

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 regular session, on the 17th day of September, 2020, at Belterra Centre, 151 Trinity Hills Drive, Austin, Texas, within the District. To mitigate the spread of COVID-19 and pursuant to the guidance provided by the Office of the Attorney General of the State of Texas, the meeting was open to the public both in-person and also by telephonic conference. 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 were present in person at Belterra Centre for the commencement of the meeting with the exception of Director Samantha Bethke, who joined and participated in the meeting via telephone conference at the commencement of the meeting. Also present in person were Matt Kutac of the law offices of Matthew B. Kutac, PLLC, Kristi Hester of Inframark, the District’s general management and operations contractor, Robby Callegari with CMA Engineering (“CMA”), the District’s engineers and Allen Douthitt of Bott & Douthitt PLLC (“Bott & Douthitt”), the District’s bookkeeper. In addition, joining via telephonic conference were Andy Barrett with Andy Barrett & Associates, PLLC, Judy McAngus, paralegal with Winstead PC, Chris Lane of SAMCO Capital Markets, Inc. (“SAMCO”), the District’s financial advisor. Also, joining telephonically for portions of the meeting were Jimmy Romell with Maxwell, Locke & Ritter, the District’s auditor, and Chris Calvisi with WLE, the District’s landscape service provider.

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 but indicated that no one had submitted an email. He further called for public communications and comments from any person, including any persons tied in the meeting via audio. He asked that any member of the public wishing to comment with regard to the Public Hearing on the 2020 Tax Rate please hold their comments until such hearing. The Board recognized Brad Temple, a resident of the District, who shared his concerns regarding an increase in crime he feels is occurring within the Belterra community with respect to both vehicle theft and home invasions. He noted recent incidents in his own neighborhood and noted that he feels more patrols are needed within the Belterra and that he would be glad to speak with the Hays County Sheriff's Department and the Board with regard to his concerns and how they can be addressed. Matt Kutac thanked Mr. Temple for taking time to share his concerns with the Board. Mr. Kutac asked if there was any other person participating in the meeting who wished to address the Board under this item, and hearing no response, the Board proceeded to the next item of business.

2. The Public Hearing on the District's 2020 Tax Rate was opened. Matt Kutac noted that proper notice had been provided of such hearing in accordance with the published and posted Water District Hearing on Tax Rate as required by law. As background, he briefly confirmed that the proposed total tax rate as had been proposed by the District was \$0.8750 per \$100 valuation and was comprised of a \$0.7000 debt tax rate and a \$0.1750 operations and maintenance ("O&M") tax rate. No persons were present to address the Board either in person or via audio and the public hearing. Upon motion by Director Wachsmann, seconded by Director Harris and unanimously carried, the public hearing was adjourned at 5:55 p.m.

3. Allen Douthitt next reviewed the updated, proposed Operating Budget for the upcoming fiscal year of October 1, 2020 to September 30, 2021. It was noted that the O&M tax rate included in the proposed budget was \$0.175 per \$100 of assessed valuation. He explained that since the last Board meeting, he and the Finance Committee had worked with Lauren Barzilla and Krsiti Hester on reducing some of the proposed joint facility costs, and were able to do away with certain of the initial proposed drip system repairs, and reduce proposed collection system repairs. He reported that based on the final certified numbers from the Hays Central Appraisal District, the proposed Operating Budget was improved and more accurate by comparison to prior drafts. In addition, Chris Lane, with SAMCO Capital Markets, Inc., the District's financial advisor, confirmed that following the District's bond sale and savings on projected interest rate, when balanced with all other debt obligations, she was comfortable revising her recommended debt service rate down to \$0.69 per \$100, a reduction in one cent per \$100.

Following further comments from Board members and additional discussions, upon motion by Director Harris, seconded by Director Kelly and unanimously carried, the Board adopted a Resolution Adopting Operations Budget which reflected an operations and maintenance tax of \$0.1750 per \$100 valuation, a copy of which is attached hereto as **EXHIBIT "A"**.

4. The Board confirmed the proposed Debt Service schedule for the upcoming fiscal year noting again that SAMCO was now recommending a 2020 debt service tax rate of \$0.6900 per \$100 of assessed valuation and following such review and upon motion by Director

McGillicuddy, seconded by Director Wachsmann and unanimously carried, the Board adopted a Resolution Adopting Debt Service Budget which reflected a debt service tax rate of \$0.69 per \$100 valuation, a copy of which is attached hereto as **EXHIBIT “B”**.

5. Following the approval of the District’s operating and debt service budgets for the District’s upcoming fiscal year, the Board reviewed a proposed Order Setting Tax Rates for 2020, a copy of which is attached hereto as **EXHIBIT “C”**. The Board confirmed its goal in adopting its final budgets, as set out above, had been to begin a gradual and careful consideration of matters relating to the lowering over time of the District’s total tax rate, and that an overall \$0.01 reduction in the total tax rate initially had been achieved for 2020. It was noted that such 2020 rates would cover operations and debt service payments during the District’s fiscal year of October 1, 2020 through September 30, 2021. Following a full discussion and motion by Director McGillicuddy, seconded by Director Wachsmann and unanimously carried, the Board approved said Order Setting Tax Rates for 2020, which Order reflects a total tax rate for 2020 as \$0.865 per \$100 valuation. In connection with the levying of such tax rate, it was confirmed that Hays County, through the County Tax Assessor and Collector, would continue to serve as the District’s tax collector.

6. The Board reviewed the Minutes from the July 16, 2020 meeting. Following a review thereof, upon motion by Director Wachsmann, seconded by Director Kelly and unanimously carried, the Board approved said Minutes.

7. The Board reviewed the Minutes from the August 6, 2020 meeting. Following a review thereof, upon motion by Director McGillicuddy, seconded by Director Harris and unanimously carried, the Board approved said Minutes.

8. Matt Kutac noted that, in an abundance of caution, he had included an item on the agenda with respect to addressing any actions needed with regard to the District’s November 3, 2020 Directors Election (which, for the record had been postponed from May 3, 2020) to address any matters that might arise during this election cycle considering the unique impacts of COVID-19. It was noted that was no action needed at this time, but that the item would remain on the agenda through the election.

9. It was noted that the preliminary approval in connection with the District’s issuance of its \$6,270,000 Unlimited Tax Utility Bonds (“Series 2020 Bonds”) was in hand and that it is anticipated that the Series 2020 bonds would close as initially scheduled on Tuesday, September 22, 2020. In connection with the proposed September 22, 2020 closing of such bond issue, Chris Lane with SAMCO reviewed a copy of a Final Closing Memo with the Board, a copy of which is attached hereto as **EXHIBIT “D”**. Upon motion by Director Wachsmann, seconded by Director McGillicuddy and unanimously carried, the Board acknowledged receipt and authorized its President to execute such memo confirming the details relating to the upcoming closing.

10. The Board recognized Jimmy Romell with MLR who reviewed the final Agreed Upon Procedures (“AUP”) report for the Series 2020 Bonds, a copy of which is attached hereto as **EXHIBIT “E”**. Matt Kutac provided the background with respect to \$5,260,014.00 due to either LH Belterra LLC or its assignee, Preston Hollow Capital, LLC (“Preston Hollow”) and

that he had been requested by Tiffany Darst of LH Belterra LLC that the District hold such amount in its TexPool Series 2020 Capital Projects account until such time as those 2 parties can come to a confirmation of amounts owed to each party under the existing Assignment of Assigned Reimbursements between LH Belterra LLC and Preston Hollow. In addition, the Board reviewed Schedule A of page 3 that clearly identifies the amount of \$105,912 as due and payable to ERG Belterra, Ltd. ("ERG" - sometimes also referred to as "Endeavor") from the Series 2020 bond proceeds, with Matt Kutac noting that ERG had signed off on its approval of the reimbursement amount due to them in such AUP.

Jimmy Romell ended the report summary by noting that it appeared the District would have approximately \$560,155.45 in remaining surplus bond funds from the Series 2020 Bonds due to certain variances due to the bonds selling at a lower interest rate than projected, the interest rate on funds owed to the developer being reduced to that lower interest rate, no bond discount needed for this issue since it was done as a private placement, and lower overall issuance costs that initially anticipated. It was noted that in most cases the Board would need to receive approval of the use of surplus funds and initial options for use of such funds were briefly discussed, it being noted that typically it takes a few months to determine that all final costs have been paid from the proceeds prior to deciding on any intended, proposed use of such remaining funds.

Following a review of such report, upon motion by Director Harris, seconded by Director Kelly and unanimously carried, the Board approved the Series 2020 AUP. The Board confirmed and executed a representation letter addressed to MLR as relates to the information provided to MLR in conjunction with the preparation of the AUP.

In conjunction with Schedule A, Page 3 of such AUP, upon motion by Director Harris, seconded by Director Kelly, and unanimously carried, the Board authorized the release of the cash disbursement to ERG of the \$105,912 set out in the AUP. It was noted that once LH Belterra LLC and Preston Hollow had come to an agreement of amounts owed to each party from the remaining amount of developer reimbursements (the \$5,260,014.00), MLR will prepare a supplement report confirming the amounts due to each party and bring such report back to the Board for an additional approval. The Board expressed their appreciation to Mr. Rommel for his presentation of such report.

11. The Board recognized Allen Douthitt to present the Bott & Douthitt's Accounting Report dated September 17, 2020, which included director and vendor payments, wire transfers between District accounts as described therein, and the financial statements through July 31, 2020, such report being attached hereto as **EXHIBIT "F"**. The Finance Committee confirmed that it had reviewed such report in detail with Mr. Douthitt in advance of the meeting. The Board followed along with such report, reviewing the various wire transfers, the detailed listing of the cash/investment activity in the District's Bancorp accounts and TexPool accounts, the District's collateral analysis schedule, tax collection reconciliation, including current proposed expenditures for approval at the current meeting.

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

12. 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. No action was deemed necessary. With respect to irrigation repairs that exceed Inframark's manager's account authorization, upon motion by Director Wachsmann, seconded by Director Harris and unanimously approved, the Board authorized the District's share of 210 irrigation repairs in the amount of \$2,594.25. The Board noted that there was overgrowth on some of the Prescott sidewalks with Director McGillicuddy noting that they should not need to report routine maintenance. Kristi Hester confirmed that they would be taking some silt fencing down in areas where the fencing was no longer needed.

13. Robby Callegari next reviewed CMA's WWTP and 210 Reuse Irrigation Report with the Board, a copy of which report is attached hereto as **EXHIBIT "G"**. 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. He noted that a pre-construction meeting will be held on the project on September 8, 2020. He confirmed that there was no action needed by the Board with regard to the project.

14. Next, Mr. Callegari presented the CMA general engineering monthly report, a copy of which is attached hereto as **EXHIBIT "H"** and reviewed such report with the Board.

Under item I of such report, the only action needed on the current report, he noted that CMA was requesting approval of revised billing rates under the existing CMA Engineering Services Agreement, dated March 13, 2013 noting that rates had not increased since 2016. A formal letter dated September 17, 2020 was presented, which included a proposal labeled Revised Attachment A - 2020 Billing Rates. He noted the request included a new rate schedule and automatic adjustments annually at 3% beginning January 24, 2022. Following a discussion and motion by Director Wachsmann, seconded by Director Harris and unanimously carried, the Board approved the revised fee schedule effective at the commencement of the Board's new fiscal year.

With regard to Bentwood Drainage, it was noted that WLE had completed its portion of the final irrigation fixes and that, as of the report date, Inframark still had some outstanding repairs to complete.

Regarding the Fire Station (sometimes referred to as the Emergency Services District No. 6 facility or ESD No. 6 project), it was noted that pressures that are available in the area are being verified prior to starting work on the waterline extension.

Lastly, Mr. Callegari noted that CMA is awaiting further direction from the Board with regard to the Naples Sidewalk Extension project (i.e., scope of the proposed project). Kristi Hester noted that the Parks Committee and a few other Board members would continue to explore extensions of current trails and future trails and hoped to have an updated report at the next meeting.

With respect to the ESD No. 6 facility, it was noted that the Board did finalize an agreement with them at the last meeting and that Inframark would be doing the extension to

allow the tie into the District's water supply. Director Kelly requested that she work with the responsible parties at such location and get their assistance moving a large number of tires that appear to have been dumped on their property to help improve the site.

15. Kristi Hester reviewed Inframark's monthly General Manager's Report beginning with the General Manager's executive summary memorandum, which is restated below. A full copy of such report is attached hereto as **EXHIBIT "I"**. She requested approval of the following vendor payments, approved unanimously under the following Motions:

Motion by Director Wachsmann, seconded by Director McGillicuddy for a payment of \$8,000.00 to CTWM (included in the Inframark Maintenance Cap) for 2 MBR blower motor repairs and a payment of \$12,000.00 to Hamilton Pumps (also included in the Inframark Maintenance Cap) for the purchase of a spare blower motor.

1) **Wastewater Treatment Plant**

- a) 10,091,000 Gallons Treated @ 65% Capacity
- b) All facilities are in compliance
- c) Aeration blowers on the MBR plant are not operational - we are diagnosing the issue
- d) Due to the blowers being off line the clarifier clean has been postponed
- e) Preventive maintenance on chlorination system completed
- f) Site glass for hydro tank installed
- g) MBR Basin 2 CPI done - went 6 weeks before needed

2) **Re-Use Water System - Drip System**

- a) 9,562,000 Irrigated

3) **Distribution System – Billing**

- a) 263 AMI meters installed 42 users on portal
- b) Installed 12 AMI meters in August
- c) Installation of master meters is complete

4) **Collection System**

- a) Additional testing of the 2 areas that has 50% sag is underway
- b) Lift Station 5 Harris - High run times on both pumps - pulled and cleared
- c) Replaced ARV at Drennan Lift Station
- d) Repaired several 6" stacks

5) **Drainage/Ponds**

- a) Nothing to report

6) **Parks - Trails**

- a) Scheduling tour with District Engineer on the future trail areas

7) **Construction**

- a) Excessive erosion control violation - refer to separate report
- b) 168 Builder inspections completed

**8) Customer Care**

- a) Website and Facebook are live

**9) Infrastructure Committee**

- a) Will need to schedule meeting to review collection system re-inspection and re-use agreements

With respect to item 7 hereinabove, Ms. Hester noted that there were a total of 86 pools under construction within Belterra and she reviewed pictures of erosion control violations, noting that fines are being assessed to the builders for repeat violations. She stated that she had posted a summary report on the Google Drive for the Board's further review.

Ms. Hester also reviewed details from the General Manager's Report noting that nothing was out of the ordinary.

16. Kristi Hester pulled up the District's new website and briefly reviewed the site with the Board. She noted that she and Director Bethke had spent a lot of time on the parks and trails section and welcomed any further comments. Ms. Hester thanked Director Bethke for her in depth assistance with the website upgrade.

17. The Board next considered further possible action with respect to continued use of Belterra Centre as the District's meeting place, or alternatively, selection of a different meeting place for upcoming fiscal year.

Matt Kutac explained that at the last regular meeting of the Board, it became clear that the Board did not feel comfortable moving down the path proposed by Hays County WCID No. 1. He informed the Board that following such meeting, he was inclined to discuss proposed continued use by District with one member of each Board as the potential benefits of an agreement concerning such use could be advantageous to each District. He explained that he contacted Director Bethke from the District's Board, and Director Botts from the Hays County WCID No. 1 Board, as they had been the most vocal during each Board's discussions of such matters. He stated that though difficult, the discussions had progressed and thanked Director Bethke for her time, energy and thought in exploring the matter further.

As a result of the discussions, two potential approaches had emerged. One proposal was for the District to pay ½ of the utilities and ½ of the replacement costs of certain meeting furniture and equipment, with it being noted that additional details would need to be resolved with respect to such an approach. The second proposal was for the District to pay \$175 an hour for a minimum of 5 hours each month, with charges being capped once usage reached 10 hours in any given month. Matt Kutac confirmed that the original \$1,800 per month proposal from the Building Committee was intended to help cover usage by Hays County WCID No. 2 of various fixtures (projector, tables, chairs, server, security system, etc. - equipment that eventually will need to be replaced and would be used by both districts) as well as ½ of the utility costs. Mr. Kutac asked if any of the directors had concerns with either proposed alternative, and hearing none, requested that he, Director Botts, and Director Bethke be permitted to continue to work toward a resolution in hopes of coming up with a final proposal that they feel each Board will accept at their October regular meetings.

Director McGillicuddy noted that he would not have a problem sharing expenses, with Director Harris adding in that an inventory will need to be provided and certain standards noted- such as similar quality for furnishings, etc. Also Director Wachsmann noted that should such an agreement not be reached, he still feels the District could use the Belterra Amenity Center for their meetings. The Board concurred that option 1 would be their preferred option and authorized with the continued discussion between Mr. Kutac and Directors Bethke and Botts on a final solution. Mr. Kutac noted that there may need to be early termination fees built into the proposal and noted that he would continue working with both directors to hopefully come up with a final recommendation for each Board's consideration. It was noted that the utilities and related expenses for monthly operation of the Belterra Centre comes out to approximately \$900, and Mr. Kutac suggested that, rather than calculating the amount on a monthly basis, the Boards agree to a flat rate for such component of the arrangement. The Board concurred. Director Kelly noted that he felt better keeping the meetings at Belterra Centre and Director Harris offered to be of any assistance in trying to iron out a suitable final solution. Mr. Kutac noted that he would hope to have a first draft of an agreement prepared prior to the October meetings after his final discussions with Directors Bethke and Botts.

18. Matt Kutac reviewed a proposed form of Amendment to the Sixth Amended and Restated Joint Facilities Agreement between the District and Hays County WCID No. 1 regarding accounting for certain joint facilities operating costs as had been recommended by Allen Douthitt of Bott & Douthitt. Following such review and motion by Director Wachsmann, seconded by Director Harris and unanimously carried, the Board approved said Amendment, a copy of which is attached hereto as **EXHIBIT "J"**.

19. Matt Kutac confirmed that though the Board would be going into Executive Session to discuss item 20 on the agenda - "consultation with attorneys regarding ongoing review of prior bookkeeper's conduct and questionable bookkeeping transactions, during the two most recent fiscal years and related financial matters," he wanted to provide a brief update in public session. He noted that he had provided the Board with materials back in March relating to what appeared to be a misappropriation of funds by the District's prior bookkeeper (an employee of Inframark) and that over the past number of months, Inframark had prepared a report based on its internal report that had been provided to MLR for review. He also stated that his firm had engaged MLR to review the underlying materials and information related to the matter, and that MLR was working on some final confirmations prior to releasing a final report. He noted that the Board may have further action following the Executive Session but that no action was needed at this time.

20. With regard to updates to matters relating to the Lower Colorado River Authority or West Travis County Public Utility Agency, Matt Kutac noted that he was not aware of any needed updates.

21. The Board confirmed that its next regular meeting would be scheduled for Thursday, October 15, 2020 and it was noted that Kristi Hester would confirm all upcoming committee meetings with the committee members. In addition, Matt Kutac noted that should a special meeting be needed once the final amounts due to Belterra LH LLC and Preston Hollow from the Series 2020 Bonds are determined by such parties, he may request a special meeting to address such matter. Mr. Kutac clarified that the Board's interest obligation on such amounts



shall cease to accrue as of September 22, 2020 or such other date such funds are in the District's possession and available for reimbursement.

22. With regard to item 20 on the posted agenda for the meeting, upon motion by Director Wachsmann, seconded by Director Harris and unanimously carried, the Board retired, along with Matt Kutac to Executive Session at 7:22 p.m. It was noted that Director Bethke joined in such Executive Session via telephonic call.


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 7:45 p.m. A roll call was done of all members, confirming that all members had rejoined the meeting with the exception of Director Bethke who did not participate in the remainder of the meeting.

It was confirmed that no action had been taken during the Executive Session but an additional update was provided with regard to posted agenda item 20, it being noted that MLR was working to finalize its report to include a few additional items that have come to light and is expected to have the report in final form towards the end of September or first of October. It was further noted that a special Board meeting may need to be called at that point with regard to the Board's review of such matters.

There being no further business to conduct, Director Wachsmann 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 this 14<sup>th</sup> day of October, 2020.



  
Sean McGillicuddy, Secretary