

**MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF
TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2**

February 5, 2025

THE STATE OF TEXAS §
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COUNTY OF TRAVIS §

A meeting of the Board of Directors of Travis County Municipal Utility District No. 2 (the “District”) was held on February 5, 2025 at the offices of Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas. The meeting was open to the public and notice was given in accordance with the Texas Open Meetings Act. A copy of the Certificate of Posting of the notice is attached as **Exhibit “A”**.

John Bartram of Armbrust & Brown, PLLC, the District’s general legal counsel, called the meeting to order at 12:01 p.m. and stated that he would be moderating the meeting on behalf of the Board. The roll was then called of the members of the Board:

Wilmer Roberts	-	President
Raymond C. Mura	-	Vice President
Tracy T. Johnson	-	Secretary
Daffney A. Henry	-	Assistant Secretary
Sarah Rossig	-	Assistant Secretary

and all of the Directors were present, thus constituting a quorum. Also present in person at the meeting were Dennis Hendrix of Crossroads Utility Services LLC (“Crossroads”), the District’s utility operator; Ken Schroeder of Schroeder Engineering Company, the District’s engineer; and John Bartram of Armbrust & Brown, PLLC, the District’s general legal counsel. Attending the meeting via telephone conference call were Robert Starkman of SG Land Holdings LLC, a developer in the District; Lauren Smith of Public Finance Group LLC, the District’s financial advisor; Allen Douthitt of Bott & Douthitt, PLLC, the District’s accountant; and Nancy Olson of McCall Gibson Swedlund Barfoot Ellis PLLC, the district’s auditor.

Mr. Bartram stated that the Board would first receive public comment. There being no citizens’ communications or Board member announcements, Mr. Bartram announced that the Board would next consider approving the minutes of the December 4, 2024 Board meeting. After review, upon motion by Director Mura and second by Director Henry, the minutes were approved unanimously.

Mr. Bartram next recommended that the Board update the District’s approved list of meeting and posting locations to add the Master District’s wastewater treatment plant as an approved out-of-district meeting location. Upon motion by Director Johnson and second by Director Rossig, the Board voted unanimously to approve the Amended and Restated Resolution Establishing Offices and Meeting Places of the Board of Directors and Establishing Locations for the Posting of Notice of Meetings of the Board attached as **Exhibit “B”**.

Mr. Bartram next reported that, according to the District’s bookkeeper, the City of Manor, which provides solid waste and recycling collection services within the ShadowGlen project per contract, had recently increased the rate charged for such services. Mr. Bartram stated that Mr. Douthitt had recommended that the Board consider passing such increase through to the District’s retail rates by a corresponding increase in the base service fee. However, he noted that he was still coordinating with Messrs. Douthitt and Hendrix regarding the amount of the increase

and whether it was being assessed in accordance with the development Agreement, and he, therefore, recommended that the Board table action on the rate order amendment until the next meeting. The Board agreed to do so.

Mr. Bartram next recognized Ms. Olson for purposes of receiving a report from the District's auditor in connection with the audit of the District's financial statements for the fiscal year ended September 30, 2024. Ms. Olson presented the "Cottonwood Creek Municipal Utility District No. 1 Year Ended September 30, 2024 Financial Statements, Supplementary Information and Independent Auditor's Report" (the "Audit Report") attached as **Exhibit "C"**, including a summary of (i) the independent auditor's report, which she explained contained a "clean", or what was now referred to as an "unmodified", opinion, and was the best opinion that the District could receive; (ii) the Management's Discussion and Analysis, which she explained was a summary of District operations prepared by the District's bookkeeper on behalf of District management in compliance with applicable governmental accounting standards; (iii) the basic financial statements and the notes thereto; (iv) the Required Supplementary Information; (v) the Texas Supplementary Information; and (vi) the Other Supplementary Information. She focused the Board's attention on the balance sheet, income statement, budget-to-actual comparison, and various notes to the financial statements. She indicated that the District had ended the fiscal year with a total fund balance of $\pm \$6.8$ million, a $\pm \$367,000$ positive budget variance, and a positive net position of approximately \$4.2 million. Ms. Olson next reviewed the audit summary letter attached as **Exhibit "D"**, which she noted was a required communication under applicable auditing standards, and confirmed that no significant difficulties were encountered, that no material adjustments were required, and that there had been no disagreements with management in connection with this year's audit. Ms. Olson then reviewed the Board representation letter attached as **Exhibit "E"**, which she pointed out incorporated certain "knowledge" and "reliance" qualifiers that took into account the fact that the Board was relying on the advice of the District's consultants in making the representations set forth in the letter. She stated that similar letters would be signed by the District's utility operator and bookkeeper. After discussion, upon motion by Director Rossig and second by Director Roberts, the Board voted unanimously to approve the Board representation letter and the Audit Report and to authorize the filing of the Audit Report with the TCEQ, the Texas Comptroller, and the City of Manor.

Mr. Bartram next announced that the Board would consider the Annual Review Items on the agenda. He first reviewed the District's identity theft prevention program, which he indicated was modeled on the requirements of the federal government's "red flag rules". Mr. Hendrix reported that the program had proved effective and that he was not recommending any changes this year. Upon motion by Director Henry and second by Director Mura, the Board voted unanimously to approve the Resolution Confirming Annual Review of Identity Theft Prevention Program attached as **Exhibit "F"**.

Mr. Bartram then reviewed the District's current code of ethics and financial management policies and stated that he did not have any revisions to recommend at this time other than to update the list of qualified brokers. Upon motion by Director Mura and second by Director Rossig, the Board voted unanimously to approve the Resolution Confirming Annual Review of Certain Financial Management Policies; Ratifying Adoption of Code of Ethics and Financial Investment, Financial Management, Travel, and Professional Services Policy; Ratifying Adoption of Investment Strategies; Ratifying Designation of Investment Officers; and Confirming Review and Adoption of Amended List of Qualified Brokers attached as **Exhibit "G"**.

Mr. Bartram next called the Board's attention to the District's written procedures for post bond issuance federal tax compliance and highlighted the arbitrage, private use, and records retention requirements. He stated that these procedures would likely evolve over time to keep up with underlying regulatory changes but that the District's bond counsel was not recommending

any changes this year. Upon motion by Director Johnson and second by Director Roberts, the Board voted unanimously to approve the Resolution Confirming Annual Review of Written Procedures for Post Bond Issuance Federal Tax Compliance attached as **Exhibit “H”**.

Mr. Bartram then concluded the Annual Review Items by referring the Board to the Declarations pages for the District’s current insurance coverage attached as **Exhibit “I”**. He recommended that the Board review the current limits and deductibles in order to confirm that the Board was comfortable with the scope of coverage. Mr. Bartram stated that he had also asked the District’s engineer and utility operator to review the District’s property insurance schedule and verify that it was up to date. Director Mura asked if the District’s insurance coverage had been reviewed externally. Mr. Bartram indicated that, other than consultations with the insurance carrier itself, the scope of coverage had not been reviewed by an independent third party. After discussion, the Board generally concurred that the scope and limits of the District’s insurance coverage was adequate.

Mr. Bartram then stated that the Board would consider the Master District and Advisory Committee items on the agenda, beginning with wholesale water related matters. Mr. Hendrix first addressed wholesale water supply and reported that the elevated storage tanks were full; that water pressures were normal; and that EPCOR’s third water well was completed and had been tied into the water system. He stated that EPCOR’s water supply would need to be shut down temporarily in connection with certain valve work at EPCOR’s new water booster station but that Metro Water Systems, the District’s wholesale provider, planned to back serve the Participant Districts with well water and did not anticipate any issues other than possible sediment. He stated that, once the project was scheduled, he would notify the District’s customers. Mr. Hendrix next updated the Board on the Master District’s pending wastewater treatment plant expansion/conversion project. He reported that, overall, the plant was running well, subject to certain issues with the chemical feed system during the recent freeze. He noted that work on the rapid mix basin was in progress. Mr. Bartram then concluded the Master District and Advisory Committee items by directing the Board’s attention to the agenda(s) and minutes from the most recent joint meeting(s) of the Board of Directors of Wilbarger Creek Municipal Utility District No. 2 and the Advisory Committee, which was a recurring agenda item so that the Board could stay informed of the activities of the Master District and Advisory Committee.

Mr. Bartram next announced that the Board would move to the Reports and Related Action Items section of the agenda, and he recognized Mr. Starkman for a report from the developer. Mr. Starkman stated that, at this time, he did not have any updates regarding the status of development of Section 18, which was the last section remaining to be developed in the District. He indicated that it was his understanding that the development permits were still pending at Travis County.

Mr. Bartram next recognized Director Johnson for a report on website design and management. Director Johnson first reported that transfer of the District’s website domain name from AO Design to Town Web had been completed. He next presented the Proposal for an Upgraded Website and Communication Platform from Town Web attached as **Exhibit “J”**, which he recommended in order to improve security in connection with annual website hosting and support. He noted that the proposal covered a one-time website and communication platform upgrade fee of \$600 plus hosting, support, and domain name for an annual fee of \$620. After discussion, upon motion by Director Henry and second by Director Mura, the Board voted unanimously to approve the Town Web proposal.

Mr. Bartram then stated that the Board would receive a report from the District’s utility operator. Mr. Hendrix directed the Board’s attention to the most recent operations report attached as **Exhibit “K”** and reviewed the latest water usage, water accountability, connection,

billing, and delinquent accounts reports. He reported that all water leak repairs had been completed; that water loss had decreased to 9.8% for the latest reporting period, with indications that loss was continuing to trend down; that the replacement sub-master meter necessary to isolate usage between Wilbarger Creek MUD No. 1 and the District had been installed; that all facilities were generally operating well; that he had no concerns regarding aged receivables; that there were no write-offs for consideration this month; that Stage 2 watering restrictions remained in effect; and that the installation of the “smart” water meters for all residential customers in the Participant Districts was complete, that the commercial and large volume meters were in process, and that the system was running as expected. Mr. Hendrix reported that, in mid-January, the bonnet on a valve at one of the fire hydrants on the Master District’s 24” water transmission main between ShadowGlen and Cottonwood Creek MUD No. 1 had blown off, resulting in a major main break and the loss of approximately 750,000 gallons of water, as well as a temporary shutdown of water to Cottonwood Creek MUD No. 1 and an associated boil water notice. Mr. Hendrix verified that the leak had been repaired in less than 24 hours but noted that several valve extensions had broken during the work due to rust rot. He stated that rust rot problems were being encountered more frequently due to the age of the system, and that he planned to recommend that the Participant Districts include funds in next year’s budget for preventive maintenance.

Mr. Bartram next recognized Mr. Douthitt for purposes of receiving a report from the District’s accountant. Mr. Douthitt directed the Board’s attention to the accounting report and updated cash activity report attached collectively as **Exhibit “L”** and recommended approval of all Director and vendor payments and fund transfers, as well as the District’s March bond payments. At Mr. Douthitt’s request, Mr. Schroeder verified that he had reviewed and recommended approval of Crossroads’ latest operations invoice, with the observation that it included approximately \$58,000 in charges related to water leak repairs. Mr. Douthitt next reviewed the District’s latest cash activity report, quarterly investment report, collateral report, and financial statements, noting that approximately 72% of the District’s 2024 tax levy had been collected and that the District was ±\$48,000 unfavorable to plan, primarily due to water leak repairs. He further noted that property tax revenues were right on budget and that he was not seeing anything of a concern at this time. Mr. Douthitt then concluded by advising the Board that Prosperity Bank was requiring an updated pledge agreement to collateralize deposits in excess of FDIC insurance, and he recommended approval. After discussion, upon motion by Director Roberts and second by Director Henry, the Board voted unanimously to approve the Director and vendor payments, the transfers, and the bond payments, as presented, and the Public Funds Collateral and Pledge Agreement attached as **Exhibit “M”**. Mr. Hendrix requested that Mr. Douthitt hold payment to HydroPro Solutions until he had a chance to review and confirm the status of invoicing for the “smart” meter conversion project.

Mr. Bartram next recognized Ms. Smith for a report from the District’s financial advisor. Ms. Smith directed the Board’s attention to the MSRB Rule G-10 and G-42 disclosure letter attached as **Exhibit “N”** and advised that this was an annual disclosure required under applicable federal securities laws regarding her firm’s role as a “municipal advisor” and that no action was necessary by the Board. She confirmed that Public Finance Group was in compliance with all applicable securities laws and had no conflicts of interest.

Mr. Bartram then recognized Mr. Schroeder for a report from the District’s engineer. Mr. Schroeder directed the Board’s attention to the engineering report attached as **Exhibit “O”** and first reiterated that he had reviewed and recommended approval of Crossroads’ latest operations invoice. He next reported that there was no active development in the District at this time but that it was his understanding that the development permit for Section 18A had finally been issued by Travis County. Mr. Schroeder next addressed matters related to the Master

District. He reviewed the latest wastewater treatment plant flow data, advised that there had been no discharge permit excursions or violations during the latest reporting period, and confirmed that Crossroads and Quiddity continued to coordinate on the wastewater treatment plant expansion project, which was nearing final completion.

Mr. Bartram stated that the next item on the agenda was a report from the District's attorney. He indicated that there were currently no outstanding developer or consultant directives.

Mr. Bartram next announced that the Board would move to the Other Discussion/Action Items section of the agenda and conclude by reviewing the future meeting schedule. After discussion, the Board agreed that, unless there was a need to meet sooner, the March meeting would be canceled and the next meeting would be held as scheduled at noon on April 2nd.


There being no further business to come before the Board, upon motion by Director Mura and second by Director Henry, the meeting was adjourned at 12:56 p.m.

(Signature page follows.)

(SEAL)



**TRAVIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 2**



Tracy T. Johnson, Secretary
Board of Directors

Date: April 2, 2025