

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 special session, open to the public, on the 16th day of April, 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 were present and participated in the meeting with Director Kelly joining during item 1 of the meeting. Also present were Kristi Hester and Michael Luft 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 and Associates, PLLC, Judy McAngus, paralegal with Winstead PC, Chris Lane of SAMCO Capital Markets, Inc., the District’s financial advisor, and Lauren Barzilla with CMA Engineering (“CMA”), the District’s engineers. In addition, Tiffany Darst with Ashlar Development, LLC (“Ashlar”), the development representative for LH Belterra LLC, (“LH Belterra”) the developer of lands within the District and 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. The Board first called for public communications and comments. Hearing no comments, the Board moved on to the next item on the agenda. The record shall reflect that Director Kelly joined the videoconference at this point and explained that he had experienced some initial troubles in establishing his video connection.

2. The Board reviewed the Minutes from the March 26, 2020 meeting. Following a review thereof, upon motion by Director McGillicuddy, seconded by Director Harris and unanimously carried, the Board approved said Minutes.

3. 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. Following such report, Kristi Hester noted she would be setting up a Parks Committee meeting to discuss and address various issues that have been brought to her attention by several residents.

4. Lauren Barzilla next reviewed CMA's WWTP and 210 Reuse Irrigation Report with the Board, a copy of which report is attached hereto as **EXHIBIT "A"**, and gave a thorough update of the status of the WWTP membrane replacement project noting that the third membrane was scheduled to be delivered March 26th, but has been delayed due to COVID -19.

With regard to the drum screen replacement project, she indicated that the Notice to Proceed had been issued to Excel Construction and that the current construction schedule calls for substantial completion around September 28, 2020 and final completion for October 28, 2020.

5. Next, Ms. Barzilla presented the CMA general engineering monthly report, a copy of which is attached hereto as **EXHIBIT "B"** and reviewed such report with the Board.

Under item II of such report, Ms. Barzilla confirmed that the District's proposed Bond Application No. 7, in the amount of \$6,270,000 was about 95% complete and was mostly waiting on some additional information from the Hays Central Appraisal District.

With respect to item III, Ms. Barzilla confirmed that the Brentwood Drainage project had been slowed due to weather but that the majority of the work was anticipated to be complete by April 21st.

With regard to item IV, she noted that the erosion controls had been installed at the Fire Station location within the District and that, according to Atwell Engineering, site work and clearing had commenced.

6. The Board next reviewed a proposed form of Order Authorizing Application for Approval of Project and Seventh Bond Issue by the Texas Commission on Environmental Quality and Requesting Waivers and following a full discussion and motion by Director Wachsmann, seconded by Director Harris and unanimously carried, the Board approved the Order and authorized its execution and subsequent inclusion in the formal bond application to the TCEQ. A copy of said Order is attached hereto as **EXHIBIT "C"**.

7. Matt Kutac inquired as to whether there was a representative of the developer present on the conference call. Tiffany Darst with Ashlar noted she was in attendance but had no nothing to discuss or report to the Board at this time.

8. Kristi Hester reviewed Inframark's monthly General Manager's Report beginning with the General Manager's executive summary memorandum. A copy of such report is attached hereto as **EXHIBIT "D"**. Ms. Hester noted that she had no formal Board recommendation actions for the meeting.

Ms. Hester next reviewed the report in detail, summarizing the status of wastewater treatment plant operations, re-use water system matters, distribution system, billing, the current AMI meter inventory, collection system updates, drainage/ponds, and parks-trails related matters, construction and committee related updates. She noted that the ponds had been inaccessible for maintenance due to recent rains. Also, it was noted that Inframark had removed some old benches along the trails and that the Parks Committee would be reviewing various replacement options to bring back to the Board. Ms. Hester noted that recently Inframark had noticed an increase in debris being dumped in the greenbelt areas (furniture, trash, etc.) and had been attempting to stay on top of clearing the debris in a timely fashion. Also on park related matters, she noted that the landscape at the Seneca Trails entrance needs attention and that she would working on WLE with respect to needed improvements. Also, she noted that she was working with both Sitterlee Homes and Toll Brothers with regard to erosion control and other violations. With respect to Customer Care Committee updates, Ms. Hester noted that the joint committee had met and agreed to extra patrol schedules, and discussed various aspects of the proposed Touchstone Services Agreement, the proposed Communications Policy and matters related to the proposed Facebook page. In addition, she reported that the District IPads that Inframark had ordered for the Board members had arrived and that Makenzi Scales with Inframark would be setting those up for the Board members. Ms. Hester reported that the previously scheduled Capital Area Suburban Exchange ("CASE") Summer conference had been canceled due to COVID-19 and that the Association of Water Board Directors ("AWBD") Summer Conference may be pushed back, but there was no word yet on a proposed date.

In addition, Ms. Hester highlighted certain information from the General Manager's Report, noting that there had been 940 residential connections as of March 2019 vs. 1,038 residential connection in March 2020, with an average residential consumption in March of 2019 of 5,313 vs. 5,744 in March 2020. She noted that Inframark will continue to send out delinquent letters; however, during the Covid-19 crisis, would not be suspending service to any accounts. In addition, she noted that the monthly water accountability was at 90% for the month of March vs. 91% for the month of February. She noted that all systems are in compliance. She noted that once the new master meters for the District and Hays County Water Control and Improvement District No. 1 ("Hays County WCID No. 1") are received, Inframark will be ordering storage vaults for the meters and would be installing the new master meters, which will serve as an additional cross check on the amount of water being billed from the West Travis County Public Utility Authority ("WTCPUA").

In addition, Ms. Hester noted that Inframark had completed the District's Annual Consumer Confidence Report on Water Quality ("CCR") and that they will have a link on the District's website of such report. She noted that was no additional requirement to mail out the

CCR to individual customer accounts so long as the report had been posted to the website and thus made available to the public. Upon motion by Director Wachsmann, seconded by Director Harris and unanimously carried, the Board approved the CCR.

Hearing no further questions and following discussions, upon motion by Director Wachsmann, seconded by Director McGillicuddy and unanimously carried, the Board accepted Inframark General Manager's Report.

9. Kristi Hester reviewed the District's monthly Financial and Bookkeeping Report, a copy of which is attached hereto as **EXHIBIT "E"** and noted that as of March 31, 2020 the District had collected 97.58% of its 2019 taxes. Ms. Hester covered a few additional highlights and stated that the report covered usual operations and there no concerns with regard to the contents of the bookkeeping report. The Finance Committee and Board confirmed their review of such and upon motion by Director Wachsmann, seconded by Director McGillicuddy and unanimously carried, the Board approved such report, including the additional check and authorized the release of such checks and wires as noted thereon.

10. With regard to the renewal of the District's intergovernmental risk pool coverage through the Texas Municipal League ("TML"), Matt Kutac noted that the annual renewal occurs in April and that Ms. Hester is working on a renewal of the coverage through TML at the present time. Following a motion by Director Wachsmann, seconded by Director Kelly and unanimously carried, the Board approved the renewal of such existing coverage through TML subject to confirmation that the premium is in line with the existing cost of coverage but for standard increases and additional coverage costs for any new property additions.

11. Matt Kutac next reviewed a proposed red-lined form of the proposed Customer Communications Policy that had been initially reviewed by the Board at its last meeting. Both Directors Harris and Bethke commented on the policy with Director Bethke summarizing the various costs for administering certain areas of the policy that would be charged under the proposed Touchstone District Services Consulting Agreement. In determining the final types of communications to be detailed in the policy, Director Bethke explained certain costs and services related to emergency notification that Hays County WCID No. 1 was most likely going to include in their scope of services with Touchstone, but that she felt were not (at least initially) needed by the District. She also stated that she did not feel the monthly cost for Touchstone hosting the Districts' joint website (\$200) should be billed until Touchstone physically takes over that component of the communications from Inframark. Following such detailed discussions, upon motion by Director Harris, seconded by Director Kelly and unanimously carried, the Board approved the Order Adopting Customer Communications Policy, a copy of which is attached hereto as **EXHIBIT "F"**.

12. Next, Matt Kutac presented a proposed red-lined version of the Touchstone District Services Consulting Agreement ("Touchstone Agreement") for additional Board discussion and comment. As relates to the Touchstone Agreement and the Customer Communications Policy, Ms. Hester confirmed that he would forward final a summary of the hierarchy of control as relates to how the Facebook responses are to be handled on to the Customer Care Committee. Mr. Kutac noted that he had not received any additional comments back from Touchstone pertaining to his revisions. Following further discussion and review, upon

motion by Director Bethke, seconded by Director Harris and unanimously carried, the Board approved said version of the Touchstone Agreement and authorized its execution, provided that Touchstone does not propose additional substantive changes. A final copy of the fully executed Touchstone Agreement shall be attached as **EXHIBIT "G"** hereto.

13. Matt Kutac noted that with regard to Item 13 on the posted agenda, that the Board would go into executive session later in the meeting to further discuss such matter but for the record, he noted that the Board had been previously advised by Inframark that they had placed the District's bookkeeper on administrative leave from their company due to some bookkeeping irregularities that had been identified, and that the Board was looking to obtain a new bookkeeping firm.

14. Matt Kutac noted that since the Board had voted at the last meeting for the District to purchase i-pads for the Board members to use in conducting District business, he was presenting a proposed Order Adopting Technology Use Policy. He indicated that he had patterned the proposed policy after the one previously adopted and currently in place for Hays County WCID No. 1, which District had purchased i-pads for Board member use some time ago. Due to Director McGillicuddy's years of experience and expertise with computer technology, he volunteered along with Director Bethke, to serve on an Ad-Hoc committee to closely review the proposed policy and offer comments back to Matt Kutac, who in turn would post a revised version of the Order on the District's Google drive for the Board's review in advance of the May meeting.

15. Matt Kutac noted that following direction given by the Board at its last meeting with respect to a reconciliation payment under the existing joint facilities agreement between the District and HCWCID No. 1, he had prepared a proposed Resolution Authorizing Payment under Sixth Amended and Restated Joint Facilities Agreement ("Resolution"), which he reviewed with the Board. He briefly recapped that the Resolution lays forth the method and timing of payment by which the District would reimburse \$510,785.00 that the District owes to Hays WCID No. 1 as the final true up of related shared wastewater and drainage costs, including joint 210 irrigation system costs. Director McGillicuddy voiced his concerns over the direction given previously to the proposed payment of the full amount from available funds on hand due to the recent events surrounding COVID-19 and the inability to accurately predict potential effects related to the District's financial position. He inquired as to whether the District had sufficient funds on hand in light of such uncertainties, and asked whether the Board should consider including the reconciliation payment in the upcoming bond issue rather than paying directly from the District's operating reserve. Chris Lane recapped the summary she provided to the District at their last meeting, explaining that the Board has sufficient account balances to allow it to pay the amount due and owing from its operating account and still maintain coverage of approximately 1.42 times in reserve, noting that the District was still in a very good position. Ms. Lane also noted that the current Cost Summary for the bond application which the Board had reviewed and approved at its last meeting, the total of which was included in the heretofore approved Order Authorizing the bond application (in item 6 of these Minutes), assumed a public sale and that certain associated costs might be lower in the event of a private placement. She further explained that a private placement would most likely allow for approximately 3% in savings, which would equate to approximately \$200,000 in costs savings, that could be used for either the payment. She stated, however, that she understood the Board's concerns if they needed a little longer to review

the situation. There was further discussion by the Board regarding the option of the Board including such amount in their 7th and final bond application as an alternative method of payment. The Board ultimately decided to postpone a final decision on the manner of payment. Matt Kutac noted that he thinks the Board needs to make a final decision within the next 4 to 6 weeks, and that he would carry over the item for further discussion and action to the May agenda.

16. With respect to the previously approved, proposed Interlocal Cooperative Agreement for Law Enforcement Services with the District, Hays County, Hays County Constable for Precinct and HCWCID No. 1, Matt Kutac noted that the contract was still being reviewed by Hays County.

17. Matt Kutac noted that with regard to item 17 on the agenda, the District had been submitted details of an injury that had occurred at one of the District parks on to TML claims review, noting that the incident involved a child climbing a tree. He stated that based on the limited information he had received, the District's governmental immunity should apply. He asked that any questions pertaining to potential liability related to such matter be discussed in Executive Session.

18. Matt Kutac indicated that there was no action to be taken with respect to West Travis County Public Utility Agency or Lower Colorado River Authority matters.

19. The Board confirmed that its next regular meeting would for on Thursday, May 21st and it was noted that Kristi Hester would confirm all upcoming committee meetings with the committee members. In addition, the Board was briefly informed of new legislation (HB 3834) that requires all elected Board members to take cybersecurity training, that information on such training would be provided in advance of the next meeting and that the initial training was to be completed on or before June 14th.

20. With regard to items 13 and 17 on the posted agenda for the meeting, upon motion by Director Wachsmann, seconded by Director McGillicuddy and unanimously carried, the Board retired, along with Matt Kutac and Andy Barrett to Executive Session at 7:13 p.m.

21. Following such Executive Session and upon motion by Director Wachsmann, seconded by Director Harris and unanimously carried, the Board reconvened in public session at approximately 7:40 p.m. A roll call was done of all members, confirming that all members had rejoined the meeting.

It was confirmed that no action had been taken during the Executive Session and following a motion by Director McGillicuddy, seconded by Director Harris and unanimously carried, the Board authorized Mr. Kutac's firm to engage Maxwell, Locke & Ritter PLLC to review questionable transactions and bookkeeping irregularities of which the Board had recently been apprised.

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

APPROVED AND ADOPTED this 21st day of May, 2020.




Sean McGillivuddy, Secretary