

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 16th day of July, 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 participating in the ZOOM meeting were Matt Kutac of the law offices of Matthew B. Kutac, PLLC, Andy Barrett with Andy Barrett & Associates, PLLC, Judy McAngus, paralegal with Winstead PC, Kristi Hester and Jesse Kennis with Inframark, the District's general management and operations contractor, Chris Lane of SAMCO Capital Markets, Inc., the District's financial advisor and Lauren Barzilla with CMA Engineering ("CMA"), the District's engineers and Allen Douthitt with Bott & Douthitt, the District's bookkeepers. In addition, Johnny McDonnell and 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. It was noted that the Minutes of June 18, 2020 regular meeting would be available for approval at the next Board meeting.

3. The Board recognized Allen Douthitt to present the Bott & Douthitt Cash Activity Report and Cash/Investment Activity Report dated July 16, 2020 which included director and vendor payments, various wire transfers between District accounts, two separate letters to Bancorp South requesting final transfer of the remaining funds from both the road and utility capital projects accounts and the official closing of those capital project accounts that were no longer needed and financial statements through May 31, 2020, such report being attached hereto as **EXHIBIT "A"**. Mr. Douthitt noted that the check detail included the issuance of a new Operating Check No. 2631 to CC Carlton Industries to replace Operating Check No. 1998 in the amount of \$2,000. 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.

In addition, Mr. Douthitt noted that he had mentioned to the Finance Committee and would be working with Matt Kutac on a proposed minor amendment to the existing Sixth Amended and Restated Joint Facilities Agreement between the District and Hays County WCID No. 1 ("HCWCID No. 1") that would improve and simplify the overall accounting and payment obligations between the districts as related to the operations and maintenance costs for certain joint wastewater facilities owned by HCWCID No. 1 and shared by both districts. He noted that the manner he is proposing is the standard manner that most districts utilize and is the preferred accounting method by his firm and the District's auditing firm, Maxwell Locke & Ritter LLC for handling such shared costs.

In addition, he noted that Bott & Douthitt is looking into managing the District's accounts more closely and have temporarily suspended the use of the prior Manager's Account until various safeguards are put in place and reviewed in advance with the Finance Committee before being brought back to the Board. He noted that, at this time, no checks are being issued until reviewed by the Finance Committee and brought back to the Board for approval. Mr. Douthitt proposed that the Board consider modifying the existing signature authority on the Manager's Account and that he would propose that the signatures on the account be any two of three signatures to all checks issued on the Manager's Account (i.e., typically both Mary Bott and Allen Douthitt – the two principals of the firm, including Mr. Douthitt, Ms. Bott and Patricia Melton, a Bott & Douthitt employee. It was noted that a recap of all checks issued between meetings or proposed to be issued following meetings, would be consistently reported on the monthly cash activity report for the District and reviewed by the finance committee in advance of Board approval.

Also, Mr. Douthitt noted that there appeared to be approximately \$2,700,000 in pledged collateral for approximately \$600,000 of deposits and noted that Bott & Douthitt would also be working to reduce the amount of required collateral pledged to more closely match the deposits at Bancorp South. He noted that they had been moving more money into the District's TexPool account which does not require collateral and does earn a small amount of interest. Also he noted that they were working to establish a Positive Pay system through Bancorp South that has

a series of checks and balances associated with such system to better safeguard the District's funds.

Following a thorough discussion of the report and related matters and upon motion by Director Harris, seconded by Director Kelly and unanimously carried, the Board approved the above-referenced Cash Activity Report including checks and wires listed thereon.

In addition and by motion of Director Kelly, seconded by Director Wachsmann and unanimously carried, the Board authorized the modification of the signatures to the existing Manager's Account to include any two of the three persons (specifically being names as Mary Bott, Allen Douthitt and Patricia Melton).

The Board seemed in agreement as Mr. Douthitt had proposed with respect to his working with Matt Kutac on revisions to the existing Sixth Amended and Restated Joint Facilities Agreement and into finding out the particular fees tied to setting up a proposed Positive Pay system which he would bring back to the Board for further consideration.

4. Matt Kutac presented the form of an Order Calling Director Election (Amended and Revised for 2020 Directors Election Postponed to November 3, 2020) to the Board, a copy of which is attached hereto as **EXHIBIT "B"**. For the record, please note that the District's initial May 2, 2020 directors election had been postponed and moved to November 3, 2020, the next uniform election date, in order to mitigate the spread of COVID-19. Mr. Kutac confirmed that the proposed Order relied on the Texas Secretary of State's Election Advisory No. 2020-12 regarding the confirmation that the candidate filings received for the election originally scheduled for May 2, 2020, will remain valid for the November 3, 2020 election, that the filing period will not be reopened for the November, 3, 2020 election, and that candidate drawing for placement on the ballot will remain the same. In addition, the Board reviewed an updated form of Joint Election Agreement between Hays County ("Election Agreement") and the District, as well as a separate Contract for Election Services ("Election Contract") with the District and the Hays County Elections Administrator. Following a review of the entire Order, Election Agreement and Election Contract and upon motion by Director Wachsmann, seconded by Director Harris and unanimously carried, the Board approved said Order, Election Agreement and Election Contract. It was noted that one of the candidates had expressed an interest in putting up candidates bios on the District's website, and should the Board wish to do so, the directors should put some thought into the details regarding same within the next few months. In addition, Matt Kutac noted that one of the candidates had expressed concerns over the handling of drawing of the names for the ballots in the election, but that Judy McAngus had provided detailed backup as to the notifications given, those present at the drawing and details of the drawing, which was conducted following proper notice and in public with Director Bethke conducting such drawing.

5. 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. In addition, he updated the Board by noting that WLE had poured the concrete portion of the trail leading into the Sand Hills Park where the trail had washed out (as had been authorized at the last meeting).

6. 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 "C"**. The report included a summary of important dates provided by the contractor related to the drum screen replacement project and ended with a proposed final completion date for the project of December 25, 2020. Ms. Barzilla confirmed that there was no action needed by the Board with regard to the project.

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

Under item II. of such report, Ms. Barzilla confirmed that with regard to the District's Bond Application No. 7, in the amount of \$6,270,000, that the District's staff had provided a copy of the TCEQ draft Order and related staff memorandum. In connection with such application, Mr. Kutac noted that following a review by Lauren Barzilla of CMA and himself, he had signed the "consent" form consenting to such items. It was noted that following receipt of the consent form, that typically the TCEQ would issue an executed final Order within a week. In addition, Ms. Barzilla noted that CMA had already received a pre-purchase inspection approval from the TCEQ to the projects proposed to be funded with the proceeds of the bonds. The Board discussed a proposed special meeting on August 6th to approved related bidding materials and formally set the sale date for the District's Series 2020 Unlimited Tax Utility Bonds.

Under item III of such report, Ms. Barzilla noted that the Brentwood Drainage project is now complete, with the exception of revegetation.

With regard to item IV, the ESD Station project that is being constructed within the District, Ms. Barzilla noted that the contractor had not started construction of the public utilities, but that they had received a change order from the contractor that the Board would review later on in the meeting.

Regarding item V., Ms. Barzilla reported with respect to the Naples Sidewalk Extension project that they waiting to hear from the Board as to whether there were additional trails to be added prior to finalizing the scope of the project.

With respect to item VI of such report, Section 21-2 Water Services, Ms. Barzilla confirmed that the services had been moved by CC Carlton and that such related matters had thus been resolved.

Ms. Barzilla confirmed that there were no action items needed on the CMA general report.

8. With respect to item 8 on the posted agenda, "consideration and possible action with respect to proposed water and wastewater services agreement with Hays County ESD No. 6," Matt Kutac noted that such item would be taken up in executive session.

9. With respect to the District's final reconciliation payment to HCWCID No. 1 under the existing Sixth Amended and Restated Joint Facilities Agreement, Matt Kutac confirmed that the initial wire of funds from the District that Inframark had processed in payment of the final true up costs owed to HCWCID No. 1 was inadvertently processed in the

amount of \$510,000 when the total due was \$510,785 but that the District had written an additional check at its last meeting for the remaining \$785. He confirmed that a final Resolution Acknowledging Receipt of Reconciliation Payment Under Sixth Amended Joint Facilities Agreement had addition all been secured from HCWCID No. 1 (copy attached hereto as **EXHIBIT "E"**), which now confirmed the full payment and final satisfaction of the related obligations under such agreement due from the District to HCWCID No. 1.

10. Jesse Kennis 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"**.

Mr. Kennis summarized the action items and upon motion by Director McGillicuddy, seconded by Director Kelly and unanimously carried, the Board approved the following expenditures:

\$ 8,970.00	WWTS – Aeration Basin (#2 basis) Cleaning at the WWTP;
\$22,400.00	K2 Contract Services – Additional rehab work to the clarifier, sand Blasting, sealing and painting (WWTP); and
\$ 8,947.40	Concrete Raising - annual sidewalk audit and repairs.

Mr. Kennis 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, parks-trails, construction, customer care, and infrastructure committee. Other than the standard summary of such reports, Mr. Kennis noted that with regard to the Collection System and a recent overflow at Lift Station No. 6 on Catalina due to a voltage surge, that Inframark is considering installing a chart recorder to help determine the issue. He also noted that Inframark is rechecking all facilities to insure they have proper surge protectors in place to avoid similar incidents that could occur in the future.

Also, with regard to the drainage/ponds, he noted that in Section 20, the pond is not draining properly due to sediment buildup and they are recommending and starting to work with Toll Brothers (builder in that section) to come in just prior to the last homes being completed to help defray the costs of the cleaning of that pond.

In addition to the parks update on such report, it was noted that Director Bethke and Kristi Hester did a recent parks inspection in addition to Inframark's usual visual inspection. It was reported that they explored a new area of District open space land behind the newer sections, which runs next to the church site within the District and seems to be a good possibility for development by the District. Director Harris noted that some homeowners might not want to have a lot of foot traffic behind their homes; however Director Bethke noted that she felt the trail could snake around areas and provide a shady walking path for residents. It was noted that any form of trail in such area was in the preliminary evaluation stage. Mr. Kutac stated that the evaluation of future trail areas would need to be consistent with previous environmental and cultural reports and studies that had been performed in the District.

With regard to Construction activity, it was noted that Ms. Hester and Director Bethke found an area where it appeared contractors had been using the District's greenbelt area to access

Mesa Verde and Angelina Way into Highpoint (the neighboring subdivision). It was noted Inframark was looking further into such issue.

With regard to further discussion on the continuation of park cleaning services following the initial thorough cleaning of the District parks in advance of their recent reopening, it was the consensus of the Board to discontinue such in depth cleaning of the park equipment and related park facilities. It was noted that current US Center for Disease Control ("CDC") guidelines state that sanitizing outdoor surfaces is an inefficient use of sanitizing agents, and the work comes with a hefty monthly price tag of \$8,900.

Mr. Kennis recapped that the water loss factor in the report, noting that the most recent reading reflected a 95% water accountability. He stated that all else was in order as relates to monthly operations and that he was available for any questions the Board may have. Hearing none and following a motion by Director Wachsmann, seconded by Director Harris and unanimously carried, the Board approved Inframark's General Manager's Report.

11. The Board reviewed an engagement proposal from Maxwell Locke & Ritter, PLLC with respect to the preparation of an Agreed Upon Procedures Report in connection with the District's \$6,270,000 Series 2020 Unlimited Tax Utility Bonds at an estimated amount between \$10,000 and \$12,000. Following a motion by Director McGillicuddy, seconded by Director Wachsmann and unanimously carried, the Board approved said engagement letter, a copy of which is attached hereto as **EXHIBIT "G"**.

12. With regard recommendations from the Infrastructure Committee as to continued use of Belterra Centre (which facility is owned by HCWCID No. 1) for meetings and other District business and related terms of use, it was noted that initially the District's Infrastructure Committee had recently met with HCWCID No. 1's Buildings Committee.

Director Kelly thought they had come to a good initial agreement, noting that the District's Infrastructure Committee had expressed that the District would not be assisting with the repayment of any share of past expenses or improvements that HCWCID No. 1 had made to the Belterra Centre (which figure was estimated at \$75,000, or half of the total of previous improvements) but that, this appoint, the Infrastructure Committee felt there were two options on the table:

a. \$100 per hour with a minimum 5 hours per month (i.e., \$500 for 5 hours) and an equal split of the costs of the monthly utilities (estimated to be around \$600 total (i.e. the District's share for utilities would be approximately \$300) plus a one-half share for any maintenance items (it being noted that large scale repairs such as roof replacement, the Air Conditioning system that had recently been replaced and similar changes to the existing building would be excluded); or

b. Because that number would not be the same each month, the Infrastructure Committee had asked that the HCWCID No. 1 Building Committee discuss with their Board a monthly all-inclusive rate (say \$1,500 a month or lower) that will cover all usage, utilities and the District's share of maintenance going forward so that the Board might consider such all in option which would assist with their budgeting. That said, Director Kelly noted he had not heard

back from anyone from HCWCID No. 1 with regard to a proposed all-inclusive monthly flat rate that the Board could also consider.

It was discussed that both districts were political subdivisions and would both negotiate on the basis of what would be fair and reasonable to each district. Director Kelly noted that moving forward it would appear fair to pay a flat rate (if reasonable) but again to not go back and pick up expenses that HCWCID No. 1 had previously incurred for improvements. Kristi Hester was asked to set up a Zoom meeting of the two committees again to further discuss the options available and be able to bring back a recommendation to the Board for consideration at its next meeting.

Director Wachsmann noted that he might just call Robby Callegari with CMA Engineering, the District's engineering firm, and see if the Board can simply meet at the CMA offices in the Ledgestone Subdivision across Hwy 290 in the vicinity of the District (for the record, the Board met at such offices for nearly all of its Board meetings prior to HCWCID No. 1 acquiring Belterra Centre).

13. With regard to consideration and possible action regarding possible request for proposals for landscaping and irrigation services, Matt Kutac noted that the HCWCID No. 1 Board had decided to go out for requests for proposal with regard to their regular district landscape services and also the 210 irrigation landscape maintenance services (which would also include any repairs to such irrigation system). It was noted that it was thought, at this time, that the HCWCID No. 1 Parks Committee was looking over what would need to be included into an RFP relating to their parks and trail landscape maintenance and their Infrastructure Committee was looking into what would needed to be included in an RFP as relate to infrastructure (210 irrigation) services. Mr. Kutac noted that HCWCID No. 1's decision to consider pulling together an overall RFP for both such services would affect the District because 210 irrigation costs are shared between the Districts. Mr. Kutac noted that HCWCID No. 1 had also inquired as to whether the Board might be interested in joining in such process. Director Harris noted that he would like to discuss the matter further in the next Infrastructure meeting in order to understand why HCWCID No. 1 is taking such action.

14. In addition, following a thorough review and discussion of a proposed amendment to Inframark's agreement with the District with respect to the removal of bookkeeping services from the scope of operations and management services, upon motion by Director McGillicuddy, seconded by Director Harris and unanimously carried, the Board approved an Amendment to Operations and Management Agreement relating to the District facilities dated as of June 1, 2020 between the District and Inframark, a copy of which is attached hereto as **EXHIBIT "H"**.

15. 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 noted that further updates would be provided during the Board's executive session later on in the meeting.

16. The Board confirmed that its next regular meeting would be scheduled for Thursday, August 20, 2020 and a special meeting would be set for August 6, 2020 and it was noted that Kristi Hester would confirm all upcoming committee meetings with the committee members.

17. With respect to item 8, 13 and 15 on the posted agenda, Director Wachsmann, seconded by Director Harris and unanimously carried, the Board retired, along with Matt Kutac, to Executive Session at approximately 7:25 p.m.

18. Following such Executive Session and upon motion by Director Harris, seconded by Director Kelly and unanimously carried, the Board reconvened in public session at approximately 7:56 p.m. The record shall reflect that Director Bethke did not rejoin the meeting and did not vote on the remaining items below. It was confirmed that no action was taken with respect to items 8, 13 and 15 during the Executive Session and no action was necessary following such session with respect to items 13 and 15. For the record, Mr. Kutac stated that with respect to the ongoing review of the transactions of the District's the prior bookkeeper (item 15), he had received preliminary confirmation from the District's auditor that such bookkeeper had misappropriated District funds and that he anticipated having a more conclusive report for presentation at the August meeting.

With regard to item 8 on the posted agenda "consideration and possible action with respect to proposed water and wastewater services agreement with Hays County ESD No. 6", upon motion by Director Harris, seconded by Director McGillicuddy and unanimously carried, the Board accepted contract changes as reviewed during such Executive Session and authorized execution of such contract.

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

APPROVED AND ADOPTED this 17th day of September, 2020.




Sean McGillicuddy, Secretary