

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
October 22, 2015

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

§
§
§

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 October 22, 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
Chris Chester, Assistant Secretary

All members of the Board were present, except Director Henry. 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; Ms. Stephanie Lee and Mr. Bryan Malloch of KGA Deforest Design; Mr. Jim Moore of First General Realty; Mr. Brannon Boozer of M/I Homes, developer of land in the District; Lieutenant Blackledge, constable for the District; and Ms. Kathleen Ellison, Mr. Reginald Wilson 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 September 17, 2015.** The proposed minutes of the meeting of September 17, 2015, previously distributed to the Board, were presented for review and approval. Upon motion by Director Bryant, seconded by Director Chester, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of September 17, 2015, as presented.

2. **Public Comments and letters from residents.** Director Bryant reported that Mr. Nathan Krupke emailed the District's website regarding a leak on his property that was related to the District's facilities. The President reported that the leak was from the District's detention pond irrigation system. The President reported that the leak was repaired.

Director Bryant reported that a resident emailed the District's website for an update on the U. S. Highway 290 sound barrier construction. Director Bryant reported that Mr.

Hirshman provided the most current communication from the Texas Department of Transportation ("TXDOT") on the sound barrier construction. He reported that TXDOT expects the construction to occur within the next year.

Director Bryant reported that a resident emailed the District's website requesting the President or Vice President contact her. The President confirmed he had spoken with Ms. Ohnesorge.

Director Bryant reported that a person emailed to establish water service in Cypress Creek Lakes. Director Bryant stated that he informed the person that Cypress Creek Lakes is not within the District.

Director Bryant reported that a resident emailed the District's website about the mowing of the drainage channel behind Cypress Mill Estates. The President reported that he informed the resident that the District mows the drainage channel once a month as a courtesy, even though Harris County Flood Control District is responsible for maintenance and mowing of the channel.

Director Bryant reported that Ms. Reidy emailed the District's website requesting the current Notice to Purchaser form. He reported that NRF provided the Notice to Purchaser to Ms. Reidy.

Director Bryant reported that a resident emailed the District's website stating that a District tree behind his home on Maple Mill Drive was damaging his fence. The President reported that Greenpros resolved the issue.

Director Bryant reported that Mr. Crahan, the Cypress Mill Homeowner Association ("HOA") representative, emailed the District's website regarding a water meter leak. He reported that Eagle Water repaired the water leak.

Director Bryant reported that a resident sent a couple of emails regarding brown water. Mr. Riley reported that the brown was due to the water well issues experienced at the Water Plant. He reported that Eagle Water flushed the fire hydrant by the resident's home in an attempt to improve the water color.

3. **Mr. Peter Barnhart Annexation Request.** Mr. Hirshman reported that the original waiver of elevated storage tank requirement ("Waiver") from the Texas Commission on Environmental Quality ("TCEQ") cost approximately \$35,000 in engineering fees. He estimated that it would cost approximately \$35,000 to run the models again and obtain TCEQ approval. Mr. Hirshman noted that the TCEQ may withdraw its waiver to the District at any time. Mr. Hirshman noted that there are about 90 acres in the area of Mr. Barnhart's tract that may be economically served by the District. No action was taken on this item.

4. **Security report.** Lieutenant Blackledge reviewed with the Board the Security Report for the month of September, a copy of which is attached hereto as Exhibit "B." He reported that a case of forced entry into a residence on Mills Park Lane is connected to an on-going organized crime case involving 12 suspects. He reported that the stolen property was recovered and returned to residents.

5. **Convene Public Hearing on Proposed Tax Rate for 2015.** The President convened the public hearing on the proposed tax rate for 2015. There were no comments. The hearing was closed.

6. **Adopt Order Setting Tax Rate and Levying Tax for 2015.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Order Setting Tax Rate and Levying Tax for 2015, a copy of which is attached hereto as Exhibit "C." Ms. Bryant reported that the notice of public hearing was published.

Upon motion by Director Bryant, seconded by Director Chester, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Setting Tax Rate and Levying Tax for 2015 with a total tax rate of \$0.79, comprised of a rate of \$0.50 for debt service, \$0.19 for operation and maintenance expenses, and \$0.10 for contract obligations.

7. **Approve Amended District Information Form.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Amendment to Amended and Restated District Information Form, a copy of which is attached hereto as Exhibit "D." Ms. Ellison reported that this document is recorded in the Harris County Real Property Records to provide notice to purchasers of property in the District of the current tax rate in the District.

Upon motion by Director Bryant, seconded by Director Chester, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Amendment to Amended and Restated District Information Form.

8. **Developers Report and reimbursement issues.** Ms. Stephenson reported that the U.S. Highway 290 exit ramp modification will deposit drivers directly at the Cymill Partners tract that is for sale.

Mr. Moore urged the Board to sell and fund the next bond issuance prior to December 31, 2015, if at all possible.

9. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties; including landscaping at Cypress Ridge detention pond.** The President reported that the trees on the Cypress-Rosehill Road median appear stressed and lack mulch. He noted that the HOA is responsible for maintenance of the Cypress-Rosehill Road trees pursuant to the agreement related to the Cypress-Rosehill Road Beautification project. The Board requested that NRF send a letter to the HOA reminding it of its responsibility to maintain the trees and landscaping in the median.

10. **Sydney Harbour Water Plant Expansion, including Phase Two landscaping bids and award project.** Ms. Lee reported that two bids were received to construct the Water Plant No. 2 Landscaping. Ms. Lee presented to and reviewed with the Board the bid tabulation sheet for the Water Plant No. 2 Landscaping, a copy of which is attached hereto as Exhibit "E." She recommended award to the low bidder, H and H Landscape Services, LLC, in the amount of \$45,696.50.

Ms. Lee reported that the Water Plant No. 2 Fence, Phase 2, contracts with Fencecrete America, Inc. are ready for execution. Ms. Lee stated that Fencecrete America, Inc.

needs a start date for the fence installation. Mr. Hirshman stated that he will provide a start date for the fence installation which will be after the ground storage tank painting is complete.

Upon motion by Director Halloran, seconded by Director Chester, after full discussion and the question being put to the Board, the Board voted unanimously to approve award of the contract to H and H Landscape Services, LLC, in the amount of \$45,696.50 for the Water Plant No. 2 Landscaping.

11. 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 "F." Ms. Bryant noted that 99.45% of the District's 2014 taxes had been collected as of September 30, 2015.

Upon motion by Director Chester, 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, to authorize the expenditures listed therein, and to authorize the tax assessor to request an estimate of value as of November 15, 2015.

12. Delinquent Tax Report and take any necessary action regarding delinquent accounts including termination of services. Ms. Bryant reviewed the Delinquent Tax Report provided by Perdue, Brandon, Fielder, Collins & Mott, L.L.P ("Perdue"), a copy of which is attached hereto as Exhibit "G."

Ms. Bryant reported that three taxpayers requested payment plans and two taxpayers paid in full.

Ms. Bryant reported that Perdue requested Board authorization to proceed with water termination to the twelve delinquent taxpayers who failed to respond to the water termination letter. Upon motion by Director Chester, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Delinquent Tax Report and to authorize Eagle Water to hang "red tags" at the residences of the delinquent taxpayers and to terminate water service to the delinquent taxpayers who fail to respond.

13. 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 "H." Ms. Austin reported that check no. 10826 to Alsay, Inc. in the amount of \$134,240.00 is for Pay Estimate Nos. 2 and 3 for the Water Well No. 1 work. Ms. Austin reported that a check in the amount of \$35,817.50 to JTR Construction for Pay Estimate No. 5 is not included in the Bookkeeper's Report.

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

Upon motion by Director Bryant, seconded by Director Chester, 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, to approve the check to JTR Construction in the amount of \$35,817.50 for Pay Estimate No. 5, and to approve the Quarterly Investment Report.

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 "I." Mr. Riley reported that there were two ammonia excursions at the Wastewater Treatment Plant. He reported that all of the blowers appeared to be operating correctly; however upon closer inspection it was determined that one blower's internal workings had failed. Mr. Riley reported that all of the blowers at the Wastewater Treatment Plant had been replaced previously. He reported that the blower that failed was installed in 2009. Mr. Riley reported that all of the blowers will be abandoned in connection with the Wastewater Treatment Plant Improvements project. He reported that NTS confirmed availability of blowers for rent on an emergency basis. Mr. Riley reported that the Wastewater Treatment Plant requires two blowers to be in operation and that it currently has three blowers, including the broken blower. Mr. Riley asked the Board if it wanted to repair the broken blower at an estimated cost of \$13,000, replace the blower at an estimated cost of \$16,000 to \$17,000, or do nothing and wait for the Wastewater Treatment Plant Improvements to occur within the next year. Mr. Riley stated that there will be a six to eight week lag time to repair or replace the blower. The President asked what is the cost to rent a blower. Director Bryant asked what would happen if two blowers fail. Mr. Riley stated that if two blowers fail, Eagle Water could react to the situation by using centrifugal blowers and modifying the piping at the plant. The President stated that he would like to know the rental cost before deciding.

Upon review of the Water Plant Report, Mr. Riley reported that the District owes Harris County Municipal Utility District No. 391 ("MUD 391") about 40,000,000 gallons of water in repayment of the water provided to the District via interconnect valve. Mr. Riley reported that Eagle Water will coordinate repayment of the water to MUD 391. He reported that Water Well #1 at Water Plant No. 1 is operational. Mr. Riley reported that the well capacity increased by 300 gallons per minute as a result of Alsay's work on the water well. Mr. Riley reported that the water well specific capacity doubled from 6 to 13.1 gallons per minute per foot of drawdown.

Mr. Riley reported that Water Well #2A failed. He reported that Water Well #2A has a submersible pump and that the motor failed. Mr. Riley reported that Alsay, Inc. provided a proposal to remove and inspect the pumping equipment and televise the water well for a cost of \$6,800. Mr. Riley stated that he is unable to estimate the repair costs of Water Well #2A at this time.

Mr. Riley reviewed the Disconnection List with the Board.

Upon motion by Director Bryant, seconded by Director Chester, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report, to terminate the delinquent accounts in accordance with the Rate Order, to authorize the President to act with respect to the blower at Wastewater Treatment Plant after Mr. Riley determines the rental cost for a blower, and to approve the Alsay proposal to remove and inspect the Water Well #2A pumping equipment and televise the water well for a cost of \$6,800.00.

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 "J."

Mr. Hirshman reported on the Wastewater Treatment Plant Improvements. He reported that the Notice to Proceed was issued and that construction is expected to begin soon.

Mr. Hirshman reported on the Water Plant No. 2 improvements. Mr. Hirshman recommended payment of Pay Estimate #5 from JTR Construction in the amount of \$35,817.50 for the Water Plant No. 2 Improvements. Mr. Hirshman reported that he expects JTR Construction to begin painting on November 1, 2015. Mr. Hirshman recommended payment to Terracon for materials testing at Water Plant No. 2 in the amounts of \$2,025.50 and \$423.00.

Mr. Hirshman reported that DEC submitted the District's Bond Application to the Texas Commission on Environmental Quality ("TCEQ") for expedited review on August 11, 2015. Ms. Ellison reported that the consultants had addressed TCEQ questions on the Bond Application.

Mr. Hirshman reported that the Notice to Proceed was issued to Lischka Utilities for the utilities construction to serve Cypress Landing, Section Twelve.

Mr. Hirshman reported that Sydney Harbour Interests, Ltd. has requested a capacity commitment of three equivalent single family connections to serve a fitness center on a reserve within Sydney Harbour. Mr. Hirshman reviewed with the Board the site plan provided by Sydney Harbour Interests, included in the Engineer's Report.

Mr. Hirshman reported that NRF drafted the cost sharing agreement between Dalton Wallace and M/I Homes, and that the agreement has been circulated to the involved parties for comment. Mr. Boozer and Ms. Ellison reported that they have not heard from Mr. Wallace regarding the proposed agreement.

Mr. Hirshman reported that the clearing and grubbing of Fair Meadows, which was approved by the Board last month, is complete.

Mr. Hirshman reported that bids were received for the rough cut detention for the Fair Meadows detention and part of the SafeSite tract. Mr. Hirshman recommended award to the low bidder, 5758 Construction, in the amount of \$324,651.00 for the rough cut detention for the Fair Meadows detention and part of the SafeSite tract. Mr. Hirshman reported that SafeSite cleared the site and approved the excavation. He reported that SafeSite is preparing the building plans. Mr. Hirshman reported that the Notice to Proceed was issued.

Mr. Hirshman reported that there is an Exxon pipeline located in the Fair Meadows tract. He reported that the utilities and road will cross the Exxon pipeline. Mr. Hirshman reported that Exxon requires an agreement for crossing and construction over the pipeline. He reported that M/I Homes is requesting that the District enter into the agreement with Exxon because the District will ultimately own the facilities crossing the pipeline. Mr. Hirshman reported that a water line, sanitary sewer line and road will cross the Exxon pipeline. Mr. Hirshman reported that the utilities are being advertised for bids on November 3, 2015. He reported that the utilities plans are at the City of Houston and Harris County for approval. Mr. Hirshman reported that the bidders are aware of the pipeline crossing. Ms. Ellison reported that the contracts will read "on behalf of the District". Ms. Ellison stated that the District's insurer should be contacted to discern any coverage adjustments. Director Halloran suggested increased contractor liability coverage, such as \$2,000,000 per occurrence and \$4,000,000 or \$5,000,000 aggregate. Director Halloran offered to review and advise on the insurance limits

for the bid specifications for the project. Ms. Ellison stated that she would review the Exxon agreement.

Upon motion by Director Bryant, seconded by Director Chester, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report; to approve payment of Pay Estimate #5 from JTR Construction in the amount of \$35,817.50 for the Water Plant No. 2 Improvements; to approve payment to Terracon for materials testing at Water Plant No. 2 in the amounts of \$2,025.50 and \$423.00; to approve a capacity commitment of three equivalent single family connections to serve a fitness center on a reserve within Sydney Harbour; to approve award of the contract to 5758 Construction in the amount of \$324,651.00 for the rough cut detention for the Fair Meadows detention and part of the SafeSite tract; and to approve the Pipeline Crossing Agreement subject to legal review and satisfactory insurance from the utility contractor.

16. Joint Facilities Development Financing Agreement (M/I Homes and Dalton Wallace). Ms. Ellison reported that she drafted and distributed the Joint Facilities Development Financing Agreement ("Joint Agreement") for the shared facilities between M/I Homes and Dalton Wallace, a copy of which is attached hereto as Exhibit "K." Ms. Ellison reported that she has not received comments from Dalton Wallace. Mr. Hirshman reported that the detention pond excavation is underway. He stated that SafeSite agreed to the bids and work. It was the consensus of the Board to defer action on the Joint Agreement until Dalton Wallace has provided comments.

17. Consider need for insurance proposals. The President recognized Ms. Ellison, who reported that the District's insurance expires in December. She asked the Board if it wanted proposals from more than its current carrier. It was the consensus of the Board to review the Harco Insurance Services renewal proposal at the next Board meeting.

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 November 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.

* * *

The foregoing minutes were passed and approved by the Board of Directors on
November 20, 2015.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

