

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

27 September 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 27th day of September, 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, 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; 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. ("Coats Rose"), 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 23 August 2019. Director Szinyei requested a revision to page 5 of the minutes. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of 23 August 2019, as amended.

Bookkeeper's Report

Ms. Buckner presented the Bookkeeper's Report for the period through 27 September 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 27 September 2019 totaled \$1,490,221.67, including investments. With regard to the District's Capital Projects Fund, she continued, construction funds available, including investments, total \$3,907,845.03 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 and Series 2019 Bonds, copies of which are 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 (23 August 2019) with an available account balance of \$8,439.95 and that there were total receipts of \$366,857.24 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 \$27,741.28. Because of a fraud alert, said Ms. Buckner, \$340,000.00 had been transferred from the existing checking account to a new checking account established with BBVA Bank. Ms. Buckner stated that the ending balance, as well as investments and collections, less disbursements presented at this meeting, result in the District having total operating funds of \$3,643,480.11 available for the District as of 27 September 2019.

Ms. Buckner informed the Board that the District had received a payment of \$8,713.52 from the City of Houston (the "City") for the District's share of sales tax collections during June 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 27 September 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 \$104,976.60. 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 August 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.

Adopt Operating Budgets

Ms. Buckner presented the Directors with copies of the draft Operating Budget for the District (the "Budget") and the draft Operating Budget for the Plant for the fiscal year ending 30 September 2020 (the "Plant Budget"). Copies of the draft Budget and Plant Budget are included with the Bookkeeper's Report. The Board directed Ms. Buckner to revise the expense item in the Budget for legal fees to \$160,000. Then, after discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) adopt the Budget as amended; and (2) adopt the Plant Budget as presented.

Tax Assessor/Collector's Report

Ms. Shaver distributed the Tax Assessor/Collector's Report for the month of August 2019, a copy of which is attached hereto as an exhibit to these minutes. She stated that as of 31 August 2019, the District's 2018 tax levy was 98.7% collected. She noted that the District's Tax Account had a balance of \$51,815.00 as of the end of this reporting period (31 August 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 \$25,709.10. She noted that Assessments was requesting approval for six checks written on the District's tax account. The Board then reviewed the Unpaid Accounts Report dated 25 September 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.

Hearing on Proposed Tax Rate

The Board then convened a public hearing to discuss the proposed tax rate for the 2019 tax year (the "Tax Rate"). The Directors noted that there were no taxpayers of the District in attendance who desired to address the Board regarding the Tax Rate.

Adopt Order Levying Taxes

Next, the Directors reviewed an ORDER LEVYING TAXES as prepared by Coats Rose, P.C., the District's Attorney. Then, upon a motion duly made and seconded, the Board voted unanimously to adopt a debt service tax rate of \$0.41 per \$100 of assessed valuation. The Board then, upon a motion duly made and seconded, voted unanimously to adopt a maintenance tax rate of \$0.36 per \$100 of assessed valuation and to adopt the ORDER LEVYING TAXES, a copy of which is attached hereto and shall be considered a part of these minutes. Also attached as an exhibit to these

minutes is an Affidavit of Publication for the Notice of Public Hearing on the 2019 Tax Rate.

Amendment to Information Form

The Board then considered Amendment Number 68 to the District's Information Form (the "Amendment") that states the District's most recent tax rate and will be filed with the Texas Commission on Environmental Quality (the "Commission") and in the Official Public Records of Real Property of Harris County, Texas. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Amendment and to authorize filing of same. A copy of the Amendment as approved is attached hereto and shall be considered part of these minutes.

Website for District

Next, the Directors discussed matters relating to the operation of the District's internet website (the "Website"). Director Sowell reported on the status of the Website. The Board reviewed the Website Usage Statistics Report for August 2019, a copy of which is attached hereto as an exhibit to these minutes. Mr. Will Yale reported that the District's Attorney had coordinated 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). He presented the Board with copies of a printout of the Legal Information page (the "Printout") that had recently been added to the Website. A copy of the Printout 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 Website Report.

Detention Facilities / Westbrook Lakes Subdivision

The Board discussed the condition of the storm water detention and drainage facilities serving the Westbrook Lakes Subdivision (the "Detention Facilities"). Mr. Yale recalled that the Westbrook Lakes Homeowner Association (the "Westbrook Lakes HOA"), had requested that the District take the certain actions with regard to repairing the Detention Facilities. He called the Board's attention to photographs taken of the eroded areas in the Detention Facilities as provided by the Westbrook Lakes HOA. Copies of the photographs are attached hereto.

Mr. Yale then presented the Board with following proposals (the "Proposals") submitted by Stuckey's, LLC ("Stuckey's"): (1) a Proposal to repair the eroded areas in the Detention Facilities channel (the "Channel Repairs") at a cost of \$23,698.35; and (2) a Proposal to relocate certain wildlife from the Detention Facilities site (the "Wildlife Relocation") at a cost of \$1,650.00. He also reviewed with the Board a diagram provided by Stuckey's that denotes the location and type of Channel Repairs to be made to the Detention Facilities. A copy of the diagram is attached hereto as an exhibit to these minutes.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Proposals and authorize the District's Attorney to notify Stuckey's to proceed with the Channel Repairs and the Wildlife Relocation. Copies of the Proposals as approved by the Board are attached hereto as exhibits to these minutes.

Confirm Engagement of Auditor

Mr. Yale discussed with the Board the need to confirm the engagement of McCall Gibson Swedlund Barfoot, PLLC ("McCall") for preparation of the District's annual financial report for the fiscal year ending 30 September 2019 (the "Report"). He recalled that on 23 September 2016 the Board had accepted a proposal from McCall to audit the financial statements of the District for each fiscal year on a continuing basis, commencing with the fiscal year ending 30 September 2016. Mr. Yale then submitted for the Board's review and approval a copy of the Audit Continuance Letter – District dated 27 September 2019 from McCall. He pointed out to the Board that McCall estimated that the fees to be charged to the District for the preparation of the Report for the fiscal year ending 30 September 2019 would range from \$18,250 to \$19,250. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Audit Continuance Letter – District and authorize McCall to prepare the Report for the fiscal year ending 30 September 2019. A copy of the Audit Continuance Letter – District is attached hereto as an exhibit to these minutes.

Then Mr. Yale discussed with the Board the need to confirm the engagement of McCall for preparation of the annual financial report for the Plant fiscal year ending 30 September 2019 (the "Plant Report"). He recalled that on 23 September 2016 the Board had accepted a proposal from McCall to audit the financial statements of the Plant for each fiscal year on a continuing basis, commencing with the fiscal year ending 30 September 2016. Mr. Yale then submitted for the Board's review and approval a copy of the Audit Continuance Letter – Plant dated 27 September 2019 from McCall. He pointed out to the Board that McCall estimated that the fees to be charged to the District for the preparation of the Plant Report for the fiscal year ending 30 September 2018 would range from \$5,000 to \$5,500. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Audit Continuance Letter – Plant and authorize McCall to prepare the Plant Report for the fiscal year ending 30 September 2019. A copy of the Audit Continuance Letter – Plant is attached hereto as an exhibit to these minutes.

Renewal of Insurance Coverage

The Directors discussed matters relating to the renewal of the District's insurance policies (the "Insurance Policies"). Mr. Yale noted that the renewal date for the Insurance Policies is 17 December 2019. He stated that Arthur J. Gallagher & Co. ("Gallagher") was preparing a proposal for the renewal of the Insurance Policies (the "Insurance Proposal"). Mr. Yale inquired if the Board would like to review proposals from McDonald & Wessendorff Insurance ("MWI") and HARCO Insurance Services, Inc.

("HARCO"). After discussion, the Directors agreed to consider authorizing the District's Attorney to solicit Insurance Proposals from HARCO and MWI in the event that the premium for the Gallagher Insurance Proposal exceeds the premium for the current policy term by more than 10%.

National Night Out Event

Director Szinyei reported that the Chimney Hill Community Association, Inc. (the "Association") and the Chimney Hill IV Community Association (the "CH-IV Association") would host a combined National Night Out event in the District on 1 October 2019. He noted that the CH-IV Association had contributed \$1,000 to help fund the event.

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 Association. He informed the Board that the Association was waiting the approval of the plans for the Trail by Harris County (the "County").

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 Woltz reported that the Westbrook Lakes HOA was possibly interested in participating in the cost to construct the District Office. Director Szinyei reported that the Association had also expressed an interest in participating in the cost to construct the 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 (collectively, the "Improvements"). Mr. Edwards reported that the District's Engineer was continuing to review the submittals as they are received from LEM.

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 the District's Engineer was continuing to work with representatives of 529 Eldridge regarding this matter. He stated that the District's Engineer had finalized and transmitted to 529 Eldridge the 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. A copy of the memorandum is attached hereto as an exhibit to these minutes.

Sanitary Sewer Line / Backlot Easement in Chimney Hill Subdivision, Section 5

Mr. Edwards reported that the District's Operator had provided A&S with a video of the televised inspection of a section of the sanitary sewer line located in the backlot easement between Noblecrest Drive and Chaston Drive (the "Video"). He stated that the Video is undergoing review by the District's Engineer and will be discussed at the Board's meeting on 9 October 2019.

Proposed Rehabilitation of Elevated Storage Tank

Mr. Edwards informed the Board that the District's Engineer would present a Job Assignment Proposal at the Board's meeting on 9 October 2019 relating to the upcoming project for the rehabilitation of the elevated storage tank at Water Plant No. 2.

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.

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

Wastewater Treatment Plant / Blowers

The Board discussed the condition of the blowers at the Plant (the "Blowers"). Mr. Wright recalled that the Blowers went out of service on the evening of 11 September 2019. He informed the Board that the electrician replaced the relay in the control panel and the Blowers were returned to service later that evening. Mr. Wright remarked that there was no apparent damage to the Blowers.

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 11 September 2019. The Board noted that there were no customers present to protest the utility billings.

Advanced Review of Compliance History

Next, Mr. Yale reviewed with the Board the TCEQ Advanced Review of Compliance History ("ARCH") report, a copy of which is attached hereto as an exhibit to these minutes. He explained that the Commission rates the compliance history of all organizations under Title 30, Texas Administrative Code, Chapter 60, evaluates the compliance history of each site, and classifies each site as "High," "Satisfactory," "Unsatisfactory," or "Unclassified." Mr. Yale stated that the District's Attorney had registered as an ARCH user for the District and had forwarded a copy of the ARCH report for the District to the District's Engineer and Operator. He noted that the Plant had received a Compliance History Classification of "High."

Attorney's Report

Mr. Yale presented the Attorney's Report.

Approval of Certified Agenda

The Directors then considered approval of the certified agenda for the executive session of 14 August 2019. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the certified agenda for the executive session of 14 August 2019, as written.

West Harris County Regional Water Authority

Mr. Yale distributed copies of a memorandum from Coats Rose regarding the 14 August 2019 meeting of the Authority's board of directors. A copy of the memorandum is attached hereto as an exhibit to these minutes.

Compliance Evaluation Investigation

Mr. Yale submitted to and reviewed with the Board a letter dated 13 September 2019 from Nichole Batista Nunes of the Commission regarding the Commission's compliance evaluation investigation (the "Investigation") conducted at the District's Water Plant No. 1 on 25 July 2019. A copy of the letter is attached hereto as an exhibit to these minutes. The letter states that no violations were being alleged as a result of the Investigation, said Mr. Yale.

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.

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. |



Secretary, Board of Directors

Chimney Hill Municipal Utility District
Meeting of 27 September 2019
Attachments

1. Bookkeeper's Report;
2. Tax Assessor/Collector's Report;
3. ORDER LEVYING TAXES
4. Affidavit of Publication for the Notice of Public Hearing;
5. Amendment Number 68 to the District's Information Form;
6. Website Usage Statistics Report;
7. Printout of Legal Information Page on Website;
8. Photographs of erosion in Detention Facilities;
9. Diagram of proposed repairs to Detention Facilities;
10. Accepted Proposals from Stuckey's, LLC;
11. Audit Continuance Letter – District;
12. Audit Continuance Letter – WWTP;
13. Engineer's Report;
14. Memo from A&S to 529 Eldridge LLC / Deepwater Corrosion Services, Inc. Tract;
15. Operator's Report;
16. TCEQ Advanced Review of Compliance History report;
17. Coats Rose memo / WHCRWA; and
18. Letter from TCEQ / Compliance Investigation at Water Plant No. 1.