

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 15th day of October, 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 Centre participating via Zoom. The record shall reflect that all directors voted on all matters that came before the Board. Additionally participating in the meeting at Belterra Centre was Matt Kutac of the law offices of Matthew B. Kutac, PLLC. In addition participating via audio conference were Andy Barrett with Andy Barrett & Associates, PLLC, Judy McAngus, paralegal with Winstead PC, Kristi Hester with Inframark, the District’s general management and operations contractor, 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, Lynn Lee, one of the candidates for the upcoming November 3, 2020 Directors Election was on the call. 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. Matt Kutac confirmed that he was unaware of any member of the public who had signed up for public comment in advance of the meeting to address the Board. He further called

for public communications and comments. Ms. Amber Copozi¹ was present on the call and responded that she had sent an e-mail this afternoon confirming that she was aware that the Board was conducting a Directors Election and that there were a total of four candidates (3 current Board members and one additional candidate for the 3 available positions) and would love to be able to vote in an informed way. She asked that she be directed to information about the candidates. Matt Kutac responded that the Board is somewhat limited in the public comment section of the agenda, but can provide statements of existing facts noting that if what she was looking for was candidates' profiles or biographies that the Board has had other residents reach out recently with similar concerns. He noted that the history has been that such items had not been previously requested, but that due to such requests, the staff has added agenda item 4 to the current meeting for the Board's discussion and possible action. Ms. Copozi noted that she would simply state that since these are elected positions she would encourage the Board to educate the voters to insure that residents have a voice with regards to the election. Hearing no additional persons who wished to address the Board, the Board proceeded to the next item of business.

2. The Board reviewed the Minutes from the August 20, 2020 regular meeting. Following a review thereof, upon motion by Director McGillicuddy, seconded by Director Bethke and unanimously carried, the Board approved said Minutes.

3. The Board reviewed the Minutes from the September 17, 2020 regular meeting. Following a review thereof and request for a minor correction, upon motion by Director McGillicuddy, seconded by Director Harris and unanimously carried, the Board approved said Minutes as corrected.

4. With regard to the District's upcoming November 3, 2020 Directors Election and in consideration of other resident requests for additional candidate information to be published on the District's website in addition to Ms. Copozi's above request, Matt Kutac noted that he had reached out to candidate Lynn Lee who had replied that she was in favor of publishing candidate information on the website. In addition, each of the existing Board members confirmed that it seemed like a reasonable request and that they, too, were in favor of requesting and publishing such information from the candidates. Mr. Kutac suggested that the Board request information from each candidate that would include each of the candidate's background, education or employment and possible objectives or reasons for their seeking election to the Board. Following a full discussion and confirmation by candidate Lee to the proposed content, upon motion by Director Wachsmann, seconded by Director Harris, the Board requested that all four (4) candidates for office, all which were on the call, each provide a candidate profile that summarized the above information, if possible, for publication on the District's website by 5:00 p.m. the following day.

5. It was confirmed that the closing with respect to the District's \$6,270,000 Unlimited Tax Utility Bonds ("Series 2020 Bonds") had occurred on September 22, 2020 as initially scheduled. Mr. Kutac noted that LH Belterra LLC and Preston Hollow were still working among themselves to determine to proper allocation of such proceeds due to such parties for reimbursement (i.e. a total of \$5,260,014.00). Mr. Kutac stated that, at the current time, the parties had indicated that they had hoped to have the matters resolved by the end of

¹ Name may be misspelled as audio was unclear.

October such that the Board can take further action at its next meeting with regard to the approval of a supplemental Agreed Upon Procedures Report to support such final reimbursements from the proceeds of the Series 2020 Bonds and approve the related disbursement of such funds.

6. Following motion by Director McGillicuddy, seconded by Director Bethke, the Board approved an Amended District Information Form relating to the recent lowering of the District's tax rate and total amount of bonds issued and authorized its recording in the Hays County real property records as well as filing with the Texas Commission on Environmental Quality ("TCEQ").

7. The Board recognized Allen Douthitt to present the Bott & Douthitt's Accounting Report dated October 15, 2020, which included director and vendor payments, wire transfers between District accounts as described therein, and the financial statements through August 31, 2020, such report being attached hereto as **EXHIBIT "A"**. 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 (currently 99.89% collected for 2019), including current proposed expenditures for approval at the current meeting.

In addition, Mr. Douthitt proposed the opening of a new Manager's Account, mainly to be used for the refund of customer deposits and the payment of recurring utility related invoices, to be limited in the number of persons authorized to sign checks on the District's manager's account to three people. Two of the signatories would be the principals of Bott & Douthitt (Mary Bott and Allen Douthitt) and only one additional employee would be authorized to sign in the event one of the principals was unavailable. Following such discussion, upon motion by Directors Wachsmann, seconded by Director Harris and unanimously carried, the Board authorized the opening of a new Manager's Account at Bankcorp South.

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

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 noted that WLE had sent an estimate for approval and would then be providing Kristi Hester with a final proposed with respect to proposed improvements at the Mesa Verde entrance. It was noted that no action was needed at this time on such matters.

9. Lauren Barzilla next reviewed CMA's Wastewater Treatment Plant ("WWTP") and 210 Reuse Irrigation Report with the Board, a copy of which report is attached hereto as **EXHIBIT "B"**. The report included an update of the on-going WWTP drum screen replacement and site plan project, the status of the fence relocation and the bar screen removal. In addition, she presented Pay Application No. 1 in the amount of \$14,670,000 and Change Order No. 1 (now 106 days for completion at no additional costs) with regard to the drum screen replacement

contract, it being noted that Hays County WCID No. 1 had approved both at their meeting the prior week and that no separate action was needed by the Board.

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

With regard to Bentwood Drainage, it was noted that WLE had revegetated the berms.

Regarding the Fire Station (sometimes referred to as the Emergency Services District No. 6 facility or ESD No. 6 project), Ms. Barzilla explained the need for an amendment to CMA’s existing task order on such project due to the additional engineering time with respect to the waterline extension and tap and estimated additional time through project completion. Following a discussion and motion by Director McGillicuddy, seconded by Director Kelly and unanimously carried, the Board approved Task Order No. 22 (for an additional estimated \$18,000), a copy of which is attached hereto as **EXHIBIT “D”**.

Lastly, Ms. Barzilla updated the Board with regard to the Naples Sidewalk Extension project noting that due to the regulated activity, CMA will need to secure TCEQ approval as well as the standard approvals from the City of Dripping Springs and Hays County (i.e., scope of the proposed project). She noted that she and Kristi Hester had driven the proposed route and that she had created a tentative, proposed route for the extension of the existing nature trail, further noting that she will need a good aerial photo to ensure proper trail alignment. The Board reviewed the photo and upon motion by Director Bethke, seconded by Director Wachsmann and unanimously carried, approved the tentative proposed path for such trail extension as well as the engineering reports as presented.

11. Kristi Hester reviewed Inframark’s monthly General Manager’s Report beginning with the General Manager’s executive summary memorandum, the substance of which is restated below. Ms. Hester noted that she had no specific action items under such report. A full copy of such report is attached hereto as **EXHIBIT “E”**.

1) Wastewater Treatment Plant

- a) All facilities are in compliance for the Month of September
- b) Clarifier and EQ Basin Rehab Discussed at Hays County WCID No. 1 Special Meeting 10.5.20; the presentation was reviewed with the Board
- c) Blower Upgrade Discussed at Hays County WCID No. 1 Special Meeting 10.5.20; the presentation was reviewed with the Board

2) Re-Use Water System - Drip System

- a) Cleaning of the effluent tank is complete
- b) Pulled effluent pumps for cleaning - agreement users were down for 4 days while we switched back to the ground storage tank
- c) Distribution System – Billing
- d) 273 AMI meters installed 49 users on portal
- e) Installed 10 AMI meters in September

3) Collection System

- a) Golf ball test in areas of collection system scheduled for this week to verify scope of work

4) Drainage/Ponds

- a) Several ponds are on the schedule for cleaning in October – referred the Board to inspection report on their Google Drive

5) Parks – Trails

- a) Toured the potential future trail areas with District engineer and will present next steps
- b) All potable water irrigation at the parks have been cut back to once-a-week watering
- c) Fun Abounds was called out to inspect all the play grounds and furniture and Ms. Hester noted she had approved some minor repairs to the Mesa Verde park
- d) Installed 5 no trespassing signs at Angela Way and Mesa Verde where motorized vehicles have been accessing the greenbelt

6) Construction

- a) 139 construction inspections completed in September
- b) Mail kiosk on Mesa Verde grade work and clean up - refer to photograph in report
- c) Several builders received fines for improper erosion control measures
- d) Met with Toll Brothers Regional Manager to discuss the inspection process and what action they can take to be more proactive
- e) Requested Hays County to paint reflected curb at round about and install signs due to recent traffic accident

7) Customer Care Committee

- a) Met to review website changes and Facebook posts that are scheduled to go out weekly: topics include Tax Rates, Motorized Vehicles in Greenbelts, Fall Pick Up, Winter Average, Stormwater 210 Irrigation Facts, Irrigation Schedule
- b) Fall yard waste cleanup scheduled for the weeks of November 16th and December 7th

8) Infrastructure Committee

- a) Nothing to Report

With respect to item a hereinabove, Director Harris noted that he and Director Kelly (as members of the District's Infrastructure Committee) had attended the special Hays County WCID No. 1 September 5, 2020 Board meeting, but did not take any action during the meeting. They noted that their attendance was for the purpose of being informed of the emergency nature of certain repairs related to the WWTP. Director Harris confirmed that such repairs (as reviewed in the above presentation), in his opinion, were of an emergency nature and that such repairs and rehab appeared to be necessary.

Under the Customer Care Committee discussion above, it was noted that Ms. Hester would be working with Touchstone Services regarding various website updates and Facebook posts recommended by the committee and Board.

Ms. Hester also confirmed that the accounts receivables are not excessive and that about one-half of the districts operated by Inframark have gone back to standard operations under their existing service rate orders (i.e., moving back to disconnections when called for under such orders).

Ms. Hester also reviewed details from the General Manager's Report noting that nothing was out of the ordinary. Upon motion of Director Wachsmann, seconded by Director McGillicuddy and unanimously carried, the Board approved the General Manager's Report.

12. Matt Kutac presented a proposed amended Service Rate Order to be effective November 1, 2020 and reviewed red-lined changes to the current order high-lighting proposed revisions and clarifications proposed by Bott & Douthitt. Following a review and discussion, upon motion by Director Harris, seconded by Director Wachsmann and unanimously carried, the Board approved an Order Adopting Amended Service Rate Order, a copy of which is attached hereto as **EXHIBIT "F"**.

13. Matt Kutac reiterated that in connection with the misappropriation of funds by the District's previous bookkeeper, his firm, together with Maxwell Locke & Ritter, LLC, the District's auditor, intends to have a final report for Board review by the end of the month and will be getting with the Board members in connection with setting a proposed special meeting toward the end of the month. He noted that he would forward such report to the Board at least a week prior to the proposed special meeting.

14. 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 reviewed a proposed common representation letter and requested an acknowledgement of same in connection with his serving as an intermediary between the District and Hays County WCID No. 1 in connection with Belterra Centre use. Upon motion by Director Bethke, seconded by Director Kelly, the Board approved such common representation and authorized the Board President to execute the letter.

Mr. Kutac reiterated that he had been working with Director Bethke from the District's Board, and Director Botts from the Hays County WCID No. 1 Board, in that they had been the most vocal during each Board's discussions of such matters. He recapped the status of negotiations and reviewed a current draft of a proposed Belterra Centre Use Agreement between the District and Hays WCID No. 1. Director Bethke and other directors offered numerous comments and their displeasure with the inclusion of an "opt out" provision in such proposed agreement as well as other concerns. After a thorough discussion, the Board requested that Mr. Kutac present a modified opt-out provision with a flat fee of \$5,000 and a credit for any cost share items funded by the District in the year of an opt-out. The Board further requested a more detailed inventory of equipment that would be subject to cost sharing under the proposed agreement. Mr. Kutac noted that he would continue to work on such matter in hopes of having an updated form of agreement for the Board's additional consideration at the next meeting.

15. 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.

16. The Board confirmed that its next regular meeting would be scheduled for 5:45 p.m. on Thursday, November 19, 2020 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 Harris and unanimously approved, and the Board adjourned until further call.

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




Sean McGillicuddy, Secretary