

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, on April 15, 2024 at 5:45 p.m. at the Belterra Centre, 151 Trinity Hills Drive, Austin, Texas and the roll was called to-wit:

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

All members of the Board were present at the commencement of the meeting except Director Kopperud. The record shall reflect that all Board members present voted on all matters that came before the Board. Also present were Matt Kutac of the Law Office of Matthew B. Kutac PLLC, Vicki Hahn, paralegal, with Winstead PC, Lonnie Wright, Beth Wright, Chris Sanchez of Municipal Operations and Consulting, LLC, the operations and management contractor for the District, Chris Lane of Samco Capital Markets, Inc., the District's Financial Advisor, Allen Douthitt with Bott & Douthitt, the District's bookkeepers, Lauren Barzilla of Burgess & Niple (“BN”), the District's engineer and Jesse Trevino from Sunscape Landscaping, the District's landscaper. In addition, Yvonne Schick and Cynthia Plyisance also attended the meeting.

1. PUBLIC COMMENT: Mr. Kutac mentioned that there will be public comment with respect to general topics or public comment with respect to the Drought Contingency Plan. 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 responses are limited to statements of fact, recitation of current policy, clarifying questions and requesting that items be added to a future Agenda.
2. AMENDMENT OF WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN - Item No. 7(a):
 - a) Public Hearing: Mr. Kutac stated that Joint Management Committee has been working on recommendations for the Drought Contingency Plan (“DCP”). He then explained that the LCRA adopted its Drought Contingency Plan on March 26, 2024 and he has incorporated the LCRA changes into the District's DCP. It seems that the majority of the changes that

the LCRA adopted are focused on irrigation. They have moved the Drought Stages so that what was Stage 2 is now Stage 1, Stage 3 is now Stage 2, etc., and permanently restricted irrigation to a maximum of twice per week year round. Mr. Kutac mentioned that the District is now waiting for the WTCPUA to adopt its plan and after they do, he will incorporate those changes into the District's DCP as well. Mr. Kutac does not recommend adopting the District's DCP tonight. He would just like the Board to discuss it and then schedule a special meeting at the end of the month to adopt it. Upon motion by Director McGillicuddy, seconded by Director Kopperud and unanimously carried, the Board opened the Public Hearing at 5:57 p.m. Mr. Kutac called invited members of the public to address the Board.

Ms. Plyisance asked if the District is planning to have another water source. Mr. Kutac replied that the only other source of water is a well. He also mentioned that the Hays-Trinity Groundwater Conservation District regulates well use and their restrictions on the use of well water are even more stringent than the LCRA and WTCPUA.

Ms. Schick asked the Board if the LCRA restricted downstream water to the rice farmers. Mr. Kutac replied that the District is not keeping regular tabs on LCRA restrictions that do not apply to the District, but that his recollection is that the LCRA has limited releases downstream.

Ms. Plyisance asked the Board about the addition of new restaurants and residents. Mr. Kutac responded that the right to develop in the area near the District is reliant on obtaining a service contract from the WTCPUA and in the last few years, it has been harder for developers to obtain a contract for water. Mr. Kutac also stated that there is a different LUE allotment for commercial businesses than residential homes and the impact fee would be different for a commercial business than for a residence. Director McGillicuddy clarified that there are no new commercial businesses being developed within the District.

Mr. Kutac called for additional public comment. Hearing none, upon motion by Director McGillicuddy, seconded by Director Kelly and unanimously carried, the Board closed the public hearing at 6:03 p.m. No action was taken with respect to the DCP.

3. MEETING MINUTES: The Board reviewed the Minutes from the March 21, 2024 Regular Meeting. Upon motion by Director McGillicuddy, seconded by Director Kelly and unanimously carried, the Board approved such Minutes.
4. FINANCIAL:
 - a) Accounting Report: Mr. Douthitt reviewed Bott & Douthitt's Accounting Report dated April 15, 2024 with the Board, which included a review of the Cash Activity Report and expenditures to be approved at the Board Meeting that same day. Such Cash Activity Report included director and vendor payments, fund transfers and the Financial Statements for February 29, 2024 for review and approval by the Board.

- b) Arbitrage Rebate Calculations: The Board reviewed the Arbitrage Rebate Calculations for the 5th Year Computation Period for the Series 2018 Unlimited Utility Tax Bonds compiled by Arbitrage Compliance Specialists, Inc. Mr. Kutac gave a short explanation regarding the purpose of the Arbitrage Rebate Report. Upon motion by Director Kopperud, seconded by Director Lee and unanimously carried, the Board acknowledged receipt of such report.

- c) Administrative and Action Items:

Upon motion by Director McGillicuddy seconded by Director Bethke and unanimously carried, the Board accepted the Accounting Report and approved all disbursements and transfers set forth in the Accounting Report.

5. LANDSCAPING:

- (a) Sunscape Report: Mr. Trevino reviewed the Landscaping Report and mentioned that Sunscape is now back to weekly mowing. Sunscape is changing the flowers next week to Pentas. They will use mixed colors at the Nutty Brown monument and solid colors at the other monuments. Mr. Trevino noted that the Pentas did well last year when they got water. He is hoping that the Pentas will be established before July and August so that they will be more tolerant to the weather. Mr. Trevino also mentioned that he would like the plants and colors to be consistent with HCWCID No. 1 and that HCWCID No. 1 has requested that Sunscape add some agave and yucca plants. Mr. Trevino then reviewed some renderings that Sunscape prepared of proposed monument plantings in the future. Director McGillicuddy stated that the proposed monument plantings are not in the current budget so he would recommend waiting until next year and adding it to next year's budget.
- (b) Trail Maintenance: No action was taken by the Board.

6. ENGINEERING:

- a) WWTP Joint Facility Report: Ms. Barzilla reviewed the Joint Facility Report.

Ms. Barzilla reviewed Task Order No. 78 for the WWTP Permit Renewal with the Board and noted that HCWCID No. 1 had approved Task Order no. 78 for \$25,000 for the WWTP permit renewal.

Ms. Barzilla also noted that HCWCID No. 1 had approved Pay Application No. 1 for \$23,184.00 for conditional approval of the Drip Field Repair.

- b) District Report: Ms. Barzilla reviewed the District Engineering Report.

Ms. Barzilla informed the Board that Dig Dug was awarded the contract with respect to trail drainage issues. The Board discussed whether they will have to close the trail during construction and if so, where and how to block. Mr. Wright mentioned that MOC has orange plastic fencing that they could use to fence off the construction area. The Board requested that MOC use the orange fencing and coordinate with the contractor with regards to the fencing.

Mr. Barzilla mentioned that with respect to the Gabion Wall, the contractor is about to pour the foundation. She believes that the construction will be complete by the end of July.

With respect to the water model, Ms. Barzilla noted that B&N has run the model several times with no issues. She has a meeting with Jason Baze, an engineer from the WTCPUA, and they discussed demands downstream and the possibility that the line is undersized. The Board then discussed the capacity of the proposed water tank and if it will last 4 days during a Boil Water Notice. Ms. Barzilla replied that it should if everyone maintains their average water usage. The Board then discussed the size of various nearby water tanks. Ms. Barzilla stated that she is focusing on a water tank that will hold enough water for 4 days, but reminded the Board that a tank capable of holding 4 days supply of water could be cost prohibitive and if so, they can scale down to a 3 day supply water tank. When asked, Ms. Barzilla confirmed that the water tank does not need to be elevated in order to increase pressure from the WTCPUA system because the tank would have its own pump system.

- c) Additional Action Items: No action was taken by the Board.

Upon motion by Director McGillicuddy, seconded by Director Kopperud and unanimously carried, the Board accepted the Engineering Report.

7. MANAGEMENT AND OPERATIONS:

- a) Manager and Operations Report: Ms. Wright reviewed the Manager Report.

Ms. Wright noted that there are three new pool builds in the District. The contracts were entered into prior to March 1, 2024.

With respect to the Culvert repairs, Ms. Wright reviewed an e-mail that she received from the District's engineer regarding culvert repairs and noted that two of the three culverts requiring repair are actually in HCWCID No. 1 when originally, they were thought to be in the District. The Board decided to table the culvert repairs until the next regular Board Meeting.

With respect to the Fun Abounds resurfacing project at the Mesa Verde Park, Ms. Wright showed a photo of two different types of resurfacing and discussed the additional cost of \$531.88 for the resurfacing material that Fun Abounds believes will last longer.

Ms. Wright also mentioned that they took a sample of water from the trail behind the house on Mesa Verde and no chlorine was found, so the water that is accumulating on the trail is not from potable water. The Board asked that the repair for this be put into next month's budget.

With respect to a new website provider, Ms. Wright mentioned that the current website is coded in a style that only the current website manager can use so they would need to move the District's website to a whole new site. Ms. Wright then mentioned that if the District changes the website provider to Especially Digital, Inc, they would use the wordpress format which is more widely used and if the District wants to change website providers in the future, it would be easy for someone else to manage the website. It was also noted that Especially

Digital, Inc. is the person who built the survey which was recently used by the District when considering a new park.

Mr. Wright reviewed the operations report.

- b) Public Hearing for Violations of District Rules: No hearings were required.
- c) Additional Action Items:
 - Upon motion by Director Kopperud, seconded by Director Bethke and unanimously carried, the Board approved the additional cost of \$531.88 for the longer lasting material that Fun Abounds recommends using for the resurfacing project at the Mesa Verde Park.

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

8. ADMINISTRATIVE AND LEGAL:

- a) Amendment of Water Conservation and Drought Contingency Plan:
 - i) Public Hearing: The Public Hearing was held earlier in the meeting to accommodate residents who were present at the commencement of the meeting.
- b) LCRA Curtailment Plan: Mr. Kutac informed the Board that the District received a curtailment plan from the LCRA dated April 1st and reminded the Board that in 2013, the LCRA had announced potential curtailment. A curtailment plan reduces the amount of water the District will receive under its contract with the LCRA. The curtailment plan recently proposed would reduce the amount of water the District is entitled to receive by 20% based upon the amount of water the District used between June 2022 to May 2023 ("Specified Timeframe"), as opposed to the amount of water the District has contracted to receive. That means if the District was already adhering to watering restrictions during that Specified Timeframe (i.e., Stage 2 watering restrictions), and used less water than normal during that Specified Timeframe, the amount of water used during the Specified Timeframe would be reduced by 20%. Mr. Kutac reminded the Board that the curtailment plan, once implemented, would remain in effect even if we receive rain. Mr. Kutac also informed the Board that the District can request modifications to their curtailment allotment by May 1st. Considering that the planned church is yet to be built and will increase the District's water usage, the LCRA may consider increasing the District's allotted amount of water specified in the current proposed LCRA curtailment plan. Mr. Kutac then stated that since the deadline to request a modification to the curtailment allotment is May 1st, the District does not have much time to review the matter and prepare necessary materials to be submitted to the LCRA.
- c) Service Rate Order: The Board discussed that the Joint Management Committee has agreed upon a recommendation for updated drought surcharges. The District's volume rates are based on usage tiers, and the tiers progressively increase with the more water the customer uses each month. The committee is proposing that at 15,001 gallons per month, the surcharge

would double the volume rate for each tier. Mr. Kutac noted that the surcharges are not the same as the WTCPUA. The Board discussed that the WTCPUA generally assigns one Living Unit Equivalent (“LUE”) to each single-family residence. An LUE is defined as the typical amount of water used by a single-family residence, assuming 3.5 people in each residence, and includes water used inside the house as well as for outside (i.e., watering). The Board discussed that 15,001 gallons per month might be a little low. The Board reiterated that they don’t want to penalize anyone other than people who are using extravagant amounts of water per month. Director McGillicuddy noted that there are a significant amount of people using over 20,000 gallons per month and there are even some people who are using over 40,000 gallons per month. He also noted that the average family of four uses between 5,000 and 7,000 gallons per month without irrigation. Director Bethke noted that there is a Texas Agri Life tool that tells you when you should water and noted that she has not been automatically watering because her lawn has not needed it due to the recent rains. Mr. Kutac noted that the WTCPUA’s drought surcharge starts at 0 gallons per month, and that the HCWCID No. 1 Board has not implemented the surcharge yet. The Board again discussed the amounts of water being used by residents in the District. The Board noted that there are a total of 1127 residents in the District. When looking at the water used during the time period of July 4th through July 31st of 2023 the statistics for the District were:

- 511 residents used less than 15,000 gallons per month;
- 260 residents used between 15,000 to 20,000 gallons per month;
- 168 residents used between 20,000 to 25,000 gallons per month;
- 90 residents used between 25,000 to 30,000 gallons per month; and
- 97 residents used over 30,000 gallons per month.

The Board took no action on a drought surcharge and will revisit the issue at a special meeting.

- d) Cybersecurity Training: Ms. Hahn reminded the Board that they are required under HB 3834 to take a cybersecurity training class annually and that she will be forwarding an e-mail with the link to the TML training site. Training must be completed prior to August 15th.
- e) BCA Xeriscape Policies: No update.
- f) Water Contract Items: No update.
- g) Legal Matters:
 - i) Membrane Claim: To be discussed in Executive Session.
 - ii) Inframark Transition Matters: To be discussed in Executive Session.
 - iii) Third Party Rate Study: The Board will revisit this matter at the next regular Board Meeting.
 - iv) Additional Legal Matters: No action was taken by the Board.

- h) Calendaring: The Board determined that the next regular Board meeting will tentatively be scheduled for May 16, 2024 and set a tentative date of April 30, 2024 at 5:00 p.m. for a special meeting to review, discuss and take any action necessary with respect to the DCP. The special meeting will potentially be a Joint Board Meeting with HCWCID No. 1.

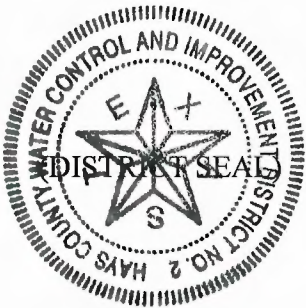
9. EXECUTIVE SESSION: With regard to Item No. 7(g)(i) and 7(g)(ii) on the posted agenda for the meeting, upon motion by Director McGillicuddy, seconded by Director Kopperud on and unanimously carried, the Board retired, along with Mr. Kutac to Executive Session at 7:57 p.m.

Following such Executive Session the Board reconvened in public session at 8:04 p.m. No action was taken by the Board during Executive Session.

Upon motion by Director Lee, seconded by Director Bethke and unanimously carried, the Board authorized the District's attorney to continue negotiations with Inframark to settle for the amount discussed in Executive Session.

10. ADJOURNMENT: There being no further business to conduct, Director Kopperud moved that the meeting be adjourned, which motion was seconded by Director Lee and unanimously approved. The Board adjourned until further call.

APPROVED AND ADOPTED on the 16th day of May 2024.




Sean McGillicuddy, Secretary