

MINUTES OF MEETING
OF THE
BOARD OF DIRECTORS

THE STATE OF TEXAS §

COUNTY OF HAYS §

HAYS COUNTY WATER CONTROL & 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, which included a monthly workshop session and regular meeting, all open to the public, at Belterra Centre, 151 Trinity Hills Drive, Austin, Texas, the District's office within the District, on March 14, 2019, and the roll was called of the members of the Board of Directors, (herein referred to as the "Board") to-wit:

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

WORKSHOP SESSION 3:30 P.M.:

All members of the Board were present at the commencement of the workshop session. In addition, Kristi Hester, Lisa Adkins of Inframark, the District's general management and operations contractor, Matt Kutac of the law offices of Matthew B. Kutac, PLLC, Andy Barrett of Andy Barrett & Associates PLLC, Judy McAngus, paralegal with Winstead PC, Chris Lane of SAMCO Capital Markets, Inc. ("SAMCO"), the District's financial advisor and Lauren Barzilla with CMA Engineering ("CMA"), the District's engineers, were present for such workshop.

The purpose of the workshop session was to review details pertaining to the consent items and agenda items on the posted Agenda for said meeting, hear updates on committee reports, review the current monthly General Manager's Report and Executive Summary (see **EXHIBIT "A"**), which report and summary includes operations updates and a summary of activities since the last regular Board meeting, review the current monthly Financial and Bookkeeper's reports (see **EXHIBIT "B"**), including an updated check register, and review the current monthly CMA WWTP and 210 reuse irrigation engineering report (see **EXHIBIT "C"**) and the separate general engineering report (see **EXHIBIT "D"**). No formal action was taken during the workshop session of the meeting, but the following matters were discussed in detail:

- Ms. Hester was asked to review of Inframark's Executive Summary. She recapped the items set out in such report and noted that she had no action items on the summary that would need to be approved at the meeting. She noted that Director Lucas had toured the WWTP as part of his orientation with respect to the operations of the District. With regard to item 2) on the report: WWTP matters, Ms. Hester reported on TSS levels, the security system upgrades, the status of the slab for the 2nd sludge box placement and an order for extra bar screen parts necessary to keep the existing ones in working order until the new drum screens, which are expected to be installed by Kubota, are up and running. Kristi Hester also explained that Inframark would be conducting a "dry" discharge trial to sharpen procedures to be followed by Inframark in the event that a discharge were ever to become necessary. She stated that such a trial had been performed a number of years ago, and that it would be prudent to add an item to the WWTP preventive maintenance list to perform such a trial every 4 years. Item 2) – 210 Irrigation System – Drip Fields – she noted that combined WLE 210 system repairs for the month were just under \$3,000 and it was discussed that the newer sprinkler heads that are being installed have a better filter system than prior heads that were initially utilized on the system. It was also noted that debris from the open storage tank enters the 210 lines resulting in the sprinkler heads being more prone to replacement than those used for an irrigation system utilizing potable water. It was agreed that Inframark and CMA will take a look at some of the recent replacement heads to confirm that they were in need of replacement and identify any improvements that might be made to reduce necessary replacements. Ms. Hester noted that a routine cost of repairs for a 210 system as large as Belterra's (serving both the District and Hays County Water Control and Improvement District No. 2 ("HCWCID No. 2")) seems to run from \$3,000 to \$8,000 per month. Item 3) the Distribution System – Billing – it was noted that Inframark plans to begin installing about 20 of the AMI replacement meters each month until they have a better schedule to recommend to the Board that might allow the entire replacement program to move forward much more rapidly. She noted that Inframark is also checking with a local vendor who may be able to bring the costs of installation down and shorten the installation at the same time. She indicated that she should have a recommendation for the Board at their next regular meeting. With regard to item 6) on the report – Construction, Ms. Hester noted that the West Travis County Public Utility Agency ("WTCPUA) had lowered their impact fee charges for each Living Unit Equivalent ("LUE") by about \$6,000, but had not notified Inframark at the time of such adjustment. She noted that they were working with the WTCPUA staff to confirm amounts that should have been paid and make any needed adjustments. It was noted that the fees are strictly passed through and thus any adjustments would not affect the District's budget. Under item 7) Other – Ms. Hester noted that Inframark called in six (6) additional street repairs to the County today, and that she felt it was timely to meet with the new County Commissioner with regard to the overall road repairs and resurfacing that is needed throughout Belterra.
- Kristi Hester next moved to a review the Inframark General Manager's Report. Ms. Hester noted that the average consumption per residential household during the last billing cycle was 5,223 gpd, down from 5,791 gpd for the similar February 2018 reporting cycle. In addition she noted that the water accountability factor for the prior month's reporting cycle was 99.5% (down from 108.6%) and a running

average of 99.85% over the past 24 months. Director Dally noted his concern over the variances in the water accountability factor. Ms. Hester explained that most of the difference relate to a timing issue (the timing of the residential meter reads versus the timing that the master meters are read by WTCPUA), but that the installation of the AMI meters (with its automated reading capabilities) should hopefully help with more accurate reporting. Wastewater flows were discussed and Matt Kutac reiterated various requirements under the District's existing wastewater discharge permit. In addition, it was discussed and confirmed that the District's only responsibility for certain flagpoles in Belterra was the one at Belterra Centre. It was discussed that the HOA maintains the flagpole at the Hwy 290 entrance into Belterra and confirmed that the HOA has the Board's permission to trim the trees near the flag pole enough to allow the flag to fly freely.

- Lisa Adkins reviewed the Financial & Bookkeeper's Reports which included January 1, 2019 to January 31, 2019 reporting and a current check and wire listing. She noted that the tax collections report reflected a total of 91.65% collected in 2018 taxes through the end of January. With regard to upcoming CD's it was noted that TexPool's current rate of return of 2.3972% was competitive and only a little less, if any, than what most banks are willing to pay and that, due to the ease and safety with respect to moving funds in and out of TexPool accounts, that upcoming CD's would be rolled into the corresponding TexPool accounts as they come due. Ms. Adkins noted that she would keep a watch on the interest rate adjustments and notify the Board if she felt that needed to be readdressed. Ms. Adkins distributed an updated Check Detail and requested additional details on the individual CMA invoices at the request of the Finance Committee, who had reviewed all invoicing in detail prior to the meeting and needed more detail to understand some of the billing details. Lauren Barzilla responded by providing the background and summary details of such invoices to the Board.
- Lauren Barzilla reviewed CMA's general engineering report which had been provided to the Board in advance of the meeting and noted actions that would need to be taken during the regular meeting. She noted that CMA was working on gathering the necessary items from the developer and for the project to be complete before recommending a final sizing on the next bond application. With regard to The Cottages at Belterra Village, Phase 2 (III. of such report), Ms. Barzilla noted that CC Carlton is removing a defective wastewater line and replacing it. Matt Kutac briefly explained a Public Utility Easement in connection with the project that he would be requesting approval on during the regular meeting. In addition, Ms. Barzilla reviewed Pay Application No. 6 under the CC Carlton construction project in the amount of \$9,944.55. With regard to item IV. – the Commercial Tract Development – Public Improvements – she indicated that Endeavor and the contractor are attempting to clear out the punch list items and hope to be ready to request final approval of the contract at the Board's next regular meeting. She updated the Board as to a treated effluent line crossing under the pond access road, and a matter relating to the Littleton Re-irrigation area drainage and discussed recommendations for such issues. She additionally discussed a replat of Belterra Phase 2, Section 5B Subdivision, Block "C", Lot 1A and the status of revegetation on Pad R. It was noted that the remainder of the engineering report items would be taken up during the regular meeting.
- Director Botts announced that the workshop was adjourned.

REGULAR MEETING - 5:00 P.M.:

Directors Botts, Kelly, Robison, Dally and Lucas, along with Kristi Hester, Lisa Adkins, Matt Kutac, Andy Barrett, Chris Lane, Lauren Barzilla and Judy McAngus remained for the regular portion of the Board meeting. All existing and newly appointed directors present when votes were taken voted on all matters unless an abstention is set out in any such item. In addition, Johnny McDonnell with Weigelt Enterprises, Inc., ("WLE"), the District's landscape service provider and his co-worker, were present for a portion of the regular meeting.

1. The Board called for public comments, and hearing none at this point, the Board concluded the regular public comment portion of the agenda.

2. Director Botts called on Lauren Barzilla to continue her review of the CMA general engineering report with the Board unanimously approving the following items:

Item 1.A. – Cottages Phase 2 Public Utility Easement, a copy of which is attached hereto as **EXHIBIT "E"**, by motion of Director Robison, seconded by Director Dally;

Item 1.B. -- Pay Application No. 6 under the CC Carlton Contract for the Cottages at Belterra Village, Phase 2, by motion of Director Kelly, seconded by Director Robison (**EXHIBIT "F"**);

Item 1.C. -- CMA Task Order No. 57 for project approval for Belterra Village Hotel Private Site Development Plan, by motion of Director Kelly, seconded by Director Robison (**EXHIBIT "G"**);

Item 1.D. – CMA Task Order No. 56 for project approval of Belterra Village Building S Private Site Development, by motion of Director Dally, seconded by Director Kelly (**EXHIBIT "H"**);

Additional item -- An Amendment to Task Order No. 50 to \$8,000 for the Holton Drive Extension, by motion of Director Robison, seconded by Director Dally;

Item 1.E. – Vacation and replat of Belterra Phase 2, Section 5B Subdivision, Block "C", Lot 1A, by motion of Director Kelly, seconded by Director Botts'

Item 1.F. – Proposal for a lump sum amount of \$4,500 to Austin Spatial Technologies, LLC for survey work with regard to the Grafton Open Space drainage improvements, by motion of Director Dally, seconded by Director Botts (**EXHIBIT "I"**);

Item 1.G. – Conditional Approval of a revegetation bond for commercial Pad Site R subject to Matt Kutac's review concurrence with the form of the bond to be issued in lieu thereof; and

Additional item – Authorized the preparation of a letter agreement by Matt Kutac to address punchlist items related to the treated effluent line under the pond access road and improvements to the Littleton reirrigation drainage area as discussed during the workshop

session, to be executed by Endeavor and the Board President to execute same with respect to Littleton treated effluent line remedy (**EXHIBIT "J"**).

Ms. Barzilla next reviewed CMA's WWTP and 210 Reuse Irrigation Engineering Report with the Board. She indicated that there were no action items.

With respect to item II - She noted that the Conveyance of Facilities has been sent to the Developer for signature with respect to the 5-acre non-reimbursable 210 irrigation areas (Mesa Verde Park, Wildflower and Section 21A).

With respect to item III, related to the WLE contract for the construction of the remaining 210 reuse irrigation, she noted that WLE was currently staking all the zones to determine which ones should be removed pursuant to the field identification process and that submittals are currently under review.

With regard to the WWTP Membrane Replacement project, she noted that CMA was still waiting on final cost information for replacing the drum screen and that insurance and contract documents have been issued for the membrane replacement portion of the contract. She explained that the contract documents had been reviewed by all parties and that they expect Kubota to be sending the original executed documents back soon. Also with regard to finalizing the costs for the drum screens so that the Board is able to take action, she noted they are working with Kubota and Inframark to determine the best method for installing the drum screens into the space where the bar screens were originally installed, reminding the Board that the existing frames were not sized properly for the drum screens.

Matt Kutac noted that he was working with Inframark and CMA in hopes of mitigating the effects of a delay in the membrane delivery and installation of the membranes and alerted the Board that once possible solutions are explored that it might be necessary to call a special Board meeting to address such matter.

3. The Board reviewed the consent agenda items. Following a motion by Director Robison, seconded by Director Dally and unanimously carried, the following items were approved:

- Minutes of the February 14, 2019 regular meeting; and
- Financial and Bookkeeping Report, including: District annual calendar, tax collection report chart, profit and loss budget performance charts, monthly revenue vs. budget comparison chart, joint facilities report, cash balance sheets and reports, investment activity report, cash balance trend chart, updated District March 14, 2019 check register, wires, investment report, bond related reporting, maintenance cap tracking under the Inframark agreements and certain other financial reporting.

4. In furtherance of the general CMA General Engineering Report, Director Botts motioned to approve such report, with Director Robison seconding such motion and it carrying unanimously. In addition, upon motion by Director Robison, seconded by Director Botts and unanimously carried, the Board approved the CMA WWTP and 210 Reuse Irrigation Report.

5. Matt Kutac confirmed that there was no action needed at this time from the Board with respect to the conveyance of the public facilities to the District with regard to the construction of Belterra Village commercial area.

6. Matt Kutac briefly reviewed the form of a Partial Assignment and Assumption of Non-Standard Retail Water and Wastewater Services Agreement wherein ERG Belterra, Ltd. confirms assignment of a portion of their interests to various Grantors/Assignors as set out therein and in the attached **EXHIBIT "K"**, in connection with the acquisition of various parcels by subsidiaries of Danly Properties. Following a motion by Director Dally, seconded by Director Robison and unanimously carried, such partial assignment was approved.

7. There were no representatives from either Ashlar or the commercial developers present to report on current activities.

8. The Board recognized Johnny McDonnell who was present to give a report from WLE on landscape related matters. Mr. McDonnell reviewed work performed by WLE with respect to its on-going landscaping duties within the District. In addition, Mr. McDonnell reviewed a WLE proposal for improvements to the Littleton reirrigation area as discussed earlier in the meeting. It was noted that the Board was hopeful that the work will be completed for under \$10,000, but that the Board acknowledged costs could go up to approximately \$12,000 due to the issues that need to be addressed. Following a full discussion and upon motion by Director Lucas, seconded by Director Kelly and unanimously carried, the Board authorized an expenditure of up to \$12,000 for WLE to complete the repairs and improvements to such area.

In addition, Ms. Hester advised the Board that the WTCPUA wants to use their own contractor to re-install the District's 210 irrigation lines and restore the landscaping on the District's property located at the entrance to Belterra off of Highway 290 following the recent WTCPUA waterline expansion project.. She stated that the WTCPUA had received a bid from the District's landscape contractor, WLE, but that such bid was significantly higher than the other proposed contractor. It was discussed that if such contractor was utilized for such project that Infamark and WLE would need to provide oversight to such repairs and installation of improvements, as the 210 irrigation system functions as an important aspect of the District's wastewater treatment facilities. It was noted that WLE has pictures of what the area looked like prior to such construction, and that WLE had installed the 210 system that serves the District at that location. Johnny McDonnell noted that WLE's bid for such work included, what they believed, was needed to get the entrance back up to the way it was prior to the project, which included 3" to 4" inches of top soil. It was noted that WLE's estimate for such project was approximately \$6,000 to \$8,000 higher than the contractor proposed by the WTCPUA. It was agreed that the matter would be discussed further in the meeting.

9. With regard to General Management related action items, Kristi Hester noted that there were no action items included in her Executive Summary. Upon motion by Director Kelly, seconded by Director Robison, the General Manager's Report and Executive Summary Report were both approved.

10. Judy McAngus briefly reviewed detailed reports with regard to arbitrage reporting. She explained that Arbitrage Compliance Specialists, Inc., ("ACS") provides arbitrage reporting on all of the District's bond issues. She reviewed and referred the Board to pages 5, 6 and 7 of the March 6, 2019 Arbitrage Rebate and Project Fund Yield Restriction

Compliance Service Program Report, a copy of which is attached hereto as **EXHIBIT “L,”** providing a summary of their reporting on all District bond issues (active and inactive). In addition, the Board reviewed a summary of the status of all reporting done by ACS for the District in a separate, Arbitrage Rebate Summary, dated March 6, 2019, as attached hereto as **EXHIBIT “M”**, with attention being put on the headings at the top of the summary and “future” actions that should be occurring on the outstanding issues, noting that any “concerns” would be included in the “Notes” section of such report. It was noted that none of the findings in any of the current ACS reports or past reports have brought up any arbitrage concerns or issues. In addition, with regard to such reporting, she noted that the reporting would continue to be routinely prepared by ACS and recapped in similar annual reports to be finalized by the end of February and reviewed by the Board annually at their March regular Board meeting. Following a review of such reports, upon motion by Director Dally, seconded by Director Lucas and unanimously carried, the Board confirmed receipt and approval of such reports.

11. The Board reviewed its existing February 5, 2018 Amended Order Adopting an Investment Policy and Appointing an Investment Officer and upon motion by Director Botts, seconded by Director Kelly and unanimously carried, the Board approved a Resolution Acknowledging Annual Review of Investment Policy and Investment Strategies, a copy of which Resolution is attached hereto as **EXHIBIT “N”**.

12. It was noted that the Hays County Commissioners Court had approved the proposed Interlocal Cooperative Agreement for Law Enforcement Services between Hays County, the Hays County Constable for Precinct 4, and the District (“Interlocal Agreement”), along with a proposed second interlocal agreement for HCWCID No. 2. It was discussed that at the recent Joint Customer Care Committee meeting with the District and HCWCID No. 2, that the HCWCID No. 2 committee members needed additional details to take back to the full Board prior to a final decision on the matter. It was also noted that the committee members at the meeting had agreed that the proposed law enforcement services would only be pursued further if both Districts were on board, and that Constable Hood was still in search of personnel who would be available to patrol during necessary hours within the District. Following a full discussion and upon motion by Director Botts, seconded by Director Robison and unanimously carried, the Board approved such Interlocal Agreement and authorized its execution by the District President, contingent upon the approval by HCWCID No. 2 of their separate interlocal agreement.

13. In connection with recent discussions with Texas Disposal Systems, Inc. (“TDS”), the District’s waste and recycling service provider under a three-party contract with HCWCID No. 2, regarding a proposed amendment to the existing contract with TDS, Inframark confirmed their recommendation that separate contracts for each District would be preferable from an accounting standpoint. Also it was discussed that due to only the District having commercial customers, that it had initially seemed logical for each of the districts to have separate contracts and also should any one of the districts wish to provide various levels of service (i.e., additional containers for an additional price, or other options), it might simply be easier to administer the collection and billing of such services. It was also discussed that while TDS was having such discussions with the District, that they had failed to approach and discuss such proposed new contract with the HCWCID No. 2 Board, and that at their last Board meeting HCWCID No. 2 was surprised to hear such proposal and, among other things, the HCWCID No. 2 Board had remarked that should they be asked to terminate the existing TDS agreement, they might also consider going out for bids from other providers. The Board weighed the cost savings that the

District might realize under a new separate agreement with TDS versus the possibility of having multiple solid waste providers within Belterra on different schedules, and determined it might be beneficial to all parties if costs could be reduced across Belterra without affecting current service standards and schedules. The Board directed Matt Kutac to advise the HCWCID No. 2 Board that they would consider remaining in the three-party contract with TDS, and requested that another joint customer care meeting be held to discuss such matters. It was agreed that no action was needed on a final determination of TDS contract matters at this time.

14. With respect to any matters relating to the Lower Colorado River Authority or the West Travis County Public Utility Agency (“WTCPUA”) on water supply, water rates or water conservation, it was noted that no action was necessary.

15. With regard to the on-going session of the Texas Legislature, Andy Barrett updated the Board on a few pending bills but noted that no action was necessary by the Board at this time on any such matters. He also confirmed that he is still unaware of any legislation that the WTCPUA is putting forth in the current session as of this date. He stated that he would continue to be watching for any legislation that might affect water supply to the District and would report any such matters to the Board.

16. Further discussion ensued with respect to the WTCPUA proposal to restore the District’s property at the Highway 290 entrance into Belterra. Mr. Kutac explained that under the license agreement executed by the WTCPUA and the District, the WTCPUA’s obligation was to restore the property to the condition that existed prior to the work, without regard to use of the District’s preferred contract. He did explain that the District could monitor such restoration work as it was being performed to assure that the subsurface irrigation improvements were installed properly. The Board instructed Mr. Kutac to contact representatives of the WTCPUA and request that the District’s contractor be used, and that if the WTCPUA did not agree, to advise that they would need to coordinate an inspection schedule with Inframark.

17. Mr. Kutac described a resident complaint that had recently come to his attention, noting that the resident lived on Mendocino Lane in HCWCID No. 2, but that the complaint related to existing 210 irrigation facilities. He stated that shortly after the resident moved in, he notified Inframark that an irrigation rotor was spraying onto his property and hitting his home and areas within his backyard. It appears that Inframark referred the complaint to WLE, who addressed the situation by turning irrigation zone off. However, the resident complained that the problem began to occur again in October of 2018, as it appears that WLE had turned the irrigation area back on. According to Inframark, the resident is now seeking reimbursement for some wax myrtles that died as a result of the overspray, and also a veterinary bill related to one of his dogs, which is alleged to have slipped and sustained ligament damage as a result of mud accumulation caused by the overspray. The Board discussed such matters and it was confirmed that the Board should work with both WLE and also representatives from HCWCID No. 2 to resolve such issues.

18. Matt Kutac updated the Board briefly with regard to a recent court decision relating to the Texas Open Meetings Act stating that the Texas Court of Criminal Appeals had determined that the criminal penalty imposed thereunder upon public officials who circumvent the Act is unconstitutional. He explained that the facts alleged in the case suggested that a “walking quorum” might have occurred, and cautioned the Board that the decision should not be read to allow members of the Board to commit violations. He noted that the remainder of the

Open Meetings Act remained in place and that the Board should continue to make all deliberations and conduct all District business as it had in the past. The Board confirmed that they would continue their policy of complying with the written law regardless of the court's decision.

19. The Board noted that a special meeting might be necessary and confirmed its next regular meeting for April 11, 2019. In addition, various committee meetings were slated and it was noted that final dates/times would be coordinated by Kristi Hester.

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

APPROVED AND ADOPTED this 11th day of April, 2019.




Daniel B. Robison, Secretary