

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 18th day of June, 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 present at Belterra Center. The record shall reflect that all directors voted on all matters that came before the Board. Additionally joining Director Wachsmann at Belterra Center were Kristi Hester with Inframark, the District's general management and operations contractor and Matt Kutac of the law offices of Matthew B. Kutac, PLLC. Also participating in the ZOOM meeting were 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, Lauren Barzilla with CMA Engineering ("CMA"), the District's engineers and Allen Douthitt with Bott & Douthitt, the District's bookkeepers. In addition, Chris Calvisi with WLE, the District's landscape service company, joined for a portion of the meeting.

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 May 21, 2020 meeting. Following a review thereof, upon motion by Director Bethke, seconded by Director Kelly and unanimously carried, the Board approved the Minutes as presented.

3. The Board recognized Allen Douthitt who thanked the Board for retaining his firm to handle the bookkeeping needs of the District. He briefly reviewed provisions of the separate engagement letter, which Bott & Douthitt needs for professional compliance purposes and is in addition to the previously executed bookkeeping services agreement with the District. Upon motion by Director Wachsmann, seconded by Director Harris and unanimously carried, the Board approved such engagement letter, a copy of which is attached hereto as **EXHIBIT "A"**.

In addition, Mr. Douthitt summarized a few housekeeping issues that needed to be addressed with regard to the change in bookkeeping services, and requested approval of a TexPool Resolution designating Allen Douthitt, Mary Bott and Patricia Melton as persons at Bott & Douthitt that are authorized to handle the District's TexPool accounts. Allen Douthitt explained that two (2) signatures are needed each time and should either he or Ms. Bott not be available for the 2nd signature, Ms. Melton would be available to additionally sign such authorizations on behalf of the District. Also, Mr. Douthitt requested approval by the Board of a blanket form of notification and certain IRS forms that would be used by Bott & Douthitt notifying other institutes, governmental agencies and vendors that the District authorizes Bott & Douthitt to communicate on behalf of the District as relates to bookkeeping matters. Following a motion by Director McGillicuddy, seconded by Director Harris and unanimously carried, the Board approved and authorized the execution of such TexPool resolution and notifications.

4. It was noted that the Board had recently (March of 2020) adopted a new form of Order Approving an Investment Policy and Appointing an Investment Officer and that the form would need to be updated to reference the change in the District's Investment Officer (from Kristi Hester to Mary Bott and Allen Douthitt). Upon motion by Director Kelly, seconded by Director Bethke and unanimously carried, and unanimously carried, the Board approved such order a copy of which is attached hereto as **EXHIBIT "B"**.

5. Next, Allen Douthitt was called on to present the Bott & Douthitt Cash Activity Report and Cash/Investment Activity Report covering the period of April 30, 2020 through June 18, 2020. He noted that Inframark had delivered the District's bookkeeping records to his firm shortly after they were retained, but that it would take some time before they would be able to present a full set of financials for the Board's review and approval. He noted that in place of a full set of financials, his firm had prepared a June 18, 2020 Cash Activity Report noted above as **EXHIBIT "C"**. The Board followed along with such report, noting various wire transfers and reviewed the detailed listing of the cash activity in the District's Bancorp South Operating Account, including current proposed expenditures for approval at the current meeting as well as a detailed Cash/Investment Activity Report summarizing all balances in all of the District's accounts. He noted that he had reviewed the report and related invoicing with the Finance Committee in advance of the Board meeting and had also noted that Operating Check No. 2594 was the payment of a small, remaining balance due (\$785.00) under the true up of costs owed by the District to Hays County WCID No. 1 under the existing Sixth Amended and Restated Joint Facilities Agreement between the two districts [noting that Inframark had secured the approval and execution of a wire at the last meeting for the majority (\$510,000.00) of the amount due].

The Board thanked Mr. Douthitt for his report and confirmed they had no questions. Following a discussion and upon motion by Director Harris, seconded by Director Kelly and unanimously carried, the Board approved the report and checks and wires contained therein.

6. Now that Bott & Douthitt had been retained and the District's accounting records transferred to such firm, Matt Kutac noted that he would propose that the Customer Care Committee set up a meeting to work with both he and Kristi Hester on a final form of proposed Amendment to the Inframark Operations and Management Agreements for general District services. It was noted that the effective date of such amendment would be June 1, 2020, irrespective of the date of execution.

7. Matt Kutac confirmed the Board members' receipt of an updated memorandum regarding the certain questionable bookkeeping transactions from the two most recent fiscal years. He explained that the memorandum was a privileged communication updating the Board on the status of the District's review of such transactions, and noted that he had no updates since distribution of the memo to the Board. He confirmed for the record that Maxwell Locke & Ritter PLLC, the District's auditor, had been retained by his firm to handle a more detailed review of such matters and that he is currently waiting on additional information from the District's financial institutions, which he anticipated would be released soon.

8. 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 updated the Board with regard to various options for improvements on the trail leading into the Sand Hills Park where the trail had washed out. One recommendation was to install stabilizer to that area, with another being to add concrete to the areas that tend to wash out frequently. Director Wachsmann noted that in the washed out areas, that concrete was most likely the better and more permanent solution (based in prior experience). Following a full discussion and review of such proposals, upon motion by Director Kelly, seconded by Director Harris and unanimously carried, the Board approved the concrete option for the repair; however, with a variance to allow a longer 4 foot width of pavement that would gradually tie into to the existing 6 foot trail for the approximate cost of the initial proposed 6' shorter concrete repair. The Board requested that Inframark notify the neighbors on either side of the park prior to the commencement of such repair. In addition, it was noted that there had been an irrigation line break within the District and that due to the recent irrigation upgrades, Johnny McDonnell with WLE was able to shut the system off within 10 minutes until necessary repairs could be made.

9. 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 "D"**, and gave a thorough update of the status of the WWTP membrane replacement project noting that Hays County WCID No.1 had approved the final pay application in the amount of \$175,000 and had accepted the project. Such Pay Application No. 2 and final completion letter were acknowledged and copies are attached hereto collectively as **EXHIBIT "E"**.

With regard to the drum screen replacement project, it was discussed that the contractor had provided a letter to Hays County WCID No. 1 stating that delays in performance might occur due to COVID-19, and that the contractor considered the pandemic to be a force majeure event. Matt Kutac noted that most likely the letter was more of a blanket form of letter that had

been sent out to the project owners under all of the contractor's existing contracts, as there was no specific delay identified. Lauren Barzilla noted that she had checked back and felt that most likely, so long as the contract can be completed within 7 or 8 months, the Districts would still be in compliance with the Kubota warranty requirement as relates to the timing of the membrane installation =. It was agreed that Matt Kutac would be reviewing the situation in greater detail but that it did not seem at this point that it would be prudent to take action on terminating or rebidding the project.

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

Under item II. of such report, Ms. Barzilla confirmed that the District's Bond Application No. 7, in the amount of \$6,270,000 had been filed with the Texas Commission on Environmental Quality ("TCEQ") and was now under technical review at the TCEQ staff level.

With respect to item III, Ms. Barzilla presented Pay Application No. 1 under the Brentwood Drainage Project for Board review and approval. She noted that the pay application includes all work performed less retainage. Following a thorough discussion and upon motion by Director Bethke, seconded by Director McGillicuddy and unanimously carried, the Board approved said pay application, a copy of which is attached hereto as **EXHIBIT "G"**. Ms. Barzilla noted the project was complete but for revegetation.

With regard to item IV, the ESD Station project that is being constructed within the District, Ms. Barzilla noted that she had no further updates at this time and that it appeared as though project is running on schedule.

Regarding item V., Ms. Barzilla confirmed the final exhibit for the new Water Schedule could be found on the Board's Google Drive.

With respect to item VI., Ms. Barzilla reported with respect to the Naples Sidewalk Extension project that they were still working on related County, TCEQ and City of Dripping Springs approvals.

Hearing no further questions and following discussions, upon motion by Director McGillicuddy seconded by Director Kelly and unanimously carried, the Board accepted and approved both of the above-referenced CMA engineering reports and concurred with Hays County WCID No. 1's approval of Pay Application No. 2 and final acceptance of the Kubota Membrane USA – WWTP membrane replacement project.

11. Matt Kutac revisited the District's funding of its outstanding obligation to Hays County WCID No. 1 (i.e., a reconciliation payment of \$510,785.00). He explained that a wire of funds had been sent for \$510,000.00 following the last meeting, and that tonight the Board would be approving a check for the small remaining balance of \$785.00. He stated that the separate check appeared to be necessary due to an oversight in sending the initial wire. He noted that once that payment had also been released, he would provide the Board with a copy of a final Resolution Acknowledging Receipt of Reconciliation Payment under Sixth Amended Joint Facilities Agreement (from Hays County WCID No. 1) for the District's records.

12. 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 "H"**.

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, construction, customer care, infrastructure and other operational related updates.

With respect to item 4 under Collection System, Ms. Hester reported that due to overheating of a control panel at the Catalina Lift Station which caused a phase monitor failure, an overflow occurred. She noted that Inframark is now conducting a survey of all lift stations in Belterra to determine which ones may need to have flaps or covers installed over the panels to protect them from overheating in the hot afternoon sun (which in this case was directly hitting the panel) and would be taking care of installing any protective equipment on such areas as soon as possible to avoid any similar situations that might occur.

With respect to item 7 under Construction, Ms. Hester noted that they have a total of 30 pools under construction with in the District and that Inframark was recommending an increase from \$100 to \$250 for such pool inspections to cover Inframark's administration and inspection costs associated with each installation. She noted that a proposed Service Rate Order amendment would be discussed later in the meeting.

With respect to item 8 under Customer Care related items, Ms. Hester reported that Inframark had reopened the District parks and trails on June 15th and removed the out of date water irrigation signs. She noted that she would get together with the Customer Care Committee to decide on new sign positioning as well as various notifications to customers pertaining to the new watering schedule. Also Ms. Hester noted that the Facebook Page is live. Director Bethke noted that it had been her understanding that Touchstone District Services ("Touchstone"), was supposed to allow the Customer Care Committee members to comment on the final form before it going live. Ms. Hester noted that agreed with Director Bethke's recollection and that Touchstone had jumped the gun. She asked the committee to review the Facebook Page at their earliest convenience and let her know if they had any concerns that she might need to pass on to Touchstone. Also with regard to the status of posting boards for all of the District mail kiosk locations, she noted that some of the more recent kiosks are limited in space and that Inframark was still working on positioning them.

Ms. Hester continued through her report and with regard to item 10 under (Belterra Centre Options) and discussed various initial proposals that Kristi Hester had been asked by Hays County WCID No. 1 to discuss with the Infrastructure Care committee and the Board with respect to the District paying a monthly usage fee of perhaps \$1,000 for ten (10) hours of usage by the District or perhaps \$600 per month for six (6) hours of usage and 50% of the any capital item moving forward that Hays County WCID No. 1 expended on Belterra Centre. Ms. Hester noted that Hays County WCID No. 1 had made most of the more expensive capital expenditures on the building within the past 12 to 18 months (i.e., new HCAC system, new roof, server improvements, security system upgrades). Director Wachsmann noted that for many years prior

to using Belterra Centre that the District conducted its Board meetings and committee meeting meetings over at the CMA engineering offices (at no additional cost to the District) and inquired of Lauren Barzilla if that was a possibility. She noted that she would need to check with Robby Callegari. In addition, it was mentioned that perhaps the Belterra HOA (amenity center meeting room) might be an option for conducting its meeting at a lower to no cost. The Board requested Ms. Hester to arrange a meeting with the District's Infrastructure Committee and Hays County WCID No. 1 Building Committee to better understand the options available for continued use of Belterra Centre and then for the District's Infrastructure Committee to explore other possible options following such meeting if they felt necessary.

With regard to park cleaning, it was agreed that the initial park sanitizing that had been discussed and approved at the last meeting was to be on a month to month basis and was in line with what both the City of Dripping Springs and the Belterra HOA had determined appropriate for the initial opening of the parks. The Board confirmed that such services would be revisited month to month as to determine their effectiveness.

With regard to a pool construction project at 403 Catalina, Ms. Hester noted that Inframark recommended allowing the resident to access the District's greenbelt space since the particular location was very limited on access and was near an existing lift station and pond where recent access by the District's consultants and vendors (via dump trucks) had already disturbed that particular greenbelt area. Director Harris noted that he felt any possible disturbance to the green belt area should be taken up on a one by one basis. Additionally, Director McGillicuddy noted that perhaps an additional deposit should be requested for such project to ensure the area is restored to the state it was in prior to the pool construction project commencement begins. Following such discussion, upon motion by Director Harris, seconded by Director McGillicuddy and unanimously carried, the Board authorized such access to the greenbelt for the project pending receipt of a deposit of \$2,500.

Ms. Hester reviewed the listing of action items detailed in Inframark's report and upon motion by Director Wachsmann, seconded by Director McGillicuddy and unanimously carried, the Board approved the following vendor expenditures summarized below:

\$36,390.00	WWTS - GST Basin Clean;
\$21,415.00	WWTS - EQ Basin Clean;
\$ 8,970.00	WWRS - Aeration Basin Clean;
\$ 2,000.00	Replacement of Trail benches;
\$ 2,000.00	Replacement of Trail Sign Poles;
\$ 6,675.00	Park Equipment Sanitation; and
\$ 5,000.00	Vaults for Master Meters.

In addition to the items thoroughly discussed in the report, the Board requested that Ms. Hester get with the vendor who maintains the water quality ponds (in particular the Estes pond) to verify that they were staying on track with contracted maintenance and to report whether any additional actions might be necessary as to what appears to be excessive overgrowth.

Upon conclusion of such report, upon motion by Director McGillicuddy, seconded by Director Kelly and unanimously carried, the Board approved the Inframark General Manager's Report.

13. Matt Kutac reviewed an amended Service Rate Order with the Board to formalize Kristi Hester's recommendation for an increase in the amount of the non-refundable portion of the existing swimming pool deposit (from \$100 to \$250) to cover Inframark's costs in handling the administration and inspections required. Upon motion by Director Wachsmann, seconded by Director Kelly and unanimously carried, the Board approved an Order Adopting Amended Service Rate Order (June 18, 2020), a copy of which is attached hereto as **EXHIBIT "I"**.

14. Matt Kutac presented a form of a final, proposed Order Adopting Technology Use Policy noting that he had incorporated concerns from both Directors McGillicuddy and Bethke into the final proposed form of Order. Following a discussion and motion by Director McGillicuddy, seconded by Director Kelly and unanimously carried, the Board approved said Order, a copy as is attached hereto as **EXHIBIT "J"**.

15. With respect to West Travis County Public Utility Agency ("WTCPUA") or Lower Colorado River Authority matters, Matt Kutac noted he had nothing to report at this time. Andy Barrett updated the Board with respect to the WTCPUA losing two Board members and adding one. He noted that the WTCPUA was meeting this same evening and may be authorizing use of WTCPUA funds to assist with legal representation of certain former Board members who had been sued individually for actions taken while on the agency's Board. Following a motion by Director Wachsmann, seconded by Director Harris and unanimously carried, the Board requested that Mr. Barrett check further into such matters and, if verified and necessary, prepare a letter of concern to the WTCPUA and have same executed by the Board President and delivered.

16. The Board confirmed that its next regular meeting would be scheduled for Thursday, July 16th and it was noted that Kristi Hester would confirm all upcoming committee meetings with the committee members.

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 6th day of August, 2020.




Sean McGillicuddy, Secretary