

MINUTES OF THE MEETING
OF THE
BOARD OF DIRECTORS

THE STATE OF TEXAS §
COUNTY OF HAYS §
HAYS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2 §

The Board of Directors (the “Board”) of Hays County Water Control and Improvement District No. 2 (sometimes referred to herein as the “District”) met in special session, open to the public, on the 26th day of March, 2020, by telephone conference to mitigate the spread of COVID-19 pursuant to the guidance provided by the Office of the Attorney General of the State of Texas, and the roll was called of the members of the Board of Directors, (herein referred to as the “Board”) to-wit:

Royce Wachsmann	President
Samantha E. Bethke	Vice President
Sean McGillicuddy	Secretary
William Carroll Kelly IV	Treasurer/Asst. Secretary
Bill Harris	Asst. Secretary

All members of the Board were present by telephone at the commencement of the meeting. Also present by telephone were Kristi Hester and Michael Luft of Inframark, the District’s general management and operations contractor, Matt Kutac of the law offices of Matthew B. Kutac, PLLC, Andy Barrett with Andy Barrett & Associates, PLLC, Judy McAngus, paralegal with Winstead PC, Chris Lane of SAMCO Capital Markets, Inc., the District’s financial advisor, and Lauren Barzilla with CMA Engineering (“CMA”), the District’s engineers. Chris Calvisi with WLE, the District’s landscape service provider, joined in for part of the conference. In addition, Michael Willett and Simon Van Dyk with Touchstone District Services participated in a portion of the telephone conference.

Matt Kutac explained a few guidelines for the telephone 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.

1. The Board first called for public communications and comments. Hearing no comments, the Board moved on to the next item on the agenda.

2. With regard to a presentation from Touchstone District Services ("Touchstone"), a communications consulting firm, Kristi Hester noted that the District and Hays County WCID No. 1 customer care committees have met jointly and documents have been provided by Touchstone, which documents have been uploaded to the District's Google Drive for their review. Ms. Hester explained that the committees have met a few separate times on this matter – some of which meetings have included Touchstone employees Michael Willett and Simon Van Dyk. She indicated that she had invited both gentlemen to join the Board meeting to provide any responses to any questions that any of the committee members or Board members might have with respect to the services Touchstone proposes to offer. Mr. Willett, after having met with the joint Customer Care committee, noted that that Touchstone had suggested a hybrid approach to allowance of comments on the proposed Facebook page to be established by Touchstone for the District and Hays County WCID No. 1. He noted that certain of the information the districts may want to post on the proposed Facebook page would be only one way (news items, directives, etc.) as opposed to certain other posts (e.g. notice of accomplishments of the District), which would provide a two way communication platform by having comments enabled. It was noted that certain guidelines would be followed in an attempt to build trust within the community. He noted that he views this hybrid model as one that encourages community support and positive communication.

When asked by Director Harris how Touchstone would determine the guidelines on how they respond, Mr. Willett noted that they would work to follow the adopted Communications Policy of the districts and if there were any questions, would then work with the General Manager, the committee and Matt Kutac as the situation required. When asked if Touchstone would be monitoring the Facebook page 24 hours a day, Mr. Van Dyk noted that is normally not necessary, but that it could be done for an added cost. He also explained that alerts can be set for certain key words in comments that may call for more of an immediate response. He stated that Touchstone has 4 employees that typically rotate and can provide more of an immediate response if necessary.

Director Bethke noted that the committee was just waiting for additional information they had requested from Touchstone for Matt Kutac to be able to finalize the proposed Communications Policy and proposed contract with Touchstone. Mr. Willett noted that they will be providing such information by the end of the week.

Director McGillicuddy inquired as to whether responses to comments have to be approved before posted by Touchstone. It was noted that many of the responses would simply be redirects to particular areas of the District website where the information being requested is perhaps readily available at that location. Others would follow the adopted Communications Policy as to how the responses are handled, and when certain questions may require more input from District representatives prior to being handled.

Simon Van Dyk interjected that is good to start slowly and with good information and that every audience is different and over time the site should have flexibility to develop to the needs of the community. He suggested sometimes it is good to join other residential groups as a page and thus be able to monitor and respond to information from those related groups.

The Board thanked the Touchstone representatives for their responding to the additional questions with regard to their proposed services.

3. The Board reviewed the Minutes from the February 20, 2020 meeting. Following a review thereof, upon motion by Director Harris, seconded by Director Wachsmann and unanimously carried, the Board approved said Minutes.

4. Matt Kutac reviewed a proposed form of Resolution Acknowledging Declaration of Disaster and Establishing Procedures for Continuity of District Operations and Management with the Board and following a motion by Director Wachsmann, seconded by Director McGillicuddy and unanimously carried, the Board approved said Resolution, a copy of which is attached hereto as **EXHIBIT "A"**.

5. Chris Calvisi with WLE reviewed the monthly WLE Landscaping Service Report as had been provided in advance to Inframark and posted on the Board's Google Drive. He noted WLE was deemed an essential business under the COVID-19 declaration and thus is able to continue with its routine operations.

6. Lauren Barzilla next reviewed CMA's WWTP and 210 Reuse Irrigation Report with the Board, a copy of which report is attached hereto as **EXHIBIT "B"**, and gave a thorough update of the status of the WWTP membrane replacement project noting that the third membrane should arrive on site most likely in April.

With regard to the drum screen replacement project, she reviewed a March 12, 2020 letter directed to Hays County WCID No. 1 where in CMA confirmed the low bidder on the project as Excel Construction ("Excel") with a low bid of \$664,369, and recommended the award of such contract to Excel. A copy of such recommendation letter and bid tabulation is attached hereto as **EXHIBIT "C"**. Director Harris inquired as to certain optional bid items. Ms. Barzilla cited one example of an optional bid item where CMA bid the project with two (2) separate structural choices and will propose a Change Order to the contract to take advantage of the lower optional bid to go with the pedestal from of design which will result in a savings of approximately \$1,000.

Ms. Barzilla confirmed that Hays County WCID No. 1 had awarded the project to Excel and that CMA had sent out the Notice to Proceed to the contractor noting that the project should be underway by April 1st. She further confirmed the Texas Commission on Environmental Quality's ("TCEQ") approval of the CZP exception report and also the City of Dripping Springs, Texas approval of the site plan revision, as both relate to such project.

7. Next, Ms. Barzilla presented the CMA general engineering monthly report, a copy of which is attached hereto as **EXHIBIT "D"** and reviewed such report with the Board.

Under item II of such report, Ms. Barzilla reviewed the Summary of Costs for the District's proposed Bond Application No. 7 in the total amount of \$6,270,000. She noted that CMA was pulling together the remaining documents necessary to submit the application and that it would be timely for the Board to consider the approval of the related Order Authorizing the bond application at its April meeting.

In addition, she updated the Board on the Brentwood Drainage project noting that the updated the Change Order was located on the District's Google Drive, and that no further action was needed. Ms. Barzilla added that she expects the project to be complete by the end of the following week.

Lastly, she noted that there was a preconstruction meeting in connection with the Fire Station to be constructed within the District and that CMA will be keeping an eye of the project with regard to the tie into District facilities, and also erosion control related aspects of the construction to safeguard water quality.

Upon motion by Director McGillicuddy, seconded by Director Wachsmann and unanimously carried, the Board approved CMA's WWTP and 210 Reuse Irrigation Report and its General Report.

8. The record shall reflect that the current developer was not present to report on any on-going development matters, but it was noted that no developer construction projects were currently underway.

9. Kristi Hester reviewed Inframark's monthly General Manager's Report beginning with the General Manager's executive summary memorandum. A copy of such report is attached hereto as **EXHIBIT "E"**. Ms. Hester skipped over the one recommendation action item noting that it would be covered under item 11 of the agenda.

Ms. Hester next reviewed the report in detail, summarizing the status of wastewater treatment plant operations, re-use water system matters, distribution system, billing, the current AMI meter inventory, collection system updates, drainage/ponds, and parks-trails related matters, construction and committee related updates. She noted that there have been reports of motorcycles, ATVs and go carts on the trails and that the Hays County Constable's Office rode the trails for four hours today to patrol such areas and would continue to do so on a random basis. Also, it was noted that Inframark had removed some old benches along the trails that had been constructed and installed by an area Boy Scout years ago, and that she might reach out to the Boy Scouts to see if there might be another scout interested in a similar project. Ms. Hester reviewed a listing of proposed upcoming committee meetings that she would be coordinating.

In addition, Ms. Hester hi-lighted certain information from the General Manager's Report, noting that there had been 922 residential connections as of February 2019 vs. 1,036 residential connection in February 2020, with an average residential consumption in February of 2019 of 5,416 vs. 5,749 in February 2020. She noted that Inframark will still be sending out delinquent letters; however, during the Covid-19 crisis, would not be suspending any accounts. In addition, she noted that the monthly water accountability was at 91% for the month of February vs. 91% for the month of January.

Hearing no further questions and following discussions, upon motion by Director Wachsmann, seconded by Director Harris and unanimously carried, the Board accepted Inframark General Manager's Report.

10. Matt Kutac next reviewed a proposed form of Communications Policy that was being presented and considered by the District and also Hays County WCID No. 1. Mr. Kutac noted that he wanted to allow the Customer Care Committee (Directors Bethke and Harris-alternate Kelly) to provide input following the presentation earlier in the meeting from Touchstone. The record shall reflect that Director Kelly dropped off the call for a moment, and had re-dialed to the meeting, but that no vote had been taken during that time. Director Bethke noted that she would encourage every Board member to read the proposed policy as posted on the Google Drive closely noting that there were only a few open issues needed before the proposed policy could be finalized. She noted that it was anticipated it would be ready for a final review and Board approval at the April meeting. She noted that Touchstone had won her over with respect to their recommended "hybrid comment" policy for the proposed joint Facebook page, explaining that it seems to be a better way to establish communications with the public. Director Kelly noted that it does seem like a logical and practicable way to proceed.

Mr. Kutac outlined some of the issues he was initially concerned with as to the proposed Facebook page: i.e., creating a new public forum and possible issues with how a District limits comments and related First Amendment considerations, concern that some folks might think they can make an open records request via an e-mail comments, concerns over possible open meetings act violations if Directors were to post on the page, and that the Board might have trouble managing comments from a practical standpoint. He added, however, that it is a Board decision and he will certainly undertake his best efforts to address any such concerns as they arise.

Simon Van Dyk with Touchstone chimed in noting that it appears Legislation in the State hasn't kept up with the issues and that, for how, he feels the Board could address these concerns in the Communications Policy by noting that all information requests have to go to a certain party (Matt Kutac) and e-mail address to set up simple protocols to mitigate such concerns.

At this time, Matt Kutac noted that all he needed was Board clarification of whether or not the Board wanted to allow comments on the Facebook page. Following a discussion and motion by Director Harris, seconded by Director Bethke, with Director McGillicuddy voting no and Director Wachsmann abstaining from such vote, the motion passed by a vote of 3 to 1 to allow the hybrid version of comments on the Facebook page.

11. Matt Kutac referred the Board to the copy of a proposed consultant agreement with Touchstone District Services. Matt Kutac noted generally the contract as initially presented was in very good form. For now, he just requested the Board's authorization to proceed with negotiations of such a final contract to bring back to the Board for review and approval at the April Board meeting. Upon motion by Director Harris, seconded by Director Kelly and unanimously carried, the Board authorized Matt Kutac to handle the final negotiations of the proposed contract with Touchstone. The Touchstone representatives dropped off of the meeting at this point.

12. Kristi Hester reviewed the District's monthly Financial and Bookkeeping Report, a copy of which is attached hereto as **EXHIBIT "F"**.

As relates back to item 11 herein above, Director Bethke noted that she had forgotten to bring one further concern with regard to the Touchstone Services contract that pertained to the proposed "customer alerts" under the proposed contract noting that such additional service would cost an extra \$300 set up fee and an additional \$180 per month for such service. Kristi Hester noted that she feels they could get the system up by sending alerts to either a customer's e-mail, phone or a simple text. Directors Harris noted that that subject would be discussed further in the next joint Customer Care Committee meeting. Director Kelly noted that he was concerned about the additional costs and noted that we have other existing methods of getting out required notices and feels it is an overkill. Director McGillicuddy noted that for those customers that were not on Facebook, it could be helpful with Director Wachsmann noting that he did not feel the need for it. Ms. Hester noted that it would be helpful in targeting specific areas which the system could handle. It was agreed that further discussion in the Joint Customer Care Committee would take place prior to the next Board meeting, and the Board would be updated with any new information prior to needing to make a final decision on such matter.

Ms. Hester returned to her report and noted that as of February 29, 2020 the District had collected 96.28% of its 2019 taxes, with it being noted that the majority of taxes were due and payable by January 31, 2020. She also reviewed the profit and loss budget performance charts, the monthly revenue vs. budget comparison chart, the Inframark maintenance cap tracking chart for the District, WWTP joint facility billing reports, balance sheets for operating and debt service accounts, cash balance report for all accounts, cash balance trend chart, check registers, a Series 2018 and separate Series 2019 Summaries of Bond Capital Project Funds (it being noted that Ms. Hester confirmed that all issuance costs had been paid in conjunction with the Series 2020 Road Bonds and that in the next report, there would be a wire of the remaining capital projects fund balance into the District's Bond Road Debt Service Fund), a listing of wires and a Quarterly Investment Report for the quarter ended December 31, 2019. One additional Operating Check, payable to Director Carol Kelly in the amount of \$277.05 (Check No. 2533) was added to the report. Following a detailed review of such report and check detail, upon motion by Director Kelly, seconded by Director McGillicuddy and unanimously carried, the Board approved such report, including the additional check and authorized the release of such checks and wires as noted thereon.

13. Kristi Hester went back to her Executive Summary memorandum included in the General Manager's Report and explained that the Customer Care Committee had discussed the Board's consideration of the purchase of note pads by the District for use by the Board members in carrying out their duties of office, which costs had been estimated by Ms. Hester to be around \$6,000. It was noted that the Hays County WCID No. 1 Board had purchased and been using similar equipment for its Board members which allows their review of documents to be paperless and result in a cost savings as well as allow the Board members to discharge their duties more efficiently and separate from their personal computers. It was noted that if the Board agreed to purchase of such equipment the equipment would be used solely for District communications and District business, and that an Order Adopting a Technology Use Policy would be presented and approved at the next meeting setting forth such policy. Following a detailed discussion and motion by Director Harris, seconded by Director Kelly and unanimously carried, the Board authorized the purchase of i-pads for the Board members. Matt Kutac noted that he would have the noted order ready for Board review and approval at the April meeting.

14. Matt Kutac noted that with regard to Item 14 on the posted agenda, that the Board would go into executive session later in the meeting to further discuss such matter but for the record, he noted that the Board had been advised by Inframark that they had placed the District's bookkeeper on administrative leave from their company, and that the Board would be reviewing related issues.

15. Matt Kutac noted that Chris Lane had provided a draft summary of available funds for the Board to consider with regard to payment of the agreed upon true up amount owed by the District to Hays County WCID No. 1 under the existing Sixth Amended and Restated Joint Facilities Agreement. Ms. Lane reviewed the summary of available funds, a copy of which is attached hereto as **EXHIBIT "G"**, in detail with the Board noting that she had visited with Jimmy Rommel with Maxwell Locke & Ritter PLLC, auditor for the District, and confirmed that a direct payment from the District to Hays County WCID No. 1 would be the preferred method of payment. She explained that she had reviewed the funds and was comfortable that the Board would have sufficient account balances to allow it to pay the amount due and owing from its operating account and still have a coverage of 1.42 times. She noted that though the Board would be reducing its cash balance, it would be buying an asset. She further noted that the summary took into account final park improvement payments and the District's share of the Hays County WCID No. 1 WWTP drum screen existing project expenses. Matt Kutac noted that he was just seeking direction from the Board as how to proceed to draft a proposed Resolution that would be presented for approval at the next meeting. The Board concluded that they were comfortable with the proposed one-time payment to Hays County WCID No. 1. Mr. Kutac indicated that he did not need a formal motion at this time, but appreciated the Board's direction in connection with preparation of a resolution.

16. Matt Kutac noted that he had posted a proposed form of Order Adopting an Investment Policy and Appointing an Investment Officer as a proposed replacement for the Board's existing order and policy. He noted the policy was patterned after a standard form used by Winstead PC, was in compliance with the existing laws, similar to the Board's existing policy in most respects, reappointed Kristi Hester as the Investment Officer and that he would recommend adoption of such new Order. Director Wachsmann motioned the approval of such Order, seconded by Director McGillicuddy. A copy of such Order is attached hereto as **EXHIBIT "H"**.

17. Judy McAngus briefly reviewed detailed reports with regard to arbitrage reporting. She explained that Arbitrage Compliance Specialists, Inc., ("ACS") provides arbitrage reporting on all of the District's bond issues. She reviewed and referred the Board to pages 5, 6 and 7 of the February 26, 2020 Arbitrage Rebate and Project Fund Yield Restriction Compliance Service Program Report, a copy of which is attached hereto as **EXHIBIT "I"** providing a summary of their reporting on all District bond issues (active and inactive). In addition, the Board reviewed a summary of the status of all reporting done by ACS for the District in a separate, Arbitrage Rebate Summary, dated February 26, 2020, as attached hereto as **EXHIBIT "J"**, with attention focused on the headings at the top of the summary and "future" actions that should be occurring on the outstanding issues, and noting that any "concerns" would be included in the "Notes" section of such report. It was noted that none of the findings in any of the current ACS reports or past reports have brought up any arbitrage concerns or issues. In addition, with regard to such reporting, she noted that the reporting would continue to be routinely prepared by ACS and

recapped in similar annual reports to be finalized by the end of February and reviewed by the Board annually at their March regular Board meeting. Following a review of such reports, upon motion by Director Wachsmann, seconded by Director Kelly and unanimously carried, the Board confirmed receipt and approval of such reports.

In addition as relates to outstanding bond issues, Chris Lane informed the Board that SAMCO had recently conducted a review of all the District's outstanding bonds, but that none were currently callable unless Congress changes the rules on advance refundings due to the existing COVID-19 crisis.

18. Matt Kutac reviewed a proposed Order Postponing Directors Election, a copy of which is attached hereto as **EXHIBIT "K"**. He noted that Judy McAngus was helpful in tracking down needed information and confirming that Jennifer Anderson, the Hays County Elections Administrator, was following the Texas Secretary of State advisories issued in response to the COVID-19 crisis and advising entities who had initially planned to conduct May 2, 2020 general elections to postpone such elections to November 3. He indicated that he had notified all of the candidates of the proposed action the Board would be considering at the current meeting to postpone such election. Following a full review and discussion and upon motion by Director Harris, seconded by Director Kelly and unanimously carried, the Board adopted said Order. It was noted that as reflected in the Order, that the terms of the three positions up for election on May 2, 2020 would be extended until November 3, 2020.

19. With respect to the most recent approved, proposed Interlocal Cooperative Agreement for Law Enforcement Services with the District, Hays County, Hays County Constable for Precinct and HCWCID No. 1, Matt Kutac noted that the contract was still being reviewed by Hays County services.

20. Matt Kutac indicated that there was no action to be taken with respect to West Travis County Public Utility Agency or Lower Colorado River Authority matters.

21. With regard to other actions as relate to the COVID-19 disaster, Kristi Hester noted that she was in the process of setting up a Zoom video conference account with her as administrator to aid the District and Hays County WCID No. 1 with the conduct of its future Board meetings should the Board wish to conduct their meetings in that manner. The Board discussed various issues with some Zoom conferences that had been reported lately, but Director McGillicuddy noted that he was comfortable with the Board using that system for its video conferences. It was noted that the cost for Ms. Hester to set up the account would be split equally with Hays County WCID No. 1 (an estimated minimal cost of \$7.50 per District). The Board noted its concurrence with trying out the Zoom video conference for its next Board meeting.

22. The Board confirmed that its next regular meeting would for on Thursday, April 16th and be conducted via video and teleconference. Various committee meetings were discussed and it was noted that Kristi Hester would confirm all upcoming committee meetings with the committee members.

23. With regard to items 14 on the posted agenda for the meeting, upon motion by Director Wachsmann, seconded by Director McGillicuddy and unanimously carried, the Board retired, along with Matt Kutac and Andy Barrett to Executive Session at 7:56 p.m..

24. Following such Executive Session and upon motion by Director Wachsmann, seconded by Director McGillicuddy and unanimously carried, the Board reconvened in public session at approximately 8:19 p.m. A roll call was done of all members, confirming that all members had rejoined the meeting.

It was confirmed that no action had been taken during the Executive Session and following a motion by Director McGillicuddy, seconded by Director Kelly and unanimously carried, the Board authorized the District's attorneys to obtain and review proposed bookkeeping contracts and agreements for the Boards review and consideration at the April Board meeting.

In addition, and by motion of Director McGillicuddy, seconded by Director Kelly and unanimously carried, the Board adopted a Resolution Authorizing Attorneys to Access Banking Information, a copy of which is attached hereto as **EXHIBIT "L"**.

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

APPROVED AND ADOPTED this 16th day of April, 2020.




Sean McGillicuddy, Secretary