

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
MINUTES OF BOARD OF DIRECTORS' MEETING**

September 12, 2018

THE STATE OF TEXAS           §  
  §  
COUNTY OF WILLIAMSON       §

A special meeting of the Board of Directors of Block House Municipal Utility District was held on September 12, 2018, at 2600 Block House Drive South, Leander, Texas. The meeting was open to the public and notice was given as required by the Texas Open Meetings Act. A copy of the Certificate of Posting of the Notice is attached as **Exhibit "A"**.

The roll was called of the members of the Board:

Vanessa Longoria-Carter	-	President
Cecilia A. Roberts	-	Vice President
Rayan Horak	-	Secretary
Ursula Logan	-	Treasurer
Byron Koenig		Assistant Secretary

All of the members of the Board were present, thus constituting a quorum. Also present at the meeting at various times were Tanya Emmons of Pinnacle Texas Management Services ("Pinnacle"); Taylor Kolmodin of Municipal Accounts & Consulting, L.P. ("MAC"); Justin Taack of Public Finance Group LLC ("PFG"); Steve Bennett, Sherry Powell, David Shoemaker, Jennifer DeBakey, and Michael Gantt, residents of the District; and Sharon Smith of Armbrust & Brown, PLLC ("A&B").

Director Longoria-Carter called the meeting to order at 6:32 p.m. and welcomed those present. Director Longoria-Carter asked that anyone who wished to address the Board fill out a Community Comment form and state his or her full name before making oral comments. Director Longoria-Carter first recognized Steve Bennett, who asked a number of questions relating to the tax rate and budget proposal. Mr. Bennett mentioned that several documents on the District's website were out of date and needed to be updated. He asked about the status of some projects that remained in the proposed budget and that had been included several years previously. Mr. Bennett stated that minutes on the District's website had not been updated since May 2018. Ms. Emmons discussed the website posting items and Ms. Kolmodin mentioned that funding was being set aside each year for major items that needed significant funds before they could be initiated or completed. Mr. Bennett also mentioned that Jumano Park was "a mess" and he recommended that certain materials at that location needed to be managed for safety and fire prevention. The Board briefly responded regarding their recent discussions on managing Jumano Park and the Jumano Park Community Center. Director Longoria-Carter then recognized Mr. Shoemaker, who stated his opinion that the Board should lower the maintenance and operations ("M&O") tax rate and that if the

tax rate did not change, increasing property values would result in increased tax bills, which would affect the health of the neighborhood. Director Longoria-Carter next recognized Mr. Gantt, who stated that he had been a District resident for 2½ years and he asked why the District had such a high tax rate. He stated his opinion that tax rates should get lower as the District ages. Ms. Kolmodin mentioned that one component that affected the District tax rate was the District's fire tax, and Mr. Gantt responded that other districts had fire taxes and similar district characteristics but that their tax rates were still lower than the District's. Director Roberts explained that when property values fell, the District experienced restrictions on their revenue and that it was important to have adequate reserves. Mr. Gantt asked whether budget numbers for the District were public information and Director Longoria-Carter replied that they were. Ms. Smith mentioned that aging districts typically had higher M&O tax rates, and she briefly described the District's process for requesting public information. Director Longoria-Carter then recognized Ms. Powell, who stated that she had lived in the District for over 25 years, long enough for her taxes to have built the Tumlinson Pool and replaced the Tumlinson Pool slides. She continued that the amenities on which the District spent tax revenues were not the reasons why most people bought houses in the District. She stated that the District's tax rates were not competitive with the cities of Cedar Park or Leander, and that the District did not need to continue adding amenities.

Director Longoria-Carter then stated that the Board would conduct a public hearing on the District's proposed 2018 tax rate. Director Logan stated that she recommended that the hearing be opened and closed by a vote of the Directors and she moved that the hearing be opened. Upon second of the motion by Director Horak, and a unanimous vote in favor of the motion, Director Longoria-Carter opened the hearing at 6:58 p.m. There being no one present who wished to speak, Director Logan made a motion to close the public hearing and, upon second of the motion by Director Longoria-Carter and a unanimous vote in favor of the motion, Director Longoria-Carter closed the public hearing.

Director Longoria-Carter then stated that the Board would defer discussion of tax-related matters until Mr. Taack arrived and, therefore, the Board would convene in executive session beginning at 7:00 p.m. as permitted under Section 551.089 of the Texas Government Code in order to discuss technology security practices, including computer fraud insurance coverage. At 7:06 p.m., the Board reconvened in open session. Director Longoria-Carter announced that no action had been taken during executive session.

At 7:07 p.m., Director Longoria-Carter stated that the Board would next convene in executive session as permitted under Section 551.076 of the Texas Government Code in order to discuss security devices, including the proposal from ABC Home and Commercial Services for replacement of damaged security equipment attached. At 7:23 p.m., the Board reconvened in open session. Director Longoria-Carter announced that no action had been taken during executive session. The Board directed Ms. Emmons to file a claim for the damage with the Texas Municipal League Intergovernmental Risk Pool, the District's insurer. Director Roberts moved approval to replace the damaged security equipment, such expenditure authorization being less any insurance payment

and subject to any insurance claim deductible. Director Koenig seconded the motion. After further discussion, the motion was adopted by unanimous vote of the Board.

Director Longoria-Carter then noted that Mr. Taack had arrived and she stated that the Board would discuss the budget for fiscal year 2018/2019. Mr. Taack walked the Board through the information on the District's Water District Notice of Public Hearing on Tax Rate, including the published proposed rate of \$0.8010, and the resulting average dollar increase and average percent increase in taxes for property in the District. He then drew the Board's attention to his Tax Rate Analysis, attached as **Exhibit "B"**, including how the recommended \$0.2950 per \$100 of assessed value for debt services was calculated. He explained that that rate, levied against the District's tax base, would maintain healthy coverage for District debt as required by the Texas Commission on Environmental Quality. Mr. Taack identified the three components of the \$0.8010 rate – the debt service fund, M&O, and the fire tax. Director Roberts noted that maintaining the \$0.8010 "year 2017" rate for 2018 would result in an increased average tax bill of 7.12% due to the Williamson Central Appraisal District's increase valuation of District property. Mr. Taack cautioned that if District property values fell, the tax rate would have to be increased to maintain adequate debt service, pay the fire tax, and fund the proposed District budget. He calculated that every penny in the tax rate generated about \$47,000 in annual District revenue. Mr. Taack mentioned that the District's current operating reserve would fund 10.4 months of costs and obligations, but that that reserve would not fund special projects the Board had identified. Director Longoria-Carter stated that she attended the conference for the Central Area Suburban Exchange ("CASE") and that one of the CASE financial speakers had recommended that districts maintain a 12-month reserve to address major unbudgeted expenses, such as were incurred by districts in the Houston area during Hurricane Harvey in 2017. Ms. Kolmodin added that the District's financial advisors and bookkeeper recommended the 12-month reserve, but added that 10 months was acceptable. Director Roberts stated that the Houston hurricane example was different and that the District would not experience any events like that. Director Longoria-Carter replied that other catastrophic events could affect the District. Ms. Kolmodin stated that the higher M&O of aging districts was another factor in the recommendation to maintain a 12-month reserve. Director Logan noted that she was willing to strike the playscape maintenance costs from the budget, but that the vendor has identified safety issues with the playscape that the Board needed to be aware of and keep in mind. Director Roberts responded that she would support that proposed cut, and stated that the District could issue bonds for major expenses if necessary to supplement tax revenues. Mr. Taack noted that without special financing from the Texas Water Development Board, funds to pay bond debt would come from tax revenues, which would have to be increased for debt coverage. The Directors discussed competing considerations regarding issuance of debt, interest costs for financing, effect of tax rates on homeowners, and other financial aspects of revenue planning. Director Roberts recommended dropping the M&O rate by \$0.02. Director Logan asked what items Director Roberts recommended removing from the District budget. Director Longoria-Carter noted that the previous year the Board had trimmed the budget but that she did not support issuing debt to finance catastrophic events. Mr. Taack stated that a 12-month reserve could also be reached without a direct adjustment to the tax rate. He discussed items that were discretionary and items that

were not. Ms. Kolmodin stated that she was okay with a balanced budget, but was concerned with a budget that would eat into District financial reserves. Director Logan added that districts could not raise taxes more than 8% in one year and that decreasing the tax rate could limit the District's ability to increase the rate in future years, if necessary, to cover budgetary requirements. The Board discussed the budgetary effects of lowering the total tax rate by \$0.02. Mr. Taack mentioned that if a district had a 12-month reserve, that district would have the highest financial rating and would have lower interest rates on debt. Director Roberts noted that the District had only one lift station to consider in terms of significant utility M&O expense, and Mr. Taack responded that the cost to replace or make a major repair to a lift station would be very expensive. He stated reaching a parity rate, i.e., for "no average tax bill increase," would require a \$0.05 reduction from the current rate of \$0.8010. He cautioned that PFG had a few district clients where the appraised values had decreased in the current year. Director Horak stated that the subcommittees could keep a closer eye on budget matters and Ms. Kolmodin stated that she sent Director Logan a snapshot of her subcommittee budgets every month. Mr. Taack stated that a \$0.02 reduction from the current rate and levying a \$0.7810 rate would result in a \$71 average increase per residence homestead, whereas a rate of \$0.8010 would result in an average increase of \$114. Director Longoria-Carter suggested that if a \$0.02 reduction would equate to approximately \$94,000, based on Mr. Taack's calculations, the Board should look at the budget to identify where \$100,000 could be stricken, and the Board agreed. Ms. Kolmodin mentioned that, in addition to the playscape item, there were three other items that she had potentially flagged – restrictive covenants, which current expenses were below budget compared to previous years; Director fees, which current expenses were also under budget; and contingency, which was comprised of miscellaneous items. Director Logan noted that Director fee expenses were likely under budget due to special circumstances of several Directors that year, whereas in most other years, Director fees were fully spent on meeting per diems and other expenses and that some Directors had had to be unreimbursed for expenses later in the budget year. Ms. Kolmodin stated that she could recommend approval of the budget with the cuts discussed by the Board. Director Logan mentioned the trails project as another area that could be cut. Director Horak noted that a resident at the meeting that evening had already discussed the condition of Jumano Park and that there were security issues on trails, which the trails project would help alleviate. Director Logan moved approval of the budget and Resolution Adopting Budget with reductions to the playscape maintenance, restrictive covenants, and contingency items, noting that it would result in a \$56,000 positive budget variance, and Director Director Longoria-Carter seconded the motion. After further discussion, the motion was adopted by unanimous vote of the Board. A copy of the approved Resolution Adopting Budget is attached as **Exhibit "C"**.

Director Longoria-Carter then stated that the Board would discuss and take a record vote on the District's 2018 tax rate and Order Levying Taxes. Director Logan then moved that the Board adopt a total tax rate of \$0.7810 per \$100 of assessed value, with \$0.3545 allocated to operations and maintenance, \$0.2950 to debt service, and \$0.1315 for fire protection services, as recommended, and approve the Order Levying Taxes attached as **Exhibit "D"**. Director Koenig seconded the motion and Director Longoria-Carter then called for a vote on the motion. The motion was adopted, with

Directors Longoria-Carter, Roberts, Logan, Horak, and Koenig voting “aye”. Director Roberts then moved approval of the Amended and Restated Information Form and, upon second by Director Logan, the Board voted unanimously to approve the Amended and Restated Information Form attached as **Exhibit “E”**.

Director Longoria-Carter stated the Board would next review the meeting notes. Director Longoria-Carter asked about the posting of minutes on the website. Ms. Emmons responded that approved minutes were most recently received from A&B on July 9<sup>th</sup>, and she continued that meeting notes from a given Board member had to be presented to the Board at a subsequent meeting and approved before they could be posted as official action. The Directors noted that meeting notes were approved at the same meeting where the actions were taken and the Board directed Director Horak to send the meeting notes to Ms. Emmons at the same time she sent them to A&B so they could be posted more timely. Director Horak reviewed the meeting notes and, upon motion by Director Logan and second by Director Roberts, the Board voted unanimously to approve the meeting notes attached as **Exhibit “F”**.

There being no further business to come before the Board, upon motion by Director Logan and second by Director Roberts, the meeting was adjourned at 8:50 p.m. by unanimous vote.



[SIGNATURE PAGE TO SEPTEMBER 12, 2018 MINUTES]

Rayan Horak, Secretary  
Board of Directors

Date: 10-24-18