

Minutes of the Regular Meeting of the
BASTROP COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT #2

A regular meeting of the Board of Directors of Bastrop County Water Control and Improvement District #2 was held on Thursday, July 15, 2021, beginning at 6:30 p.m. The meeting was conducted by videoconference and telephone.

Present BCWCID #2 Board Members:

Mary Beth O'Hanlon, President
Scott Ferguson, Vice President
Sam Kier, Treasurer
Ron Whipple, Secretary
Butch Carmack, Director

BCWCID #2 Staff/Other Professionals:

Paul Hightower, General Manager
Tony Corbett, Attorney
Alma Rodriguez, District Administrator

MEETING DISCUSSION TOPICS

- 1.) Call to Order and Establish a Quorum
President O'Hanlon called the meeting to order at 6:30 p.m. A quorum of Board members was present.
- 2.) Pledge of Allegiance
- 3.) Texas State Flag
- 4.) Public Comments/Announcements (The Board respectfully requests that persons limit comments to three (3) minutes. Under the Open Meeting Act, the Board may not deliberate or take action in response to any matter raised during public comment that is not a separate agenda item.)
None.
- 5.) Discussion and possible action regarding scheduling of future meeting dates:
 - a. Regular Board of Director's Meeting scheduled for Thursday, August 19, 2021 at 6:30 p.m.

President O'Hanlon announced the next Board meeting will be held on August 19, 2021 at 6:30 p.m.

Director Kier stated the Board may need to schedule a Special Meeting depending on the Revenue Note Item.

Tony Corbett stated Governor Abbotts office lifted the suspensions of certain provisions of the Open Meetings Act. All Texas governmental bodies subject to the Open Meetings Act must conduct their meeting in full compliance with the Open Meetings Act as of September 1, 2021.

- 6.) CONSENT AGENDA: (*Consent Agenda items are generally routine. Unless removed by a member of the Board or General Manager, items listed on the consent agenda may be acted on together and without prior discussion.*)
- a. Approval of minutes from the June 15, 2021 Regular Meeting of the Board of Directors;
 - b. Approval of monthly financial report for June 2021; and
 - c. Approval of Release of Liens held by District on Real Property.

Alma Rodriguez reviewed the Release of Liens.

Motion: Sam Kier moved to approve the Consent Agenda Items. Seconded: Scott Ferguson. Vote: Four (4) in favor, motion carries.

- 7.) Discussion regarding the following items to be presented in the General Managers report:

Paul Hightower reported on the following items:

a. Status of TTHM compliance:
Current work in progress.

b. Update on district water plants and lift stations:
No updates at this time.

c. W/WW maintenance & Capital Improvements update:
Had a meeting and walk-thru with BEFCO on the Tahitian line upgrade. Final steps are being taken now, to present this to the Board, probably not until September. BEFCO is in the design & plan preparation currently with the goal of having a substantially complete set of plans by the end of August. Once they have that set, we will meet to review and gather any changes/requests. Once finalized, BEFCO will sign and seal the plans and then advertise for bid. I would estimate an end of September bid opening and bringing the bids to board meeting in October for award to a contractor. PVC should also be settling down a bit by the time we bid in September. There will be a few alternate bid items to review, which will allow some items that are wanted vs needed, to be bid on appropriately, with the economic changes that seem to be hitting us pretty rapidly.

d. Roads maintenance & improvement projects update:
19/20 Road Construction: Waiting for County chip-sealing.
20/21 Roads: The team is rocking right along with this. Trees and trimming have been the major struggle, with several issues along the way. A few things have been learned, (so that preparing for this next year, should we choose to take this on again), the team will have some insight and better strategical plans! We are planning and August/September timeframe for the reclaimer...just waiting on the dealer to confirm that now.

e. Employee update:

No new updates at this time. We have advertised for the empty positions and are conducting interviews.

f. General Office Update:

New Maintenance Facility: The project is moving forward slowly. Due to material delay, the builder had to go onto another project and is coming back to us this month. We are still hoping for a late July to mid-August finish time.

- 8.) Discussion and possible action regarding the Road Committee:
a. Receive Monthly Committee Update

Alma Rodriguez stated the biggest question was when the County was going to start chip sealing the roads. Did get a confirmation from Commissioner Hamner that chip sealing will start next month. The road crew has completed 3.8 miles of road construction and road maintenance since the beginning of June. They are working on clearing ROW's and still have several culverts to install.

Jo Egitto added if there is a delay with chip sealing then we might need to do some road maintenance on roads that are pretty far up on the plan because Kahalulu, Pukoo, Heleakala and Keawakapu are showing deterioration.

Paul Hightower stated we can certainly look at road maintenance for those roads.

- 9.) Discussion on future capital improvement projects and financing analysis by SAMCO Capital Markets
Chris Lane stated there was nothing to discuss on this item it can be covered under Item 10.

- 10.) Consider adoption of a resolution approving term sheet and bid form relating to Bastrop County Water Control and Improvement District No. 2 Revenue Notes, Series 2021; authorizing distribution of such documents; and containing other related matters

Chris Lane stated there is a Resolution and Bid documents in your packet for review and distribution, we need to talk about a possible date for the bond sale. I talked to all of the banks, they are aggressively bidding on as much as they can bid on these days, there's a lot of competition out there for everything that is in the market. The rates are still low but with inflation threatening it keeps bouncing around so while it's back down, I would like to get this into market before something major changes. What we are looking at doing is selling either July 28th, August 2nd, or 3rd. Bids would be due in the morning then I would call Mr. Hightower and Director Kier and go over the bids. Then bond counsel would get the paperwork ready then we can have a meeting that afternoon or evening at whatever time you want to have it that day.

The Board decided to have a virtual Special Meeting on August 2nd at 4:00 P.M.

Ben Morse stated the resolution is very short, it just authorizes us to release the bid documents so that we can get bids back for the August 2nd meeting.

Motion: Sam Kier moved to adopt the resolution approving term sheet and bid form for the proposed Revenue Notes, Series 2021 for \$6,775,000. Seconded: Butch Carmack. Vote: Four (4) in favor, motion carries.

- 11.) Discussion and possible action regarding Investment Strategies for District funds
Director Whipple stated he noticed that the District seems to have a lot of money sitting in accounts that are not used on a regular basis. We do have operating expenses every month for our planned operations with road repair, maintenance and water treatment but it seems like with the funds we have in a bank or in other institutions, are earning very little interest and it seemed to me that if we had a substantial amount of money that is not required to be liquid, we are missing out on enormous potential earnings, if those funds were invested in instruments that are legal to invest in and are very safe. I have reviewed the public law on investment of public funds, and also reviewed our investment policy adopted by the Board, they are essentially the same so it seems like we could make a substantial amount of earnings on funds that are otherwise idle without jeopardizing the liquidity necessary for operations.

Director Whipple proposed to the Board an Investment Strategy be visited that may put some of these funds into an earnings situation. That could provide a lot of income and save the District a lot of money in the future, and help us fund operations that otherwise would have to be paid for by other sources of revenue. Not say that this Board, should get into making financial decisions on investment but we should hire a professional organization whose job it is with fiduciary responsibility to invest those funds held by a separate institution that is FDIC, insured to provide us with some income, we are otherwise missing out on. So, I guess the next step, if we decide to pursue at least an investigation, is to try to determine on a regular basis how much money sits idle and whether any investment instruments would be liquid enough for future needs to allow us to make such investments.

Director Kier stated right now the District has about \$2.5 million of operating funds and you've got \$2.2 million dollars of funds that are basically in reserve or being held by Amegy and things like that. We've got a couple of million bucks that can be put in a different place. The Amegy money the \$642,000, that's actually held by TWDB so you will not be able to touch that. The TWDB Reserve Fund you will not be able to touch until the loan is paid for. A few years ago, we moved the money to TexPool because they gave us better interest than some of the banks.

Director Kier stated our account firm basically acts as our advisor, they're supposed to be giving us advice as to where to put that money.

Tony Corbett stated they've negotiated rates which are still painfully low but with different depositories that are a little bit higher than market rates and that's kind of one of the functions MAC will provide if you're interested.

President O'Hanlon stated she likes the idea of taking a look at this and coming up with something that would earn us a bit more money. I think it's at least worth exploring.

Director Kier suggested Director Whipple take the lead on this and work with the accounting group.

Tony Corbett stated he also likes the idea also of exploring it and seeing what the costs are. It makes a lot of sense. He works with some larger districts that invest larger amounts like 10 plus million dollars. They have retained third party financial professionals, Linda Patterson and Associates. They are probably the best known and she is somebody I would definitely recommend that you get a proposal from so you can evaluate the cost. It's a super service that her firm provides, they're always monitoring the markets out there, making recommendations and you would definitely receive a higher return than you would from TexPool or on your own. The flip side of that is there are significant fees associated with the service and with \$2 million of investments and then you look at the benefits of the higher rates. Will that offset the fees that you are going to be paying for those advisory services. In today's interest rate market, even when you say better returns, they're still painfully low from a historical perspective. So, I encourage you to explore the possibilities. \$2 million is a lot of money in absolute terms but it's not a lot of money in terms of larger political subdivisions that retain financial advisors for this purpose. I think it's a worthwhile exercise you should get the data, so you can make an informed decision, but I think you're going to have to look at whether the additional earnings materially outweigh the additional costs for those services.

Director Kier asked Chris Lane when we float the bond for the \$6,775,000 do, we get the net proceed all at once?

Chris Lane responded yes; you do. You will need to have it in an investment that you can readily access. Typically, it goes into TexPool or something like that, so you get the money out while you're doing construction. Smaller Districts typically use their bookkeeper, and the bookkeeper has a list of banks that each District approves to do investments like buying CDs, money markets or whatever else there is. Is there an Investment Officer on the Board or does MAC Act as an Investment officer for the Board?

Paul Hightower responded MAC acts as the Investment Officer.

Chris Lane stated she knows Linda Patterson as well, but Tony Corbett is right you have to have a pretty large amount of money in this interest rate environment to make a difference.

Director Kier stated his point was that we will have about \$8 or \$9 million in early August.

Tony Corbett stated Chris is making the point that needs to be invested in a way that it's so liquid, you can make monthly payments on construction pay estimates and most of the investments which will be greater than what you would receive from TexPool, and those types of investments will not be as liquid.

Chris Lane reminded the Board that the bond proceeds are totally separate and cannot be comingled with anything.

Tony Corbett stated the Revenue notes, the final resolution that Ben Morse and Chris Lane present to you will have some reserve fund requirements that you need to fund, and that's also going to be a restricted, separate fund that you need to establish.

Director Whipple stated if the Board approves, he wouldn't mind taking lead on this for pure research. No decisions to be made, on various ways to invest, but what I would need, starting off, is an approximate amount of money that's held in reserve or not immediately liquid and what are monetary needs are on a liquid basis to project out and get some kind of idea of what the portfolio investment portfolio would look like to research various financial advisors, such as Tony suggested and get proposals from them and bring it back to the board.

Director Kier stated 2.5 million is a good number to start with. This money, you could probably put away for fairly long-term basis and Mr. Hightower has a list of the projects for the 6 million and he can send that to you.

Tony Corbett informed Director Whipple that he has a sample contract, from the firm I mentioned for a different district that, that's certainly public information and I was just looking at it, and just so you know, the fee that they charge under that contract is a quarterly fee of \$20,000 flat fee.

Ronald Whipple stated he talked to one organization that charges flat 1.25% on an annual basis for public entities.

Director Kier stated he thinks one of the things that Chris mentioned that we need to work on is making sure we know where we are to put the six point seven million dollars, when get it.

12.) Discussion and possible action regarding future meeting locations for Board meetings

President O'Hanlon stated that in September we will be required to meet again in person for meetings so we will be discussing our options.

Paul Hightower stated last month we spoke about getting back to in-person meetings and had some suggestions of looking into the Bassano's building and the Clubhouse at the golf course, the Convention Center, and the Fire Station. I spoke with Mr. Carlos at the Clubhouse, and he stated that he didn't have enough room to accommodate us for meetings. The old Bassano's building is available on the 3rd Thursday of every month for \$50 a meeting and we could definitely make this work.

They do not have any displays or TVs, but we can hook up one of our TVs to display the information or we can print out handouts. Kathy at the Convention Center stated we are still on their schedule as a standing meeting for our times, so that's available from now until the end of the year. I have reached out a couple times about the Fire Department building and haven't been able to get a solid answer on that just yet.

President O'Hanlon stated she was speaking with someone who works with a lot of school boards, and they stated they can continue to have people participate virtually. As long as a quorum of the Board is meeting in person, and the citizens have the right to meet in person. If that's the case, that can have some bearing on where we choose to go as to whether or not we're in a place where we could allow some person to call in or persons to call in as long as we have a quorum on site.

President O'Hanlon asked Tony Corbett for his guidance.

Tony Corbett asked the Board to let him look into this before they take any action on this item but did state that even before, COVID, the Board was authorized to conduct video meetings where as long as a quorum of the board was present in one location and as long as certain audio and visual requirements were met and the agenda was posted in a certain way. It would allow Board members to participate in the meeting remotely but those visual requirements include making sure that the remote board participants face is observable to everyone who's present in person, where the quorum is meeting and a lot of districts don't jump through the hoops of meeting those audio visual requirements, just because of the IT costs of doing so but that was always the case Pre COVID but that's a little bit of a different question, I think, what you're asking about, which is remote participation by the public. I don't think you're trying to preclude them from attending the in-person meeting or are you just trying to give them the option.

President O'Hanlon stated we want to give them an option of in person or remote attendance. We want to make sure our meetings are accessible to all so I think the Convention Center may be the best option.

Tony Corbett stated he will shoot a note to President O'Hanlon and Mr. Hightower after he looks into this to give an absolute answer.

President O'Hanlon stated we will table this item until we have clarification, and we can discuss this item at the August 2 Special Meeting.

- 13.) Board suggestions on future agenda items
Director Whipple asked to have an agenda item for his progress report regarding the Investment Strategies for District funds.

Director Kier asked to have something on the agenda about the office renovations.

Paul Hightower stated he thinks it maybe too early.

Director Kier asked when the lease is up on the building.

Mr. Hightower responded it at the end of June, but we are on a month to month for the building and the land expires in September.

14.) Adjourn

Motion: Sam Kier moved to adjourn the meeting. Seconded: Butch Carmack. Vote: Four (4) in favor, motion carries.

MEETING ADJOURNED AT 7:19 P.M.

Mary Beth O'Hanlon
Board Director

August 19, 2021
Date