

MINUTES OF MEETING
OF THE
BOARD OF DIRECTORS

THE STATE OF TEXAS §

COUNTY OF HAYS §

HAYS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1 §

The Board of Directors (the “Board”) of Hays County Water Control and Improvement District No. 1 (sometimes referred to herein as the “District”) met in regular session, open to the public, at Belterra Centre, 151 Trinity Hills Drive, Austin, Texas, the District’s office within the District, for the purposes stated herein, on July 11, 2024 at 4:00 p.m. The roll was called of the members of the Board of Directors, (herein referred to as the “Board”) to-wit:

Douglas L. Botts	President
Paul Kelly	Vice President
Daniel B. Robison	Secretary
Bill Dally	Treasurer/Asst. Secretary
Rick Lucas	Assistant Secretary

All members of the Board participated in the meeting and were present at the commencement of the meeting except Director Lucas. Also present at the meeting were Matt Kutac of the Law Offices of Matthew B. Kutac, PLLC, Vicki Hahn, paralegal with Winstead PC, Beth Wright and Chris Sanchez of Municipal Operations and Consulting, LLC (“MOC”), the operations and management contractor for the District, Lauren Barzilla of Burgess & Niple, the District’s engineers, Chris Lane of Samco Capital, the District’s financial advisor and Jesse Trevino of Sunscape Landscaping, the District’s landscapers. Allen Douthitt of Bott & Douthitt, the District’s Bookkeeper attended the meeting by telephone. In addition, Walter Almon, a resident of the District attended the meeting.

1. Public Comment: The Board called for public comment. Hearing none, the Board moved to the next item on the Agenda.
2. Consent Item: The Board reviewed the Minutes of the June 12, 2024 Regular Meeting. Upon motion by Director Dally, seconded by Director Botts, and unanimously carried, the Board approved the Board Minutes with two minor revisions.

3. Landscaping Report:

a) Landscaping Report:

Mr. Trevino reviewed the landscaping report with the Board noting that he is checking to see if anything was missed while he was on vacation and will catch up.

b) Action Items/Landscaping:

i) Action Items will be addressed during General Manager's Report.

4. Management and Operations Items:

General Manager's Report: Ms. Wright presented the General Manager's Report and the Operations Report because Mr. Wright is in Houston dealing with Hurricane issues.

With respect to Item No. 4(c), Ms. Wright mentioned that the contractor tried to repair the damage to the buffer zone but Ms. Barzilla looked at the repairs and did not think he did a good job. Ms. Barzilla spoke with Mr. Wright and Mr. Sanchez about what repairs need to be done. MOC agreed that they will discuss with the contractor. Ms. Wright stated that Mr. Wright would prefer that the contractor not come back and that MOC look into the repairs. The Board noted that there is a white PVC pipe at the site that appears to be broken, and that it was unclear whether it was part of one of the District's irrigation system. Mr. Sanchez will check.

Ms. Wright noted that Sunscape had some irrigation quotes but she received them right before the meeting so she did not have time to review them. She will bring them next month.

Ms. Wright reviewed some pictures of the Johnson Grass. Sunscape has submitted Proposal No. 30120 for \$5,845.11 to treat the Johnson grass. The Johnson Grass is in the median near Aspen Hills and close to the Welcome Centre. The Parks Committee asked Sunscape to give a proposal.

Upon motion by Director Botts, seconded by Director Dally and unanimously carried, the Board approved Sunscape's Proposal for \$5,845.11.

Ms. Wright also mentioned that with respect to Item No. 4(c), MOC issued a violation and fine for \$5,000 to the Apartments for entering the buffer zone without authorization. They added additional language regarding payment for costs associated with repairs.

Ms. Wright also informed the Board that the District received a partial payment from TML reimbursing for storm damages.

Director Kelly asked if there is a schedule for mowing the inside of the pond across from Gold's Gym. Mr. Sanchez replied that he will look into it. The Board then noted that at one point, they thought there was an easement issue with the pond and it might not be the District's responsibility to mow. Mr. Kutac replied that he thought that when they reviewed

the issue in the past, it was determined that it was the District's responsibility. MOC stated that they will ensure it gets mowed.

The renter who left without paying the water bill was discussed. Mr. Kutac recommended that MOC not re-connect services for that home until the bill is paid.

Upon motion by Director Kelly, seconded by Director Robison and unanimously carried, the Board accepted the General Manager's Report.

5. Engineering and Development Items: Ms. Barzilla of Burgess & Niple reviewed the General Engineering Report and the Joint Facilities WWTP and 210 Reuse Irrigation Engineering Report.

With respect to the Item No. 5(c), Ms. Barzilla mentioned that she gave bond application information to Ms. Lane to review. Ms. Lane will review with the Finance Committee.

Ms. Barzilla then reviewed the Water Model Questions asked by Director Dally at last month's meeting and her responses.

With respect to Item No. 5(e), it was noted that Director Bethke of HCWCID No. 2 met with the BCA regarding the BCA's Xeriscape Policy and noted that the BCA is already allowing xeriscaping. After the meeting, Director Bethke had some questions and Ms. Barzilla is working on providing answers to those questions. The Board questioned the impact of xeriscaping on the impervious cover required in the District's permit. Ms. Barzilla replied that if only a few people do xeriscaping it should not affect the impervious cover. However, if the whole District starts doing xeriscaping, then it could be an issue. Mr. Kutac noted that the BCA asked the District to provide comments and recommended that the District provide its input and set parameters. The BCA asked the District how much xeriscaping would be permitted. Ms. Barzilla stated that it is hard to answer that. She is working on answers but there may not be an exact answer because there are too many variables to consider. Director Botts stated that the BCA has to establish parameters. Mr. Kutac suggested that the District ask the BCA to put a moratorium on allowing xeriscaping until the District is able to give them acceptable parameters. The Board then discussed sending a letter to the BCA expressing its concerns. Mr. Kutac agreed that the District could send a letter but the District also needs to develop a position to protect its infrastructure and compliance with applicable water quality and drainage requirements. The District will need to be able to explain the basis for the requested moratorium. The Board stated that it would still like a letter sent to the BCA asking for a moratorium until the District is able to provide more definitive answers to the questions that have been asked. Ms. Barzilla stated that she can work on obtaining answers and the cost would be approximately \$10,000.

Upon motion by Director Botts, seconded by Director Robison and unanimously carried, the Board, at a cost not to exceed \$10,000, directed the District's Engineer to determine the amount of xeriscaping that could be allowed in the District without adversely affecting the drainage or jeopardizing the District's drainage and water quality infrastructure. .

Upon motion by Director Botts, seconded by Director Robison and unanimously carried, the Board authorized the District's Attorney to send a letter to the BCA requesting a moratorium on allowing additional xeriscaping in the District until the District's Engineer is able to provide the requested reporting.

With respect to Item No. 5(c), the Board asked how much 210 irrigation area would be lost with the water tank project. Ms. Barzilla replied with the acreage required for spray irrigation and for Drip Fields. The Board then discussed the advantages of having a water tank. Those advantages include an increase in water pressure and it would potentially allow the District's residents to avoid a Boil Water Notice called by the WTCUA. The Board then discussed whether the benefit to the District is worth the cost of the water tank and maintenance. Director Dally would like for this matter to be referred to the Finance Committee to review all of the costs before the Board makes a final determination.

Upon motion by Director Robison, seconded by Director Kelly and unanimously carried, the Board approved the Engineering Report.

6. Financial Report: Mr. Douthitt reviewed the July 11, 2024 Accounting Report and related disbursements, including the Monthly Financials, Cash Activity Report, Cash/Investment Activity Report, Monthly Tax Collection Report, Budget Comparison, Check Register and wires, Bond Reporting and Budgets and other financial reporting. Mr. Douthitt also mentioned that he will have the draft budget next month.

- a) Approval of Accounting Report: Upon a motion by Director Dally, seconded by Director Robison, the Board approved the Accounting Report and the related disbursements and transfers.
- b) Audit Engagement – Item 6(c): With regard to engagement of an auditing firm to conduct the annual audit for the District, the Board reviewed the Engagement Letter from Maxwell, Locke & Ritter to provide auditing services for the FYE 2025. Mr. Kutac mentioned that the cost had increased by approximately \$500.

Upon motion by Director Dally, seconded by Director Kelly and unanimously carried, the Board approved Maxwell, Locke & Ritter's Engagement Letter to provide auditing services for the FYE 2025.

7. Administrative, Legal and New Business – Item No. 7:

- a) Rate Order Consultant: Mr. Kutac noted that Mr. Joyce of Expergy sent a proposal to provide a rate study for the District. Mr. Kutac stated that he has reviewed the proposal. It is thorough and incorporates the matters discussed by the Joint Finance Committee. Expergy has estimated that the cost to provide a Rate Study for the District and HCWCID No. 2 would be approximately \$30,000.

Upon motion by Director Botts, seconded by Director Dally and unanimously carried, the Board approved the engagement of Expergy subject to any additional input from the Joint Finance Committee.

- b) Curtailment Plan – Item No. 7(c): Mr. Kutac informed the Board that the LCRA had comments to the curtailment plan submitted in May, noting that St. David's would not be taken into account until they came online. However, since it has rained a lot lately, it does not appear that the Curtailment Plan would come into effect this year.
- c) Kubota Warranty Claim – Item No. 7(d): Mr. Kutac wrote a letter to Kubota on June 14, 2024 asking them to respond within 30 days. Kubota has approximately 3 days left to respond. Director Botts noted that this issue is taking a lot of Mr. Kutac's time and is potentially going over and above his retainer. He would like the Board to consider paying Mr. Kutac outside of the scope of his retainer. Mr. Kutac expressed his appreciation and then noted that if Kubota does not respond, the District will need to engage litigation counsel. He recommends Graves Dougherty. Mr. Kutac will come back to the Board with recommendations next month.
- d) Service Rate Order – Item No. 7(e): The Board reviewed the proposed amendment to the Service Rate Order which would increase the pool deposit to \$3,500.

Upon motion by Director Botts, seconded by Director Dally and unanimously carried, the Board adopted the Amended Service Rate Order increasing the pool deposit to \$3,500 effective as of today.

- e) District Website – Item No. 7(f): Mr. Kutac explained to the Board that Director Botts and Director Lucas are on the Joint Management Committee and that the committee had discussed the change from Touchstone to Especially Digital. Director Botts noted that he was very impressed with Lisa Albrecht at Especially Digital. It was noted that the website is not ready yet but will be soon.

Upon motion by Director Botts, seconded by Director Robison and unanimously carried, the Board authorized the District's Attorney to issue a Notice of Termination to Touchstone if the Joint Management Committee approves the new website designed by Especially Digital.

Upon motion by Director Robison, seconded by Director Botts and unanimously carried, the Board authorized approval and execution of a contract with Especially Digital.

- f) Waste Disposal Services – Item No. 7(g): The Board discussed the proposals by Hill Country and Texas Disposal Services for waste disposal services when the Texas Disposal Services contract expires. Director Botts mentioned that the concern with Hill Country is that they originally said they do not have the capacity to pick up trash in one day but could do it in two days. Beth Wright then stated that they came back to her and said that they could do it in one day if doing it in two days was a deal breaker. With respect to Texas Disposal Services, they are increasing their price by 3%. However, they have agreed to increase the bag pick up to three bags and would pick up yard waste four times a year. It was also noted that TDS has its own landfill but Hill Country does not. Director Botts stated that he asked Hill Country if they

had any plans to sell their business and they told him that they do not. The matter was referred back to the joint committee for a recommendation at the August meeting.

- g) Committee Rotation – Item No. 7(h): Mr. Kutac reminded the Board about their Committee Rotation Policy and that the committee terms expired June 30, 2024. He asked if the Board would like to discuss the committee rotation. The Board replied that with all of the different issues at the moment, they would like to push this to December.

Upon motion by Director Botts, seconded by Director Robison and unanimously carried, the Board reinstated the current committee members through December 31, 2024.

- h) EPA – Item No. 7(j): Mr. Kutac reviewed the EPA letter regarding AWIA compliance that the District received noting that he will work with MOC and the District's Engineer and come back to the Board.
- i) ETJ – Item No. 7(k): He then discussed the statute that allows landowners to opt out of the City's Extraterritorial Jurisdiction ("ETJ"). He noted that for the District to leave the City of Dripping Springs' ETJ, it would need 50% of the landowners to sign a petition and the District would have to prove that they were involuntarily annexed. He also stated that it might jeopardize the sales and use tax revenues received under the strategic partnership agreement with the City of Dripping Springs.
- j) Conference: Director Botts noted that he, Director Lucas and Mr. Wright presented at the conference and that they had a good response. Everyone seemed to like the purple fire hydrant idea. Director Lucas discussed the finances and how the District has been able to cut taxes by increasing the Homestead Exemptions.
8. District Calendar and Schedule: The Board's next meeting is tentatively scheduled for August 8th.
9. Adjournment. Upon motion by Director Dally seconded by Director Kelly and unanimously carried, the Board adjourned until further call.

APPROVED AND ADOPTED on the 8th day of August 2024.


Daniel Robison, Secretary

(DISTRICT SEAL)

