

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
September 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 September 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, except Director Halloran. Also attending all or portions of the meeting were Ms. Donna Bryant of Assessments of the Southwest, tax assessor-collector for the District; Mr. Tracy Riley 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; Ms. Heidi Stephenson of Cymill Partners, developer of land in the District; Mr. Ryan Day of Pulte Homes, developer of land in the District; Mr. Nick Luton of Meritage Homes, developer of land in the District; Mr. Brannon Boozer and Mr. Patrick Duggan of M/I Homes; Sergeant Blackledge, Constable for the District; 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 August 15, 2014.** The proposed minutes of the meeting of August 15, 2014, previously distributed to the Board, were presented for review and approval. Upon motion by Director Henry, seconded by Director Rucker, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of August 15, 2014, as presented.

2. **Public Comments and letters from residents.** Director Bryant reported on emails to the District website. Director Bryant reported that requests regarding billing, new accounts and new contact information were forwarded to Eagle Water.

Director Bryant said that Mr. Trevino reported that the concrete surrounding the manhole in front of his house on Rose Hill Park Lane had deteriorated. Mr. Riley reported that Eagle Water inspected the manhole and that the manhole is for the sanitary sewer. He reported

that the sidewalk on either side of the manhole has sunk. Mr. Riley reported that Eagle Water will raise the sidewalk on either side of the manhole to be even with the manhole and restore the surrounding concrete.

Director Bryant reported that Mr. Gonzales reported that solid waste was not collected the Tuesday after Labor Day. Director Bryant reported that he directed Mr. Gonzales to the District website which details the solid waste collection schedule and that if a collection day falls on a holiday, the collection will be the next regularly scheduled day. Mr. Riley reported that Best Trash contacted Eagle Water regarding the addition of a message on the water bill regarding the collection schedule for the upcoming holidays.

Director Bryant reported that Ms. De Leon reported that her water meter box cover was accidentally destroyed when mowing the lawn. Mr. Riley reported that he notified Ms. De Leon that a replacement water meter box cover will be provided to her at no charge.

**3. Developers Report and reimbursement issues.** Ms. Stephenson reported that negotiations are underway for the sale of the 3.7 acre tract.

Mr. Day reported that Pulte Homes purchased the 40 acres adjacent to Cypress Landing East.

Mr. Luton reported that Meritage Homes will begin home construction in Cypress Landing Park, Section Four, which is the last section to be developed in Cypress Landing Park.

**4. Resolution Establishing or Reestablishing District Offices and Meeting Places.** The President opened discussion to the Resolution Establishing or Reestablishing District Offices and Meeting Places, a copy of which is attached hereto as Exhibit "B."

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 Resolution Establishing or Reestablishing District Offices and Meeting Places.

**5. 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.** The President reported that KGA DeForest Design is preparing Water Plant No. 2 and Cypress Ridge detention pond landscaping plans for the Board's consideration.

**6. Sydney Harbour Water Plant Expansion, including status of lot, fencing and landscaping proposal/cost estimate.** No action was taken on this item.

**7. 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 "C." Ms. Austin reported receipt of payment in the amount of \$45,456.60 from Harris County as reimbursement from the Huffmeister Road project.

Ms. Austin reported that two Certificate of Deposits ("CD") in the Operating Fund will mature prior to the next Board meeting. She asked the Board if it wanted to purchase replacement CDs at Compass Bank and Green Bank.

Ms. Austin presented to and reviewed with the Board the Quarterly Investment Report, included in the Bookkeeper's Report.

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

**8. 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 "D." Ms. Bryant noted that 99% of the District's 2013 taxes had been collected as of August 31, 2014.

Upon motion by Director Henry, 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.

**9. Delinquent Tax Report and take any necessary action regarding delinquent accounts including termination of services.** Ms. Bryant reviewed with the Board the Delinquent Tax Report provided by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), a copy of which is attached hereto as Exhibit "E." Ms. Bryant asked the Board if it wanted Water Termination Letters sent to the list of Water Termination Letter Candidates on the Delinquent Tax Report. Ms. Bryant reported that the letter would provide the delinquent taxpayers with notice of the next Board meeting, so that they would have an opportunity to address the Board prior to their water service being terminated.

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 authorize Perdue to provide the Water Termination Letters to the Water Termination Letter Candidates on the Delinquent Tax Report.

**10. Security report.** Sergeant Blackledge reviewed with the Board the Security Report for the month of August, a copy of which is attached hereto as Exhibit "F."

**11. Operator's Report, authorization of maintenance and hearing on delinquent accounts.** The President recognized Mr. Riley, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "G."

Mr. Riley reviewed the Disconnection List with the Board. Mr. Riley noted that the water usage for customers with large outstanding balances.

Mr. Riley reported that the semiannual water well test was performed. Mr. Riley reported that no significant issues were noted; however, he will review the report thoroughly and discuss the findings at the next Board meeting.

Upon motion by Director Henry, seconded by Director Bryant, 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.

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 on the plans for improvements at Water Plant No. 1 and Water Plant No. 2. He reported that the City of Houston has approved and signed the Water Plant No. 2 plans. Mr. Hirshman reported that the City of Houston is signing the plat and that the plat will be sent to Harris County for signature and recordation.

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

Mr. Hirshman recommended payment of Pay Estimate Nos. 4 and 5 from Jaho, Inc. in the amounts of \$20,553.44 and \$3,762.00, respectively, for the utilities construction to serve Cypress Landing East, Sections Six and Ten.

Mr. Hirshman reported that DEC is preparing the District boundary map for the KCS Construction 20 acre, Safe Site 40 acre, M/I Homes 40 acre tract and Pulte Group 40 acre tract proposed annexations.

Mr. Hirshman reported that DEC requested the Texas Commission on Environmental Quality pre-purchase inspection of the projects in the upcoming bond issuance.

Mr. Hirshman reviewed with the Board the Harris County letter regarding the reimbursement payment for the relocation of District facilities as part of the Huffmeister Road project, included in the Engineer's Report.

Mr. Hirshman reported that F&J is preparing sanitary sewer easements and a storm sewer easement to extend facilities to the M/I Homes 40 acre tract.

Mr. Hirshman reported receipt of an updated site plan from KCS Construction for the proposed 20 acre tract annexation. He reported that the plan includes office condos and a restaurant, and does not include senior housing. Mr. Hirshman reported that the owner stated that the type of development is indefinite at this time. The President stated that the District will not annex the 20 acre tract until the site plan is finalized.

Mr. Hirshman reported that DEC is working on the utilities design for the SafeSite annexation tract. Ms. Ellison stated that no feasibility study was prepared for the SafeSite annexation and that she has had no response from SafeSite regarding the annexation. Mr. Hirshman stated that he would prepare the feasibility study for SafeSite.

It was the consensus of the Board to proceed with annexation of the Pulte Homes 40 acre tract and the M/I Homes 40 acre tract. Mr. Hirshman stated that he would notify SafeSite and KCS Construction that their annexations are on hold at this time.

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 Engineer's Report, and to approve payment of Pay Estimate Nos. 4 and 5 from Jaho, Inc. in the

amounts of \$20,553.44 and \$3,762.00, respectively, for the utilities construction to serve Cypress Landing East, Sections Six and Ten.

**13. Accept Petition for Addition of Land (Pulte Homes, 40 acres) and Approve Petition for City Consent.** The President recognized Ms. Ellison, who presented to and reviewed with the Board a Petition for Addition of Land executed by Pulte Homes and the Petition to the City of Houston for Consent to Addition of Land, copies of which are attached hereto as Exhibits "I" and "J," respectively.

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 accept the Petition for Addition of Land and approve the Petition for City Consent.

**14. Approve Annexation Agreement with M/I Homes (40 acres).** The President recognized Ms. Ellison, who presented to and reviewed with the Board an Annexation and Utility Development Agreement with M/I Homes of Houston, LLC, a copy of which is attached hereto as Exhibit "K." Mr. Hirshman reported that M/I Homes site plan is for 106 lots. He reported that Mr. Rathmann, the District's financial advisor, calculated the feasibility for reimbursement for the 40 acre tract. He reported that Mr. Rathmann projected that the M/I Homes tract would generate an approximate assessed valuation of \$34,000,000 and that the estimated principal amount of bonds to finance the costs of utilities is \$3,480,000, resulting in approximately 89.8% reimbursement with developer's interest and 96.6% reimbursement without developer's interest, at a 10 to 1 value to debt ratio. Mr. Boozer said M/I Homes had reviewed Mr. Rathmann's calculations and wanted to proceed with the annexation. Mr. Hirshman stated that Mr. Rathmann's calculation did not factor in the District's debt service tax in 2014, which has not been proposed or levied.

Upon motion by Director Rucker, 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 M/I Homes of Houston, LLC.

**15. Annexation requests of Pulte Homes, KCS Construction, SafeSite, M/I Homes and any necessary action.** This item was covered under the Engineer's Report.

**16. Approve advertising for bids for Cypress Landing East, Section 11.** Ms. Ellison reported that Cypress Landing East, Section 11, is the first subdivision for the Pulte Homes 40 acre tract that is proposed for annexation to the District. Upon motion by Director Henry, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve advertising for bids for Cypress Landing East, Section 11, contingent upon successful annexation of the Pulte Homes 40 acre tract.

**17. Effluent Water Use Agreement with Cypress Lakes Management, LLC.** Director Bryant reported that he emailed Triumph Club Management and received no response.

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

**19. Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on October 17, 2014, at 11:00 a.m. at the offices of Norton Rose Fulbright, 1301 McKinney, Houston, Texas.

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  
October 17, 2014.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)