

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
December 18, 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 regular session, open to the public, at the offices of Norton Rose Fulbright, 1301 McKinney, Houston, Texas, on December 18, 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 Halloran. Also attending all or portions of the meeting were Ms. Esther Kumaga 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; Ms. Heidi Stephenson of Cymill Partners, developer of land in the District; Mr. Robert Moore of Meritage Homes, developer of land in the District; 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; Ms. Stephanie Lee of KGA Deforest Design ("KGA"); Mr. David Collins of FCM Engineers, P.C.; Ms. Julie Williams of Rathmann & Associates, L.P., financial advisor for the District; 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 November 20, 2015.** The proposed minutes of the meeting of November 20, 2015, 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 November 20, 2015, as presented.

2. **Public Comments and letters from residents.** Director Bryant reported that all emails to the District's website were related to billing and were forwarded to Eagle Water for management.

Director Bryant reported that www.paymyutilitybill.com, a payment option for District customers, was not operating. He reported that the payment website stopped operating due to suspicious activity, and that it is unknown when the website will begin operation.

3. **Security report.** Lieutenant Blackledge reviewed with the Board the Security Report for the month of November, a copy of which is attached hereto as Exhibit "B." He reported that there were three business burglaries, including the Kentucky Fried Chicken, and an attempt to steal the automated teller machine from CVS Pharmacy.

Lieutenant Blackledge reported that there were eight car burglaries and one stolen vehicle.

4. **Addition of sergeant to Law Enforcement Services Agreement.** The President recognized Lieutenant Blackledge, who asked the Board to consider the addition of a sergeant to the District's 2016 Security Contract. He reported that a sergeant would serve a supervisory role that is needed for the night shift, and would also answer calls and patrol the District. Lieutenant Blackledge reported that a sergeant will cost \$75,860 a year at 70% coverage. Lieutenant Blackledge discussed patrol coverage in the surrounding communities.

Upon motion by Director Henry, seconded by Director Chester, after full discussion and the question being put to the Board, the Board voted unanimously to approve the addition of a sergeant to the District's 2016 Security Contract, for a total one Lieutenant, one Sergeant, one Corporal, and four Deputies.

5. **Order adopting and authorizing official Notice of Sale and Bid Form, authorizing distribution thereof and of a Preliminary Official Statement and authorizing publication of Notice of Sale.** The President recognized Ms. Williams, who presented to and reviewed with the Board a draft Preliminary Official Statement ("POS") and Notice of Sale for the proposed sale of the District's Unlimited Tax Bonds, Series 2016, a copy of which is attached hereto as Exhibit "C." Ms. Williams reported that the Texas Commission on Environmental Quality approved the issuance of \$3,525,000 in bonds. She informed the Board that the POS would be used to market the District's bonds. Ms. Williams stated that the Board will receive bids to buy the Bonds on January 21, 2016, at 1:00 p.m. at a special Board meeting.

Ms. Ellison presented to and reviewed with the Board the Order Adopting and Authorizing Official Notice of Sale and Bid Form, Authorizing Distribution Thereof and of a POS and Authorizing Publication of Notice of Sale ("Authorizing Order"), a copy of which is attached hereto as Exhibit "D."

Ms. Williams reported that new disclosure requirements will require filings from the companies contracting with the District under certain circumstances. She reported that Rathmann & Associates and NRF are reviewing the new Texas law and working to meet its requirements.

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 POS, the Notice of Sale, and the Authorizing Order.

Ms. Williams presented to and reviewed with the Board the Summary of Refunding Effects, a copy of which is attached hereto as Exhibit "E." Ms. Williams noted that the summary shows that the District can save debt service expense by refunding certain

maturities of its outstanding Series 2007 Bonds. She noted that such savings are net of the costs to issue refunding bonds and must meet the minimum savings requirement set by the City of Houston. Ms. Williams noted that the Board may set a higher minimum savings requirement for the refunding bonds. The President noted that the District has a significant balance in the Debt Fund and asked if a portion of the redemption of the Series 2007 Bonds may be paid from the Debt Fund. Ms. Williams stated that she will recalculate the refunding with inclusion of a payment from the District's Debt Fund. Ms. Williams stated that she will maintain a sufficient reserve in the Debt Fund to meet increased debt service requirements for future bond issues.

Upon motion by Director Bryant, seconded by Director Chester, after full discussion and having had the question put to the Board, the Board voted unanimously to approve proceeding with the Refunding Bonds, Series 2016.

6. Developers Report and reimbursement issues. Ms. Stephenson reported that Cymill Partners is considering development of the 3.7 acre tract, possibly for retail tenants.

Mr. Boozer reported that M/I Homes is waiting on plan approval to proceed with the utilities construction to serve Fair Meadows.

7. 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 Landcrafters submitted Change Order No. 1 to the Cypress Ridge Detention Landscape Contract to decrease the contract amount by \$500 to remove a month of maintenance, a copy of which is attached hereto as Exhibit "F," and Pay Application No. 4 in the amount of \$2,774.03, a copy of which is attached hereto as Exhibit "G."

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 Change Order No. 1 to the Cypress Ridge Detention Landscape Contract to decrease the contract amount by \$500 to remove a month of maintenance, and to approve payment of Pay Application No. 4 to Landcrafters in the amount of \$2,774.03 for the Cypress Ridge Detention Landscape Project.

8. Sydney Harbour Water Plant Expansion, including Phase Two landscaping bids and award project. Ms. Lee reported that KGA is ready to hold the pre-construction meeting with Fencrete for Phase Two of the Water Plant fencing.

Ms. Lee reported that the Water Plant No. 2 Landscaping Contract is ready for signature.

9. Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination. The President recognized Ms. Kumaga, who presented to and reviewed with the Board the Tax Assessor-Collector's Report, a copy of which is attached hereto as Exhibit "H." Ms. Kumaga noted that 2.87% of the District's 2015 taxes had been collected as of November 30, 2015.

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.

10. **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 "I." Ms. Austin reported receipt of the M/I Homes deposit for the Joint Facilities Development Financing Agreement ("Joint Agreement") for the shared facilities between M/I Homes and Dalton Wallace.

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.

11. **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 "J."

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 Reviewing the Investment Policy and to maintain the current investment policy.

12. **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 "K." Mr. Oliver reported that Eagle Water rented a blower for the District's Wastewater Treatment Plant at a cost of \$1,500 per month.

Mr. Oliver reported that the District is repaying water to Harris County Municipal Utility District No. 391.

Mr. Oliver reviewed the Disconnection List with the Board.

Mr. Oliver reported receipt of odor complaints the first week of December. He reported that the complaints occurred after the blower at the Wastewater Treatment Plant failed and prior to the installation of the rented blower.

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 and to terminate the delinquent accounts in accordance with the Rate Order.

13. **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 "L."

Mr. Hirshman reported on the Wastewater Treatment Plant Improvements. He reported that construction is underway. Mr. Hirshman requested Board approval of Pay Estimate #2 to N & S Construction Co., LP in the amount of \$62,730.00 for the Wastewater Treatment Plant Improvements.

Mr. Hirshman reported that the Water Plant No. 1 Improvements project will be ready for advertisement for bids in late January or early February.

Mr. Hirshman reported on the Water Plant No. 2 improvements. Mr. Hirshman reported that the contractor is painting the facilities. He reported that painting of the two new ground storage tanks is complete. Mr. Hirshman requested Board approval of Pay Estimate #6 to JTR Construction in the amount of \$82,019.29 for the Water Plant No. 2 improvements.

Mr. Hirshman reported that the Texas Commission on Environmental Quality ("TCEQ") approved the District's Bond Application in the amount of \$3,525,000. He reported that TCEQ performed the pre-purchase inspection of the related facilities and found no issues.

Mr. Hirshman reported that Kiddie Academy, a business located in the Cypress Land Development original 20-acre tract, requested a capacity commitment from the District for 9 equivalent single family connections ("ESFC") and 1 physical water connection to serve the business. Mr. Hirshman reported that the utility request is in line with the overall capacity commitment allocated to the 20-acre tract.

Mr. Hirshman reported that the Fair Meadows clearing and grubbing is complete. He recommended approval of payment by M/I Homes of Houston of Pay Estimate #1 and final revised to K & K Tree and Tractor Services in the amount of \$133,477.62. Mr. Hirshman requested Board approval of revised Change Order #1 to the contract in the amount of \$38,642.76 for removal of trees along the fence line, additional clearing and stump grinding, and a deduction of \$1,500.00 for installation of a maintenance road that was not installed.

Mr. Hirshman reported that DEC is awaiting receipt of the Exxon Agreement, for crossing the pipeline in Fair Meadows, in the District's name for execution by the President.

Mr. Hirshman reported on the rough cut detention for Fair Meadows and Safesite detention. He reported that the work is complete. Mr. Hirshman recommended Board approval of payment of Pay Estimate #1 and #2 in the amounts of \$157,613.40 and \$122,017.20, respectively, to 5758 Construction for the rough cut detention to serve Fair Meadows and part of the Dalton Wallace tract. Mr. Boozer noted that Mr. Wallace did not provide his deposit to the District pursuant to the Joint Agreement. Ms. Ellison reported that she would contact Mr. Wallace's attorney regarding the deposit. The Board requested that Ms. Austin send an invoice to Mr. Wallace for his deposit pursuant to the Joint Agreement.

Mr. Hirshman reported on the utilities construction and completion of the detention pond for Fair Meadows. He reported that the pre-construction meeting is scheduled for December 21, 2015.

Mr. Hirshman recommended payment of Pay Estimate #2 to Lischka Utilities, LLC in the amount of \$2,850.00 for the utilities construction to serve Cypress Landing East, Section Twelve.

Mr. Collins reported that he is representing Fountain of Life Church ("Church"). He reported that the Church owns a 7.185-acre tract on Mueschke Road which partially drains to the District's detention pond north of the tract and partially drains to the District's drainage channel to the east of the tract. Mr. Collins reported that the Church plans to construct a parking lot on its tract on Mueschke Road which will drain to the drainage ditch along Mueschke Road. Mr. Hirshman reported that the Drainage Easement granted by the Church to the District

only permits the Church to drain existing flows into the drainage easement and not increased flows due to development. Mr. Hirshman stated that the drainage ditch along Mueschke Road belongs to Harris County, not the District. The President stated that the Church drainage does not concern the District, if the proposed parking lot drains to Mueschke Road. The President stated that the District will only take existing flows from the Church property.

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; to approve payment of Pay Estimate #1 to N & S Construction Co., LP in the amount of \$62,730.00 for the Wastewater Treatment Plant Improvements; to approve payment of Pay Estimate #6 to JTR Construction in the amount of \$82,019.29 for the Water Plant No. 2 improvements; to approve a capacity commitment from the District for 9 equivalent single family connections ("ESFC") and 1 physical water connection to serve Kiddie Academy; to approve payment of Pay Estimate #1 and final revised to K & K Tree and Tractor Services in the amount of \$133,477.62 for the Fair Meadows clearing and grubbing; to approve revised Change Order #1 to the Fair Meadows clearing and grubbing contract in the amount of \$38,642.76 for removal of trees along the fence line, additional clearing and stump grinding, with a deduction of \$1,500.00 for installation of a maintenance road that was not installed; to approve payment of Pay Estimate #1 and #2 in the amounts of \$157,613.40 and \$122,017.20, respectively, to 5758 Construction for the rough cut detention to serve Fair Meadows and part of the Dalton Wallace tract, with the checks to be held until receipt of the Dalton Wallace deposit per the Joint Agreement; and to approve payment of Pay Estimate #2 to Lischka Utilities, LLC in the amount of \$2,850.00 for the utilities construction to serve Cypress Landing East, Section Twelve.

14. **Appointment of Agent for 2016 Directors Election.** Ms. Ellison presented to and reviewed with the Board the Appointment of Agent for the 2016 Directors Election, a copy of which is attached hereto as Exhibit "M." She reported that the Appointment of Agent designates Yvette Deitrick of NRF as the Secretary's agent to perform ministerial duties as specified in Election Code 31.123 for the 2016 Directors Election.

Upon motion by Director Bryant, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted to approve the Appointment of Agent for the 2016 Directors Election.

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

16. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on January 21, 2016, at 1:00 p.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
January 21, 2016.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

