

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

September 14, 2009

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 14, 2009, 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:

Terence Davis	-	President
Cecilia A. Roberts	-	Vice President
Debra Junk	-	Secretary
Stuart McMullen	-	Assistant Secretary
Steve Bennett	-	Assistant Secretary

and all of the Directors were present, except Director Junk, who arrived later, and Director Davis, thus constituting a quorum. Also present at the meeting were Margret Wingrove of Crossroads Utility Services, LLC ("Crossroads"); Sue Brooks Littlefield of Armbrust & Brown, L.L.P.; and Roxann Niemann, Johnny Niemann, Carlton Tooke, Jean Tooke, Kristen Brown, Steven Lemons, Cheryl Duplessie, Rena Sonnenreich, Mike Bradley, Nick Andreola, David Winters, Nathan Arldt, Karen Elmquist, Robert Elmquist, Bill Myers, Gay DeBakey, Virginia Patterson, Joe Bonckowski, Christi Bonckowski, Becky Myers, Scott Turner, Shirley Mercer Biskobing, Michael Biskobing and Pam Manly, residents of the District. Larry Lindsey of the U.S. Postal Service arrived later.

Director Roberts called the meeting to order at 6:30 p.m. and stated that the Board would first conduct a public hearing on the District's 2009 tax rate. She opened the public hearing, and advised those present that the proposed tax rate for 2009 was \$0.8460, which was the same as the District's current tax rate. She explained that the average appraised value of a residential homestead had fallen, so that the total District tax on the average residence would also go down slightly. She noted that the effect on an individual's taxes would depend on the assessed value of their home. She explained that the proposed components of the tax rate were \$0.1928 for operations and maintenance, \$0.5193 for debt service and \$0.1339 for fire protection services. Director Roberts noted that serving as a Board member was not an easy job, and added that she had lived in the District for 26 years and the District's tax rate had gone down during that period. She stated that she was pleased that the District was able to provide excellent services to the community. She then inquired whether anyone was present wishing to address the Board on the matter of the District's tax rate. Mr. Arldt stated that he would like to see a lower tax rate. He noted that many people had lost their jobs and were having to do more with less, and also stated that he would like to see the budget and see what the residents were paying for. Director Bennett

explained that the District's assessed valuation had gone down, so the total tax revenues which the District had available had also gone down. He stated that the District had reduced its budgeted expenses in order not to raise the tax rate. Director Bennett agreed that the economy was not stable, but stated that, in order to lower the tax rate at this time, the District would have to reduce services. Mr. Andreola inquired why the District did not post the budget on its website. Director Roberts stated that it was available on the documents tab. After discussion, the Board agreed to verify that the budget was available on the website for the residents' review. Mr. Myers stated that he had moved into the District in 1988 and felt that the District's services were good. He added that the residents received good things for the taxes they paid and he felt the Board had brought down the rate as much as it could, and was doing a good job. Director Roberts thanked Mr. Myers, noting that it was not an easy job keeping the residents of 2,200 homes happy. Mr. Myers responded that he could remember a time when the residents could open a tap and not get any water. Director Roberts responded that she was pleased that those times had passed. There being no one else wishing to address the Board on the tax rate, Director Roberts closed the public hearing.

Director Roberts stated that the Board would next conduct a public hearing on the proposed post office change from Leander to Cedar Park. She explained that the District was a municipal utility district and, when the developer had come in, the developer put in the streets, utilities and other infrastructure and planned the community. She added that a legal agreement had been entered into at that time that provided for the developer to be reimbursed for some of the costs of the infrastructure, and that there were other things which the developer had contracted to provide, including the District's pools, parks and other amenities. She noted that the District had debt in the form of outstanding bonds and explained that, due to the fact that the development had begun in a bad market and had been through several down cycles, it had taken a long time to build out. She stated that the development was originally located in three extraterritorial jurisdictions - Austin, Cedar Park and Leander. She added that there was also a time when water was in short supply because the District had a water contract with Leander. She noted that the Board had contracted for an emergency supply with Cedar Park and ultimately had transferred its wholesale services to Cedar Park. She explained that the Board had gone to the Legislature in order to allow the District to choose the city in whose extraterritorial jurisdiction the District would be located, and that the District had chosen Cedar Park. Director Roberts noted that this was a good thing, as Cedar Park was very professionally managed, and had a reliable source of water and regional wastewater treatment and pointed out that the District also contracted with Cedar Park for fire protection. Director Roberts stated that, in the last three years, there had been five house fires and she was pleased that the District had professional full-time fire protection service. Director Roberts added that eventually the District would be annexed and become a part of Cedar Park. She noted that, in 1999, the District had originally approached the Post Office because of confusion that many residents felt was caused by having a Leander address. She noted that the District had Cedar Park water, wastewater and fire protection and could also use the City's parks, pool, recreational center and library as a part of the contractual agreements. She noted that the postmaster had done a survey in 1999 but, because the District had been combined with Jonestown, the overall request for a zip code change had failed. She stated that the Board had approached the Post Office again this year. She then opened the public hearing, and recognized Mr. Andreola. Mr. Andreola stated that the District had held a vote previously and a majority of the residents had said "no" to the change and asked what had changed to bring this subject up again. He noted that Director Roberts had

reviewed the benefits which the District received from Cedar Park and asked what would change if the address change was not made. Director Roberts responded that she understood that the change would reduce the cost of fire insurance within the District. Director Bennett stated that, on his house, the change would save him \$144 per year. Director McMullen noted that there would be a survey, which the Post Office would conduct and evaluate in order to determine whether or not the residents wished for the change to occur. Mr. Andreola stated that it sounded like this was already done and Director McMullen responded that it would only be done if the residents approved it. Mr. Lindsey then addressed the residents, and explained that he was with the Postal Service in San Antonio, and that his office would conduct the survey. He noted that the process was started when an organization requested a zip code change, which was followed by his office performing a feasibility study to determine if the change was operationally feasible. He stated that, if it was, the Post Office conducted a survey of the affected addresses. He stated that if a majority of the surveys were returned with a negative vote, it would be ten years until a Post Office change could be requested again. He stated that his office did the best it could to confirm that it had the correct addresses, but would look to the District to provide assistance in confirming the addresses that were affected. He noted that, for about a year after a change was made, the information was handled internally and no address change form was required to be filed by the affected residents. He added that there was also no need to change the address on the affected residents' drivers' licenses until the licenses were renewed. Mr. Lindsey confirmed that the survey results were compiled based upon a majority of the surveys returned, and not on the total residences within the affected area. Mr. Lindsey also explained that there was a provision to provide more flexibility in the event of a hardship, such as in the case of a business which had ordered a large amount of stationary which it could not use within the one-year period. Director Bennett inquired what would happen to the District's address if the District was annexed. Mr. Lindsey responded that the zip code did not have anything to do with municipal boundaries. Ms. Biskobing then stated that she felt there would be a lot of hassles changing the addresses, and asked what the benefits would be besides insurance savings. Mr. Lindsey responded that usually the biggest advantage and the reason for the request was for municipal identity. Ms. Sonnenreich stated that she had been a resident since 1989 and asked whether the Board had approved this change without a vote of the residents. Director Roberts clarified that the District had only approved an application. Ms. Sonnenreich inquired why it had done so, and Director Bennett responded that over one-third of the communications the Board received were because people were confused about which jurisdiction they were in. He stated that this was the primary reason for the request. Mr. Lindsey confirmed that there were insurance companies that used zip codes for purposes of fire insurance ratings. Ms. Sonnenreich stated that she felt that it would cost more to change the addresses than it was worth. Mr. Winters stated that most residents were happy, and liked the District's amenities, and that he personally did not intend to sell his house. He stated that most of the people present did not want to change their zip code. Director Junk agreed with the sentiment of wanting to stay within the District, but noted that things changed and some people ultimately would have to sell their homes. She added that the neighborhood would be deciding this matter, and not the Board, and so that the decision, ultimately, was up to the residents. Ms. DeBakey stated that she had received the Board's letter, but had not received a survey and had gone to the Leander Post Office where the workers were not very happy about the process. She stated that some of the workers felt that the Board's request put their jobs at risk. She added that the Leander Postmaster had said she had not been advised that the District was pursuing this. Ms. DeBakey stated that she had received emergency services from the

Leander Emergency Services District, which had responded more quickly than Cedar Park, several times. She stated that she did not think people were confused between Cedar Park or Leander, as they just lived in Block House and were happy with where they were. Mr. Myers stated that it was nice to have services from Cedar Park, but pointed out that the District paid for all of them. He stated that he had not received a survey in 1999, but, if he got one this time, he would vote "no". He stated that he did not want to be a part of Cedar Park, and that he loved the neighborhood but preferred to be in Leander and not Cedar Park. Ms. Biskobing stated that she had lived in the District approximately 25 years and had moved from Cedar Park. Mr. Lemons stated that he was a new resident, and noted that Cedar Park had to give notice of annexation and asked whether it had done so. The Board stated that it had not. He asked what the new zip code would be if it was changed and Mr. Lindsey responded that it would be 78613. Ms. Manly stated that she had also gone by to visit with the Leander Postmaster, who did not want to give up Block House. She stated that she did not see what the District would gain from this and foresaw difficulties when she purchased gas with her credit card and had to put the zip code that she had in the machine. Ms. Brown stated that she had strong feelings about the subject and would vote "no" because she chose Leander because of Block House. She stated that Leander was like Arlington had been 30 years previously, and that Cedar Park was a bigger city and she saw it changing more as it grew. Mr. Bradley stated that he still had not heard what had generated this request. Director Junk stated that the Board was attempting to do advance planning, in anticipation of the time when the District would become a part of Cedar Park. Director McMullen stated that the District also did not have a good relationship with Leander, and had just had a contentious court battle over parkland which Leander had wished to take. Director McMullen added that he also felt it was appropriate to consider this because of the alignment between the District and Cedar Park in terms of services. Director Roberts stated that it was just an option, and that the choice would ultimately be the residents'. Ms. Niemann asked if there was going to be another meeting where more people could attend. She stated that there were many renters on her street and that they did not care. She stated that she loved the neighborhood, but had problems with covenant enforcement and security. Ms. Bonckowski stated that she lived at the back of the Cedar Park Event Center and inquired what Cedar Park would be getting out of this change. Director Junk stated that she appreciated Ms. Niemann's point about the renters, and stressed that the Board was working for the residents and, if the residents did not want this change, they would simply need to say "no" when the surveys were sent out. Mr. Myers stated that the Board had done a good job, but was wrong on this point. Mr. Lemons inquired whether there was a date by which he could expect to receive the survey and whether the results were public. Mr. Lindsey responded that there was no firm date for the survey to go out, but that there would be about a 30-day period for residents to respond. He confirmed that the results would be public. Ms. Manly inquired who counted the results, and Mr. Lindsey responded that he personally counted them. Another resident then addressed the Board and stated that she was happy with the proposed change and appreciated Cedar Park's services including access to the recreational center. She stated that she had been very surprised when Cedar Park allowed her this access, and stated that the only thing she went to Leander for was to go to HEB Plus. There being no further residents wishing to address the Board on the proposed Post Office change, Director Roberts closed the public hearing. She thanked the residents for taking time out of their evening to attend the public hearing, and added that the Board members were the residents' elected officials and appreciated hearing from them.

Director Roberts then stated that the Board would consider taking action regarding the District's operating budget for the fiscal year 2009-2010. Director Bennett moved approval of the Resolution Adopting Budget attached as **Exhibit "B"**. Director McMullen seconded the motion. Director Junk then stated that the Board would have to amend the budget in the near future in order to accommodate all of the landscaping and extra projects which had been raised during the budget work session process. She stated that the Budget and Finance Subcommittee wanted to stress the need to evaluate special projects which would need to be covered by transfers from the District's reserve fund and she wanted to be particularly sure that the Board was aware that these projects would require funding from reserves. Director Roberts stressed that it was important that all of the Board members be provided with copies of all revised budgets, rather than having the budget presented with changes at the meeting at which it was to be adopted. After further discussion, the Board voted unanimously to approve the Resolution Adopting Budget.

Director Roberts stated that the Board would next take a record vote on the District's 2009 tax rate and adopt an Order Levying Taxes. Upon motion by Director McMullen and second by Director Bennett, the Board voted to establish a tax rate of \$0.846 per \$100 assessed valuation, and to approve the Order Levying Taxes attached as **Exhibit "C"**, with Directors Roberts, McMullen, Junk and Bennett present and voting "yes" and Director Davis absent and not voting.

Director Roberts noted that the District did not need to adopt an Amended and Restated Information Form, as there had been no change in the District's tax rate. She stated that the Board would next consider approving the Resolution Designating Agent for Issuance of Form of Notice to Purchaser attached as **Exhibit "D"**. Ms. Littlefield pointed out that this changed the agent authorized to issue notices to purchasers to Crossroads. Upon motion by Director McMullen and second by Director Junk, the Board voted unanimously to approve the Resolution.

Director Roberts then stated that the Board would consider taking action regarding the proposed post office address change. Director McMullen recommended that the Board ask Mr. Lindsey to proceed with the survey. Director Junk concurred, noting that the residents had the choice of not approving the change. After discussion, the Board concurred to proceed with the survey, and to allow the residents to make the decision on whether or not to change the Post Office address.

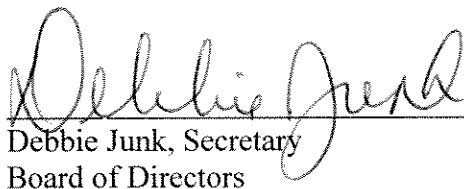
Director Roberts stated that the Board would next consider taking action regarding the Compass Bank paper lock box clearing account. Ms. Littlefield discussed the proposed subcontract between Crossroads Utility Services, LLC and Compass Bank for utility payment processing services, and presented the Public Funds Depositor Collateral Security Agreement attached as **Exhibit "E"** and the Secretary's Certificate and Resolutions Regarding Lock Box Clearing Account attached as **Exhibit "F"**. She pointed out that each of these documents would need to be approved in order to implement the paper lock box clearing account system which was proposed by Crossroads. She noted that, prior to approving these documents, the Board would need to make a decision regarding insurance which was required under the Texas Water Code. She explained that Crossroads had the insurance required under its contract, but its insurance company had confirmed that the coverage would not extend to Compass Bank as a

subcontractor. She stated that Compass Bank did not have the necessary insurance, but had indicated that it would consider obtaining a bond, although the cost might be prohibitive. She added that she had obtained a proposal from the Texas Municipal League Intergovernmental Risk pool for the necessary coverage, which would provide protection in the event of malfeasance by Compass Bank, but would also cover other potential exposures of the District. She reviewed the various premiums for coverage in the amount of \$1 million, noting that they varied depending upon the amount of the deductible which ranged from zero to \$2,500 per incident. After discussion, upon motion by Director Junk and second by Director Bennett, the Board voted unanimously to approve the proposed subcontract, Public Funds Depositor Collateral Security Agreement and Secretary's Certificate and Resolutions Regarding Lock Box Clearing Account, as presented. Director Bennett then recommended that the District and Crossroads share in the cost of the required insurance. After discussion, Director Junk moved that the Board authorize obtaining the insurance with a \$2,500 deductible, with the proviso that Crossroads would bear the cost of the deductible if any loss was due to Compass' or Crossroads' actions. Director Bennett seconded the motion. Director McMullen stated that he felt Crossroads should cover a part of the cost of the premium since it benefited them. Director Junk responded that this had been an unforeseen cost and that the Board had retained Crossroads because they felt Crossroads was the most professional and qualified. Upon further discussion, Director Junk's motion was adopted, with Directors Roberts, Junk and Bennett voting "yes" and Director McMullen voting "no".

Director Roberts then stated that she was not happy with the way the budget revision had been handled. Director Junk responded that she wanted to make sure the Board realized that it was drawing down its reserves and that this could not go on indefinitely. Ms. Littlefield pointed out that the rate order would be on the next agenda for consideration of the park fee, and that the Board might wish to review the District's utility rates at that time. After discussion, the Board agreed to review the District's utility rates at the next meeting.

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

(SEAL)

  
Debbie Junk, Secretary  
Board of Directors

Date: 10-28-09