

MINUTES OF THE MEETING
OF THE
BOARD OF DIRECTORS
June 24, 2021

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 the 24th day of June, 2021, 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:

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

All members of the Board were present via zoom video conferencing for the commencement of the meeting. It should be noted for the record that all Board members present voted on all matters that came before the Board. Also present via Zoom video/audio conferencing were Matt Kutac of the law offices of Matthew B. Kutac, PLLC, Andy Barrett of Andy Barrett & Associates, Kristi Hester and Kay Olsen of Inframark, the District’s general management and operations contractor, Lauren Barzilla of CMA Engineering (“CMA”), the District’s engineers, Allen Douthitt of Bott & Douthitt PLLC (“Bott & Douthitt”), the District’s bookkeeper, Vicki Hahn, paralegal with Winstead PC and Josh Fort of WLE, LLC, the District’s landscape service providers.

Matt Kutac explained a few guidelines for the 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. Matt Kutac confirmed that no members of the public had signed up for public comment in advance of the meeting by submitting an email. He further called for public communications and comments from any person, including any persons tied in the meeting via audio. Mr. Kutac asked if there was any other person participating in the meeting who wished to address the Board under this item. Hearing no response, the Board proceeded to the next item of business.

2. The Board reviewed the Minutes from the May 20, 2021 Regular Board Meeting. Following a review thereof, upon motion by Director Kelly, seconded by Director Harris and unanimously carried, the Board approved said Minutes with a correction to Director Lee’s name and a revision to the Paragraph 5 regarding the Naples Sidewalk Extension.

3. The Board recognized Allen Douthitt who presented Bott & Douthitt's Accounting Report dated June 24, 2021, which included a review of the Cash Activity Report Including Subsequent Activity through June 24, 2021 and expenditures to be approved at this Board Meeting. Such Cash Activity Report included director and vendor payments, fund transfers and the Financial Statements for April 30, 2021 for review and approval by the Board. Mr. Douthitt then gave a brief update with respect to the Cash/Investment Activity Report, the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance. During his report, Mr. Douthitt mentioned that with respect to disbursements, there is nothing out of the ordinary. With respect to transfers, Mr. Douthitt noted that the following transfers were made: (i) \$24,000.00 from the BancorpSouth Operating Account to the BancorpSouth Managers Account; (ii) \$59,890.44 from TexPool Operating Account to the Hays County WCID No. 1 TexPool Operating Account; (iii) \$292,961.99 from the TexPool Tax Account to the TexPool Operating Account; (iv) \$230,000.00 from the TexPool Tax Account to the TexPool Debt Service Account; and (v) \$2,502.87 from the TexPool Debt Service Road Bonds Account to TexPool Debt Service Account.

Following Mr. Douthitt's presentation, upon motion by Director Kelly, seconded by Director McGillicuddy and unanimously carried, the Board approved the above-referenced Accounting Report and disbursements.

Director Bethke asked Mr. Douthitt if the Touchstone invoices are paid directly by the District or if they are part of the Joint Agreement with Hays County No. 1. Mr. Douthitt confirmed that the Touchstone invoices are part of the Joint Agreement and are split between Hays Co. No. 1 and the District. Director Bethke then asked Ms. Hester to get Director Bethke and Director McGillicuddy a copy of the Touchstone invoices as discussed in the joint Customer Care Committee meeting. Ms. Hester agreed and Mr. Douthitt stated that he will pull the invoices together.

4. Preliminary discussions regarding 2021-2022 Budget: Mr. Kutac mentioned that he was not sure if the Finance Committee, Ms. Hester and/or Mr. Douthitt had been working on the Budget. Mr. Douthitt stated that he does not have a budget prepared yet because he has not seen the certified appraisal values yet. The certified appraisal values should be ready in July and then he will review them and also get Chris Lane's opinion. He is planning to have the draft budget ready for the August meeting and then have it adopted by the Board in September. Ms. Hester then mentioned that the committees will be getting together to discuss what projects they would like to consider for addition to the budget. Ms. Hester mentioned that the Infrastructure Committee has a preliminary list and that the Parks Committee will be meeting to discuss their list. Director Kelly stated that there are some projects that they would like to get done now, if at all possible. Director Harris noted that there are some items for the Wastewater Treatment Plant that Hays County No. 1 would like to do and both Districts have a little extra money left over from the bond issues that they could use to fund the items. Mr. Kutac stated that one of the items is the Weir project for overflow prevention. Mr. Douthitt mentioned that there is about a \$550,000 surplus sitting in the capital fund and Hays County No. 1 has exhausted their funds paying for the drum screen project. He suggested that the District could use the money to pay itself back for the drum screen project, the rehab project and the blowers at the WWTP.

5. Tax Exemptions: Director Harris mentioned that for an approximate median home value of \$484,347, a 20% exemption for the Disabled or 65 and older is approximately a \$27,000 loss to the operating budget and a 7% homestead exemption is approximately a \$33,900 loss to the operating budget. He noted that Chris Lane, the District's financial advisor thought the District could handle these numbers. A general discussion of the rates and loss to the operating budget ensued.

(a) Disabled or 65 and older: Upon motion by Director Kelly, seconded by Director Bethke and unanimously carried, the Board authorized a \$20,000 exemption.

(b) Homestead: Upon motion by Director Harris, seconded by Director Lee and unanimously carried, the Board authorized a 4% discount of value for each resident's homestead.

Upon motion by Director McGillicuddy, seconded by Director Harris and unanimously carried, the Board adopted the Order Adopting Residential Homestead Exemptions.

6. The Board recognized Josh Fort from WLE. Mr. Fort then reviewed the monthly WLE Landscaping Service Report, provided in advance to Inframark. In Mr. Fort's report, he discussed the following:

- **Belterra Tree Removal Proposal**: Mr. Fort presented a map that marked the areas with dead trees and noted that the dead trees were not due to the winter storm. He presented a proposal for taking the trees down and grinding the stumps. Director McGillicuddy noted that there are still downed trees by the cemetery that were damaged in the winter storm. Mr. Fort assured him that he would take care of removing those trees. Mr. Fort stated that there are 29 trees in the District that need to be removed and they are noted in the proposal. The estimate is for \$39,525.00. He also noted that even though the estimate says it is for Hays County No. 1, it is a typo and the estimate is for the District. Mr. Fort estimates that the job will take one month to complete. It was suggested that the Board may want to forward this proposal to the Parks Committee. However, Directors Bethke, Harris and Kelly would prefer to proceed now.

Director Bethke mentioned that a resident saw a worker dropping debris down the storm drains. Mr. Fort responded that WLE takes this type of issue very seriously. He apologized to the District and noted that the two workers involved no longer work for WLE.

Director Lee then mentioned that she has seen a contractor taking care of Estes Pond and he drives an unmarked truck over the sidewalk to the pond. She does not want anyone to get the idea that they can drive their car to the pond. Ms. Hester noted that the contractor is Aquatic Features, not WLE and that she will discuss the issue with them.

7. Lauren Barzilla of CMA presented CMA's monthly Joint Wastewater Treatment Plant ("WWTP") and 210 Reuse Irrigation engineering report, a summary of her report is as follows:

- I. **Potential action items for the meeting:**
 - a) Final completion for Drum Screen Replacement Project;
 - b) Approval of Drum Screen Replacement Pay Application No. 8 for \$84,019.90 (final payment); and
 - c) Recommendation of Award for the Belterra EQ Tank Blower Replacement Project.
- II. **Drum Screen Replacement:**
 - a) Recommend final completion;
 - b) Recommend approval of Pay Application No. 8;
- III. **EQ Tank Blower Replacement:** Recommend award of bid.
- IV. **Belterra Wastewater Treatment Plant Weir Overflow:** Structural drawings have been received. CMA is reviewing.

V. **Wastewater Summary:**

- a) Average Daily Wastewater Usage (April 2021) = 342,000 gpd;
- b) 75% of Permitted Capacity = 375,000 gpd;
- c) Number of consecutive months over 75% = 0;
- d) 90% of Permitted Capacity = 450,000 gpd; and
- e) Number of consecutive months over 90% = 0.

Ms. Barzilla mentioned that with respect to Paragraph 7, Section III above, CMA thought the EQ Tank Blower Replacement project would cost less than the threshold requiring a public bid. However, the bid from the Excel was \$188,000. She only received one bid even though she asked three contractors to bid. She noted that Hays County No. 1 authorized CMA to publicly request bids on this project. Thursday was the first advertisement. The bids are due July 8. She noted that she cannot guarantee a lower price than the \$188,000. She will have more information at next month's Board Meeting. She also mentioned that Hays County No. 1 and the District were hoping to have this project completed by the end of the year, but now, due to the time required to obtain bids, the project won't be completed until next year.

With respect to Paragraph 7, Section IV, Ms. Barzilla noted that she was able to get the design out to a contractor for a preliminary estimate. Once she receives the estimate, Ms. Barzilla will present it to the Board and the Board can decide if it wants to move forward with the project.

8. Ms. Barzilla then moved on to CMA's District Engineering Report. A summary of her report is as follows:

- I. Potential action items for meeting: None
- II. Fire Station: Grand opening scheduled for June 26.
- III. Naples Sidewalk Extension and Trail Project:
 - (a) Project update:
 - (i) Hays County;
 - (ii) City of Dripping Springs; and
 - (iii) TCEQ;
 - (b) Trail name discussion – Mockingbird Trail; and
 - (c) Potential Splash Pad connection.

With respect to the Trail Project, there has been a little bit of a set back with respect to the TCEQ. When Ms. Barzilla originally discussed the submission requirements with the TCEQ she was going to submit an exception request due to the relatively small size of the trail extension area compared to the overall size of the District. Normally, a modification request would be submitted for a big project such as a parking lot, but a footpath is so small, a modification is not usually required. However, when she submitted the exception, the TCEQ informed her that they would be requiring water quality BMPs and a geologic assessment. Ms. Barzilla noted that the assessment was filed by the developer with the TCEQ for a past project but now the TCEQ claims not to have it. Ms. Barzilla has reached out to the developer and the designer to see if they have a copy of the assessments. As a result of this issue with the TCEQ, CMA is bumping up against the budget for this project and Ms. Barzilla may need to submit an amendment to the Task Order. The good news is that it looks like the District can move forward with the trail project without having to build another detention pond.

With respect to the City of Dripping Springs submittal, she is working on the applications and as soon as she gets the applications signed by the Board, she will submit them. She submitted to Hays County and they are calling it a driveway permit.

With respect to the Trail Name, the Board discussed it and decided that it would be called the Mockingbird Trail.

With respect to connecting the trail to the Splash Pad, Director McGillicuddy thinks there will be a lot of push back from the residents of the Cove because the Builder mistakenly told them that the greenbelt was exclusive to them even though that was is not the case. The greenbelt belongs to the District and to all residents of the District. The Board discussed how best to handle this situation without upsetting any residents in the District and discussed obtaining the residents opinions on how best to implement the project before proceeding. The Board proposed to have the footpath go through the center of the greenbelt to ensure that it is as far from resident homes as possible. The Board also determined that they would like to remove the least amount of trees possible to make room for the trail. It was agreed that Ms. Barzilla would look at the area on June 20th. After that, she would draw a map of the proposed trail and Ms. Hester would include the drawing in the newsletter to the residents.

Upon motion by Director Harris, seconded by Director Bethke and unanimously carried, the Board approved the monthly engineering reports.

9. Ms. Hester reviewed Inframark's General Manager's Report, and in particular, the executive summary memorandum dated June 24, 2021. Ms. Hester gave the following updates:

- **Wastewater Treatment Plant:**
 - a) All facilities are in compliance for the Month of May;
 - b) Daily average flows are 368,000 gallons a day, 74% capacity;
 - c) Cleaned pre aeration basin;
 - d) All basins have been cleaned - July schedule to pull and inspect membrane filters;
 - e) Replaced flow meter on polymer pump system; and
 - f) MBR Spare blower repaired back in line.
- **Re-Use Water System - Drip System:** Drip field inspection underway.
- **Distribution System – Billing:**
 - a) Delay in meters and endpoints due to a chip shortage - estimated ship date July 13, 2021;
 - b) Annual meter calibration on interconnect meters completed;
 - c) District installed master meters - found the solar panels need to be larger to utilize the auto reads; and
 - d) Repair to fire hydrant at 383 Seneca.
- **Collection System:**
 - a) Lift station 4 pump repair or replace. Repair is \$2,914 with 3 to 4 week lead time. To replace \$4680 with a two to three week time; and
 - b) SCADA alarms at all Lift Stations complete and fully functional.

- **Drainage/Ponds:**
 - a) Several ponds are on the schedule to be cleaned once weather allows; and
 - b) Several residents are concerned with drainage issues (recommend taking the subject to the Customer Care Committee).
- **Parks – Trails:**
 - a) Committee meeting June 29th to review possible budget items for 2022.
- **Construction:**
 - a) Working on last punch list items for the ESD; and
 - b) 162 Builder inspections completed.
- **Customer Care Committee (“CCC”):**
 - a) Meeting scheduled June 8th. Report will be provided at Board Meeting; TDS, Security, Touchstone and Newsletter.
- **Infrastructure Committee:** Meeting to review asset plan and 210 irrigation plans.
- **Other:**
 - a) Received estimate for ADA curb install at \$22,242.00. Inframark is getting a second price.

Ms. Hester introduced Kay Olsen as a new member of Inframark. Ms. Olsen will be working with Ms. Hester so the Board should expect to see her from time to time.

Ms. Hester discussed the decision to repair or replace the Lift Station No. 4. The Board discussed the pros and cons of repairing the pump or replacing the pump. It was determined that they should replace the pump and, if possible, repair the old pump to keep as a spare.

Ms. Hester mentioned that there was a joint CCC meeting on June 8th. They discussed security and having the constable alternate hours and areas of his patrol. The Board had a general discussion regarding security issues and suggested areas that they would like the constable to patrol. The Board discussed speed issues and Director McGillicuddy mentioned a radar speed sign that was put up that flashes a driver’s speed. The radar speed sign also maintains data so you can determine where speed is an issue. Director Harris asked Ms. Hester to find out what the cost would be to install a radar speed sign and to determine if they are available via solar power because there is not an electric source nearby.

Director Lee mentioned that some of the neighbors said they did not get their pool deposit returned. Ms. Hester assured Director Lee that the District, at one point, had over 100 pool installations. There were a lot of deposit returns and might have led to one or two not being returned in a timely manner but the issue has been corrected.

Ms. Hester then mentioned that Touchstone was also discussed during the joint CCC meeting and it was determined that this issue would be reviewed in six months.

The Board then discussed the possibility of adding their e-mail addresses on the website so that residents could reach them directly. Mr. Kutac reminded the Directors that they would have to be very careful not to violate the Open Meetings Act by responding to all when other Directors are copied on the e-mail. It was determined that none of the Board members were opposed to adding their District e-mail address to the website so Ms. Hester should let Touchstone know to add the e-mails to the website.

Ms. Hester presented the Lone Star Paving estimate for \$9,764.15 estimate for the ADA curb cut ramps. At the last Board meeting, the Board approved this project on the basis that it not exceed \$5,000. Ms. Hester has asked for two more proposals and will present those proposals at the next Board meeting.

When asked by Director Bethke, Ms. Hester confirmed that the two projects to top off the mulch at the two parks are behind schedule and will be completed by the end of July or the beginning of August.

Actions:

- (a) Upon motion by Director Harris, seconded by Director Bethke, the Board approved replacing the Lift Station No. 4 pump for \$4,680.
- (b) Upon motion by Director Bethke, seconded by Director Harris and unanimously carried, the Board approved completion of the Neltronics project (tying the Lift Stations to the SCADA system) and the release of the final payment of \$43,057.15 to Neltronics.
- (c) Upon motion by Director Bethke, seconded by Director Harris and unanimously carried, the Board approved WLE's tree removal proposal for \$39,525.
- (d) Upon motion by Director Bethke, seconded by Director McGillicuddy and unanimously carried, the Board approved the WLE Estimate for \$1,793.92 to connect the Pinnacle sidewalks to the mail kiosk like it should have been when it was first installed.
- (e) Upon motion by Director McGillicuddy, seconded by Director Harris and unanimously carried, the Board approved the request for the grinder station by 542 Naples subject to the resident's execution of a grinder pump agreement.
- (f) The Board discussed a request by the resident at 124 Challis to use the greenbelt for a pool installations. Ms. Hester recommends moving forward. Ms. Hester presented a satellite picture of the home in question. The pool builder would like to break the stone wall in order to install a pool. The HOA approved breaking the stone wall but the homeowner is required to repair it. Per Ms. Hester, there is no irrigation in the area so damage to the irrigation is not in question but she recommends adding another \$1,500 to make sure the greenbelt is cleaned up and restored. The Board then questioned exactly where the wall would be accessed and requested that Ms. Hester go back to the homeowner to determine where the wall will be accessed and which part of the greenbelt would be utilized. Ms. Hester agreed to go back to the homeowner to get these details and also inform the homeowner of the Board's requirements that they (i) not use Mesa Verde as an access point; and (ii) acknowledge there is no overnight storage of equipment and/or supplies. She will bring the details back to the board at the next Board meeting.

Upon motion by Director Harris, seconded by Director McGillicuddy and unanimously carried, the Board approved the monthly General Manager's Report.

10. Touchstone: The Touchstone issue was discussed earlier in the meeting.

11. Update on 2021 legislative session: Mr. Barrett stated that the regular legislative session is over but they are going back into Special Session on July 8th. He confirmed that no legislation that would adversely affect the District passed.

12. Preliminary Certified Values: This topic was discussed earlier in the meeting.

13. Arbitrage Rebate Summary Report: Mr. Kutac explained that an entity issuing bonds is required to rebate any amount in excess of the amount earned on an investment that was purchased with a bond over what the entity would have earned on the yield from the bond. He explained that the government does not want entities issuing bonds to using the bonds for speculative purposes or any purpose other than the intended purpose. He confirmed that the District does not require an Arbitrage Rebate based on the report received from Arbitrage Compliance Specialists. Upon motion by Director Harris, seconded by Director Bethke and unanimously carried, the Board acknowledged the Arbitrage Rebate Summary Report.

14. Proposed Joint 210 Irrigation System Plan Modification: As was mentioned earlier in the meeting, a joint Infrastructure Committee meeting met and reviewed the asset plan and proposed changes to the joint 210 irrigation plan. Mr. Kutac noted that some of the Directors probably have not heard of this before because it was implemented in the early part of last decade. The plan was intended to develop a process for installing the reclaimed water irrigation. The District completed the work set forth in the original plan, but a revision is needed to update the plan to reflect what has been done and to address a few maintenance issues that were deferred. The committees are going to draft a chart that condenses and illustrates the 210 irrigation areas and the capacity of those areas. This chart is needed so the Districts can get a clear, one-page picture on irrigation throughout both Districts and the disposal capacity for the treated effluent. In addition, the Districts want to proactively predict what might happen in the future with respect to the irrigation plan. With the WWTP, the District will be looking to make improvements to the existing system. There might also be an areas better served by a reclaimed irrigation well so the District may want to consider adding irrigation wells as needed, and the plan revisions will address such matters. One item that was delayed and will be discussed in the future is who maintains these irrigation areas. Obviously, the District will want to maintain areas in its own boundaries. The committee members agreed that each district will maintain the 210 areas within their boundaries and are responsible for the costs in their own district, with the exception of the recently installed 100 acres. Such acres would be treated like the drip irrigation fields and be considered a shared expense. There is no action required tonight, the committees just wanted to give an overview and allow the other Directors to look at the draft on the Google Drive. Mr. Kutac asked that any questions be directed to him.

15. Surplus Bond Proceeds from Series 2020 Unlimited Tax Bonds: The possible use of surplus funds was touched upon earlier. The District has approximately \$550,000 in surplus funds and needs to discuss how to use the funds. It was suggested the recent WWTP projects are larger ticket items and it would be helpful to use some of those surplus proceeds to cover those costs. The committee will come back at the next meeting with a more detailed recommendation and resolution.

16. Mr. Kutac stated that there is nothing new to report with respect to water supply with LCRA and water service through West Travis County PUA.

17. Committee Meetings: Ms. Hester stated that she will schedule upcoming committee meetings. Mr. Kutac mentioned that the meeting next month is on July 15th. The Board discussed using the recreation center for Board Meetings when meetings return to in-person meetings. It was noted that the recreation center is already booked for the 2nd Thursday of the month, which conflicts with the District's regular monthly meeting so a new meeting date needs to be established. There was a discussion on suitability of the recreation center for the meetings but it was determined that the recreation center already has enough furniture to accommodate a Board Meeting. Mr. Douthitt confirmed that there would be no issues with payment of bills if the meeting date is changed to the end of the month. The only issue is making sure the PUA is paid timely. Most of his clients pay the PUA out of the bookkeeping account so it should not be an issue. After sorting out various conflicts, it was determined that the meetings would be on

the last Thursday of the month. Director Harris will confirm with the recreation center that the District can get the last Wednesday or Thursday of the month. It was determined that the District would plan to start meeting at the recreation center in August or September. It was also determined that the District will adhere to the existing regular meeting date until the move to the new venue.

18. Executive Session: No Executive Session was required.

19. There being no further business to conduct, Director Harris 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 on the 15th day of July, 2021.




Sean McGillicuddy, Secretary