

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
April 17, 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 April 17, 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. 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. Lynnette Tujague 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; Ms. Stephanie Lee of KGA Deforest Design; Mr. Jim Moore of First General Realty; Mr. Matthew May of Best Trash; 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 March 20, 2015.** The proposed minutes of the meeting of March 20, 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 March 20, 2015, as presented.

2. **Public Comments and letters from residents.** Director Bryant reported receipt of several emails from Ms. Loughlin and the Cypress Mill Homeowner Association representative regarding maintenance of the Cypress Mill detention ponds and he agreed they needed maintenance.

Director Bryant reported that a resident requested his water bill and the request was forwarded to Eagle Water for management.

Director Bryant reported that a resident requested her tax statement and the request was forwarded to Assessments of the Southwest for management.

Director Bryant reported that Harvest Bible Church asked if water rates decreased with increased usage. He reported that Eagle Water provided the out-of-District rates to Harvest Bible Church.

Director Bryant reported that Mr. Jacob Hartley made a public records request for water bills for two years for an address not in the District. Director Bryant stated that he informed Mr. Hartley that the address is not in the District. Director Bryant reported that Ms. Deitrick determined the correct utility district and that information was provided to Mr. Hartley.

3. **Security report.** Director Henry reviewed with the Board the Security Report for the month of March, a copy of which is attached hereto as Exhibit "B." Director Henry reported that the Wal-Mart security vehicle was stolen. Director Henry reported that an armed robbery occurred at Walgreen's.

Director Henry reported that the Harris County Constable cannot issue citations for off-road vehicles without signs prohibiting such activity. Mr. Riley stated that Eagle Water can order the signs and arrange for installation at Cypress Landing. Mr. Riley stated that he will contact Sergeant Blackledge for the appropriate wording for the signs.

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 Security Report and to authorize Eagle Water to proceed with arranging for the signs.

4. **Review annual CPI increase in trash rates.** The Vice President recognized Mr. May, who reported that under the District's contract the solid waste collection rate will increase to \$17.29 per connection with the April billing cycle. A copy of the Rate Increase letter is attached hereto as Exhibit "C." Mr. May reported that the Consumer Price Index-All Urban Consumers data for March was released today and requested Board authorization to utilize the Consumer Price Index-All Urban Consumers data for February each year so it may be provided to the Board in a timely manner.

The President joined the meeting.

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 solid waste collection rate increase to \$17.29 per connection and to authorize Best Trash to utilize the Consumer Price Index-All Urban Consumers for February.

5. **Developers Report and reimbursement issues.** Mr. Day reported that Cypress Landing had 5 new home sales in March and 36 sales in 2015. Mr. Day reported that utility construction is proceeding in Cypress Landing, Section Eleven, and that the detention pond is 75% complete. Mr. Day reported that Brown & Gay Engineers is designing Cypress Landing, Section Twelve.

6. **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 there were several complaints on the detention pond maintenance. He reported that Stormwater

Solutions is currently maintaining three detention ponds for approximately \$49,000 per year. The President reported that GreenPros has provided a proposal to mow the detention ponds from the homeowners' fence to the top of the slope for \$27,258 per year. He reported that the GreenPros proposal is for the same number of trips. The President reported that GreenPros also submitted a proposal to prune, mulch and remove trash and tree stakes at the Cypress Mill Estates and Cypress Mill II detention ponds, plant ten Live Oaks and add bubblers, remove the dead tree noted by Mr. Staas, and mulch in the Cypress Mill IV detention pond, and remove 8 dead trees, plant 4 Live Oaks, add bubblers and mulch in the Cypress-Rosehill Road esplanade for a total cost of \$13,335.00.

Upon motion by Director Koehn, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to accept the proposal of GreenPros to mow the detention pond tops, to accept the proposal of GreenPros to do additional maintenance at the detention ponds and the Cypress-Rosehill esplanade, and to terminate the services of Stormwater Solutions for the mowing of the detention pond tops. The President stated that he would notify Stormwater Solutions of the change in their maintenance area and notify GreenPros of award of the additional detention pond maintenance and tree work.

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 contract with Landcrafters in the amount of \$28,337.28, including the alternate bid item for full irrigation sprays instead of a bubbler irrigation system, for the Cypress Ridge Detention Pond Landscape Improvements.

**7. Sydney Harbour Water Plant Expansion, including fencing and landscaping bids and award project.** Ms. Lee reported that Fencecrete America, Inc. proceeded with installation of the fence along the south side of the Water Plant No. 2 expansion site, ahead of schedule. She asked the Board if it wanted the fence removed for the ground storage tank installation or left in place. Ms. Lee reported that the gate could be installed to secure the facility site. Ms. Lee reviewed with the Board a set of photographs of the gate and new fence at Water Plant No. 2, a copy of which is attached hereto as Exhibit "D." Director Bryant asked the purpose of the eight-foot tall steel posts. Ms. Lee stated that she would have to find out. 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 a change order to its contract with Fencecrete to add the gate and to retain the fence on the south side of the site.

**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 "E." Ms. Bryant noted that 98.18% of the District's 2014 taxes had been collected as of March 31, 2015. Ms. Bryant noted that tax statements were provided to delinquent taxpayers in February and will be provided again in May.

Ms. Bryant reported that Harris County Appraisal District corrected the Cypress Lakes Golf Course account which had been incorrectly added to the District's tax roll.

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.

**9. Bookkeeper's Report, payment of bills, review investment report and policy, review budget, and any necessary changes.** The President recognized Ms. Tujague, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "F." Director Bryant noted the negative balances on the annexation accounts. Ms. Ellison stated that she would email M/I Homes for an additional annexation deposit.

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.

**10. Letter of credit as collateral for bank deposits.** The President recognized Ms. Ellison, who reported that Compass Bank wants to use letters of credit from the Federal Home Loan Bank of Atlanta rather than pledged securities as collateral for the District's deposits in excess of the Federal Deposit Insurance Corporation insured amount. Ms. Ellison reported that a letter of credit from a Federal Home Loan Bank is permitted to be used as collateral for District deposits under Texas law. Ms. Ellison reviewed with the Board the proposed Letter of Credit Agreement and Resolution Approving Use of Letter of Credit as Collateral for District Funds, copies of which are attached hereto as Exhibits "G" and "H," respectively. Ms. Ellison reported that the bookkeeper will retain the letter of credit and will be required to present the original letter of credit and a drawing certificate to obtain funds from the Federal Home Loan Bank of Atlanta in the event Compass Bank does not return the District's deposits. Ms. Ellison stated that the Board may limit the amount of the letter of credit used as collateral for the District's funds; however, she recommended that the Board instruct the bookkeeper to limit investment with the bank, rather than setting a limit on the letter of credit.

Ms. Ellison noted that some banks will not take deposits of public funds because of the requirement that the funds be collateralized. She said she expected more banks to use letters of credit as collateral because it is a less costly form of collateral than pledged securities.

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 Letter of Credit Agreement and Resolution Approving Use of Letter of Credit (Federal Home Loan Bank of Atlanta) as Collateral for District Funds.

**11. Authorize compilation of Continuing Disclosure Materials.** The President recognized Ms. Ellison, who reported that the District's bond orders require the District to file annual financial information and operating data with the Municipal Securities Rulemaking Board. She requested approval for the District's consultants to prepare the disclosure materials. 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 authorize the District's consultants to prepare the disclosure materials.

**12. 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 Eagle Water has nearly completed inspection of the District's fire hydrants.

He reported that the District has about 330 fire hydrants and that an inspection of the District's valves is included as part of the fire hydrant inspection. Mr. Riley reported that Eagle Water still needs to locate three valves for fire hydrants on Cypress Rosehill Road. He reported that fire hydrants in need of repainting were painted. Mr. Riley estimated that the cost of the fire hydrant and valve repairs, inspections, and painting will be approximately \$20,000. The President asked why the fire hydrant on the southwest corner of Cypress Rosehill Road and Cypresswood Drive has yellow tape around it. Mr. Riley stated that he would have to find out. Mr. Riley stated that that fire hydrant should probably be relocated to a location less prone to being hit by a vehicle. The President concurred with the need to relocate the fire hydrant.

Mr. Riley reported on the relocation of District facilities for the U.S. Highway 290 sound barrier wall. He reported that relocation of the force main is done except for the restoration of the landscaping. Mr. Riley reported that Eagle Water will proceed with the waterline relocation work next week. He reported that Eagle Water will perform the relocation during the time when it has the least impact on the District's customers.

Mr. Riley reported that one blower and one motor require new bearings which will cost approximately \$3,000. He reported that the work cannot be deferred until the Wastewater Treatment Plant Improvements project is completed.

Mr. Riley reviewed the Disconnection List with the Board.

Mr. Riley reported that Harris County contacted him regarding the Driver's Auto water leak. Mr. Riley reported that Harris County stated that the leak is on Harris County property and is compromising the road integrity. Mr. Riley reported that the Driver's Auto leak is increasing and now leaking about two gallons per minute. Mr. Riley reported that Harris County wanted to terminate water service to Driver's Auto. Mr. Riley reported that he contacted Driver's Auto again. Ms. Ellison reported that she spoke with Mr. Todd Carlson, the Driver's Auto developer, and that Mr. Carlson stated that he instructed his contractor to repair the leak. Ms. Ellison reported that she told Harris County Precinct 3 that the developer had committed to fixing the leak.

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 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 "J."

Mr. Hirshman reported that the Wastewater Treatment Plant Improvement plans will be signed by Harris County soon.

Mr. Hirshman reported that DEC issued the Notice to Proceed for the Water Plant No. 2 improvements on February 6, 2015. He reported that the recent rainy weather has delayed the contractor.

Mr. Hirshman reported that DEC is preparing the Bond Application Report for the next bond issuance in the amount of \$3,525,000. He noted that the preliminary cost summary is included in the Engineer's Report.

Mr. Hirshman reported that Eagle Water is managing relocation of the District facilities for the U.S. Highway 290 sound barrier wall.

Mr. Hirshman reported that the revised District boundary map for the 21 acre annexation by Cypress Land Development and Ewing Irrigation Products is ready for Board execution. Mr. Hirshman reported that Mr. Keeton of Cypress Land Development asked if the District would be willing to accept title to the land on his property which is a drainage easement granted to the District. He noted that the drainage easement was granted to the District; however, the drainage ditch has a Harris County Flood Control designation. The Board asked that more information be provided.

**14. Order authorizing application for expedited consideration of approval by TCEQ of project and issuance of bonds.** Ms. Ellison presented to and reviewed with the Board the Order Authorizing the Application (the "Order"), and the Application for Expedited Approval by Texas Commission on Environmental Quality of Project and Issuance of Bonds (the "Application"), 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 approve the Order and Application.

**15. Review bids and award Wastewater Treatment Plant Improvements project.** This item was deferred.

**16. Accept Petition for Addition of Land (Cypress Land Development) 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 Cypress Land Development and the Petition to the City of Houston for Consent to Addition of Land, copies of which are attached hereto as Exhibits "L" and "M," respectively.

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

**17. Accept Petition for Addition of Land (Ewing Irrigation) 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 Ewing Irrigation Products, Inc. and the Petition to the City of Houston for Consent to Addition of Land, copies of which are attached hereto as Exhibits "N" and "O," respectively.

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

**18. Order Adding Land (M/I Homes and H. Dalton Wallace).** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Order Adding Land and Redefining Boundaries, a copy of which is attached hereto as Exhibit "P." Ms.

Ellison reported that the City of Houston approved the M/I Homes and H. Dalton Wallace annexations.

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 Order Adding Land and Redefining Boundaries.

19. **Amended District Information Form.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Amended District Information Form, a copy of which is attached hereto as Exhibit "Q." Ms. Ellison reported that this amended District Information Form will be filed in the Harris County Real Property Records and with the Texas Commission on Environmental Quality, to note the new boundaries of 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 the Amended to District Information Form.

20. **Report of Arbitrage Rebate Specialists.** Ms. Ellison presented to and reviewed with the Board the Arbitrage Rebate Reports for the Series 2004 and 2006 Bonds, a copy of which is attached hereto as Exhibit "R." She stated that the reports were prepared by Arbitrage Compliance Specialists, which is engaged by the District to monitor the District's compliance with arbitrage rebate and yield restriction requirements. She said that the reports indicated no Board action is required at this time.

21. **Build America Mutual Assurance Company Annual Meeting for Election of Directors Proxy.** The President recognized Ms. Ellison, who reviewed with the Board the Build America Mutual Assurance Company annual meeting information and proxy card, a copy of which is attached hereto as Exhibit "S." The Board discussed the voting options. Upon motion by Director Koehn, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to abstain from voting for the Build America Mutual Assurance Company Board of Directors.

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

23. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on May 15, 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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The foregoing minutes were passed and approved by the Board of Directors on  
May 15, 2015.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

