

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
December 19, 2014

THE STATE OF TEXAS
COUNTY OF HARRIS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1

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The Board of Directors (the "Board") of Cypress Hill Municipal Utility District No. 1 (the "District") met in regular session, open to the public, at the offices of Norton Rose Fulbright, 1301 McKinney, Houston, Texas, on December 19, 2014, at 11:00 a.m.; whereupon the roll was called of the members of the Board, to-wit:

Ronald S. Koehn, President
Robert Henry, Vice President
Eddie Rucker, Treasurer
Tim Halloran, Secretary
Jerry Bryant, Assistant Secretary

All members of the Board were present. Also attending all or portions of the meeting were Ms. Donna Bryant of Assessments of the Southwest, tax assessor-collector for the District; Mr. Chris Oliver of Eagle Water Management, Inc. ("Eagle Water"), operator for the District; Ms. Wendy Austin of District Data Services, Inc., bookkeeper for the District; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Mr. Bill Hixon of Cymill Partners, developer of land in the District; Ms. Juanita Orsak and Mr. Ryan Day of Pulte Homes, developer of land in the District; Ms. Stephanie Lee of KGA Deforest Design; and Ms. Kathleen Ellison and Ms. Yvette Deitrick of Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, attorneys for the District.

The meeting was called to order in accordance with notice posted pursuant to law: Chapter 551, Texas Government Code and Section 49.063, Texas Water Code (copies of certificates of posting or mailing are attached hereto as Exhibit "A"); and the following business was transacted:

1. **Minutes of the meeting of November 21, 2014.** The proposed minutes of the meeting of November 21, 2014, previously distributed to the Board, were presented for review and approval. Upon motion by Director Bryant, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of November 21, 2014, as presented.

2. **Public Comments and letters from residents.** Director Bryant reported on emails to the District website. Director Bryant reported that a request regarding billing was forwarded to Eagle Water.

Ms. Ellison reported that Ms. Landheart has requested an agenda item at the January Board meeting to discuss Eagle Water.

3. **Developers Report and reimbursement issues.** Mr. Day reported that Cypress Landing East had fifteen new home sales in November. He reported that Pulte Homes is extending the wall and completing landscaping in Cypress Landing East. Mr. Day reported that the contractor completed the clearing and grubbing of Cypress Landing East, Sections 11 and 12.

Mr. Hixon reported that a landowner sold 19 acres, west of his 3.7 acre tract in the District, to a large retail entity.

4. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties; including possible landscaping at Cypress Ridge detention pond.** No action was taken on this item.

5. **Sydney Harbour Water Plant Expansion, including fencing and landscaping bids and award project.** The President recognized Ms. Lee, who presented to and reviewed with the Board the Fencecrete America Inc. proposal for the replacement of the east perimeter fence of Water Plant No. 2 in the amount of \$38,712.50, a copy of which is attached hereto as Exhibit "B." Mr. Hirshman reported that Harris County and the City of Houston have no rules on gate specifications. The President requested that Ms. Lee provide gate options for the Board's consideration.

Upon motion by Director Bryant, seconded by Director Rucker, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Fencecrete America Inc. proposal for the replacement of the east perimeter fence of Water Plant No. 2 in the amount of \$38,712.50.

6. **January meeting date.** Due to scheduling conflicts, it was the consensus of the Board to hold the January Board meeting on January 23, 2015, at 11:00 a.m. at the offices of Norton Rose Fulbright, 1301 McKinney, Houston, Texas.

7. **Security report.** Director Henry reviewed with the Board the Security Report for the month of November, a copy of which is attached hereto as Exhibit "C." Director Henry reported that Wal-Mart is taking a significant portion of deputy time. Mr. Hixon reported that a couple of people broke into Fantastic Sam's, tunneled through the wall to Spec's Liquor and robbed Spec's Liquor. Director Henry stated that he would ask Sergeant Blackledge about the robbery.

Upon motion by Director Bryant, seconded by Director Rucker, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Security Report.

8. **Bookkeeper's Report, payment of bills, review investment report and policy, review budget, and any necessary changes.** The President recognized Ms. Austin, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "D."

Upon motion by Director Bryant, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report and to authorize payment of the checks listed therein.

9. Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination. The President recognized Ms. Bryant, who presented to and reviewed with the Board the Tax Assessor-Collector's Report, a copy of which is attached hereto as Exhibit "E." Ms. Bryant noted that 5.4% of the District's 2014 taxes had been collected as of November 30, 2014. She reported that Harris County Appraisal District provided an estimate of assessed valuation for the District of \$628,061,519 as of November 1, 2014.

Upon motion by Director Rucker, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor-Collector's Report and to authorize the expenditures listed therein.

10. Review Investment Policy. The President recognized Ms. Ellison, who presented to and reviewed with the Board the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto (the "Resolution Reviewing the Investment Policy"), a copy of which is attached hereto as Exhibit "F."

Upon motion by Director Henry, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Resolution Reviewing the Investment Policy and to maintain the current investment policy.

11. Operator's Report, authorization of maintenance and hearing on delinquent accounts. The President recognized Mr. Oliver, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "G." Mr. Oliver reported that NTS is checking on the starter at booster pump #3 at Water Plant No. 2. He reported that the pump is sending an alarm for high pressure.

Mr. Oliver reviewed the Disconnection List with the Board. The Board discussed adjustment of the disconnect date due to Christmas and New Year's Day.

Upon motion by Director Bryant, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report and to terminate the delinquent accounts in accordance with the Rate Order with the disconnect date of December 30, 2014.

12. Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements, issuance of unlimited tax bonds, preparation of annexation analyses. The President recognized Mr. Hirshman, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "H."

Mr. Hirshman reported that DEC is coordinating execution of contract for the Water Plant No. 2 Improvements. He requested Board authorization of the contract execution.

Mr. Hirshman reported that DEC is working with KGA Deforest Design on the Water Plant No. 2 fence improvements.

Mr. Hirshman reported that DEC is addressing agency comments on the Wastewater Treatment Plant Improvement plans.

Mr. Hirshman reported receipt of a proposed submerged storm sewer agreement between the District and Harris County for Cypress Landing East, Section Eleven. He reported that he reviewed the Cypress Landing East, Section Eleven plans. Mr. Hirshman stated that only a 100-year rainfall event would impact the submerged storm sewer. He noted that only the outfall is submerged. Mr. Hirshman stated that the storm sewer agreement with Harris County is for a five year term. He reported that the proposed agreement specifies that the District will own and maintain the submerged storm sewers.

Mr. Hirshman recommended approval of payment by Meritage Homes of Pay Estimate #4 and Final in the amount of \$14,254.93 for the water, sanitary sewer and drainage construction to serve Cypress Landing Park, Section Four.

Mr. Hirshman reported that three bids were received for the Cypress Landing East, Sections Eleven and Twelve, detention pond construction. He recommended award to the low bidder, 5758 Construction, LP, in the amount of \$1,321,880.00. Mr. Hirshman noted that the plans have not been signed and that Pulte Homes understands that if the agencies require any plan changes that increase costs, the Texas Commission on Environmental Quality may limit or deny reimbursement.

Upon motion by Director Rucker, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report, to authorize execution of the contract for the Water Plant No. 2 Improvements, to approve the submerged storm sewer agreement with Harris County for Cypress Landing East, Section Eleven and authorize its execution; to approve payment by Meritage Homes of Pay Estimate #4 and Final in the amount of \$14,254.93 for the water, sanitary sewer and drainage construction to serve Cypress Landing Park, Section Four, and to approve award of the contract to 5758 Construction, LP in the amount of \$1,321,880.00 for the Cypress Landing East, Sections Eleven and Twelve, detention pond construction with Pulte Homes acknowledging that if the agencies require any plan changes that increase the price, the Texas Commission on Environmental Quality may limit or deny reimbursement.

13. Annexation requests of KCS Construction, Safesite, M/I Homes and any necessary action, including consideration of Annexation and Development Agreement with SafeSite. Ms. Ellison reported that the Annexation and Utility Development Agreement with Safesite, Inc. authorized at the last meeting was revised to reflect that the owner of the tract is H. Dalton Wallace, individually, and not Safesite, Inc. She requested Board approval of the revision to the Annexation and Utility Development Agreement. Ms. Ellison reported that H. Dalton Wallace has executed the Annexation and Utility Development Agreement.

Ms. Ellison reported that M/I Homes recently purchased the 40-acre tract it wants the District to annex.

Ms. Ellison reported that she discussed the proposed Annexation and Development Agreement with Mr. Keaton. She reported that Mr. Keaton understands that if his company's property is annexed into the District, it will be bound by the site plan. Ms. Ellison reported that she provided the Annexation and Utility Development Agreement to Mr. Keaton and he has not responded. Mr. Hirshman reported that a daycare developer is interested in developing a two-acre site in Mr. Keaton's tract.

Upon motion by Director Bryant, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Annexation and Utility Development Agreement with H. Dalton Wallace.

14. **Other Consultant and Director Reports.** No action was taken on this item.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD,
the meeting was adjourned.

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The foregoing minutes were passed and approved by the Board of Directors on
January 23, 2015.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

