

COUNTY LINE SPECIAL UTILITY DISTRICT

Meeting Minutes

Board of Directors Meeting – May 23, 2022 6:30 PM

District Office – 8870 Camino Real, Umland, TX 78640

Board Members Present:

Toni Brewer
Bob Diaz
Joe Howe
William Ilse
Jeff “Rusty” Loep

Others Present:

Daniel Heideman
Jennifer Tarbutton
Rebecca Moore
Doug Schnautz
David Klein, Lloyd Gosselink Rochelle & Townsend, P.C.
Bill Fry, Plum Creek Utility
Allison Nieto, Southwest Engineers
Jeff Kallus, Southwest Engineers
Humberto Ramos, Canyon Regional Water Authority
John Kaufman, Canyon Regional Water Authority
David McMullen, Canyon Regional Water Authority
Justin Ivivic, Maxwell Special Utility District
Phil Vaughn, CPA, Armstrong, Vaughn, & Associates, P.C.

The following represents the actions taken by the Board of Directors (Board) of the County Line Special Utility District (CLSUD) in the order they occurred during the meeting. The Board of Directors convened in a meeting at the date, time, and location stated above.

- A. CALL TO ORDER. Director Brewer called the meeting to order at 6:32 P.M.
- B. ROLL CALL. Director Brewer conducted a roll call of the Board, and a quorum of the Board was present, with Directors Brewer, Diaz, Howe, and Ilse in attendance.
- C. PUBLIC COMMENT. There was no public comment.

The Board then took up the following Items, out of order:

F.1 Discuss, consider, and take action concerning qualifying newly elected directors. Director Howe delivered his Statement of Officer and then took his Oath of Office.

F.2 Discuss, consider, and take action on accepting the resignation of Chris Betz. Mr. Betz announced that he had resigned from the Board and his other roles for CLSUD, save and except for his position on the Board of Directors of the Alliance, due to his recent residency change, as he no longer resides within the boundaries of CLSUD. The Board and audience all thanked Mr. Betz for his significant contributions and dedication to CLSUD over the past many years. Director Brewer moved to accept Mr. Betz's resignation. Director Howe seconded the Motion and the Motion passed unanimously, 4-0.

F.3 Discuss, consider, and take action to appoint and qualify a new director. The Board introduced Mr. James "Rusty" Loep, stating that he had indicated that he would be willing to serve as a Director of CLSUD, if appointed. Mr. Loep addressed the Board, reiterating that he would be willing to serve as a Director. Mr. Heideman confirmed that Mr. Loep has met the qualifications to serve as a Director of CLSUD. Director Joe Howe moved to appoint Mr. Loep as a Director of CLSUD, filling the vacancy of Mr. Betz. Director Bob Diaz seconded the Motion and the Motion passed unanimously, 4-0.

F.4 Discuss, consider, and take action on appointing officers of CLSUD. Mr. Klein noted that after the election, resignation of Mr. Betz, and appointment of Mr. Loep, CLSUD does not have a Board President and that the Board should consider appointing new officers for CLSUD. Discussion ensued. Director Howe moved to adopt the following slate of officers:

Director Brewer – President;
Director Diaz – Vice President;
Director Howe – Secretary; and
Director Ilse – Assistant Secretary.

Director Diaz seconded the Motion and the Motion passed unanimously, 5-0.

The Board of Directors then returned to Item D.

D. CONSENT AGENDA. Director Diaz moved to approve the consent agenda. Director Howe seconded the Motion and the Motion passed unanimously, 5-0.

E. REPORTS – The Board received the following reports:

E.1 Operations Report - Bill Fry. Mr. Fry addressed the Board, stating that the wastewater treatment plant is working as designed, in compliance with all applicable laws. He added that he is expanding phase 4, and that he has hired Scott Man out of retirement to work for Plum Creek, and he will introduce him to the Board at a future meeting. There were no questions from the Board.

E.2 Engineers' Report, Allison Nieto and Jeff Kallus

Allison Nieto presented her report. She highlighted that the downtown infrastructure project is under construction, and that the sewer CCN application should be on a Public Utility Commission agenda for approval soon. There were no questions from the Board. Next, Mr. Kallus presented his report. Director Howe asked for a status update on the Brooks generator, and Mr. Kallus responded that plans are in process.

E.3 Financial Report – Rebecca Moore. Mr. Moore noted that while the net operations numbers are negative, that will mostly due to a timing issue with CLSUD making its payments to CRWA. She added that there was a large expense for water meters, as CLSUD had ordered a lot of new meters to be ready for new connections in the growing subdivisions within CLSUD.

E.4 CRWA & ARWA Report – Chris Betz. Mr. Betz reported that ARWA is looking for an entity to operate the new water treatment plant, and that there are three entities that are seeking to become that operator. As for CRWA, Mr. Ramos reported that the Board of Trustees had elected its new slate officers – which will remain the same. He added that there had been a \$97,000 Change Order for a generator at the Wells Ranch facilities. Mr. Ramos then noted that CRWA will be looking for entities to agree, with no commitment, to participate in Wells Ranch, Phase 3, which will enable CRWA and its consultants to prepare documents to formalize the agreement and bond documents. He stated that he will come back to the CLSUD Board in June to formally request participation and that CRWA hopes to go to market and sell bonds for Phase 3 in December. Last, Mr. Ramos introduced John Kaufman, the new General Manager of CRWA. The Board greeted Mr. Kaufman.

E.5 General Manager’s Report - Daniel Heideman. Mr. Heideman presented his report to the Board. Mr. Heideman highlighted that CLSUD’s water loss was very low, and discussion ensued regarding whether the timing of meter reading impacts that number. Mr. Heideman added that he had lost an employee recently and another one will be retiring in July. However, Mr. Heideman indicated that he had already replaced both vacancies and CLSUD is back to being fully staffed.

E.6 Legal Counsel’s Report – David Klein. Mr. Klein stated that he had nothing unique to report here, and that the legal team continues to assist Mr. Heideman and the Board on their existing projects.

E.7 Board President’s Report – Toni Brewer. Director Brewer indicated that she did not have a report at this time.

F. ITEMS FOR ACTION OR DISCUSSION/DIRECTION

F.5 Discuss, consider, and take action to appoint a new Public Information Act Coordinator. Mr. Klein explained that with the departure of Mr. Betz, CLSUD will need to appoint a new Public Information Act Coordinator to respond to requests for public information under the Texas Public Information Act. Mr. Heideman indicated that he would be willing to serve in this role, if appointed. Director Howe moved to appoint Mr. Heideman as the new Public Information Act Coordinator for CLSUD. Director Diaz seconded the Motion and the Motion passed unanimously, 5-0.

F.6 Discuss, consider, and take action to appoint a Texas Public Funds Investment Act – Investment Officer. Mr. Klein explained that with the departure of Mr. Betz, CLSUD will need to appoint a new Investment Officer to ensure that CLSUD complies with the Public Funds Investment Act. Ms. Moore indicated that she would be willing to serve in this role, if appointed. Director Brewer moved to appoint Ms. Moore as the new Public Information Act Coordinator for CLSUD. Director Ilse seconded the Motion and the Motion passed unanimously, 5-0.

F.7 Discuss, consider, and take action to change bank account signatories. Mr. Klein explained that with the departure of Mr. Betz and other changes on the Board of Directors, CLSUD will need to revise who is authorized to sign on CLSUD’s accounts. Discussion ensued regarding such

designations. Director Brewer moved to remove Mr. Betz from the accounts. Director Diaz seconded the Motion and the Motion passed unanimously, 5-0. Director Brewer then moved to keep Ms. Brewer on the accounts. Director Ilse then seconded the Motion and the Motion passed unanimously, 5-0. Further discussion ensued, and Director Diaz moved to rescind the prior two adopted Motions. Director Brewer seconded the Motion and the Motion passed unanimously, 5-0. Then, Director Brewer moved to authorize only the following individuals to sign on CLSUD's accounts: Director Brewer, Director Howe, Director Ilse, and Mr. Heideman. Director Diaz seconded the Motion and the Motion passed unanimously, 5-0.

F.8 Discuss, consider, and take action regarding the approval of the 2021 CLSUD draft audit – Phil Vaughn, CPA, Armstrong, Vaughn, & Associates, P.C. Mr. Vaughn presented his annual draft audit to the Board. Mr. Vaughn stated that he agrees that CLSUD's numbers are correct and he is providing an unqualified opinion. He then indicated that he is working on with CLSUD Staff regarding a few topics, including how impact fee revenue is recorded and how to allocate costs associated with the water supplies secured from CRWA and ARWD. He added that CLSUD may want to evaluate clarifying the status of CLSUD's Directors as independent contractors, for the purposes of FICA, and holding a depreciation schedule. In his presentation, Mr. Vaughn noted that in the Income Statement, revenue was up to \$3.4M and costs were up 10%, yet overall expenses are underbudget. He added that CLSUD's general funds covers 22 months of operating expenses, based upon current operating costs. Director Howe asked what is lowest number of months that CLSUD should be able to cover, and Mr. Vaughn responded that 6 months would be the lowest. Director Howe asked for detail regarding how restricted account funds could be used, and discussion ensued that they were limited to the projects contemplated by the capital improvement plan that generates the impact fee revenue. Director Howe moved to approve the 2021 Audit. Director Diaz seconded the Motion and the Motion passed unanimously, 5-0.

F.9. Discuss, consider, and take action to approve the 2022 Budget. Ms. Moore presented her proposed budget. She noted that old budget contemplated a negative net result of \$400k, but that with rate change in May, the net result was now only negative by \$192k. Mr. Betz asked if the audit change will impact the Income Statement. Ms. Moore indicated that it would not. Betz explained that this number could shrink a little based upon change in how payment to ARWA is classified. Director Brewer moved to approve the 2022 Budget, as presented. Director Howe seconded the Motion and the Motion passed unanimously, 4-0 (Director Ilse was not present for the vote).

F.10 Discuss, consider, and take action to award contract for the Gristmill South Gravity Main and Reuse Main. Ms. Nieto presented this Item to the Board, and a copy of her recommendation of award She noted that she took bids a week ago for the project and that Qro Mex was the low bidder out of 6. Director Howe asked how this bid compares to the budget, and Ms. Nieto noted that construction prices had gone up over the past two years. Director Howe asked for detail regarding reuse part of project, and Ms. Nieto responded that the reuse system will operate as a separate system but works the same as the water system. Director Howe noted that Qro will need to accept work and honor requirements, without change orders. Director Howe asked if restricted funds can be used for this project, and Ms. Moore responded that Herb is looking into reuse impact fees. Director Brewer asked for the construction start date, and Ms. Nieto answered August 1, for a 180 day build schedule. Director Diaz moved to accept the bid from Qro Mex Construction Company, Inc. of Granite Shoals, Texas, in the

amount of \$1,546,018.00 for this project, as recommended by CLSUD's engineer. Director Brewer seconded the Motion and the Motion passed unanimously, 5-0.

F.11 Discuss, consider, and take action to approve independent contractor agreement with HDZ Renewable Energy & Electrical, LLC for electrical work. Mr. Heideman asked that this item be tabled.

F.12 Discuss, consider, and take action to approve Utility Easement Agreement with Nancy and Tom Meyers for property on Gristmill Road. Ms. Nieto presented this Item. She indicates that the cost of the easement was \$67,500 with \$7,000 for their legal fees. She feels that this is a fair amount for 1.8 acres of permanent easement. Director Howe moved to approve the easement agreement with a total compensation amount of \$74,500. Director Diaz seconded the Motion and the Motion was approved unanimously, 5-0.

F.13 Discuss, consider, and take action on CRWA's Wells Ranch 3 water supply project. Mr. Ramos said he will be back June 20th to present documents and proposal. No action was taken on this Item.

F.14 Discuss, consider, and take action on the PCU Wholesale Wastewater Agreement. Mr. Betz indicated that he and Mr. Heideman had met with PCU recently, and they aim to provide update in the next 30 days. No action was taken on this Item.

F.15 Discuss, consider, and take action regarding the GBRA Water Supply Agreement (Gonzales Carrizo Water Supply Project Treated Water Supply Agreement by and between Guadalupe-Blanco River Authority and CLSUD). Mr. Klein presented this Item, indicating that CLSUD had been in negotiations with GBRA on this contract and that the parties were near a final agreement. He added that CLSUD has offered a number of edits in an effort to ensure that all participants will be treated the same and have the same opportunities, and that that GBRA has thus far been willing to accept those items. Director Diaz moved to authorize the CLSUD Board President to execute the Agreement when fully negotiated, as decided by the Board President. Director Howe seconded the Motion and the Motion passed unanimously, 5-0.

F.16 Discuss, consider, and take action on Order Adopting Amendments to CLSUD's Service Policy regarding:

- A. Construction Meter Deposits.
- B. Meter Installation Fees.
- C. Creating a Water Acquisition Fee.

Ms. Moore presented this Item. She noted that CLSUD's current costs do not cover CLSUD's cost for the construction meter deposit and \$300 admin fee. \$3000.00 covers the cost of the meter plus approximately 1 month's average use. She added that meter installation fee needs to be increased to \$935, which is made up of CLSUD's costs to install that meter, such as 3 operators, backhoe, truck, Copper Tubing, Meter, Meter Box. Last, Mr. Kallus explained the purpose of the water acquisition fee- which is to pay for the groundwater water rights for the water GBRA secures and delivers to CLSUD under the proposed CLSUD/GBRA contract. Under the Order, the construction meter deposit is increased to \$3000.00 and the meter installation fee is increased to \$935.00. Director Howe moved to

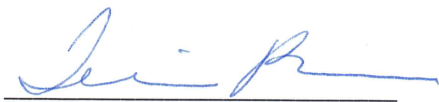
approve the proposed Order as presented, increasing the construction meter deposits, meter installation fees, and creating the Water Acquisition Fee, except that the dollar amount of the Water Acquisition Fee be set at "to be determined". Director Diaz seconded the Motion and the Motion passed unanimously, 5-0.

F. 17 Discuss, consider, and take action to call a Public Hearing regarding potential amendments to CLSUD's Water Capital Improvements Plan (CIP) and Impact Fees. Mr. Kallus presented this Item. Discussion ensued regarding the need to amend the CIP based upon the costs of the agreement with GBRA, amongst other CIP projects, but that the GBRA costs could not be finalized until the contract was executed. Director Howe moved to schedule a public hearing on potential amendments to the water CIP and Impact Fees on July 18, 2022, to be held at 6:30 PM at the CLSUD main office. Director Diaz seconded the Motion and the Motion passed unanimously, 5-0.

G. BOARD MEMBER ITEMS OR FUTURE AGENDA ITEMS. There was no discussion on this Item.

H. EXECUTIVE SESSION. There was no executive session held.

I. ADJOURNMENT. Director Howe moved to adjourn the meeting. Director Diaz seconded the Motion and the Motion passed unanimously, 5-0. The meeting adjourned at 8:31.



Date 6/27/22

County Line SUD, Board President
Toni Brewer