budgeted \$400,000.

Director Kelly then brought up the odor at the WWTP. Mr. Wright explained that the odor is all coming from the EQ Basin. He noted that instead of masking the smell, they are going to focus on getting rid of the odor. Unfortunately, MOC was not able to focus on the odor issue while the membrane issue was ongoing.

2. Landscaping Report: Mr. Trevino reviewed the landscaping report with the Board. He noted that the trails sustained a lot of damage last month during the heavy rain and Sunscape will be working on smoothing them out next week. He reported that the wildflowers have been mowed and are ready for scalping. He also mentioned the mowing schedule and that Sunscape will do their best to keep the mowing in District 1 on Wednesdays. He has submitted a proposal for clearing one tree. In addition, he explained that round three of the fertilizer was pushed due to the heat. He explained that you put the fertilizer down when it is too hot, it will burn the vegetation.

Director Dally asked Mr. Trevino to look at the monument shrubs particularly the Wellington monument.

Mr. Trevino stated that Sunscape is holding off on overseeding, which Mr. Trevino said is not in the base scope of services under Sunscape's contract, because Sunscape doesn't want to put seeds down if there is no rain. The seeds need to be saturated for them to germinate.

With respect to erosion on the trails, Mr. Trevino walked the Wellington Trail and thinks the amount of rain the District recently received led to some erosion in spots. He will look at possible solutions.

The Board then questioned what is included in Sunscape's base irrigation contract every month and what is causing the need for additional proposals. Mr. Merrick noted that Sunscape does a walk through every month to check for broken rotors, nozzle heads, lateral line issues, branches impeding and damaging mains, etc. He stated that the irrigation system is in good condition overall. The Board requested that he let them know the locations for all of the repairs in the proposal so that the Board can see exactly where the repairs are being made.

3. Financial Report: Mr. Douthitt reviewed the Account Report dated October 12, 2023.

Mr. Douthitt discussed the payment to Inframark for their outstanding invoices. The Board remarked that they would like to continue to hold the payments because MOC is still waiting for some reports. Mr. Kutac stated that the District has requested that Inframark send all of their records and they have sent some records. Mr. Kutac noted that he could send a letter to Inframark stating that the District will pay Inframark contingent upon Inframark providing the requested documents, but that he needs a better understanding of what records are missing prior to doing so.

4. Committee Reports: The Joint Customer Care Committee had a meeting with the Sheriff's Office. The Sheriff's Office is performing well and is not having any issues with filling the shifts. The District will request a monthly report. Director Robison stated that he was initially denied access to the Sheriff's patrol schedule. Mr. Kutac stated that Director Botts would like to discuss the confidentiality of these documents and policies for handling them at the next meeting. He stated that directors generally have a right of access to District records and he asked Director Robison if he was ever given access to the documents. Director Robison replied that he was given access to the documents. It was noted that Director Botts considers the patrol schedule confidential. The Board will discuss this matter further next month.

REGULAR MEETING - 5:00 P.M.

The Board convened the regular meeting at 5:00 PM. All members of the Board present remained for the regular meeting, and all consultants present for the workshop remained present for the meeting, except Mr. Trevino and Mr. Merrick who left after they completed the landscaping and irrigation report. All directors present when votes were taken voted on all matters unless an abstention is set out in any such item.

5. Public Comment: Mr. Kutac reviewed the following rules for public comment; (i) comments are limited to 3 minutes per person; and (ii) the Board cannot dialog or take any actions

during public comment and is limited to statements of fact, recitation of current policy, clarifying questions and requesting that items be added to a future Agenda. Mr. Kutac called for public comment.

Mr. Heape was recognized by the Board. He stated that he received a Notice of Violation for having cut up trees in the greenbelt. He explained that in 2021 some trees from the greenbelt fell on his fence and property. He called Inframark because he was worried about a fire hazard. He told Kay Olsen that he was going to cut down and cut up the fallen trees. Ms. Olsen gave him authorization to do so. He cut up the trees and stacked them in the greenbelt area. He recently received a Notice of Violation which has a \$100 fine for accessing the greenbelt without authorization and \$250 for dumping. He does not believe it is fair to be fine him because he thought he was helping the District by cutting up and stacking the trees. He also thinks the deadline for him to remove the cut up trees was too short because he is in the military and was away working when his wife received the Notice of Violation. He also explained that he received notice by someone on a golf cart and via e-mail but he was not sure if they were legitimate because he would have expected a certified letter. He also noted that he took three trailer loads of debris to dispose of at his own cost. Mr. Ruggio, who is Mr. Heape's neighbor spoke in support of Mr. Heape and confirmed that his account is accurate.

Mr. Kutac called for additional public comment. Hearing none, the Board proceeded to the next item on the Agenda.

With respect to Item 10(h) on the Agenda, the Board discussed Mr. Heape's request to waive the penalties. Based upon the information given to them by Mr. Heape, upon motion by Director Lucas, seconded by Director Dally and unanimously carried, the Board waived the penalties and rescinded the Notice of Violation.

6. Consent Items:

a) Minutes: The Board of Directors reviewed the Minutes of the September 14, 2023 Regular Meeting and the September 25, 2023 Special Meeting. Upon motion by Director Lucas, seconded by Director Kelly, and unanimously carried, the Board approved such Board Minutes.

b) Accounting Report: The October 12, 2023 Accounting Report and related disbursements, including the Monthly Financials, Cash Activity Report, Cash/Investment Activity Report, Monthly Tax Collection Report, Budget Comparison, Check Register and wires, Bond Reporting and Budgets and other financial reporting. Upon a motion by Director Dally, seconded by Director Lucas, the Board approved the Accounting Report, the related disbursements and transfers.

7. Reports: Reports were completed during the workshop session. No action was taken by the Board.

8. Engineering and Development Items: Mr. Ball of Burgess & Niple presented the General Engineering Report which is posted on the Google Drive.

a) Drip Field Irrigation Repair: This item was discussed during the workshop.

- b) Renewal of Well Operating Permit: No update was given.
 - c) Reclaimed Water Fire Hydrants: No update was given.
 - d) Water Storage Tank: Mr. Ball reviewed the charts prepared by B&N depicting possible locations for the water storage tanks. Mr. Ball informed the Board that he thought it made sense to do a water tank in both the District and in HCWCID No. 2. The Board discussed that the residents in the District have not reported low water pressure issues like the residents in HCWCID No. 2. The Board discussed whether they were interested in proceeding if there would be a water tank in each district. Director Dally stated that some of the businesses have had some pressure issues. Mr. Kutac replied that HCWCID No. 2 has historically had more pressure issues reported than the District, but that the pressure delivered by the WTCPUA to each district should be similar. Mr. Kutac noted that HCWCID No. 2 asked that he and Mr. Barrett discuss the pressure issue with the WTCPUA. Mr. Wright noted that the WTCPUA would perhaps give a cost reduction to the District if the District creates its own pressure plane. However, if the District only supplements the pressure provided from the WTCPUA system, then the WTCPUA would not give a cost reduction. The Board again noted that they thought that this would be a joint project with HCWCID No. 2 and that they need to see a water model.
 - e) Action Items: No action items.
 - f) Upon motion by Director Lucas seconded by Director Kelly and unanimously carried, the Board accepted the Engineering Report.
9. Financial Items: Mr. Douthitt gave his Financial Report during the workshop.
10. Management and Operations:
- a) Interlocal Law Enforcement: Mr. Kutac noted that an Interlocal Law Enforcement contract was entered into with the Sheriff's Department. It was negotiated using the similar terms as those used in the Constable's agreement. The Sheriff's Office will patrol various hours and that they will, at their own discretion, determine what laws to enforce. Mr. Kutac noted that the contract was signed by both districts and needs to be ratified.
 - b) FEMA/TDEM Update: In progress.
 - c) Records Storage: No action was taken by the Board.
 - d) TDS Solid Waste Collection Contract: No update was given. However, it was noted that the large brush pick up is scheduled for November 1st and November 8th. The Board asked that MOC notify the residents and asked Ms. Wright if she could have the HOA send an e-mail blast.
 - e) Belterra Centre Repairs: No update was given.

- f) Duck Relocation Project: Ms. Wright reminded the Board about Ms. Dietz' plan to rescue some of the ducks. She noted that she is coming on Tuesday the 17th to rescue four ducks. MOC will be on site when the ducks are taken by the rescue team. She noted that the reason they are only rescuing four ducks is because out of 46 ducks, there is only one female and it is harder to find a duck rescue that will take male ducks because they are not as easy to handle as the females. She discussed Ms. Dietz' request for signs stating that there is no dumping of ducks in the District. Ms. Wright informed the Board that the District's Park's Committee is comfortable with the removal of the four ducks as long as MOC is onsite to ensure that no ducks are harmed and there is no damage to the detention pond during the rescue. The Board discussed the verbiage for the signs and stated that they would be ok with a sign that said "No Dumping" and then showed a picture of a duck, turtle and snake.

Standing Items:

- g) Committee Matters: No action was taken by the Board.
- h) Customer and Billing Matters: The Board discussed slowly moving the due date for water bills from the current date to the 15th of the month.
- i) Requests for Use of Belterra Centre: No action was taken by the Board.
- j) Violations of District Policy: Discussed in MOC's Report.
- k) Recommendations for Non-Compliance with Agreements: No action was taken by the Board.
- l) Customer Communications: No action was taken by the Board.
- m) Action items: See below.
- n) Acceptance of General Manager's Report: See below.

The Board discussed HCWCID No. 2's request that the staging area in the 210 irrigation area be cleaned up and revegetated. Ms. Wright asked Sunscape to provide a proposal. The Sunscape proposal is for \$20,000 to put a blanket of seed down. This cost would be split with HCWCID No. 2.

Ms. Wright brought up a resident who was fined for violating the water restrictions. She noted that he was having irrigation issues. He brought her a copy of the repair receipt to show her that it was a legitimate plumbing problem and that he corrected the problem.

Ms. Wright requested that a trash can be added in the parking lot. The Board discussed the location of the current trash can behind the Belterra Centre and the benefit of either moving the current trash can or adding a trash can by the parking lot.

The Board discussed Cedar Run Trail and that people are making their own cut through on the trail. The Board discussed blocking the trail or adding decomposed granite to the cut through. After a brief discussion, the Board determined to leave the trail as is.

Ms. Wright discussed the CPI for MOC's contract noting that MOC was asked to provide an increase so that the CPI increase will align with the District's fiscal year end. Ms. Wright noted that the CPI will be 2.4%. Mr. Wright reminded the Board that there is a caveat in the MOC contract whereby if MOC picked up another district nearby, it would give a \$0.25 discount to the District so the District will see a decrease as well.

With respect to item 10(b), Mr. Kutac noted that the TCEQ recently approved the Emergency Preparedness Plan and asked that Mr. Wright update it noting the change from Inframark to MOC.

Action Items:

- i) Upon motion by Director Dally, seconded by Director Lucas and unanimously carried, the Board authorized access for the duck rescue to remove the ducks and to post signs with respect to not dumping ducks contingent upon MOC's being onsite and contingent upon Mr. Kutac's approval of the signs.
- ii) Upon motion by Director Lucas, seconded by Director Robison and unanimously carried, the Board approved MOC's proposal dated October 12, 2023 to remove and dispose of trees, limbs and stumps for \$6,860.00. Sunscape submitted a proposal of \$3,600 to remove one tree. MOC's proposal includes many trees and stump grinding which weren't included in Sunscape's proposal.
- iii) Upon motion by Director Kelly, seconded by Director Dally and unanimously carried, the Board authorized Sunscape's proposal for \$20,000 to put a blanket of seed down in the 210-irrigation area. Such cost to be split with HCWCID No. 2.
- iv) With respect to the resident who was fined for violating the water restrictions, upon motion by Director Dally seconded by Director Kelly and unanimously carried, the Board waived the \$200 fine and approved removing the Notice of Violation from his record so if any future violation occurs, it would be a first offense.
- v) Upon motion by Director Dally, seconded by Director Lucas and unanimously carried, the Board approved adding a trash can at the far end of the Belterra Centre's parking lot.
- vi) Upon motion by Director Lucas, seconded by Director Kelly and unanimously carried, the Board approved MOC's CPI increase of 2.4%.
- vii) Upon motion by Director Lucas, seconded by Director Kelly and unanimously carried, the Board approved the meter replacement at the WWTP for \$4,295.00. Even though it is within the approval authority of MOC, the Board decided to take action.

- viii) Upon motion by Director Lucas, seconded by Director Kelly with Robison opposed, the Board ratified the Interlocal Agreement for Law Enforcement services with the Sheriff's Department.

Upon motion by Director Kelly, seconded by Director Lucas and unanimously carried, the Board accepted the General Manager's Report.

11. Administrative and Legal Items:

- a) Director Election: Ms. Hahn informed the Board that a Director's Election will be held May 4th and that Director Botts and Director Robison and Director Kelly are up for re-election. She mentioned that the first date to file an application for a place on the ballot is January 17, 2023.
- b) Pond Mowing Agreements with Sunscape and MOC: Mr. Kutac informed the Board that he has received the final reduction and final increase numbers in connection with moving the pond and WWTP mowing from Sunscape to MOC. He noted that Sunscape's cost reduction is significantly less than MOC's proposed fees. The Board discussed in detail. Upon motion by Director Lucas, seconded by Director Dally and unanimously carried, the Board authorized the Parks Committee to assist Mr. Kutac with the negotiation of Sunscape's fee reduction. In addition, upon motion by Director Lucas, seconded by Director Robison and unanimously carried, the Board approved MOC's amendment for mowing of the ponds, WWTP and lift station areas effective November 1, 2023.
- c) Committee Assignments and Resolution: No action was taken by the Board.
- d) Membrane Warranty Claim: Mr. Kutac mentioned that he has not received a response from Kubota to the warranty claim. He stated that the Board will need to discuss the overall strategy and any legal action it may want to take with respect to the membrane issue. The Board then discussed in detail the condition of the membranes and how to handle the warranty since old membranes were mixed with new membranes. Mr. Kutac speculated that Kubota will likely contend that the damage to the membranes was caused because the operator failed to correctly maintain the product. Mr. Kutac reminded the Board that the District needed to submit a claim to Kubota as a matter of diligence.
- e) Litigation: Mr. Kutac noted that it is premature to hire litigation counsel and it would be best to get a response from Kubota first.
- f) Election: The Board discussed using the Belterra Centre for election day for the March 5th and May 4th and November 5th elections for 2024. The Board noted that having the Belterra Centre as a polling location is a benefit to the residents of Belterra. Director Dally mentioned that he spoke to MOC and they have no problem with having the elections at the Belterra Centre and stated that it would not disrupt their business. Director Dally also noted that he would be available to open the doors to the Belterra Centre on those days. Mr. Kutac mentioned that in the past, the District put a notice out that there would be no customer service available on election days. Upon motion by Director Robison, seconded by Director Dally and unanimously carried, the Board

authorized the use of the Belterra Centre as a polling location only on election days and not for early voting for the 2024 elections, and subject to compliance with the District's Belterra Centre Use Policy.

12. Water Supply Agreements: No update.
13. District Calendar and Schedule: The Board's next meeting will be November 9, 2023.
14. Executive Session: No Executive Session was required.
15. Adjournment. Upon motion by Director Lucas seconded by Director Kelly and unanimously carried, the Board adjourned until further call.

APPROVED AND ADOPTED on the 9th day of November 2023.


Daniel Robison, Secretary

(DISTRICT SEAL)

