

MINUTES OF SPECIAL MEETING
CHIMNEY HILL MUNICIPAL UTILITY DISTRICT
HARRIS COUNTY, TEXAS

11 June 2019

STATE OF TEXAS
COUNTY OF HARRIS

The Board of Directors (the "Board") of Chimney Hill Municipal Utility District (the "District") of Harris County, Texas, met in special session, open to the public, on the 11th day of June, 2019, at the Chimney Hill/Camfield Joint Wastewater Treatment Plant (the "Plant") located at 13450 Traders Village Drive, Houston, Texas, outside the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

W. Jay Szinyei	President
Charley L. Lewis	Vice President
Camille W. Sowells	Secretary/Treasurer and Investment Officer
Tom Woltz, Sr.	Assistant Secretary/Treasurer
Kim McNinch	Asst. Vice President, Asst. Secretary/Treasurer, and Assistant Investment Officer

and all of said persons were present, thus constituting a quorum.

Also present were Julie Williams representing Rathmann & Associates, L.P., the District's Financial Advisor; Brian Lepora representing McCall Gibson Swedlund Barfoot, PLLC ("McCall"), the District's Auditor; Justin Edwards, P.E, of A&S Engineers, Inc., the District's Engineer; Dennis Wright of Water District Management Co., Inc., the District's Operator; Deputy Frank Heisley of the Harris County Sheriff's Department (the "Sheriff's Department"); and Will Yale and David Green of Coats Rose, P.C., the District's Attorney.

Director Szinyei called the meeting to order.

Approval of Minutes

The Board first considered approval of the minutes of the meeting of 8 May 2019. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 8 May 2019, as written. The Directors then reviewed the Notes of Cancelled Meeting as prepared by the District's Attorney in connection with the Board's meeting on 4 June 2019, which was cancelled because of a lack of quorum.

Sale of Series 2019 Bonds

Ms. Williams announced that seven bids were received for the purchase of the District's \$3,000,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2019 (the "Bonds"). She informed the Board that S&P Global Ratings (called "S&P") had assigned an underlying rating of "A-" to the District and the outstanding unenhanced debt of the District. She distributed copies of the Credit Profile Report for the District as prepared by S&P, a copy of which is attached hereto as an exhibit to these minutes. Ms. Williams stated that the Bonds were expected to receive an insured rating of "AA" from S&P based on a financial guaranty policy by Assured Guaranty Municipal Corp. at the time of delivery of the Bonds.

Ms. Williams stated that she had received a "good faith" check in connection with the sale of the Bonds in the amount of \$60,000. She explained that the good faith check will be held until the closing of the Bonds and returned to the purchaser once the sale is complete. In the event the purchaser fails to provide the necessary funding to purchase the Bonds at the closing, she continued, the District is entitled to retain these funds.

Ms. Williams reported that the bids were received electronically. She then reviewed with the Board the official bid tabulation and read that the bidders listed as follows had offered the respective net effective interest rates indicated:

(1)	The Baker Group, LP	2.887247
(2)	RBC Capital Markets, LLC	2.940831
(3)	Hilltop Securities	2.975595
(4)	Robert W. Baird & Co., Inc.	2.977624
(5)	SAMCO Capital Markets	2.992968
(6)	Raymond James & Associates, Inc.	3.046534
(7)	Stifel, Nicolaus & Co., Inc.	3.058138

A copy of the official bid tabulation is attached hereto and shall be considered part of these minutes. Ms. Williams recommended that the Board accept the bid submitted by The Baker Group, LP. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the bid of The Baker Group, LP, and to award the sale of the Bonds to same. A copy of the Official Bid Form submitted by The Baker Group, LP is attached hereto as an exhibit to these minutes.

Mr. Yale then reviewed with the Board the RESOLUTION AUTHORIZING THE ISSUANCE OF \$3,000,000 WATER WORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES 2019 (the "Bond Resolution"). He explained that the Bond Resolution is a contract between the District and the bondholders which governs the relationship and contains numerous actions the District agrees to take to pay off the principal and interest on the Bonds. He explained further that the Bond Resolution stipulates that the District is required to provide financial information on an annual basis to each nationally recognized municipal securities

information repository, as well as the State information depository, so that buyers or sellers of the Bonds can have access to the financial condition of the District. After discussion and further review of the Bond Resolution, upon a motion duly made and seconded, the Board voted unanimously to adopt the Bond Resolution. A certified copy of the Bond Resolution is included in the transcript of the proceedings of the sale of the Bonds. Next, the Board approved the Official Statement for the sale of the Bonds and adopted the ORDER ADOPTING AND AUTHORIZING THE EXECUTION AND DISTRIBUTION OF OFFICIAL STATEMENT AND RATIFYING DISTRIBUTION OF PRELIMINARY OFFICIAL STATEMENT.

Next, Mr. Yale told the Board that it would be necessary for the Board to approve and execute a Paying Agent Agreement. He stated that the Paying Agent Agreement is between the District and The Bank of New York Mellon Trust Company, N.A. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve and execute the Paying Agent Agreement.

The Board then reviewed the General Certificate to be submitted to the Attorney General of Texas with the bound transcript for approval of the sale. Mr. Yale pointed out that the General Certificate provided a history of the District since the previous bond sale. Upon a motion duly made and seconded, the Board voted unanimously to approve the General Certificate and authorize Directors Szinyei and Sowell to execute same. The General Certificate will be included in the transcript of proceedings for the sale of the Bonds.

Mr. Yale then submitted the Signature Identification and No-Litigation Certificate in connection with the Bonds. He explained that the signatures of the President and Secretary of the Board would be verified for the Attorney General by notarization. Mr. Yale also submitted other certificates and letters for execution by Directors Szinyei and Sowell. Mr. Yale then said it would be necessary for the Board to authorize the officers and agents of the District to perform whatever actions are required to accomplish the bond sale transaction. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the Directors and District's consultants to execute documents and take all additional actions necessary to complete the sale and delivery of the Bonds.

Reimbursement Report

Mr. Lepora addressed the Board regarding the preparation by McCall of the Report on Agreed-Upon Procedures (the "Reimbursement Report") regarding the review of the amounts to be expended from the proceeds of the future sale of bonds by the District for reimbursement to SRP-H NW Logistics Center, L.P. ("SRP-H") for its eligible development costs relating to the extension of the District's water line and sanitary sewer line along North Eldridge Parkway to provide service to the SRP-H tract. He reminded the Board that McCall would prepare the Reimbursement Report pursuant to the Letter Agreement dated 26 September 2016 between the District and McCall. Mr. Lepora stated that the cost for preparation of the Reimbursement Report was

expected to range from \$3,500 to \$4,500. Attached hereto as an exhibit to these minutes is an electronic mail message dated 4 June 2019 from Debbie Gibson of McCall regarding the preparation of the Reimbursement Report.

Proposed Maintenance Services Agreement / Stuckey's, LLC

Next, Mr. Yale distributed to the Directors copies of a revised draft of the proposed Maintenance Services Agreement (the "Agreement") between the District and Stuckey's, LLC ("Stuckey's") for the performance of maintenance services (the "Services") on the drainage ditch located along the Plant access road (the "Drainage Ditch") and the storm water detention and drainage facilities serving the Westbrook Lakes Subdivision (consisting of the pilot channel and the detention pond, hereinafter the "Detention Facilities"). He recalled that the Services to be performed under the Agreement would include (1) regular mowing of the Drainage Ditch and the south and southeast sides of the detention pond tract; (2) turf maintenance; (3) cleaning and desilting; (5) repairs; (6) overseeding and fertilization; (7) trash pickup and removal; (8) inspections; and (9) emergency repairs. The Directors requested that Section 1.3.A. of the Agreement be revised to state that Stuckey's would provide at least 10 days' notice to the Board with regard to proposed repairs to the Drainage Ditch or Detention Facility that require authorization by the Board. Mr. Yale then reported that the District's Engineer was preparing a map to be attached as an exhibit to the Agreement that would denote the Drainage Ditch and the Detention Facilities. He added that Stuckey's was revising its exhibits to the Agreement pursuant to comments from the District's Attorney. The Directors then deferred final approval of the Agreement to a future meeting of the Board.

Security Patrol Report

Mr. Yale presented the Board with copies of the Security Patrol Report for May 2019 as prepared by the Sheriff's Department. A copy of the Security Patrol Report is attached hereto as an exhibit to these minutes. Deputy Heisley then discussed security-related matters with the Board. Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Security Patrol Report.

Solid Waste Collection Service

Mr. Yale distributed copies of the monthly Solid Waste Collection Report (the "Collection Report") for the District's solid waste collection service for May 2019 on behalf of Best Trash, LLC, the District's Solid Waste Collector. A copy of the Collection Report is attached hereto as an exhibit to these minutes. Director Woltz reviewed the Collection Report with the Board. Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Collection Report.

Strategic Plan / Authorized and Pending Projects

The Board then briefly reviewed the status of certain projects in the District's Strategic Plan that either: (1) have received Board approval to proceed; or (2) are pending approval by the Board. The Directors remarked that the item regarding the replacement of the chlorination system at Water Plant No. 2 should be moved to the list of Completed Projects.

Alarm Permit Renewal

Mr. Green discussed with the Board the annual renewal of the permits (the "Alarm Permits") for the operation of the security alarm and surveillance systems at Water Plants Nos. 1 and 2, and the Plant. He stated that the District's Attorney was awaiting receipt of the Alarm Permits from the Alarm Detail division of the Sheriff's Department.

Emergency Response Plan

Next, the Directors discussed the status of the District's Emergency Response Plan (the "ERP"). Mr. Wright reported that the District's Operator had completed the updates to the ERP and would transmit a copy of the ERP to Director McNinch.

Proposed Walking Trail

Director Szinyei presented a brief report on the proposed construction of a walking trail (the "Trail") along certain drainage channels in the District by the Chimney Hill Community Association, Inc. He informed the Board that the consulting engineer was working to obtain agency approval of the plans for the Trail.

Proposed Second Amendment to Detention Pond Agreement

Mr. Yale then submitted for the Board's review a revised draft of the proposed Second Amendment to Detention Pond Agreement (the "Second Amendment") between the District and the Westbrook Lakes Homeowner Association, Inc. (the "Westbrook Lakes HOA") relating to the maintenance of the Detention Facilities. After discussion, the Board directed the District's Attorney to forward the Second Amendment to the Westbrook Lakes HOA for review and approval.

Director McNinch departed from the meeting at this time to attend to a personal commitment.

Engineer's Report

Mr. Edwards presented the Engineer's Report, a copy of which is attached hereto as an exhibit to these minutes.

Replacement of Blowers and Fine Air Diffusion Conversion / Wastewater Treatment Plant

The Board discussed the status of the contract with LEM Construction Company, Inc. (called "LEM") for the proposed improvements at the Plant, consisting of (1) the replacement of the blowers with variable frequency drive-controlled blowers; and (2) the conversion to fine air diffusion (collectively, the "Improvements"). Mr. Edwards reported that, to date, six submittals had been received from LEM. Four of the submittals have been returned to LEM, he continued, while the other two are under review.

Proposed Infrastructure Improvements / Eldridge Parkway

Mr. Edwards stated that he had nothing new to report at this time with regard to the proposed construction by Harris County of infrastructure improvements consisting of a traffic light and crosswalk at the intersection of Eldridge Parkway and Firebrick Drive.

Request for Service / Deepwater Corrosion Services, Inc. Tract / 13813 F.M. 529

The Directors discussed matters relating to the request from 529 Eldridge, LLC ("529 Eldridge") for utility service to the tract located at 13813 F.M. 529 (the "Deepwater Tract") in which the Deepwater Corrosion Services, Inc. facility is located. Mr. Edwards stated that the final draft of the feasibility study for providing water and sanitary sewer service to the Deepwater Tract would be sent to the District's Attorney for review.

Possible Request for Sanitary Sewer Service / LMA Storage

Next, Mr. Edwards reported that the District's Engineer had received an inquiry regarding the possibility of the District providing sanitary sewer service to the LMA Storage facility located at 13910 Smokey Trail Drive in the District (the "Facility"). He noted that the District was currently providing water service to the Facility. Mr. Edwards discussed with the Board the location of certain District sanitary sewer lines that were in proximity to the Facility. He stated that the owner of the Facility could select the optimum connection point with the District's wastewater collection system. The Directors expressed no objection to the District providing sanitary sewer service to the Facility, contingent upon the requisite approval being obtained from Harris County for the service tap.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Engineer's Report.

Operator's Report

Mr. Wright presented the Operator's Report, a copy of which is attached hereto as an exhibit to these minutes. Mr. Wright directed the Board's attention to the Water Distribution System Report for the month of May 2019, a copy of which is included with the Operator's Report. He stated that the District pumped 4,752,000 gallons of water

during the month and purchased 12,745,000 gallons of water from the City of Houston (the "City"), representing an underage of 1,115,000 gallons from the District's Monthly Allotment (13,860,000 gallons). Mr. Wright noted that the District's water accountability rate for the reporting period was 93.0% with a supplied vs. billed ratio of 86.9%. He informed the Board that all seven water samples collected from the District's water distribution system during May 2019 had tested negative for coliform indicators. Mr. Wright noted that the District had 1,795 active service connections.

The Board then reviewed the Monthly Operating Summary and the Texas Commission on Environmental Quality Effluent Report for the month of May 2019, copies of which are included with the Operator's Report. Mr. Wright stated that the Plant treated an average daily flow of 503,000 gallons during the month, representing a flow equal to 41.9% of the design capacity for the Plant. Mr. Wright then reviewed with the Board a sampling and analysis report as prepared by Eastex Environmental Laboratory, Inc., a copy of which is included with the Operator's Report. Mr. Wright then directed the Board's attention to a table comparing the quantity of wastewater flow at the Plant with rainfall events during May 2019. A copy of the table is included in the Operator's Report.

Mr. Wright reviewed with the Board the Facility Status Report, a copy of which is included with the Operator's Report, and discussed the condition of the District's facilities, as follows:

- City of Houston Water Supply: The City is currently providing the District with surface water.
- Water Interconnections: The District provided Camfield Municipal Utility District ("Camfield MUD") with 1,061,000 gallons of water during the reporting period.

Water Distribution System / Chlorine Residuals

Mr. Wright reported that the District's Operator had flushed approximately 830,000 gallons of drinking water through the water lines along Jackrabbit Road and Split Cypress Lane in response to water samples that indicated lower-than-normal chlorine residuals. He stated that the District's Operator would perform directional flushing in the District's water distribution system in the coming weeks.

Electronic Water Meters / Mueller Systems

The Board discussed matters relating to the electronic water meters on the residential and commercial connections in the District (the "Electronic Meters"). Mr. Wright called the Board's attention to the Mueller Meter Change Out Report as prepared by the District's Operator, a copy of which is included with the Operator's Report. He pointed out that, to date, 72 of the 1,816 Electronic Meters had been changed out, accounting for 3.96% of the Electronic Meters that were installed in the District.

Smoke Testing of Sanitary Sewer Lines

Mr. Wright then reported on the smoke testing (the "Smoke Testing") to be performed by Magna-Flow Environmental, Inc. ("Magna-Flow") on the sanitary sewer lines that feed into the Jackrabbit Road Lift Station. He stated that Magna-Flow had commenced the Smoke Testing earlier this week. He stated that, to date, Magna-Flow had determined that the caps were missing on 40 sanitary sewer clean-outs (the "Caps"). A discussion ensued as to whether the missing Caps should be replaced by the District or by the District's customers. After further discussion, the Board directed the District's Operator to replace the missing Caps at the District's expense.

Termination of Service

Consideration was then given to the termination of water service to certain delinquent accounts. The President recognized Mr. Wright, who advised the Board that the requisite notifications had been given to each customer and that each customer was advised of the date, time, and place of the Board meeting which they could attend to discuss termination of service. The Board noted that there were no customers present to protest the utility billings. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the Operator to terminate the water and sewer service to those accounts listed on the termination list, attached hereto. Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Operator's Report.

Attorney's Report

Mr. Yale presented the Attorney's Report.

86th Texas Legislature

Mr. Yale submitted to and reviewed with the Board a draft memorandum prepared by the District's Attorney that summarizes certain bills approved by the 86th Texas Legislature – Regular Session (2019) that could affect water district operations. A copy of the memorandum is attached to and shall be considered to be part of these minutes. Mr. Yale remarked that some of the bills listed in the memorandum had not been signed by the Governor as of this date. He went on to say that an updated memorandum would be presented at the Board's meeting on 28 June 2019.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Attorney's Report.

There being no further business to come before the Board, the meeting was adjourned.



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Secretary, Board of Directors

Chimney Hill Municipal Utility District
Meeting of 11 June 2019
Attachments

1. S&P Credit Profile Report;
2. Letter from Rathmann & Associates, L.P. with official bid tabulation for the sale of the Series 2019 Bonds;
3. Official Bid Form submitted by The Baker Group, LP;
4. Electronic mail message from McCall Gibson Swedlund Barfoot, PLLC;
5. Security Patrol Report;
6. Solid Waste Collection Report;
7. Engineer's Report;
8. Operator's Report; and
9. Draft memorandum / 86th Texas Legislature.