

MINUTES OF 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” and “HCWCID No. 2”) met in special session jointly with the Board of Directors of Hays County Water Control and Improvement District No. 1 (“HCWCID No. 1”). The meeting, open to the public, was held at Belterra Centre, 151 Trinity Hills Drive, Austin, Texas, the District’s office outside of the District, on January 13, 2026 at 4:00 p.m. The roll was called for the members of the Board to-wit:

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

All members of the Board of Directors of HCWCID No. 2 were present at the commencement of the meeting. All Directors present at the time votes were taken voted on all items that came before the Board. Also present at the meeting were Matt Kutac of the Law Offices of Matthew B. Kutac, PLLC, Vicki Hahn, paralegal with Winstead PC, Lonnie Wright, Beth Wright and Chris Sanchez of Municipal Operations and Consulting, LLC (“MOC”), the operations and management contractor for the District, Lauren Barzilla and Juhmanie Alexander of Burgess & Niple (“B&N”), the District’s engineers, and Chris Lane of Samco Capital, the District’s Financial Advisor.

Also in attendance were members of the Board of Directors of HCWCID No. 1 to wit:

Bill Dally	President
Paul Kelly	Vice President
Daniel B. Robison	Secretary
Rick Lucas	Treasurer/Assistant Secretary
Walter Almon	Assistant Secretary

All members of the Board of Directors of HCWCID No. 1 were present at the commencement of the meeting except Director Lucas. The record shall reflect that each of the above members of the Board of Directors of HCWCID No. 1 are herein referred to as a “Director” in the interest of comity, notwithstanding that they are not members of the District’s Board. In addition, the Board of Directors for the District and the Board of Directors for HCWCID No. 1 are referred to as the “Boards” and the District and HCWCID No. 1 are sometimes collectively referred to as the “Districts” herein.

1. Public Comment: The Board called for public comment. Hearing none, the Board moved to the next item on the agenda.
  
2. Water Storage Facility Engineering Plans. The Board reviewed the preliminary engineering plans for the water storage facility. Ms. Barzilla recommended approval of the plans for submission to the reviewing authorities. After receiving comments from the reviewing authorities and making any necessary changes to address them, B&N will prepare a final version for use during construction bidding. She noted that the final plans will require approval from both Boards before bidding proceeds.
  - (a) Trees: The tree plan was reviewed, showing trees proposed for removal and trees designated to remain. Trees located within an area that will require heavy grading will be removed as they will not survive under the amount of fill that will be required. Most trees in the area are cedars, with a small number of live oaks. Approximately 30–40 trees are expected to be removed. No new trees will be planted unless directed by the Boards.
  - (b) Irrigation Zones: Ms. Barzilla stated that some zones will be abandoned and some zones will be decreased in size. She mentioned that there is a 500-foot buffer zone around the tank to protect the water supply. The irrigation line and associated wiring that is currently located under the area will be moved. Several valves will be capped or removed, and some spray areas may be adjusted. It is anticipated that the proposed reclaimed water irrigation lease with DSISD will offset the irrigation area lost. If not, the previous Director lots, recently acquired by the District, can be utilized. Ms. Barzilla added that other areas for irrigation are available and many were designed during the last irrigation expansion project several years ago.
  - (c) Drainage Plans: Existing and proposed drainage plans were reviewed. There will be a small detention pond which will bring flows into compliance with applicable regulations.
  - (d) Overall Site Plan: The Board reviewed the overall site plan which showed the proposed water lines, the water tank, and the pump building. Ms. Barzilla described how each component would function to maintain constant pressure. The system is designed to increase pressure above 35 psi, with a target operating pressure of 40 psi. A second tank will allow the Districts to monitor water usage.
  - (e) Security: Ms. Barzilla confirmed there is a security plan. The area will be fenced and gated with only the Fire Department and MOC having access.

- (f) Pipe Size: The pipe sizes and locations were reviewed. There may be a need to open cut an existing road to connect, which would require approval by Hays County. In addition, Ms. Barzilla mentioned that the District will have to remove and replace a portion of the treated effluent line to meet TCEQ standards. The treated effluent line must be relocated below the new water line.
- (g) Water Line Profiles: Ms. Barzilla next reviewed the water line profiles, pointing out the depth of the lines. The design attempts to avoid vertical bends to the extent possible. They sleeved the water line in the Right of Way to make future repairs easier.
- (h) Traffic Impacts: Ms. Barzilla noted that construction will likely impact traffic for several days. One side of the road may be temporarily closed while the other side remains open, with steel plating used as needed. She believes that one side of the road is wide enough to maintain two lanes of traffic while the other side is closed. Director Paul Kelly asked whether any of the currently sleeved lines will need to be moved. Ms. Barzilla confirmed that none of the sleeved lines will be moved.
- (i) Irrigation Area: Director Paul Kelly asked if there are other irrigation areas that can be used if the school does not agree to allow the District to irrigate their property. Ms. Barzilla and Mr. Kutac assured him that there are other areas that can be utilized.
- (j) Fire Protection: A fire hydrant will be available for use by the Fire Department.
- (k) Pump Building: The Pump building plans were reviewed in detail with the Board. It was noted that an HVAC will be installed to maintain proper temperature.
- (l) Propane vs. Diesel: The Board discussed backup fuel options. Mr. Wright expressed a preference for propane. Directors expressed concerns about relying on third parties during an emergency. Director Lee mentioned that she thought there was a natural gas line on Sawyer Ranch Road. The Board wants to choose the best and most reliable option. Ms. Barzilla replied that she will consult Mr. Wright regarding alternatives and adjust plans as necessary.
- (m) Disinfection System: The disinfection system includes a pump that samples chemical concentrations in the tank and adjusts mixing to maintain compliance. Some balancing may be required during initial operation.
- (n) SCADA: The building will have its own SCADA system and will not be connected to the WWTP SCADA system.
- (o) B&N Reviews: Director Dally asked whether B&N performs peer review to avoid missed items that could result in costly change orders. Ms. Barzilla replied that she plans to ask Mr. Callegari to conduct a full review and also request that another B&N office review the plans. Ms. Barzilla also mentioned that Tim Propes will also review the plans from a construction perspective before the project is advertised and bid.

- (p) Tank Size: Director Almon questioned the cost difference and the benefit of a four-day storage tank versus a smaller one. Ms. Barzilla explained that in earlier evaluations, the Boards decided to go with a tank that holds 4 days of additional water. Mr. Wright added that many systems statewide use treated water from other sources and that a four-day storage tank is common. The Boards discussed whether having a larger tank will allow the Districts to avoid boil water notices. Several of the Directors expressed their opinion that the larger tank is worth the additional investment. Mr. Wright also emphasized that as Public Water Systems, the Districts have ultimate regulatory responsibility to their customers. Some Directors also noted that paying slightly more for the larger tank provides greater reliability. Annual operation costs for the tank are estimated at \$60,000 with that amount shared by both Districts.
- (q) Hydro-tank: Mr. Wright explained the hydro-tank function, noting that water cannot be compressed. Hydro-tanks contain air and water; air compression allows pumps to cycle between 55 psi and 65 psi rather than running continuously. Director Carroll Kelly asked whether this design would resolve pressure issues. Ms. Barzilla confirmed that, when properly configured, the system will achieve at least 45 psi and can be tweaked as needed.
- (r) Resident Communications: The Board discussed notifying the residents of the potential water tank and encouraging residents to contact MOC for assistance. Director Bethke mentioned that she has received a lot of positive feedback from residents. Director Almon noted that some residents are unaware they should contact MOC. Director Bethke replied that the Districts have continuously contacted residents via the Districts' newsletters, e-mail, Facebook, the Districts' websites, etc. to inform them.
- (s) Fees for Reviews: Ms. Barzilla reported that the project will incur several submittal fees, including approximately \$6,500 for the CZP and less than \$1,000 for Hays County. The City of Dripping Springs is expected to have the highest fee if their review is necessary. Mr. Kutac noted that the WTCPUA fee may also be higher, though Ms. Barzilla added that its review will be minimal. She estimated the total submittal fees to be approximately \$20,000.

HCWCID No. 2: Upon motion by Director Lee, seconded by Director Bethke and unanimously carried, the Board of HCWCID No. 2 approved the plans as recommended by the District Engineer and authorized their submittal to relevant reviewing authorities.

HCWCID No. 1: Upon motion by Director Dally, seconded by Director Almon and unanimously carried, the Board of HCWCID No. 1 approved the plans as recommended by the District Engineer and authorized their submittal to relevant reviewing authorities.

3. Water Storage Facility Administrative and Legal Matters:

- (a) Amendment of Joint Facilities Agreement between the Districts: The Districts have a joint facilities agreement governing shared infrastructure, including the WWTP,

the drainage pond, and Lift Station. The agreement outlines the allocation of costs between the Districts. It must be finalized before submitting the Bond Application Report to TCEQ for bond financing to document the basis for cost-sharing. At this time, both Districts intend to proceed with the project. HCWCID No. 1 has set a \$5 million cap, and bid results remain uncertain. Both Districts will share the cost based upon its contractual water commitments with the WTCPUA. Mr. Kutac reviewed proposed draft language to be incorporated into the joint facilities agreement in anticipation of the project and its associated variables.

- (b) Bidding: The project will be bid after all permits and required contractual agreements are obtained. Bidding will not proceed until the amendment with the WTCPUA is completed. HCWCID No. 2 will handle the bidding process and associated contract administration.
- (c) Opt-Out: At this time, HCWCID No. 1 has plans to not participate in the project if its share of the project costs exceeds \$5 million, although they may reconsider depending upon the circumstances. Mr. Kutac's draft allows for either District to opt-out of participation in the project after the bidding process. The language provides that engineering plans are currently co-owned, and each District may use the plans or ask the engineer to scale them back if the other District exercises its opt-out rights. If HCWCID No. 1 opts out, HCWCID No. 2 may, at its own cost, direct engineers to construct the tank and they would have sole ownership of the tank. Under normal conditions, the interconnect between the Districts will be closed. However, in an emergency, MOC may be required to open the interconnect so that HCWCID No. 2 would be supplying water to HCWCID No. 1. The HCWCID No. 2 Board expressed its concern about the fairness of having to provide water to HCWCID No. 1 if HCWCID No. 1 opts out of the project and questioned what constitutes an emergency. Mr. Wright responded a reduction in pressure below 35 psi would constitute an emergency. Director Kopperud asked whether the interconnect agreement could be amended to clearly define what constitutes an emergency to avoid potential disagreements between the parties. Mr. Kutac indicated that he would prepare such an amendment.
- (d) Capacity and Costs: If both Districts elect to proceed with the project, both Districts will have beneficial use and capacity in the project based on the existing WTCPUA water service capacity. HCWCID No. 1 would have a proportionate share of 51.17% of capacity in the storage facilities and HCWCID No. 2 would have a proportionate share of 48.83%. Both Districts must approve Pay Applications and pay their share within 30 days. If there is a payment or change order dispute, each District has 15 days to raise it in writing with the other District. The Joint Tank Committee will make recommendations for payments and change orders to the Board.
- (e) Financing: Both Boards must determine whether to issue bonds before bidding, fund the project from reserves or issue debt at a later date. HCWCID No. 1 wants to wait for bid results before preparing a Bond Application Report. Director Dally mentioned that the HCWCID No. 1 Board voted not to exceed \$5 million because

that is the ceiling for raising taxes. The target is not to have to raise taxes for HCWCID No. 1.

- (f) Operations and Maintenance: If both Districts continue with the proposed tank project, HCWCID No. 2 will oversee operations and contract with MOC for operations services. There will be a monthly true-up of the costs, just as other joint facilities' costs are reconciled on a monthly basis. Enforcement costs will be considered operating costs, and any fines will be split between the Districts.

Mr. Kutac continued to review the entirety of the draft language with the Board and asked both Boards to let him know if they have any questions with respect to the amendment.

- (g) Amendment of water supply and service agreements: Mr. Kutac reviewed a proposed draft amendment to the WTCPUA agreement that had not been shared with the WTCPUA to date. He noted that the Districts will use HCWCID No. 2's amendment as the template for the tank project, and once finalized and approved, the same language will be incorporated into HCWCID No. 1's agreement. Mr. Kutac plans to attach an exhibit specifying when the tank can be filled and the allowable fill rate. Further discussion with the WTCPUA and possibly committee members is needed regarding the cost of water entering the tank. It was noted that Mr. Douthitt had previously recommended using a blended rate with a year-end true-up reflecting each District's actual usage. The proposal to the WTCPUA in the draft amendment is that water entering the tank and not passing through the interconnect should be billed to HCWCID No. 2 at its rate and to HCWCID No. 1 at its rate. Mr. Kutac then reminded the Directors of the Districts' recently filed rate appeal regarding recent WTCPUA rate increases. The WTCPUA has requested a meeting to discuss the matter. An initial meeting with the rate consultant and attorneys is recommended. Once this meeting occurs and the Districts understand the WTCPUA's position, the Districts can evaluate possible resolutions. Mr. Kutac noted that there is likely still a lot of work to be done on the WTCPUA amendment.
- (h) Other Agreements: Mr. Kutac reminded both Boards that they adopted a resolution and joint representation agreement at the end of 2024 allowing him to represent both Districts on this project. If any Director has an issue with this representation now or in the future, he asked that such Director contact him.
- (i) Calendaring: Mr. Kutac asked the Boards how often they would like to have a Joint Meeting to discuss. The Board discussed quarterly meetings unless there is an issue that needs to be discussed immediately. The Joint Tank Committee should meet monthly.

- 4. Executive Session: No Executive Session was needed.

5. Adjournment.

HCWCID No. 2: Upon motion by Director Kopperud, seconded by Director McGillicuddy and unanimously carried, the HCWCID No. 2 Board adjourned until further call.

HCWCID No. 1: Upon motion by Director Kelly, seconded by Director Almon and unanimously carried, the HCWCID No. 1 Board adjourned until further call.

APPROVED AND ADOPTED by HCWCID No. 2 on this 19<sup>th</sup> day of February 2026.

HAYS COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 2

  
Sean McGillicuddy, Secretary

(DISTRICT SEAL)

