

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 21st day of May, 2020, by Zoom video/audio conference to mitigate the spread of COVID-19 pursuant to the Proclamations issued by the Governor of the State of Texas and 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 participated in the meeting via Zoom video with Director Wachsmann temporarily dropping off of the meeting but rejoining it just following the approval of the Minutes. Following such action, all members voted on the remaining items that came before the Board. Additionally participating in the meeting were Kristi Hester and Makenzi Scales with Inframark, the District's general management and operations contractor, Matt Kutac of the law offices of Matthew B. Kutac, 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. In addition, Chris Calvisi with WLE, the District's landscape service company, joined for a portion of the meeting as did Judy Anderson with Atwell, LLC ("Atwell") [engineer for the Hays County Emergency Services District No. 6 ("ESD")] and John Smead with the architecture firm of Martinez Architects, LP ("Martinez Architects"), also a consultant working on behalf of the ESD on the proposed fire station within the District.

Matt Kutac explained a few guidelines for the video/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.

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. The Board reviewed the Minutes from the April 16, 2020 meeting. Following a review thereof, upon motion by Director Kelly, seconded by Director Harris and carried by a vote of 4-0 (with Director Wachsmann unable to participate due to technical issues), the Board approved said Minutes. Director Wachsmann rejoined the meeting at this point.

3. 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 confirmed that he had done a site inspection of all bedding areas within the District and provided Kristi Hester with photographs and a proposal including the type of plant materials and associated costs for such improvements. Ms. Hester noted she would be setting up a Parks Committee meeting to review the proposal and bring back a recommendation to the Board at the next meeting.

In addition, a summary and an estimate for 210 Irrigation Damage behind 472 Mendocino was discussed and reviewed. Ms. Hester noted that this item was action item No. 3 listed on the Inframark report that would be more fully reviewed later on in the meeting. The WLE estimate for such repairs totaled to \$8,152 (such cost to be split between the District and Hays County WCID No. 1). Ms. Hester noted that she was working with WLE to identify which builder or builders may be responsible for such damage to the 210 system, and would back charge those costs to those responsible. Following a discussion and upon motion by Director McGillicuddy, seconded by Director Bethke and unanimously carried, the Board approved said estimate and authorized such repairs pending identification of the responsible parties.

Director McGillicuddy mentioned an address on Mesa Verde that he requested Ms. Hester to visit and determine whether such area could be cleaned and perhaps those responsible back charged for such cleanup. She noted that Inframark had a number of reports of similar areas where debris or refuse had been dumped, and they would attempt to monitor areas within the District to insure that builders were not responsible and would, per Director McGillicuddy's request, pass the Board's concern on to the builders.

4. 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 "A"**, and gave a thorough update of the status of the WWTP membrane replacement project noting that the third membrane had been installed on May 14th and that CMA was hoping to close out the final pay application and acceptance of the project at the June meeting.

With regard to the drum screen replacement project, she indicated that there could be a possible change order regarding the sizing of the platform but that they would know more at the next meeting. She noted that the current construction schedule calls for substantial completion around September 28, 2020 and final completion for October 28, 2020.

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

Under item II of such report, Ms. Barzilla confirmed that the District's proposed Bond Application No. 7, in the amount of \$6,270,000 was about 99% complete and that she would expect the application to be filed with the Texas Commission on Environmental Quality ("TCEQ") within the next few weeks.

With respect to item III, Ms. Barzilla confirmed that the Brentwood Drainage project grading had been completed and revegetation had been moved to the week of May 25th.

With regard to item IV, the ESD Station project that is being constructed within the District, she noted that an error in the survey "benchmarking" had been found which resulted in a revised set of plans being produced by Atwell and reviewed by CMA. Ms. Barzilla also noted that, during pre-construction discussions, Inframark's staff had pointed out that the proposed point of connection for the ESD was located on a section line that is owned by the WTCPUA. It was further noted that this issue was not identified during plan review, but that CMA and Atwell had since discussed options to relocate the connection to a portion of the line on the District's side of the master meter. It was further noted that the ESD had bid their construction project based on the location shown in the plans, and that moving the connection to a District line would result in additional costs from their contractor.

Judy Anderson with Atwell and representing the ESD joined in the discussion. Following a summary of options presented by Ms. Barzilla and confirmed to be viable options by Ms. Anderson, the Board reviewed each in detail noting that there three possible options, but that option 1 (at an estimated cost of \$55,000) and 2 (at an estimated cost of \$22,000) were the better of the 3 options. Ms. Barzilla noted that option 1 was cleaner, option 2 acceptable and option 3 not really as practicable due to future maintenance issues. It was noted that the above estimates were secured by Atwell from the existing contractor for the project. In response to a comment from Mr. Martinez, Matt Kutac noted that the District's engineer does not review plans for the benefit of the applicant but for the benefit of the District, and he was therefore in disagreement with Mr. Smead's assertion that the District should be responsible for any necessary adjustments.

Matt Kutac noted that the ESD had requested that the District participate in the costs of relocating the point of connection. Mr. Kutac stated that he does not see a strict legal obligation of the District to share in the unexpected costs but that if such information had been available, but thought that the issue should be brought to the Board because ESD project is viewed enthusiastically by the Board and residents in Belterra, and because the ESD is local government entity funded by taxes in part paid by residents of the District. He stated that any legal questions related to the matter would be best discussed in Executive Session.

Director Harris inquired as to what type of participation the ESD was hoping the District could provide. John Smead with Martinez Architects reiterated that the ESD was caught by surprise as to this unexpected cost and that the ESD was hoping the District could pay the full costs of getting the water line across the road.

The Board agreed that the matter would be further discussed in Executive Session later on in the meeting, and that any proposed action would be taken and after the meeting is reconvened in public session.

Next, Ms. Barzilla next noted that CMA had completed a proposed Irrigation Watering Schedule with Inframark's assistance, and that the schedule itself and two (2) options for related CMA Task Orders were posted on the Google drive. It was noted that the proposed schedule had been prepared in response to difficulties the District had last year with the adoption of the revised WTCPUA watering schedule, which caused unnecessary spikes in daily peak flows that could be tied to an uneven usage of irrigation on certain days of the week. It was explained that the objective of the new watering schedule was to level irrigation usage in 2020 for both the District and Hays County WCID No. 1. The Board reviewed the Residential Water Schedule for the District and proposed a few minor corrections, but overall thanked CMA and Inframark for coming up with what appeared to be a very good solution to the problem. Ms. Barzilla briefly explained the proposed CMA related Task Orders noting that Option 1 covered the costs of preparing and finalizing the watering schedule exhibit (area map identifying the watering dates of various sections/neighborhoods as presented) and that Option 2 would cover those costs plus, in addition, the costs associated with creating an additional itemized chart by address listings of all residences within the District. The Board discussed the importance, once the schedule is finalized, of getting the word out to its customers on a timely basis. Ms. Hester noted that Inframark would handle getting the information out promptly by different methods. It was also noted that the schedule would be revisited around March of each year with any proposed updated being recommended around that time.

Following such discussion and upon motion by Director McGillicuddy, seconded by Director Wachsmann and unanimously carried, the Board approved such Residential Water Schedule with the minor corrections and also authorized inclusion of the revised water schedule in the District's existing Water Conservation and Drought Contingency Plan.

As relates to the action item on such engineering report – a proposed Approval of Task Order No. 28 for the Water Schedule Exhibit, it was discussed that Hays County WCID No. 1 had opted to select option 1 as described herein above. Following a discussion and upon motion by Director Wachsmann, seconded by Director Harris and unanimously carried, the Board approved Task Order (option 1) as reflected in the attached **EXHIBIT "C"**.

In addition, Ms. Barzilla informed the Board of an recent event that came up that was not included in her formal engineering report with regard to the crack in a fitting at one of the District's lift station noting that the item is under contractor's warranty which expires in February of 2021 and that she would be working with the contractor on such repair.

Also, she explained a separate issue that had surfaced through the CC Carlton contract along a 60' right of way in the newer area of Mesa Verde where homes are still being constructed. She explained that a certain number of water line connections were capped to close to where the proposed sidewalks would need to be poured and that it appeared that with respect to at least eight (8) of the service lines in that area would most likely need to be extended to keep the meter and vaults outside of the sidewalks. A number of options were discussed in detail with

it being determined that Ms. Hester would visit further with Ms. Barzilla and Mr. Kutac and come back with a recommendation to the Board for action at its next meeting.

Also, Ms. Hester noted that a while back the Board had begun to discuss a few options that would allow a tie in of the Seneca Trails area of the District into the existing trails within the District. She noted that she would be working with both Ms. Barzilla and WLE on proposed options and hope to have those available for the Board's review at the next meeting.

Hearing no further questions and following discussions, upon motion by Director Wachsmann, seconded by Director Kelly and unanimously carried, the Board accepted and approved both of the above-referenced CMA engineering reports.

6. Matt Kutac noted that with respect to how the District will fund its outstanding obligation to Hays County WCID No. 1 (i.e., a reconciliation payment of \$510,785.00) under the existing Sixth Amended and Restated Joint Facilities Agreement between the District and Hays County WCID No. 1, he would advise the Board to make a final determination as to what funds would be used for the payment in order to allow the District's bond application to be finalized while rates are historically low, noting also that some members of the Board of Hays County WCID No. 1 were concerned over their perception of a delay in payment. That said, he noted that he had drafted two (2) separate forms of Resolution for the Board to review and choose which option they wanted to use for the payment of such amount.

Chris Lane with SAMCO, the District's financial advisor, reiterated that the District is in a very good position with its Operating Fund balance and has sufficient coverage to fund the payment from such account and still maintain a good reserve coverage in the account. Also, she noted that the current plan for the District's final bond application would need to be revised to include additional funds if the Board decides to include all or part of the costs in such bond application (note, which is otherwise is ready to be filed as is and without such additional costs being included). She noted additionally that if all or a portion of the reconciliation payment is included in the proposed bond application that it would also increase the related soft costs (i.e. non-construction related expenses) due to the fact that many of those fees are tied to a percentage of the total amount of the bond issue.

Following a very detailed discussion and motion by Director Wachsmann, seconded by Director Harris and unanimously carried, the Board adopted a Resolution Authorizing Payment Under Sixth Amended and Restated Joint Facilities Agreement, which Resolution calls for the payment of the \$510,785.00 reconciliation payment from the District's operating funds, a copy of such Resolution being attached hereto as **EXHIBIT "D"**.

7. Matt Kutac inquired as to whether there was a representative of the developer present on the conference call. There being none the Board moved on to the next item on their agenda.

8. Matt Kutac presented a form of a proposed Agreement for the Construction of Facilities and Reimbursement for Costs between the District and ERG Belterra, Ltd. ("ERG") with Mr. Kutac explaining the purpose and need for such proposed agreement which related to reimbursement due to ERG for the District's share of the recently constructed final Joint 210

Irrigation System which is owned by Hays County WCID No. 1 and serves both districts. Following a discussion and motion by Director McGillicuddy, seconded by Director Kelly and unanimously carried, the Board approved said Agreement, a copy of which is attached hereto as **EXHIBIT "E"**.

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 "F"**. Ms. Hester noted that she had no formal Board recommendation actions for the meeting.

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 collection system updates, drainage/ponds, and parks-trails related matters, construction and committee related updates.

She noted that the third (and final) new set of membranes had been installed at the WWTP. She noted higher than normal flows are occurring at the WWTP due to so many more residents working from home due to COVID-19. She also noted that in the next joint district newsletter she would be including a reminder to customers about what you can and should not flush down their toilets which, if followed, will save on the costs of operations and maintenance at the WWTP.

With regard to parks Ms. Hester noted that she was working with personnel at the Belterra HOA and also the City of Dripping Springs in an attempt to schedule the opening of the District parks and trails at the same time as parks under their control were being opened. She noted that she would coordinate such matters with the District's Park Committee. Also it was noted that some residents had asked about the some additional park facilities that might be considered by the Board (disc golf being one). The Board discussed such proposal, noting that the only possible, safe location within the District for such a facility would be behind the new ESD station location; however, new 210 irrigation installed in the area could be comprised and increased maintenance from repairs to such system would most likely occur and also safe parking in the area would be a problem. Though it was discussed it might be good for the neighborhood, it was just not practical from a District standpoint. Ms. Hester agreed to get with the committee and provide a formal response to such inquiry.

Also, she noted that she was working with Toll Brothers with regard to erosion control and other violations noting a recent back charge to such builder due to a 6" cap being removed from a residence under construction and a large amount of debris getting into the nearby mainline due to such neglect.

In addition, she reported that the District iPads that Inframark had ordered for the Board members had been distributed and that Inframark is working on organizing related District documents on the District's Google drive.

In addition, Ms. Hester highlighted certain information from the General Manager's Report, noting that there had been 947 residential connections as of April 2019 vs. 1,054 residential connection in April 2020, with an average residential consumption in April of 2019 of

8,999 vs. 7,802 in March 2020. She reiterated that Inframark will continue to send out delinquent letters; however, during the Covid-19 crisis, would not be suspending service to any accounts. In addition, she noted that the monthly water accountability was at 98% for the month of April vs. 90% for the month of March. She noted that all systems are in compliance. She noted that once the new master meters for the District and Hays County Water Control and Improvement District No. 1 ("Hays County WCID No. 1") are received, Inframark had ordered storage vaults for the meters and would be installing the new master meters, which will serve as an additional cross check on the amount of water being billed from the West Travis County Public Utility Authority ("WTCPUA").

With regard to action items, following a discussion and recommendation by Inframark, upon motion by Director Harris, seconded by Director Wachsmann, the Board approved the recommended replacement EQ Basin/Clarifier handrail, valve and DO meter and related sandblasting and painting at an estimated cost of \$25,000.00, such costs to be shared with Hays County WCID No. 1.

In addition, upon motion by Director Harris, seconded by Director McGillicuddy, the Board approved the relocation and painting of the WWTP bio filter unit cover at an estimated cost of \$3,000.00.

Prior to moving on, Director Bethke reminded Ms. Hester that she would like an update as to whether additional posting boards had been installed at all mail kiosks within the District, with Ms. Hester noting she would confirm the status with Director Bethke early next week.

10. Kristi Hester reviewed the District's monthly Financial and Bookkeeping Report, a copy of which is attached hereto as **EXHIBIT "G"** and noted that as of March 31, 2020 the District had collected 97.58% of its 2019 taxes. Ms. Hester covered a few additional highlights and stated that the report covered usual operations and there no concerns with regard to the contents of the bookkeeping report. The Finance Committee and Board confirmed their review of such and upon motion by Director Wachsmann, 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.

11. Matt Kutac reported that he had received a fully executed copy of the final Touchstone District Consultant Agreement back from Touchstone with no additional changes confirming that no additional action was necessary by the Board.

12. Matt Kutac noted that both he and the Finance Committee had the opportunity to meet with Allen Douthitt and Mary Bott of Bott & Douthitt, PLLC, the proposed new bookkeeping firm for the District, and that he had reviewed and offered minor comments on a proposed form of Bookkeeping Services Agreement which had been posted on the Google drive for the Board's review. The Finance Committee members both reported that the meeting went well and they would recommend approval of such firm for the Board's consideration. Kristi Hester confirmed that she and Inframark worked closely with Bott & Douthitt on other districts where Bott & Douthitt handle bookkeeping services and they have a good working relationship. The importance of the timeliness of the making such decision and importance of the related records transfer was emphasized (due to upcoming mid-year budget reviews and the proposed

new budget for the next fiscal year). Following a full discussion and motion by Director Wachsmann, seconded by Director Harris and unanimously carried, the Board approved the Bookkeeping Services Agreement with Bott & Douthitt, a copy of which is attached hereto as **EXHIBIT "H"**. Ms. Hester noted that Inframark would work to transfer all existing bookkeeping records over to such firm by May 31st.

13. Additional concerns were briefly shared with regard to suggested changes to the proposed Order Adopting Technology Use Policy with it being noted that Directors McGillicuddy and Bethke and Kristi Hester and Matt Kutac would work together on a final proposed form for Board review and approval at the next meeting.

14. Matt Kutac reported that he had received the Interlocal Cooperative Agreement for Law Enforcement Services between the District, Hays County WCID No. 1, Hays County and the Hays County Constable for Precinct 4 back from Hays County and that all parties to such agreement had executed it, noting that no further action was needed. A copy of such final executed agreement is attached as **EXHIBIT "I"**.

15. Upon motion by Director Wachsmann, seconded by Director Kelly and unanimously carried, the Board approved the Addendum to the Contract for Municipal Solid Waste and Disposal Services with Texas Disposal Systems to include a pickup at the District's WWTP at no cost to the District, a copy being attached hereto as **EXHIBIT "J"**.

16. Matt Kutac and Judy McAngus explained the requirements under HB 3834 for the Board members to take annual cybersecurity training. Ms. McAngus noted she would be forwarding an e-mail out by the end of the week detailing two (2) separate options for the training (one through the Association of Water Board Directors and the other through the Texas Municipal League), either one of which could be taken by the Board members with instructions for completing the training and details for returning proof of training back to her by June 14th.

17. Upon motion by Director Wachsmann, seconded by Director Kelly and unanimously carried, the Board approved an Order Adopting Section 49.2731 Electronic Bidding Rules should the District engineers propose to recommend handling any future construction bids in such allowable manner, a copy of which is attached hereto as **EXHIBIT "K"**.

18. Matt Kutac confirmed that he had engaged Maxwell Locke & Ritter, PLLC, at the Board's request, to review the recent potentially questionable bookkeeping transactions and that they are waiting for the Bancorp South to produce additional documents for their review.

19. After a presentation by Mr. Kutac, upon motion by Director Harris, seconded by Director Bethke, the Board approved and authorized the execution of a common/joint representation of the District and Hays County WCID No. 2 with respect to a review of the manager's account transactions for each district, a copy of which is attached hereto as **EXHIBIT "L"**.

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. The Board confirmed that its next regular meeting would be scheduled for Thursday, June 18th and it was noted that Kristi Hester would confirm all upcoming committee meetings with the committee members.

22. With regard to item 5 on the posted agenda for the meeting (specifically item IV.B, of the CMA engineering report presented thereunder), upon motion by Director Wachsmann, seconded by Director Kelly and unanimously carried, the Board retired, along with Matt Kutac to Executive Session at 8:06 p.m.

23. Following such Executive Session and upon motion by Director Wachsmann, seconded by Director Harris and unanimously carried, the Board reconvened in public session at approximately 8:27 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 upon motion by Director Bethke, seconded by Director McGillicuddy and unanimously carried, the Board authorized the ESD to connect its water line to the WTCPUA portion of the main line as shown on the previous plans. In the alternative, following a motion by Director Wachsmann, seconded by Director Bethke and unanimously carried, the Board, following confirmation of related details with John Smead - the consultant for the ESD, and with Matt Kutac's concurrence, approved the District's participation in an amount not to exceed \$10,000 in resolving the water connection issues that surfaced at ESD site utilizing Option 2 as discussed above with Inframark handling the installation.

24. In addition, pursuant to the requirements of the previously approved Resolution Authorizing Payment Under Sixth Amended and restated Joint Facilities Agreement (item 6 herein above), upon motion by Director Wachsmann, seconded by Director McGillicuddy and unanimously carried, the Board authorized a wire transfer from the District to Hays County WCID No. 1 of the \$510,785.00 reconciliation payment under said agreement.

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

APPROVED AND ADOPTED this 18th day of June, 2020.




Sean McGillicuddy, Secretary