

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

14 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 14th day of August, 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. Sowell	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 McNinch, thus constituting a quorum.

Also present were Justin Edwards, P.E, of A&S Engineers, Inc., the District's Engineer; Dennis Wright and Tyler Marley of Water District Management Co., Inc., the District's Operator; Deputy Frank Heisley of the Harris County Sheriff's Department (the "Sheriff's Department"); Jonathan Mayer representing the Chimney Hill Tiger Sharks swim team (the "Swim Team"); Richard Rolland and Luis Herrera representing 529 Eldridge, LLC (called "529 Eldridge"); and Will Yale and Susan Stebbins of Coats Rose, P.C., the District's Attorney.

Director Szinyei called the meeting to order.

Request for Service / 529 Eldridge, LLC Tract / 13813 F.M. 529

The Board discussed matters relating to the request from 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. ("Deepwater Corrosion") facility is located. [Note: previous minutes of Board meetings referred to this as the "Deepwater Tract." Hereinafter, this tract is referred to as the "529 Eldridge Tract."]

Mr. Rolland addressed the Board and expressed his desire for (1) 529 Eldridge and the District to enter into a new Agreement for Out-of-District Sanitary Sewer Service

(the "Agreement") for the existing building located in the eastern half of the 529 Eldridge Tract (the "Eastern Tract"), with said sanitary sewer service to be provided through a private lift station; and (2) the District to annex and provide water and sanitary sewer service to the western half of the 529 Eldridge Tract (the "Western Tract") in which a development consisting of two office/warehouses structures is planned. A lengthy discussion ensued regarding the 529 Eldridge Tract. Mr. Yale remarked that the existing 529 Eldridge Tract would have to be subdivided into two separate tracts before the proposed annexation of the Western Tract could take place. He pointed out to Mr. Rolland that tracts of land that are annexed into the District would be subject to the property taxes levied by the District. The Directors expressed their view that the Agreement should require that any expansion of the existing Deepwater Corrosion facility would necessitate the annexation of the Eastern Tract by the District.

The Board then discussed with Mr. Rolland the proposed annexation of the Western Tract. The Directors expressed their willingness to consider an Annexation, Service, Development & Financing Agreement (the "Annexation Agreement") between the District and 529 Eldridge under which the District would reimburse 529 Eldridge for 70% of its eligible development costs relating to the annexation and development of the Western Tract. The Board noted that the Western Tract would be served by an extension of a 12-inch District water line (the "Extension"), the cost for which would initially be borne by 529 Eldridge. Mr. Edwards stated that the proposed route of the Extension would be established once the survey of the 529 Eldridge Tract was complete and the dry utilities had been located.

Mr. Rolland expressed his desire for sanitary sewer service to the Western Tract to be included in the Agreement for the Eastern Tract. Mr. Yale stated that the District's Attorney would have to confirm whether it would be legally permissible for the Western Tract, upon annexation, to receive sanitary sewer service through a private lift station. Mr. Rolland also noted that Deepwater Corrosion owns a 3.1-acre tract of land (the "DCS Tract") located immediately south of the 529 Eldridge Tract. He stated that he would contact the owners of Deepwater Corrosion regarding their intentions for obtaining water and sanitary sewer service for the DCS Tract. Mr. Rolland and Mr. Herrera then departed from the meeting.

Approval of Minutes

Next, the Board considered approval of the minutes of the meeting of 10 July 2019. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 10 July 2019, as written.

Security Patrol Report

Mr. Yale presented the Board with copies of the Security Patrol Report for July 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.

Proposed Donation / Swim Team

The President recognized Mr. Mayer, who addressed the Board regarding the Swim Team. He explained that approximately 75 youths participated in the Swim Team this year. Mr. Mayer noted that membership in the Swim Team is open to the youths who live in any of the subdivisions in the District. Consideration was then given to authorizing a donation from the District to the Swim Team (the "Donation"). After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the payment of a Donation in the amount of \$3,000. Mr. Yale stated that the District's Attorney would notify Myrtle Cruz, Inc., the District's Bookkeeper, to prepare a check payable to the Swim Team for execution at the Board's meeting on 23 August 2019.

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 July 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. He remarked that the issue involving vehicles being parked in the cul-de-sac on Andiron Circle on collection days appears to have been resolved. Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Collection Report.

Maintenance Services Agreement / Stuckey's, LLC

Next, the Board briefly discussed matters relating to the Maintenance Services Agreement between the District and Stuckey's, LLC ("Stuckey's") for the performance of maintenance services on (1) the drainage ditch located along the Plant access road; and (2) 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"), as executed at the Board's meeting on 26 July 2019. Mr. Wright commented that, to date, Stuckey's had not commenced maintenance of the Detention Facilities.

Strategic Plan / Authorized and Pending Projects

The Directors then 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. Mr. Edwards recommended that the proposed cleaning and recoating of the elevated storage tank at Water Plant No. 2 be undertaken in January 2020 so that the project can be completed prior to the summer months when the District's water demand will peak. Mr. Wright recommended that the proposed

cleaning and recoating of Clarifier No. 1 at the Plant be deferred until the replacement of the Plant blowers was complete. As for the proposed replacement of the non-potable water system at the Plant (the "Water System"), Mr. Wright stated that the demolition of the existing Water System could be performed by the District's Operator at the regular hourly rate to be charged to the District. The Board then discussed the proposed cleaning and recoating of the ground storage tanks and hydropneumatic tanks at Water Plant No. 1 (the "Recoating"). Mr. Edwards remarked that a lighter shade for the Recoating would be less susceptible to chalking over time than a deeper shade.

Proposed Second Amendment to Detention Pond Agreement

Then the Board discussed the status 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. Mr. Yale stated that the District's Attorney was awaiting receipt of the executed signature pages for the Second Amendment from the Westbrook Lakes HOA. He then presented the Board with execution drafts of the Second Amendment. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Second Amendment and to authorize Director Szinyei to execute same. [Subsequent to this meeting, the Westbrook Lakes HOA provided the District's Attorney with the executed signature pages for the Second Amendment. A copy of the executed Second Amendment is attached hereto as an exhibit to these minutes.]

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 he was seeking comments from the homeowner associations in the District regarding the proposed District Office.

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, to date, 12 submittals had been received from LEM. He noted that seven of the submittals had been returned to LEM with no exception and that five were marked as "Revise & Resubmit." Mr. Edwards then stated that LEM 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 the County had indicated that construction of the Infrastructure Improvements was to commence during this week. He noted that the County had begun the removal of the existing median from the intersection. Because of the proximity of the District's utility lines, he continued, the District's Operator will need to monitor the County's work activities related to the Infrastructure Improvements.

Request for Sanitary Sewer Service / LMA Storage

Then the Board discussed the request for sanitary sewer service that the District's Engineer had received from the owner of the LMA Storage facility located at 13910 Smokey Trail Drive in the District (the "Facility"). Mr. Edwards reported that the District's Engineer had not yet transmitted to the owner of LMA Storage a utility commitment letter (the "Commitment Letter") stating the conditions that must be met for the District to provide sanitary sewer service to the Facility. He provided Mr. Wright with a draft of the Commitment Letter for review and comment.

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 July 2019, a copy of which is included with the Operator's Report. He stated that the District pumped 3,673,000 gallons of water during the month and purchased 14,523,000 gallons of water from the City (the "City"), representing an overage of 663,000 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 96.7% with a supplied vs. billed ratio of 91.73%. He informed the

Board that all seven water samples collected from the District's water distribution system during July 2019 had tested negative for coliform indicators. Mr. Wright noted that the District had 1,800 active service connections.

The Board then reviewed the Monthly Operating Summary and the Texas Commission on Environmental Quality Effluent Report for the month of July 2019, copies of which are included with the Operator's Report. Mr. Wright stated that the Plant treated an average daily flow of 463,000 gallons during the month, representing a flow equal to 38.6% 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. He then directed the Board's attention to a table comparing the quantity of wastewater flow at the Plant with rainfall events during July 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 with 899,000 gallons of water during the reporting period.

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

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, 101 of the 1,816 Electronic Meters had been changed out, accounting for 5.56% of the Electronic Meters that were installed in the District. A lengthy discussion ensued regarding the Electronic Meters. Mr. Marley stated that approximately 3% of the Electronic Meters had experienced a failure of the remote disconnect function. He noted that a failure rate of no more than 1% or 2% for the remote disconnect function was considered to be acceptable by the District's Operator. Mr. Marley stated that representatives of Mueller Systems would attend a future meeting of the Board to discuss this matter when they have more information regarding the possible causes for the issues being experienced with the Electronic Meters.

Smoke Testing of Sanitary Sewer Lines

Mr. Wright reported on matters relating to the smoke testing (the "Smoke Testing") performed by Magna-Flow Environmental, Inc. on the sanitary sewer lines that

feed into the Jackrabbit Road Lift Station (the "Sewer Lines"). He stated that missing or broken caps on residential sanitary sewer clean-outs were considered to be the primary problem revealed by the Smoke Testing. Mr. Wright added that the televised inspections of the Sewer Lines also shown evidence of tree root intrusion.

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

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.

Attorney's Report

Mr. Yale presented the Attorney's Report.

H-GAC Energy Purchasing Corporation / Letter of Authorization

The Board then discussed matters relating to the District's participation in the Houston-Galveston Area Council's Energy Purchasing Corporation (the "Corporation") for the aggregate purchase of electricity. Mr. Yale informed the Board that the term of the District's contract for electric service with Constellation NewEnergy, Inc. would conclude on 26 February 2020. He then reviewed with the Board an electronic mail message dated 28 July 2019 from Greg Pendley of CGP Solutions, Inc. ("CGP Solutions"), the consultant for the Corporation's electricity aggregation program. A copy of the electronic mail message is attached hereto as an exhibit to these minutes. Mr. Yale noted that Mr. Pendley had requested that the Board execute an updated Letter of Authorization for the Request of Historical Usage Information (the "Authorization Letter") that would authorize the release to CGP Solutions and the Corporation of specific electricity usage data from the District's electricity service accounts. He then remarked that executing the Authorization Letter would not obligate the District to obtain pricing offers through the Corporation for the renewal of the contract for electric service.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Director Szinyei to execute the Authorization Letter, a copy of which is attached hereto as an exhibit to these minutes.

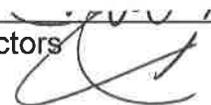
Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Attorney's Report.

Executive Session

The Board went into executive session, pursuant to the Open Meetings Act, Section 551.071, Government Code, at 8:39 p.m. to discuss matters relating to possible litigation. The Board returned to open session at 8:45 p.m.

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 14 August 2019
Attachments

1. Security Patrol Report;
2. Solid Waste Collection Report;
3. Second Amendment to Detention Pond Agreement;
4. Engineer's Report;
5. Operator's Report;
6. Email from Greg Pendley of CGP Solutions, LLP; and
7. Letter of Authorization for the Request of Historical Usage Information.