

MINUTES OF REGULAR MEETING
CINCO MUNICIPAL UTILITY DISTRICT NO. 8
FORT BEND COUNTY, TEXAS

27 August 2019

THE STATE OF TEXAS §
COUNTY OF FORT BEND §

The Board of Directors (the "Board") of Cinco Municipal Utility District No. 8 (the "District") of Fort Bend County, Texas, met in regular session, open to the public, on the 27th day of August, 2019, at the offices of Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046, outside the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Douglas Brewer	President
Daniel P. Coyer	Vice President
Mark Baird	Secretary/Treasurer/Investment Officer
Steven C. Haas	Assistant Secretary
Dano Lozano	Assistant Vice President and Assistant Secretary

and all of said persons were present, thus constituting a quorum. Director Brewer arrived while the meeting was in session.

Also present were Rose Montalbano of F. Matuska, Inc., the District's Bookkeeper; Clay Brandenburg, Katie May, and Sabrina Alaquez-Wallin of Inframark LLC ("Inframark"), the District's Operator; Wendy Maddox of B&A Municipal Tax Services, LLC ("B&A"), the District's Tax Assessor/Collector; Mike Scott and Will Harris of Champions Hydro-Lawn, Inc. ("Champions"), the District's detention pond maintenance contractor; Brian Toldan of McCall Gibson Swedlund Barfoot PLLC ("McCall Gibson"), the District's Auditor; Julie Williams of Rathmann & Associates, L.P. ("Rathmann"), the District's Financial Advisor; Steve Robinson of Allen Boone Humphries Robinson LLP, the attorneys for Cinco Municipal Utility District No. 1 ("Cinco MUD 1"); and Dick Yale, Cole Konopka, and Renae Ely, representing Coats Rose, P.C. ("Coats Rose"), the District's Attorney.

First, Director Coyer called the meeting to order, and he noted that there were no District residents in attendance who wished to address the Board during the time for public comment.

Next, the Board considered approval of the minutes of the meeting of 23 July 2019. After review, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 23 July 2019 as written.

Then Ms. Maddox distributed and reviewed the Tax Assessor/Collector's Report, a copy of which is attached hereto as an exhibit to these minutes. She noted that the ending balance in the District's Tax Account was \$49,691.51. She reported that 98.94% of the District's 2018 tax levy and 99.83% of the District's 2017 tax levy had been collected as of 31 July 2019. Ms. Maddox asked for the Board's approval of six checks written on the District's Tax Account, including a transfer of \$1,334.90 in revenues from the tax for maintenance and operations to the District's Operating Fund and a \$60,000.00 transfer of contract tax collections to the District's Contract Tax Debt Service Fund.

Ms. Maddox then reviewed with the Board a list of accounts that B&A was tracking with installment plans requested pursuant to the Texas Tax Code regarding the payment of ad valorem taxes on a residence homestead (House Bill 1597 passed during the 83rd Texas Legislature-Regular Session 2013). A copy of the list of accounts is included in the Tax Assessor/Collector's Report.

Then Ms. Maddox reviewed the Delinquent Tax Roll of accounts delinquent in the payment of taxes, penalties, and interest due to the District for 2018 and prior years. A copy of the Delinquent Tax Roll is included in the Tax Assessor/Collector's Report. After discussion, upon a motion made and duly seconded, the Board voted unanimously to accept the Tax Assessor/Collector's Report and to authorize disbursement of the sums from the District's Tax Account as listed therein.

Finalizing the report, Ms. Maddox presented for the Board's consideration a Wells Fargo Account Access and Authorization Agreement. She explained that the Wells Fargo Financial Services Company ("Wells Fargo") Positive Pay program can reduce a customer's exposure to unauthorized checks, counterfeit checks, or checks with alterations. She pointed out that under the program, B&A would upload check information received from customers of the District for the collection of taxes to a Wells Fargo account for the District. If data entered by B&A from the issued check does not match the data on file by Wells Fargo, the check would be returned, she said. Ms. Maddox explained that Wells Fargo charges a \$300.00 annual fee, a \$25.00 monthly fee, and an \$0.08 per transaction fee for the program. She said that the District receives approximately five to ten checks per month from customers of the District. She said that she expects Wells Fargo will waive the program fees because of the District's good financial status with Wells Fargo. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve participation in the Wells Fargo Positive Pay program. A copy of the Wells Fargo Account Access and Authorization Agreement is attached as an exhibit to these minutes.

The Board then reviewed the 2019 tax rate recommendation for the District as prepared by Rathmann, a copy of which is attached as an exhibit to the minutes. Ms. Williams reminded those present that the District's overall assessed valuation had increased. Ms. Williams explained that based on the District's debt service requirements of the District's bonded indebtedness, the status of development of the District, the District's future debt requirements, and the trend of the District's assessed valuation by the Fort Bend Central Appraisal District, Rathmann was recommending that

the District's debt service tax rate be increased by \$0.05 from \$0.35 to \$0.40 per \$100 of assessed valuation. She noted that a \$0.40 per \$100 of assessed value debt service tax rate, together with interest earned from the District's investments, would enable the District to adequately cover the District's 2020 direct debt service requirements.

Ms. Williams continued that Rathmann was also recommending that the tax rate for payment of the contract debt to Cinco MUD 1 be decreased by \$0.01 from \$0.17 to \$0.16 per \$100 of assessed valuation for 2019. Ms. Williams added that if the Board set a maintenance and operations tax rate of \$0.24, a decrease of \$0.20 per \$100 of assessed valuation, the District's total tax rate for 2019 would be \$0.62 per \$100 of assessed valuation.

Mr. Yale mentioned that there are no limitations on increases to the District's debt service tax rate, but he noted that the maintenance and operations tax rate was subject to increased limitation with Senate Bill 2. He explained that the District has a better opportunity to increase the tax rate in the 2019 tax year because Senate Bill 2 would become effective on 1 January 2020 and that thereafter the District would be limited to an increase of less than 3.5% of the average tax bill to homeowners in the District. He added that the Board would need to determine a maintenance and operations tax rate that would be sufficient for the District to fund maintenance of the District's facilities and upcoming capital projects. A discussion ensued concerning the District's flexibility to set the District's debt service tax rate in the future.

Ms. Williams and Ms. Maddox continued to discuss the Board's options for setting the 2019 tax rate. Ms. Williams recommended that the Board be very cognizant of what level of funding the District is establishing this year. The Board then discussed the effects of setting a tax rate of \$0.24 per \$100 of assessed valuation for the District's debt service tax rate, \$0.16 per \$100 of assessed valuation for the contract tax due to Cinco MUD 1, and \$0.22 per \$100 of assessed valuation for the District's maintenance and operations tax rate. As part of the consideration of the level of funding needed for maintenance and operations, Ms. Montalbano suggested that the Board consider amending the Consolidated Rate Order in order to allow for recent changes in the District's contract for solid waste collection services with Best Trash, LLC. After continued discussion, the Board decided to defer action on setting the District's tax rate to the 24 September 2019 meeting.

Next, Mr. Robinson gave a presentation regarding the Cinco Ranch Wastewater Reuse System (the "Reuse System"), a copy of which is attached hereto and made a part of these minutes. Mr. Robinson recalled that on 22 July 2008, the Board had agreed to participate in the Reuse System by approving Amendment No. 1 to the Contract for Financing and Operation of Waste Collection, Treatment and Disposal Facilities and Regional Water Supply and Delivery Facilities to include the Reuse System. He summarized recent difficulties affecting Cinco Municipal Utility Districts Nos. 1, 2, 3, 5, 6, 7, 8, 9, 10, 12, and 14 (the "Cinco MUDs"), including effects from the drought of 2011, subsidence, and the increased costs in complying with the Fort Bend Subsidence

District's 2003 Regulatory Plan, and rising Groundwater Reduction Plan fees assessed to the Cinco MUDs by the North Fort Bend Water Authority (the "Water Authority").

Mr. Robinson then discussed the Cinco MUD No. 1 objectives for the Reuse System, including reducing the burden on the freshwater aquifer, increasing drought tolerance, conserving water, diversifications of water supply to the Cinco MUDs, and limiting the reliance on other water suppliers, and saving money. Mr. Robinson provided a brief summary of the various contracts entered into among the various Cinco MUDs and Cinco MUD No. 1 and the phases of the reclaimed water program. He summarized Cinco MUD No. 1's reclaimed water program, planned desalination plant, and future conservation plans. He noted that by reusing treated wastewater effluent for irrigation of the Cinco Ranch area green spaces and common areas, Cinco MUD 1 has considerably decreased fees paid to the Water Authority. Mr. Robinson then explained the specific equipment and costs of the Reuse System, including the desalination process. Then Mr. Robinson presented for the Board's review and approval Amendment No. 2 to Contract for Financing and Operation of Waste Collection, Treatment and Disposal Facilities and Regional Water Supply and Delivery Facilities ("Amendment No. 2"). He explained that Amendment No. 2 would extend the term of the agreement until 1 January 2063. The Board then decided to defer action on Amendment No. 2 until the 24 September 2019 meeting in order to allow Director Brewer time to review the materials as presented. Mr. Robinson thanked the Board for their time, and he departed the meeting. At this time, Director Brewer arrived.

Next, Ms. Montalbano submitted the Bookkeeper's Report and the Quarterly Investment Report for the Board's consideration. She listed the balances and summarized the activity in each of the District's accounts. Ms. Montalbano called the Board's attention to the bills to the District and the checks prepared in payment thereof. She stated that one W.I.S.E. (Water Irrigation System Evaluation) Guys irrigation evaluation was performed in the District during the month of July 2019. She then reviewed with the Board the actual versus budgeted amounts listed on the Statement of Revenues and Expenditures for the one month ended 30 June 2019.

The Board then completed the review of the District's bills and the checks prepared in payment thereof. Upon a motion duly made and seconded, the Board voted unanimously to accept the Bookkeeper's Report as presented and to authorize payment of the bills of the District. A copy of the Bookkeeper's Report, including the Quarterly Investment Report, is attached hereto as exhibits to these minutes.

Then Mr. Konopka provided an update on the status of the litigation styled In re: Upstream Addicks and Barker (Texas) Flood-Control Reservoirs Litigation (the "Hurricane Harvey Litigation"). He reminded the Board that the District was a plaintiff in the Hurricane Harvey Litigation being represented by the Houston law firm of Vujasinovic & Beckcom PLLC ("VB Attorneys"). He said that a hearing was scheduled for 13 September 2019 to be held in Washington, D.C. regarding the up-stream test case trial and that Coats Rose would continue to monitor the progress of the litigation. He also

reported that a townhall meeting was hosted by VB Attorneys on 24 August 2019, but that there were no updates from that event to report at this time.

A discussion then ensued regarding the District's Request for Public Assistance that was filed with the Federal Emergency Management Agency ("FEMA") for reimbursement of the District's costs incurred in response to Hurricane Harvey that were not covered by the District's insurance policies. Ms. May then presented for the Board's review an updated summary of projects in connection with the Hurricane Harvey FEMA reimbursement, a copy of which is attached as an exhibit to these minutes. She noted that the District recently received a payment of \$18,700 from the District's insurance provider for replacement of 183 linear feet of fencing at the District's Canyon Gate Lift Station.

Then the Board briefly reviewed the Security Report for June 2019 from the Fort Bend County Precinct 3 Constable's Office (the "Constable's Office"). A copy of the Security Report is attached hereto as an exhibit to these minutes. Ms. Ely also presented a report on the traffic on the District's website, a copy of which is attached hereto as an exhibit to these minutes. Director Brewer noted that the District's website was recently updated to include information about the U.S. Environmental Protection Agency's WaterSense® program as well as details about rebates available to residents of the District during the October National Kitchen & Bath month.

Next, Mr. Scott submitted the Detention and Drainage Facilities Report (the "Detention Report") for the Board's review, a copy of which is attached hereto as an exhibit to these minutes. He reviewed the Detention Report in detail with the Board and pointed out various photographs of interest. Mr. Scott noted that Champions continues to monitor the active construction by Morrow Construction, Inc. occurring adjacent to the District near the Pappa Blakely Pond which is a multi-family development being served by Fort Bend County Municipal Utility District No. 51.

Then Mr. Toldan reviewed the Annual Financial Report (the "Report") for the District for the fiscal year ended 31 May 2019. He called the Board's attention to the fact that there were no qualifications against the opinion of McCall Gibson, and he commented that no problems were detected during the auditing of the books and records of the District. Mr. Toldan reviewed the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances and summarized activity in the District. He summarized activity for each of the District's accounts.

Mr. Toldan then asked the Board to approve the Report subject to a ten-day review period. He also called the Board's attention to the Letter of Representations from the District and asked for notification if the District should receive funds from FEMA. After consideration, upon a motion duly made and seconded, the Board voted unanimously to: (1) approve the Report, subject to a ten-day review period; (2) authorize execution of the Letter of Representations; (3) authorize McCall Gibson to file the Report with the Texas Commission on Environmental Quality (the "TCEQ"); and (4) authorize Coats Rose to file the Report with the State Comptroller, in the District office, and with any other

governmental agencies, companies, or entities as required. A copy of the Letter of Representations is attached hereto and shall be considered to be an exhibit to these minutes. The draft Annual Financial Report and the final Report will be filed in the permanent records of the District.

Next, the Board reviewed the investment strategies and investment policies of the District, as required under the Public Funds Investment Act. The Board also reviewed the List of Authorized Brokers approved for the District, as revised by the District's Bookkeeper. After review, upon a motion duly made and seconded, the Board voted unanimously to adopt the RESOLUTION EVIDENCING REVIEW OF INVESTMENT POLICY AND INVESTMENT STRATEGIES, including the List of Authorized Brokers attached thereto. A copy of the resolution thus adopted is attached hereto and shall be considered a part of these minutes.

Then Mr. Yale requested the Board's authorization for the District's consultants to prepare and submit the necessary materials to fulfill the continuing disclosure requirements of the Securities and Exchange Commission ("SEC") pursuant to SEC Rule 15c2-12 prior to the deadline of 30 November 2019. Upon a motion duly made and seconded, the Board voted unanimously to authorize the District's consultants to prepare and submit the District's continuing disclosure materials.

The Board then discussed rescheduling the District's December Board of Directors meeting due to the Christmas holiday. After discussion, upon a motion duly made and seconded, the Board voted unanimously to reschedule the District's December meeting to Tuesday, 17 December 2019.

Director Brewer then suggested that in order to obtain additional points under the Water Authority's Larry's Toolbox program, the Board consider the purchase of five (5) rain barrels to award to residents of the District. Director Brewer commented that three barrels could be allotted for Canyon Gate and one barrel each for the Canterbury Park and Southpark subdivisions. Ms. May said that she could work with Director Brewer for language to be included in the October billing for water and sanitary sewer services in the District regarding the rain barrel giveaway. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the purchase of five (5) rain barrels at a cost not to exceed \$500.00.

Next, Director Coyer reported on this attendance at the Association of Water Board Directors 2019 Summer Directors' Workshop held in Houston, Texas, on 23 August 2019.

Then Mr. Konopka submitted from the Water Authority a proposed letter agreement associated with the image of the Water Authority's "Water Saving MUD" sign for the 2018 Larry's Toolbox Water Conservation program. Mr. Konopka explained that the letter agreement set forth the terms and conditions by which the District could utilize the sign image in connection with the District's outreach media and website usage. After further review and discussion, upon a motion duly made and seconded, the Board voted

unanimously to approve the letter agreement as presented. A copy of the executed letter agreement is attached as an exhibit to these minutes.

Next, Ms. Alaquez-Wallin presented the Operator's Report for July 2019, a copy of which is attached hereto as an exhibit to these minutes. Ms. Alaquez-Wallin detailed various repairs and maintenance activities performed in the District during July 2019, including lift station, water line, sewer facilities, and detention pond maintenance. She reported that Cinco Municipal Utility District No. 1's service area water accountability (ratio of billed-to-pumped water) was 97% for July 2019.

Ms. Alaquez-Wallin then reviewed with the Board the Delinquent List of accounts delinquent in the payment of invoices from the District for water and sanitary sewer services and the Collection Accounts Listing, copies of which are included with the Operator's Report. She assured the Board that the customers on the list had been provided with all of the notifications required pursuant to the District's Consolidated Rate Order. The Board noted that there were no customers of the District present to protest their billings. After further review and discussion, upon a motion duly made and seconded, the Board voted unanimously to: (1) accept the Operator's Report and (2) authorize termination of the accounts that remain unpaid on the deadline date.

Lastly, Mr. Yale submitted to and reviewed with the Board a memorandum prepared by the District's Attorney that summarizes certain bills approved by the 86th Texas Legislature – Regular Session (2019) regarding certain information that will be required to be posted on water district websites. A copy of the memorandum is attached to and shall be considered to be part of these minutes.

There being no further business to come before the Board, upon a motion duly made and seconded, the Board voted unanimously to adjourn.

(SEAL)



Secretary, Board of Directors

Cinco Municipal Utility District No. 8
Regular Meeting of 27 August 2019
Attachments

1. Tax Assessor/Collector's Report, Payment Plan Summary, Delinquent Tax Roll
2. Wells Fargo Bank National Association Account Access Authorization and Agreement
3. 2019 Tax Rate Recommendation
4. Water Reuse Program Presentation
5. Bookkeeper's Report and Quarterly Investment Report
6. Summary of Hurricane Harvey Projects prepared by Inframark LLC
7. Security Report from Fort Bend County Precinct 3 Constable's Office
8. Off Cinco's Website Traffic Report
9. Detention and Drainage Facilities Report
10. Letter of Representations to the District's Auditor
11. Resolution Evidencing Review of Investment Policy and Investment Strategies
12. Letter Agreement with the North Fort Bend Water Authority
13. Operator's Report
14. Legislative Memorandum (86th Texas Legislature, Regular Session – 2019) prepared by Coats Rose, P.C.