

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
January 23, 2015

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 special session, open to the public, at the offices of Norton Rose Fulbright, 1301 McKinney, Houston, Texas, on January 23, 2015, 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
Tim Halloran, Secretary
Jerry Bryant, Assistant Secretary
Vacancy

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; Mr. Bill Hixon of Cymill Partners, developer of land in the District; Mr. Jim Moore of First General Realty; Sergeant Blackledge, Constable for the District; Mr. Brannon Boozer of M/I Homes; 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 Norton Rose Fulbright US LLP ("NRF"), 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 December 19, 2014.** The proposed minutes of the meeting of December 19, 2014, previously distributed to the Board, were presented for review and approval. 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 minutes of December 19, 2014, as presented.
2. **Public Comments and letters from residents.** There were no public comments.
3. **Ms. Landheart's complaints regarding Eagle Water.** Ms. Landheart did not attend the meeting.

4. **Mr. Laham's comments regarding Sydney Harbour drainage easement.** Ms. Ellison reviewed with the Board various emails from Mr. Don Laham, a Sydney Harbour resident, asserting that the Sydney Harbour Homeowner Association ("HOA") was allowing homeowners and builders to construct various encroachments on the drainage easement within Sydney Harbour whereas he was required to obtain the District's consent before he was allowed to construct an encroachment on the drainage easement. Ms. Ellison reported that she had contacted Ms. Roxanne Martinez at Sterling, the HOA property manager, to ask if the HOA was following the guidelines that it had previously presented to the District, but Ms. Martinez has not responded. It was the consensus of the Board to direct Ms. Ellison to prepare a letter to the HOA asking whether it is following the guidelines it submitted to the District with respect to all lots within Sydney Harbour and if it is not, then requesting that it refer all proposed above grade improvements to the District for handling under its policy other than those covered by the guidelines.

5. **Developers Report and reimbursement issues.** Mr. Boozer reported that M/I Homes completed the purchase of the 38-acre tract north of Cypress Landing Park. He reported that the preliminary plat is underway and that M/I Homes is coordinating relocation of the antique shop parking lot.

Mr. Hixon reported that the sale of 19 acres, west of his 3.7 acre tract in the District, is proceeding.

Mr. Day reported that the Notice to Proceed was issued for construction of the Cypress Landing Section Eleven detention pond. He reported that Cypress Landing East had nineteen new home sales in December.

6. **Security report.** Sergeant Blackledge reviewed with the Board the Security Report for the month of December, 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 Security Report.

7. **Renew Interlocal Agreement for Law Enforcement Services with Harris County.** Ms. Ellison reviewed with the Board the Interlocal Agreement for Law Enforcement Services between Harris County and the District, a copy of which is attached hereto as Exhibit "C." Ms. Ellison reported that the Interlocal Agreement is for 70% coverage by five deputies and one lieutenant.

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 Interlocal Agreement for Law Enforcement Services.

8. **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.** Ms. Lee stated that she would research the status of the Cypress Ridge detention pond landscape proposal. No action was taken on this item.

9. **Sydney Harbour Water Plant Expansion, including fencing and landscaping bids and award project.** The President reported that he met with KGA Deforest Design and Fencecrete America Inc. at Water Plant No. 2 yesterday. He reported that Princeton Homes has dumped dirt and installed a "For Sale" sign on the District's lot next to

Water Plant No. 2. Mr. Hirshman stated that he will contact Ms. Trapolino to have the dirt and sign removed. Mr. Hirshman reported that it will be a few weeks before the ground storage tank contractor is ready to begin construction at Water Plant No. 2. The President instructed Mr. Hirshman to work with the resident living next to Water Plant No. 2 and find out if the resident wants the fence constructed prior to tank construction.

Ms. Lee presented to and reviewed with the Board the Water Plant Gate Options, a copy of which is attached hereto as Exhibit "D." It was the consensus of the Board to select Option #3 and to paint the gate a color to blend with the brick fence, for a cost of \$4,200.

10. 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 66.42% of the District's 2014 taxes had been collected as of December 31, 2014.

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 Tax Assessor-Collector's Report and to authorize the expenditures listed therein.

11. Adopt Resolution Authorizing Additional Penalty on Delinquent Taxes. The President recognized Ms. Ellison, who presented to and reviewed with the Board the Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code (the "Resolution"), a copy of which is attached hereto as Exhibit "F." Ms. Ellison reported that the revenue collected by levying this penalty is used to pay the delinquent tax attorney for the services provided to the District.

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 adopt the Resolution.

12. 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 "G." Ms. Austin reported receipt of the SafeSite annexation deposit. Ms. Ellison noted that Pulte Homes' annexation account is negative. Ms. Austin stated that she would invoice Pulte Homes for replenishment of its annexation account.

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 and to authorize payment of the checks listed therein.

13. Adopt budget for fiscal year ending February 29, 2016. This item was deferred.

14. 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 "H." Mr. Riley reported that a section of the Lift Station No. 2 fence collapsed. He reported that Eagle Water has installed temporary safety fencing along the collapsed area. Mr. Riley reported that Fencecrete America, Inc. provided a proposal of \$1,878 to replace the collapsed fence section. He asked the Board for direction. The President suggested that the District wait until the Texas

Department of Transportation completes the U.S. Highway 290 Improvements and then replace the entire fence. The President asked Mr. Riley to patch the missing section in the most cost effective manner for the interim.

Mr. Riley reported that a dentist will be moving into one of the three tracts located in both the District and Harris County Municipal Utility District No. 391 ("MUD 391"). He noted that the District provides water service to the three tracts.

Mr. Riley reported that Harris County contacted Eagle Water regarding a leak in the Driver's Auto Repair service line. Mr. Riley reported that he notified Driver's Auto Repair that it needed to repair the leak.

Mr. Riley reviewed the Disconnection List with the Board.

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 Operations Report, to repair the Lift Station No. 2 fence for the lowest cost, and to terminate the delinquent accounts in accordance with the Rate Order.

15. 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 "I."

Mr. Hirshman reported that the Water Plant No. 2 Improvements contracts are ready for execution.

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

Mr. Hirshman reported that the City of Houston approved and signed the Wastewater Treatment Plant Improvement plans and that Harris County approval and signature is expected shortly. Mr. Hirshman reported that he expects to have bids for the Wastewater Treatment Plant Improvement in March.

Mr. Hirshman reported that the Water Plant No. 1 Improvement plans are signed and ready for bidding, which will occur after completion of the Water Plant No. 2 Improvements.

Mr. Hirshman reported that the Notice to Proceed was issued for the Cypress Landing East Mass Clearing and Grubbing.

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 recommended approval of payment by Pulte Homes of Pay Estimate #1 and Final in the amount of \$78,760 for the Cypress Landing East Mass Clearing and Grubbing.

Mr. Hirshman reported that Brown & Gay Engineers requested a letter of utility availability to serve 77 lots in Cypress Landing East, Section Eleven, in order to obtain a plat. He reported that DEC issued the letter of availability on December 29, 2014.

Mr. Hirshman reported receipt of a request from an engineer regarding service to one of the three lots located in both the District and MUD 391. Mr. Hirshman reported that he notified the engineer that the District provides water service and that MUD 391 provides sanitary sewer service to the three tracts.

Mr. Hirshman reported receipt of a request for utility service and annexation of a 1.91 acre tract along Huffmeister Road, across from Sydney Harbour. He noted that a map of the tract location is included in the Engineer's Report. Mr. Hirshman reported that the developer's representative sent a map showing that the tract is located outside of the CCN boundaries. He asked the Board if it had an interest in serving the tract. The Board discussed the fact that it already has commitments to serve the number of connections allowed by the Texas Commission on Environmental Quality ("TCEQ") without elevated storage and that additional capacity commitments could require construction of an elevated storage tank or obtaining a waiver of the requirement from the TCEQ. Ms. Ellison noted that the District also has no remaining bond authorization for future development. It was the consensus of the Board to inform the developer that the District is not interested in serving the 1.91 acre tract on Huffmeister Road.

Mr. Hirshman reported that he has scheduled a meeting with Jason Keeton of KCS Construction to discuss utilities design for his 20 acre tract.

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 Engineer's Report; 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 payment by Pulte Homes of Pay Estimate #1 and Final in the amount of \$78,760 for the Cypress Landing East Mass Clearing and Grubbing.

16. Partial Abandonment of Sanitary Sewer Easement granted by Pulte. The President recognized Ms. Ellison, who presented to and reviewed with the Board the Partial Abandonment and Release of Sanitary Sewer Easement ("Easement Release"), a copy of which is attached hereto as Exhibit "J." She reported that Pulte Homes previously granted the District a fifteen-foot easement; however, the District only needs a ten-foot easement because the City of Houston has approved location of the waterline for Cypress Landing East, Section Eleven on the other side of the street. Ms. Ellison reported that the Easement Release abandons five feet of the previously granted easement. 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 Easement Release.

17. Annexation requests of KCS Construction, Safesite, M/I Homes and any necessary action, including consideration of Annexation and Development Agreement with SafeSite. No action was taken on this item.

18. Accept M/I Homes Petition for Addition of Land and Adopt Petition for Consent to Addition of Land to City of Houston. The President recognized Ms. Ellison, who presented to and reviewed with the Board a Petition for Addition of Land executed by M/I

Homes of Houston LLC and the Petition to the City of Houston for Consent to Addition of Land, a copy of which is attached hereto as Exhibit "K."

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

19. Accept Dalton Wallace Petition for Addition of Land and Adopt Petition for Consent to Addition of Land to City of Houston. The President recognized Ms. Ellison, who presented to and reviewed with the Board a Petition for Addition of Land executed by H. Dalton Wallace (SafeSite) and the Petition to the City of Houston for Consent to Addition of Land, a copy of which is attached hereto as Exhibit "L."

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

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

21. Next meeting date. The Board noted that the next regular monthly Board meeting will be held on February 20, 2015, 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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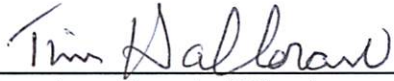
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The foregoing minutes were passed and approved by the Board of Directors on
February 20, 2015.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)