

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, open to the public, at 151 Trinity Hills Drive, Austin, Texas, its meeting place outside the boundaries of the District on February 15, 2018 and the roll was called of the members of the Board of Directors, (herein referred to as the “Board”) to-wit:

Royce Wachsmann	President
Donald P. Kelly (Don Kelly)	Vice President
Sean McGillicuddy	Secretary
William Carroll Kelly IV (Carroll Kelly)	Treasurer/Asst. Secretary
Samantha E. Bethke	Asst. Secretary

All members of the Board as listed above were present at the commencement of the meeting except Carroll Kelly. All directors present at the time votes were taken voted on all such items. Also present were Matt Kutac of the law offices of Matthew B. Kutac, PLLC, Andy Barrett from Andy Barrett & Associates PLLC, Judy McAngus, paralegal with Winstead PC, Chris Lane with SAMCO Capital Markets, Inc. (“SAMCO”), the District’s financial advisor, Kristi Hester and Lisa Adkins of Inframark, the District’s general management and operations contractor, and Bill Ball with CMA Engineering, Inc. (“CMA”), engineers for the District. In addition, Aaron Googins, consultant to Ashlar Development, LLC (“Ashlar”), the development representative for LH Belterra, LLC, the developer of lands within the District and Missy Roberts with Inframark were present for a portion of the meeting as were three additional Belterra residents who were present to observe the meeting.

The meeting was called to order, and evidence was presented that public notice of such meeting had been given as required by law.

1. The Board first called for public communications and comments. Hearing none the Board proceeded through its agenda.
2. The Board postponed the approval of the Minutes from its January 18, 2018 Board meeting.
3. The Minutes from the Board’s February 1, 2018 regular meeting were presented for review and approval. Following a motion by Director Don Kelly, seconded by Director Bethke and unanimously carried, said Minutes were approved as written.

4. Mr. Ball next presented the CMA engineering report on the 210 WWTP and Reuse irrigation, a copy of which is attached hereto as **EXHIBIT "A"** and reviewed such report in detail.

With respect to item I.A. and II.B. of such report, Bill Ball reviewed a CMA recommendation letter for approval of Pay Application No. 5, which included final retainage, under the Belterra Reclaimed Water Irrigation System Contract with Weigelt Enterprises, Inc. for the construction of reclaimed water irrigation (210) areas within Belterra, Sections 15, 16 and 17. Following a full discussion and motion by Director Don Kelly, seconded by Director Wachsmann and unanimously carried, the Board approved Pay Application No. 5 in the amount of \$57,738.70. A copy of such letter recommendation and fully executed pay application is attached hereto as **EXHIBIT "B"**.

With respect to item I.B. and II.C., Bill Ball reviewed a CMA February 5, 2018 letter contained in the report and confirmed that CMA was recommending the District's approval of final completion of the Belterra Reclaimed Water Irrigation System contract for Sections 15, 16 & 17. Following a review of such item and upon motion by Director McGillicuddy, seconded by Director Wachsmann and unanimously carried, the Board accepted such project for final completion. Aaron Googins entered the meeting at this point.

With respect to item III., Bill Ball updated the Board and noted that initially the commercial developers thought that there were about 10 acres of open space areas that could be used for reclaimed water irrigation purposes under the Hays County Water Control and Improvement District No. 1 ("HCWCID No. 1") TPDES Permit and Chapter 210 Authorization, but after CMA's evaluation of such areas, it appeared that only 2.5 or 3 acres were really suitable for the District's 210 use. It was noted that most likely the Infrastructure Committee would not be recommending that HCWCID No. 1 move forward with adding the commercial areas to its 210 irrigation acreage in satisfaction of TPDES permit requirements due to the small scale, anticipated maintenance costs and relatively small benefit the District would achieve.

In furtherance of this item, it was discussed that the open area field behind Belterra Centre in Section 7 of Belterra was proposed to be included in the 210 area and upon motion by Director Don Kelly, seconded by Director McGillicuddy and unanimously carried, the Board agreed to the addition of such small "wildflower area" to the overall 210 system.

Also with regard to the status of the additional 100 acres of 210 reirrigation, it was noted that CMA had issued its comment letter to the proposed construction plans about 2 weeks ago and was hoping to hear back from the project engineer. Aaron Googins requested that the Board consider giving a conditional approval to such plans in order that the project could be advertised and bids received. Following a discussion and upon motion by Director Wachsmann, seconded by Director Don Kelly and unanimously carried, the Board approved the plans and authorized bidding of such project contingent upon satisfaction of all comments set forth in CMA's comment letter.

With respect to item IV.A., it was discussed that that the Fire Station proposed to be built on land within the District would need 4 LUEs, which had not been included in the service commitment letter that had been issued by the District to Crescent Belterra TX and assigned to LH Belterra LLC. Matt Kutac noted that the rules and regulations of the District would require the service applicant to pay the costs of obtaining additional capacity, and that the applicant had been so advised.

Continuing on to item IV.F. 1.b., upon motion by Director Don Kelly, seconded by Director McGillicuddy and unanimously carried, the Board concurred with HCWCID No. 1 and authorized the clearing of a 10 acre parcel of the proposed total 100 acre irrigation project for an estimated \$23,000 to evaluate how the clearing would work best for the entire project, which would also include certain cedar trees in a small area of clearing in Section 7.

Mr. Ball next presented the CMA general engineering monthly report, a copy of which is attached hereto as **EXHIBIT "C"** and reviewed such report in detail.

With respect to item II. of such report, Mr. Ball noted that CMA and Rvi are working on the site plan for the Mesa Verde Parking Lot, which will include the relocated mail kiosk. Mr. Ball asked the Board's permission to move the mail kiosk a little more to the center of the parking lot area, but still keep it as far from the street as possible, to save on certain construction costs. Upon motion by Director Wachsmann, seconded by Director McGillicuddy and unanimously carried, such request was approved.

With respect to item III. of such report, Bill Ball reviewed CMA's Task Order No. 19 relating to CMA's preparation of the surplus funds application to the Texas Commission on Environmental Quality ("TCEQ") in connection with the remaining funds from the District's Series 2017 Unlimited Tax Bonds. Following a review and upon motion by Director Don Kelly, seconded by Director McGillicuddy and unanimously carried, the Board approved Task Order No. 19, a copy of which is attached hereto as **EXHIBIT "D"**.

With respect to item IV of such report, Mr. Ball noted that CMA had completed the draft cost breakdowns for proposed road bond issues but will finalize those once the District's financial advisor, Chris Lane with SAMCO Capital Markets, Inc., has confirmed sizing issues relating to the first of the two road bond issues and sizing of utility bonds she would propose for issuance in calendar 2018.

With regard to item VI.B. of the report, the update on the on-going water, wastewater and storm sewer construction within Belterra Sections 20-1, 20-2 and 21-2, Mr. Ball explained the details of a proposed Plan Revision C1 to the project. Mr. Ball confirmed that no work related to the proposed plan revision had commenced and the revision would correct issues that surfaced during surrounding construction. Following a discussion and upon motion by Director Wachsmann, seconded by Director Bethke and unanimously carried, the Board approved Plan Revision C1 to such construction contract.

5. It was reconfirmed that Chris Lane was reviewing the road bond cost breakdowns provided by CMA and evaluating the final sizing of such bond issue and had asked that the Board allow the consultants to proceed with the preparation of a draft of the Preliminary Official Statement for the District's Series 2018 Unlimited Tax Road Bonds. Following a discussion and upon motion by Director Wachsmann, seconded by Director Don Kelly and unanimously carried, the Board authorized SAMCO to prepare and the District's consultants to review the Preliminary Official Statement in connection with the proposed bond issue.

6. With regard to a report from the developer, Aaron Googins noted that he had nothing further to report other than the items discussed previously in the meeting.

7. Lisa Adkins with Inframark reviewed the District's monthly Financial and Bookkeeping Report, a copy of which is attached hereto as **EXHIBIT "E"**. Ms. Adkins noted that she had her first meeting with the Finance Committee in advance of the meeting to review the financial and bookkeeping report in detail and that such committee would be meeting with her monthly going forward in advance of each Board meeting for such review. She reported that as of December 31, 2017, 78.30% of 2017 District taxes had been collected and that she had not received the January tax collections report before her reports were finalized. It was noted that the majority of remaining 2017 taxes were most likely to be collected in January. She explained the availability of TexPool (a state wide local government pool of funds) for investing funds of the District and proposed that the District set up a new account (note: the previous account was under the signature authority of past directors who were no longer on the Board) and execute signature cards for such account. She noted that certain funds could be deposited with TexPool and that the benefit is that the funds are liquid and there is no requirement for pledged collateral to secure the District's deposits. Following a discussion, upon motion by Director Wachsmann, seconded by Director Donald Kelly and unanimously carried the Board approved the opening of three separate TexPool accounts (Operating, Debt and Tax) and the execution of related signature cards. Ms. Adkins reviewed the Profit & Loss Budget Performance chart, the Monthly Revenue vs. Budget Comparison Chart, the Joint Facility Billings, the Maintenance Cap Tracking detail for the District's services as well as similar Maintenance Cap Tracking detail for the HCWCID No. 1 WWTP services under the Inframark contracts, Balance Sheet, Cash Balance Report, the current Investment Activity Report, the Cash Balance Trend Chart, Check Register, various wire transfer backup, Investment Activity Report and a summary of the District's remaining surplus funds from its Series 2017 Unlimited Tax Bonds. Following a detailed review of such report, upon motion by Director Bethke, seconded by Director Don Kelly and unanimously carried, the Board approved such report and authorized the release of such checks and wires noted therein.

With respect to service rates, Matt Kutac mentioned that a few years ago the District and HCWCID No. 1 had hired a rate consultant to review the service rates charged by both Districts, and how to best accommodate frequent changes in rates charged by the West Travis County Public Utility Agency ("WTPUA"). Mr. Kutac explained that the rate consultant had recommended adopting a purchased water adjustment to account for any WTCPUA rate adjustments (either positive or negative) that the District receives. Mr. Kutac noted that he would be working with Inframark over the next couple of months with respect to a review of the existing Service Rate Order and modification to the purchased water adjustment, in light of the fact that there will be no WTCPUA rate adjustment this fiscal year.

8. The Board then moved on to a detailed review the February 15, 2018 General Manager's Executive Summary, a copy of which is attached hereto as **EXHIBIT "F"**. Ms. Hester reviewed the summary of activities in such report starting with activity at Hays County Water Control and Improvement District No. 1's ("HCWCID No. 1") wastewater treatment plant and the activities in the report that relate to the District.

With respect to item 1) C) of such summary, Ms. Hester explained that Directors Don Kelly and Sean McGillicuddy had met with Directors Doug Botts and George Kelly of HCWCID No. 1 at the WWTP to review the recent issues with the SCADA system (a system for remote monitoring and control that operates with coded signatures over communication systems) and later some of the members met with Stan Nelke with Neltronics, LLC, the third party SCADA vendor that had been retained to analysis systems and provide recommendations to HCWCID No. 1 and the District with

regard to needed upgrades to the system. Ms. Hester presented two options recommended by Stan Nelke as follows: – Option 1: a Wonderware InTouch system at an estimated cost of \$52,250 and Option 2: VTScada System (“VT”) at an estimated cost of \$48,054. The Board focused on Option 2 which would take about 2 months to implement. It was noted that the existing system would remain in place and be operational simultaneously with the new system being installed. Ms. Hester noted additional operational benefits to going to the VT system, and stated that while the VT system was getting away from the existing Ovivo Scada system, Ovivo representatives would be asked to team up with the District to assist with the transition since the District would continue to use Ovivo equipment, with the exception of the control system. It was confirmed that Mr. Nelke had indicated that VT’s tech support department had been good to work with. Ms. Hester confirmed that Inframark was recommending the VT system and that, in addition, HCWCID No. 1 had approved such system at their last meeting. It was noted that all the lift stations (and any new ones) would be tied into the SCADA systems and provide a much improved and needed upgrade to the overall WWTP system. Following detailed discussions, upon motion by Director Wachsmann, seconded by Director Don Kelly and unanimously carried, the Board approved the VTScada System - Option 2 as detailed above.

With regard to item 2) related to 210 Irrigation System and Drip Fields, Ms. Hester noted that Weigelt Enterprises LLC (“WLE”), the District’s landscape service provider, had completed a full inspection of the existing 210 system, noting that several needed repairs had been made. She indicated in the future, Inframark will be asking for quarterly reports in order to stay on top of any needed repairs and maintenance. Ms. Hester also noted that the 210 irrigation system should no longer be in operation after 6:00 a.m. on any morning.

She updated the Board with regard to Park Committee matters and noted that she had requested an updated overall trail map from Ashlar.

9. Kristi Hester next reviewed the current monthly General Manager’s Report with the Board, a copy of which is attached hereto as **EXHIBIT “G”**. She noted that ST did not have any write offs to recommend to the Board at this time. Ms. Hester reported the District’s water accountability percentage for January was 93%.

Following such presentation, upon motion by Director McGillicuddy, seconded by Director Wachsmann and unanimously approved, the ST General Manager’s Report was approved.

The Board moved back to Park related matters where it was discussed that Inframark would reach out to Rvi with respect to a proposal for the Seneca Trails Park. She noted that once an initial design was prepared by Rvi and reviewed with the Parks Committee, she would reach out for comments from the neighbors surrounding such park area to communicate such plans to them and offer to set up a meeting with the Parks Committee if necessary before bringing back a final recommendation to the Board for the approval and bidding on a final park design. She indicated at this time she thought there were only 4 or 5 nearby homes in the near vicinity of the proposed park.

Also, on billing related matters, it was noted that Sitterle Homes had not replenished its homebuilder deposit and owed the District \$1,500 at the current time, plus the deposit replenishment payment. It was explained that the builder deposit is required of all builders within the District to cover any unpaid charges or fines. It was briefly discussed that in past years the District had had to threaten to suspend taps for Sitterle due to nonpayment of amounts due. Ms. Hester recommended

that the District take action early to avoid recurrence of such problems and associated waste of time, effort and expense in trying to collect large amounts that could accrue. Following a discussion and upon motion by Director Don Kelly, seconded by Director Wachsmann and unanimously carried, the Board authorized Matt Kutac to work with Inframark and send a letter requesting payment of all amounts due and replenishment of the required deposit within thirty (30) days of the date of the letter, and advising that water taps will be suspended to any properties owned by Sitterle or its affiliates if Sitterle fails to comply.

The Board briefly returned to discussions with regard to Mesa Verde Park and the Mail Kiosk relocation project. Bill Ball noted that it may be difficult to reuse existing mail boxes, which would affect the timing and cost of the project. He stated that he would expect the site plan to be completed within approximately a month, with another 60-90 days needed to secure the approval of the TCEQ, and additional time allowed to bid and construct the project. Overall, he thought it was most likely the project would take at least about 8 months to complete.

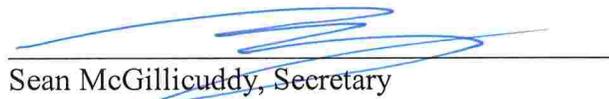
10. Matt Kutac noted that he had no formal updates to provide to the Board with regard to District matters relating to the Lower Colorado River Authority (“LCRA”) or the WTCPUA

11. It was noted that, at this time, there appeared to be no need to call a Special Meeting and that the next meeting would be the Board’s regular scheduled March 15, 2018 meeting.

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

APPROVED AND ADOPTED this 19th day of April, 2018.




Sean McGillicuddy, Secretary