

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

23 August 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 regular session, open to the public, on the 23rd day of August, 2019, at the regular meeting place thereof, at the offices of Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, 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 with the exception of Director Sowells, thus constituting a quorum.

Also present were: Lori Buckner of Myrtle Cruz, Inc., the District's Bookkeeper; Esther Shaver of Assessments of the Southwest, Inc. ("Assessments"), the District's Tax Assessor/Collector; Julie Williams representing Rathmann & Associates, L.P. ("Rathmann"), the District's Financial Advisor; Justin Edwards, P.E., of A&S Engineers, Inc. ("A&S"), the District's Engineer; Dennis Wright of Water District Management Co., Inc. ("WDM"), the District's Operator; and Dick Yale, Will Yale, and David Green of Coats Rose, P.C, the District's Attorney.

Director Szinyei called the meeting to order.

Public Comments

Mr. Will Yale called the Board's attention to an electronic mail message dated 29 August 2019 from Jonathan Mayer, the head coach of the Chimney Hill Tiger Sharks swim team (the "Swim Team"), who thanked the Board for the recent donation by the District to the Swim Team. A copy of the electronic mail message is attached hereto as an exhibit to these minutes.

Approval of Minutes

The Board next considered approval of the minutes of the meeting of 26 July 2019. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of 26 July 2019, as written.

Bookkeeper's Report

Ms. Buckner presented the Bookkeeper's Report for the period through 23 August 2019, a copy of which is attached hereto. She reviewed the fund balances for each of the accounts maintained by the District. Ms. Buckner stated that the amount of debt service funds available as of 23 August 2019 totaled \$2,880,316.82, including investments. With regard to the District's Capital Projects Fund, she continued, construction funds available, including investments, total \$3,903,575.98 as of today's date. Ms. Buckner then directed the Board's attention to the Cash Flow showing the receipts and disbursements of the Capital Projects Fund for the previous twelve months. A copy of the Cash Flow is included with the Bookkeeper's Report. She then reviewed the Summary of Costs relating to the District's Series 2015 Bonds, a copy of which is included with the Bookkeeper's Report.

With regard to the District's Operating Fund, Ms. Buckner stated that the checking account began this reporting period (26 July 2019) with an available account balance of \$51,465.51 and that there were total receipts of \$368,312.91 during the reporting period. After subtracting checks completed at or subsequent to the Board's last meeting and other disbursements, she continued, the available checking account balance totaled \$347,793.55. Ms. Buckner stated that this ending balance, as well as investments and collections, less disbursements presented at this meeting, result in the District having total operating funds of \$3,767,046.33 available for the District as of 23 August 2019.

Ms. Buckner informed the Board that the District had received a payment of \$10,602.74 from the City of Houston (the "City") for the District's share of sales tax collections during April 2019 pursuant to the Strategic Partnership Agreement with the City for limited purpose annexation of commercial property in the District.

Ms. Buckner then focused the Board's attention on the following documents: (1) Operating Budget for the fiscal year ending 30 September 2019; (2) Cash Flow showing the receipts and disbursements of the Operating Fund for the previous twelve months; (3) the balance of deposits paid by developers for legal and engineering fees incurred by the District for their respective projects; (4) tables listing the District's power consumption and the amount billed to the District for electric service; (5) the Investment Report; and (6) the Pledged Security Report. Copies of these documents are included with the Bookkeeper's Report.

The Board then reviewed the Bookkeeper's Report for the Chimney Hill/Camfield Joint Wastewater Treatment Plant (the "Plant") through 23 August 2019, a copy of

which is attached hereto. Ms. Buckner reported that the Plant's operating account ended this reporting period with a balance of \$117,411.25. The Board then reviewed the following: (1) Operating Budget for the fiscal year ending 30 September 2019; (2) Cash Flow Summary for the previous twelve months; and (3) Billing to Camfield Municipal Utility District for the month of July 2019.

Next, the Board reviewed and discussed requests for extra Directors fees of office as submitted by certain Directors. After discussion, upon a motion duly made and seconded, the Board voted unanimously to: (1) approve the Bookkeeper's Report; (2) authorize the payment of the checks listed therein; and (3) approve payment of the Directors fees of office as presented.

Draft Operating Budget

Ms. Buckner distributed copies of the draft Operating Budget for the District for the fiscal year ending 30 September 2020 (the "Budget") and the draft Operating Budget for the Plant for the fiscal year ending 30 September 2020 (the "Plant Budget"). She pointed out certain Expense items in the Budget to be reviewed by the District's Operator, Engineer, and Attorney. The Directors then deferred adoption of the Budget and the Plant Budget to a future meeting of the Board.

Tax Assessor/Collector's Report

Ms. Shaver distributed the Tax Assessor/Collector's Report for the month of July 2019, a copy of which is attached hereto as an exhibit to these minutes. She stated that as of 31 July 2019, the District's 2018 tax levy was 98.2% collected. She noted that the District's Tax Account had a balance of \$188,795.37 as of the end of this reporting period (31 July 2019). After deducting the disbursements for payment at today's meeting and adding collections received to date, she added, the District's Tax Account ends with a balance of \$44,886.02. She noted that Assessments was requesting approval for five checks written on the District's tax account, as well as two transfers by wire as follows: a transfer of \$51,113.51 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$75,000.00 to the Debt Service Fund. The Board then reviewed the Unpaid Accounts Report dated 21 August 2019, a copy of which is included in the Tax Assessor/Collector's Report.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to: (1) accept the Tax Assessor/Collector's Report; and (2) authorize payment of the checks listed therein.

Consider Setting Tax Rate for 2019

Next, the Board discussed the proposed tax rate for the 2019 tax year (the "Tax Rate"). Ms. Williams submitted to and reviewed with the Board: (1) a letter dated 23 August 2019 from Rathmann; and (2) a copy of the 2019 Tax Rate Analysis as prepared by Rathmann. Copies of the aforementioned documents are attached hereto

as exhibits to these minutes. Ms. Williams recommended that the Board consider setting a debt service tax rate of \$0.41 per \$100 of assessed valuation for the 2019 tax year. She noted that a maintenance tax rate of \$0.36 per \$100 of assessed valuation would generate approximately \$1,524,235 in maintenance tax revenue. Mr. Yale then reviewed the procedures that the District would have to follow in setting the 2019 Tax Rate for the District.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize publication of the tax rate calculation showing a debt service rate of \$0.41 per \$100 valuation and a maintenance tax rate of \$0.36 per \$100 valuation for a combined tax rate of \$0.77 per \$100 valuation. The Board agreed that the tax rate hearing would be held on 27 September 2019.

Proposal for Arbitrage Compliance Program

Mr. Yale reviewed with the Board the proposal (the "ACSI Proposal") submitted by Arbitrage Compliance Specialists, Inc., for the arbitrage compliance and project fund yield restriction compliance program that addresses requirements of the U.S. Treasury Department and the U.S. Internal Revenue Service with regard to the District's Series 2019 Bonds. Mr. Yale stated that the estimated cost for the initial analysis is \$450. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the ACSI Proposal and to authorize Director Szinyei to execute same. A copy of the ACSI Proposal as accepted by the Board is attached hereto and shall be considered to be part of these minutes.

Second Amendment to Detention Pond Agreement

Then the Board discussed the status of the 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 storm water detention and drainage facilities serving the Westbrook Lakes Subdivision (the "Detention Facilities"). Mr. Yale reported that the Second Amendment had been executed by the Westbrook Lakes HOA. He stated that the Westbrook Lakes HOA had requested that the District take the following actions with regard to the Detention Facilities: (1) repair eroded areas; and (2) remove wildlife consisting of nutria. Mr. Yale stated that the District's Attorney would notify Stuckey's, LLC of the work request from the Westbrook Lakes HOA.

Website for District

Next, the Directors discussed matters relating to the operation of the District's internet website (the "Website"). Director McNinch reported on the status of the Website. The Board reviewed the Website Usage Statistics Report for July 2019, a copy of which is attached hereto as an exhibit to these minutes. Mr. Yale reported that the District's Attorney was working with Off Cinco, the District's Webmaster, to add certain information to the Website as required by bills approved earlier this year by the

86th Texas Legislature – Regular Session (2019) (the "Legislature"). Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Website Report.

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 Harris County (the "County") was continuing its review of the plans for the Trail.

Proposed District Office and Community Center

Then the Board briefly discussed the proposed construction by the District of a structure to be used as a District office and community center (the "District Office") in the tract located at 14000 Smokey Trail Drive (Reserve C of Block 1 in Chimney Hill Subdivision, Section 1). Director Szinyei reported that the plans for the District Office are in the conceptual design phase at this time.

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. Mr. Edwards reported that the District's Engineer was continuing to review the submittals as they are received from LEM. He noted that WDM had drained and cleaned aeration basin No. 1 at the Plant and had now shifted its work activity to aeration basin No. 3.

Proposed Infrastructure Improvements / Eldridge Parkway

The Directors discussed the proposed construction by the County of infrastructure improvements consisting of a traffic light and crosswalk at the intersection of Eldridge Parkway and Firebrick Drive (the "Infrastructure Improvements"). Mr. Edwards reported that, to date, the County had not commenced work on the Infrastructure Improvements. Because of the proximity of the District's utility lines, he continued, the District's Operator will monitor the County's work activities related to the Infrastructure Improvements.

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 7.6-acre tract located at 13813 F.M. 529 (the "529 Eldridge Tract") in which the Deepwater Corrosion Services, Inc. facility is located. Mr. Edwards reported that A&S was preparing a memorandum that (1) summarizes the discussion between the Directors and the representatives of 529 Eldridge at the Board's meeting on 14 August 2019 regarding the 529 Eldridge Tract; and (2) outlines the intentions of both parties with regard to the proposed annexation of a certain portion of the 529 Eldridge Tract.

Possible Request for Service / Accent Landscape Supply

Mr. Edwards reported that the District's Engineer had received an inquiry from Accent Landscape Supply ("Accent") regarding the availability of water and sanitary sewer capacity for the District to serve the tract of land on which Accent is located (the "Accent Tract"). He noted that the Accent Tract is located west of Jackrabbit Road, outside the boundaries of the District. Mr. Edwards stated that the District's Engineer responded to Accent and provided information for requesting utility service from the District.

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 then presented the Operator's Report, a copy of which is attached hereto as an exhibit to these minutes. He reviewed with the Board the Accounts Receivable report, a copy of which is included in the Operator's Report. The Board then reviewed the Arrears Listing, a copy of which is included with the Operator's Report.

Mr. Wright reported that on 18 August 2019 a major leak occurred in the water service line (the "Service Line") that connects the City's surface water transmission line with the District's Water Plant No. 1. He estimated that approximately 3,000,000 gallons of water were lost through the leak. Mr. Wright noted that the cost to repair the leak in the Service Line totaled approximately \$20,000.

Then Mr. Wright discussed with the Board the notice being added to the bills that are distributed to the District's customers (the "Notice") pursuant to Senate Bill 239 as approved earlier this year by the Legislature. He explained that the Notice directs customers to the Texas Comptroller's Special Purpose District Database and the District's Website to obtain additional information regarding the District.

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

Termination of Service

Mr. Wright advised the Board on the status of the termination of water service to certain delinquent accounts as authorized at the Board's meeting on 14 August 2019. The Board noted that there were no customers present to protest the utility billings.

Attorney's Report

Mr. Yale presented the Attorney's Report.

86th Texas Legislature

Mr. Yale submitted to and reviewed with the Board a memorandum prepared by the District's Attorney that summarizes certain bills approved by the Legislature that would affect (1) the operation of the District; (2) the sale of bonds by the District; (3) annexation of property by municipalities; and (4) contracting and procurement by the District. A copy of the memorandum is attached hereto as an exhibit to these minutes.

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

Executive Session

The Board went into executive session, pursuant to the Open Meetings Act, Section 551.071, Government Code, at 2:20 p.m. to discuss matters relating to pending litigation. The Board returned to open session at 2:25 p.m. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Operator to act as discussed in executive session.

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



Secretary, Board of Directors

Chimney Hill Municipal Utility District
Meeting of August 23 2019
Attachments

1. Email from Jonathan Mayer / Chimney Hill Tiger Sharks Swim Team;
2. Bookkeeper's Report;
3. Tax Assessor/Collector's Report;
4. Letter from Rathmann & Associates, L.P. with Tax Rate Analysis;
5. Engagement Letter for Bond Management Compliance Program;
6. Website Usage Statistics Report;
7. Engineer's Report;
8. Operator's Report; and
9. Coats Rose memo / 86th Texas Legislature.