

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 May 16, 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. 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 and Chris Sanchez of Municipal Operations and Consulting, LLC, the operations and management contractor for the District, 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, Basil Buencamino attended the meeting.

1. 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 responses are limited to statements of fact, recitation of current policy, clarifying questions and requesting that items be added to a future Agenda.

Mr. Buencamino requested that the District inform the homeowners when there is work being done in the District. He specifically asked because of the work on Mockingbird Trail. He saw a truck dump rocks on the trail and would like to request that the District send e-mails to give homeowners advance notice of construction projects. He mentioned that he does not use Facebook so putting it on Facebook does not help him. The Board informed Mr. Buencamino that they put a notice about the work on the District’s website. Ms. Barzilla also stated that the work should be complete in a matter of days but probably no longer than a week. The Board then mentioned that the work is to keep the trail from remaining saturated. The Board then noted that with respect to bigger projects, the District notifies residents in multiple ways with more advanced notice. The District posts on the District’s website, posts on Facebook and sends out e-mail blasts, etc.

One of the Directors did not feel as if the Board received enough notice of the final changes to the Drought Contingency Plan (“DCP”) before the Special Board Meeting on April 30, 2024. Mr. Kutac explained that the reason for the delay in providing the final version to the full Board before the Board Meeting was that the WTCPUA’s changes to its DCP, which the District was required to incorporate, were not available until shortly before the Special Board meeting. Timewise, there was no way to get the final details to the full Board before the meeting without creating a walking quorum and possibly violating the Open Meetings Act. The changes were discussed by the Joint Management Committee. Mr. Kutac also noted that he knew the DCP had changed materially from the previous discussions and he was concerned that the Board might not approve the DCP during the Special Board Meeting. He had prepared a Resolution adopting the minimum LCRA requirements that would have been proposed that night if the Board decided not to approve the DCP.

2. RE-ELECTED DIRECTORS: Ms. Hahn discussed the director election with the Board, noting that the Statement of Officer and Oath of Office is administered at the beginning of each new term of office and was completed by Director McGillicuddy, Director Kelly and Director Lee.
3. OFFICER POSITIONS: The Board discussed current officer positions. Upon motion by Director McGillicuddy, seconded by Director Kopperud and unanimously carried, the Board elected to keep their current slate of officers.
4. MEETING MINUTES: The Board confirmed receipt of the Minutes from the April 15, 2024 Regular Board Meeting and the April 30, 2024 Special Board Meeting. Upon motion by Director Bethke, seconded by Director McGillicuddy and unanimously carried, the Board approved the April 14, 2024 Regular Meeting Minutes. Upon motion by Director Bethke, seconded by Director Lee and unanimously carried, the Board approved the April 30, 2024 Special Meeting Minutes.
5. FINANCIAL:
 - a) Accounting Report: Mr. Douthitt reviewed Bott & Douthitt’s Accounting Report dated May 16, 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 March 31, 2024 for review and approval by the Board. Mr. Douthitt also noted that a payment for DigDug for the Gabion Wall repair is included in the disbursements. He also mentioned that the District had budgeted \$200,000 for the Gabion Wall repair but it appears that the repair is only going to cost \$80,000 to \$90,000. Mr. Douthitt also noted that a check to Director Lee for the per diem has been added. It was not included in the disbursement list.

In addition, Mr. Douthitt mentioned that the Board will be discussing the Homestead Exemption and Disabled and Over 65 Exemptions which are due by June 30th. The Board noted that their concern is that home values have dropped and the possibility of the LCRA implementation of curtailment requirements might impact utility service revenues. The Finance Committee will meet with Allen Douthitt and Chris Lane to discuss.

b) Administrative and Action Items:

Upon motion by Director Kopperud seconded by Director Kelly and unanimously carried, the Board accepted the Accounting Report and approved all disbursements, including the per diem check to Director Lee, and transfers set forth in the Accounting Report.

6. LANDSCAPING:

- (a) Sunscape Report: Mr. Trevino reviewed the Landscaping Report. Mr. Trevino stated that the new flowers should be in by next Tuesday. They have some catching up to do but he is hoping that Sunscape will be caught up by the next meeting. Everything is growing fast right now which is why they are running a little behind. Mr. Trevino also reviewed the Irrigation Walk Through Report.

In addition, Mr. Trevino reviewed pictures and discussed Sunscape proposals with respect to changing the monument landscaping to drought resistant native plants and has also recommended that the District move away from annuals and move toward perennials. He discussed that he would like to see all of the monuments in both the District and HCWCID No. 1 be consistent in terms of the types of plants used, etc. He noted that HCWCID No. 1 has approved changing one monument to see how everyone likes the new landscaping with native plants and perennials before moving on to the next monument. They voted to start with the monument across the street from the school because it has more visibility and they are hoping they will get more feedback from the residents.

- (b) Trail Maintenance: Ms. Barzilla informed the Board that the concrete has been poured on Mockingbird Trail and they are ahead of schedule.

7. ENGINEERING:

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

Ms. Barzilla reviewed Pay Application No. 1 from DigDug Construction for the Gabion Wall repair for \$47,470.10. She noted that the amount of \$52,744.55 set forth in her report and in the Pay Application is incorrect and has been corrected to \$47,470.10.

- b) WWTP Joint Facility Report:

Ms. Barzilla reviewed the Joint Facility Report.

With respect to the Treated Effluent Fire Hydrant, Ms. Barzilla stated that there is not much happening at the moment. She has followed up with the ESD to see where they think the best fill station would be and she believes that the ESD would prefer to fill at the station and not at the Fire Hydrant. Mr. Wright recommends that the District install the Treated Effluent Fire Hydrant and then do a pressure test. Mr. Wright mentioned that they have a Fire Hydrant and just need to install it. He thinks the school should be a good pressure area to install it. HCWCID No. 1 would like to see the Fire Hydrant located by the school and asked Ms. Barzilla to notify the District to see if they have any objections and if no objections, Ms. Barzilla move forward with the project. The Board confirmed that they have no objections

with installing the Fire Hydrant by the school.

With respect to the water storage tank – Item No. 7(c)(i), Ms. Barzilla noted that the water model is up and running. The good news is that it looks like one site will work which will be less expensive. Ms. Barzilla has discussed with MOC and MOC has no concerns regarding the 6 foot per second velocity amount. The normal velocity amount is 1 or 2 feet per second. Ms. Barzilla will work on getting pricing estimates from suppliers and contractors. She hopes to have a recommendation at the next Board meeting.

With respect to the 8” and 12” Treated Effluent Liner, Ms. Barzilla reviewed an e-mail she received from CPM regarding possible damage to the pipe liner. CPM has some recommendations for next steps. In their e-mail, they have also claimed that the video camera the District used to check for damage could have damaged the pipe liner. She and the Board discussed that they feel it is unlikely that the camera could have damaged the pipe liner as CPM asserted in their e-mail. Mr. Kutac agreed that it was unlikely the camera damaged the pipe liner because it is an accepted industry practice to send a camera down into a pipe if you inspecting for damage. Mr. Kutac mentioned that he will work on a response with Ms. Barzilla stating that the Districts expect CPM to honor their warranty and reserving the District’s rights. Mr. Wright mentioned that they saw the folds/bends in the pipe liner and noted that they only sent the camera 30 feet down the line. To go any further, they would need a different camera. The Board suspects that CPM is just upset that their competition sent an e-mail to the District regarding possible damage to the pipe liner and recommending that it should be checked out.

With respect to the Belterra Owner’s Association’s (“BOA”) Xeriscaping policy, Ms. Barzilla stated that she is still waiting for the BOA’s plan. It does not appear that the HOA is actively working on a plan at this moment. Currently, the HOA’s policy is no artificial turf in the front yard.

c) Additional Action Items:

- i) Upon motion by Director McGillicuddy, seconded by Director Bethke and unanimously carried, the Board approved DigDug’s Pay Application No. 1 for \$47,470.10.

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

8. MANAGEMENT AND OPERATIONS:

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

Ms. Wright reviewed several pictures where customers are requesting that tree limbs, dead trees, etc. be removed.

With respect to Agenda items listed in MOC’s report:

Number 1- Merion – Overhanging Tree Limbs - Mr. Kutac reminded the Board that the District's Policy is to remove overhanging branches if it is a potential liability. If it is just overhanging and is not a safety issue, the customer can cut the branches on their side of the fence. The Board asked MOC to assess whether the tree branches/limbs pose a safety issue.

Number 2 – Merion – Dead Trees - The Board asked that Mr. Trevino give them a proposal.

Number 3 – Catalina – Dead Tree Branches – The Board asked MOC to remove the branches if they are encroaching. However, if they have been thrown over the fence, do not remove them.

Number 4 – Mowing in Greenbelt - With respect to the request on Sand Hills Lane to have the greenbelt behind the home mowed, Mr. Trevino noted that it is a tight area to get into to mow and would need to have some branches cleared before it can be mowed. One of the Directors mentioned that some people might not want the greenbelt moved and cleared behind their house because it gives them some privacy. The Board asked that MOC investigate and get back to them.

Number 5 – Request for 2 areas near home to be cleared – The Board did not take action.

Number 7 – Pool Builds – With respect to the pool on Gallatin, the resident did not get approval and started to build last week. MOC told the pool builder that they did not have approval to build and the builder stopped. It was stated that the requests were made after May 1st. Ms. Wright confirmed that MOC will tell both homeowners that they need solar covers. The Board then requested that MOC obtain a \$2,000 deposit and receive water truck receipts for filling the pools before returning the deposit. Upon motion by Director Bethke, seconded by Director Kopperud and unanimously carried, the Board approved the pool builds subject to the conditions set forth above.

The Board then briefly discussed sufficiency of the current pool deposit. It was noted that the pool deposit has been in place for several years and that it may be appropriate to consider increasing it. The Board asked that an agenda item be included for the June meeting to discuss the matter further.

The Board discussed the Sunscape Irrigation Repair Invoices. Director Bethke asked what is causing all of the irrigation issues. Mr. Wright replied that lighting strikes, blocked heads and ants are all contributing factors.

Mr. Wright reviewed the operations report.

The Board asked why there are so many customers on the cut-off list and that residents are saying that they are not getting their mail. Ms. Wright noted that she is encouraging people to sign up to get their bills online. Mr. Wright mentioned that MOC does not just cut off a customer's water. After the cut-off notice has gone out to the customer, MOC then hangs door tags with a cut-off notice. After that, MOC calls the customers to discuss. The customers are getting plenty of notice. Mr. Wright also mentioned that a customer's service is not cut-off until they are 60 days past due.

Mr. Wright then discussed the performance of the membranes at the WWTP. He stated that Chamber 2 and Chamber 3 are not performing well and that each of those chambers has a mix of old and new membranes. He met with Kubota to discuss rebuilding the membranes and noted that Kubota has a supply chain issue and would need approximately 16 weeks to get the membranes. Mr. Wright noted that Kubota's proposal would be approximately \$416,952 for new membranes with an additional cost of \$15,000 to \$20,000 in labor costs for MOC to rebuild the new chambers. Mr. Wright mentioned that he got a quote from M|MBR Systems ("MMBR") who put in the original membranes. They do not have a supply chain issue like Kubota and they would use the same membranes that the District is now using. In addition, MMBR would assemble the cartridges with the membranes already installed which would reduce cost of labor charged by MOC to do that. MMBR's cost would be \$498,222. In addition, MBR will include a Tier 2 service plan which would include alarm notifications that go to both MOC and MBR if there is an issue. MMBR would also include one full year of monitoring. Mr. Wright stated that he is not concerned about the stability of MMBR because they are a large company. Mr. Wright has forwarded MMBR's proposal to Robby Callegari to review. Mr. Wright clarified that the total "turnkey" cost if the District goes with MMBR would be \$498,222 plus approximately \$8,500 in MOC labor costs. The Board discussed that MMBR stated that they could have two cassettes ready to go in four to six weeks whereas it would take Kubota approximately 16 weeks. The Board also noted that this is a shared cost with HCWCID No. 1. Mr. Kutac requested that MOC ask for a warranty on the membranes and not just labor. The Board discussed that this cost will be included in this year's budget. Mr. Douthitt and the Finance Committee confirmed that the District has the funds to cover this cost. It was further noted that HCWCID No. 1 declared the membrane performance to be an operational emergency. They further authorized execution of a contract with MMBR contingent upon discussion with the District.

The Board asked MOC about the status of the no parking signs at the school. Ms. Wright responded that the court has already approved and she will call the Sheriff's office to check on the status.

The Board discussed if there is any way the District could encourage customers to save water (i.e., possibly some type of rebate). Ms. Lane responded that it is very complicated to do rebates. Mr. Kutac then suggested that the Finance Committee discuss this matter and come up with a possible solution.

- b) Public Hearing for Violations of District Rules: No hearings were required.
- c) Additional Action Items:
 - Upon motion by Director Bethke, seconded by Director Kelly and unanimously carried, the Board approved MMBR's proposal for replacement of the membrane units in Chambers 2 and 3.

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

9. ADMINISTRATIVE AND LEGAL:

- a) Order Designating Office Locations: The Board reviewed the Amended Order Designating Offices Outside the District. Mr. Kutac mentioned that the Amended Order is necessary because Winstead's Austin office has moved. Upon motion by Director Bethke, seconded by Director Kopperud and unanimously carried, the Board adopted the Amended Order Designating Offices Outside the District and authorized the necessary publication.
- b) MOC Variance Authority: No update at this meeting.
- c) LCRA Curtailment Plan: Mr. Kutac informed the Board that Curtailment Plan is posted under the legal tab on Google Drive.
- d) Rate Study: Mr. Kutac noted that Mr. Douthitt has recommended Jay Joyce to conduct the Rate Study. Mr. Kutac noted that Jay Joyce of Expergy has water district experience and has dealt with the WTCPUA, and has a strong reputation. Mr. Kutac is recommending that representatives of each District meet with Mr. Joyce in June or July. He knows the District would like to get a report by September or October. However, he suggested the Board might like to wait to perform the Rate Study until after the water plant issue is resolved. The Board agreed that it would be best to wait for the Rate Study but would like to set up a meeting with Jay Joyce to discuss in June or July.
- e) Prior Director Property: Mr. Kutac explained to the Board that one of the original developers of Belterra notified him that he has been paying property tax every year on the original Director Lots for the District and for HCWCID No. 1 and he does not want to pay them any longer. The Director Lots are currently owned by the original Developer and previous Directors of both districts and are located near the WWTP. Mr. Kutac recommends that the District obtain ownership of the Director Lots for both districts for use in connection with wastewater operations and treated effluent disposal. Normally, when a Director leaves a Board, the property is returned to the developer. However, when Ms. Hahn did some research to see if the Directors would sign documentation to return their portion of the property to the developer and then the developer could transfer ownership to the District, she found that two of the original Directors (one from each district) have passed away. Instead of trying to deal with their estates, he recommends that the District engage a Condemnation Attorney who would provide services to get the property transferred to the District since the Developer does not want the property.
- f) BCA Xeriscape Policies: No update.
- g) Water Contract Items: No update.
- h) Legal Matters:
 - i) Membrane Claim: To be discussed in Executive Session.
 - ii) Inframark Transition Matters: To be discussed in Executive Session.
 - iii) Additional Legal Matters: No action was taken by the Board.

- i) Calendaring: The Board determined that the next Board meeting will tentatively be scheduled for June 18, 2024.

10. EXECUTIVE SESSION: With regard to Item Nos. 7(h)(i) and 7(h)(ii) on the posted agenda for the meeting, upon motion by Director Bethke, seconded by Director Kopperud on and unanimously carried, the Board retired, along with Mr. Kutac to Executive Session at 7:43 p.m.

Following such Executive Session, upon motion by Director Bethke, seconded by Director Kopperud and unanimously carried, the Board reconvened in public session at 8:03 p.m. No action was taken by the Board during Executive Session.

Upon motion by Director McGillicuddy, seconded by Director Kopperud and unanimously carried, the Board authorized the President to sign a settlement with Inframark based on the terms discussed in Executive Session.

11. 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 18th day of June 2024.


Sean McGillicuddy, Secretary

(DISTRICT SEAL)

