

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
September 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 special session, open to the public, at the offices of Norton Rose Fulbright, 1301 McKinney, Houston, Texas, on September 17, 2015, at 10:00 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. Also attending all or portions of the meeting were Ms. Donna Bryant 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; Ms. Heidi Stephenson of Cymill Partners, developer of land in the District; Ms. Stephanie Lee of KGA Deforest Design; Mr. Jim Moore of First General Realty; Lieutenant Blackledge, constable for the District; Mr. Peter Barnhart of Caldwell Companies; Mr. Jeff Mallett of Jeff Mallett & Company, Inc.; Mr. Craig Rathmann 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 August 21, 2015.** The proposed minutes of the meeting of August 21, 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 August 21, 2015, as presented.

2. **Public Comments and letters from residents.** Director Bryant reported that a resident emailed the District's website to report that the easement between Cypress Mill and Sydney Harbour required mowing. The President reported that Storm Water Solutions has scheduled mowing of the easement.

Director Bryant reported that a resident emailed requesting closure of his water account, and that the resident email was forwarded to Eagle Water for management.

Director Bryant reported that a resident emailed about low water pressure. He reported that Mr. Riley from Eagle Water informed the resident of the water well issues the District was experiencing at that time.

Director Bryant reported that a resident emailed for an explanation of the North Harris County Regional Water Authority fee and sewer service billing. Director Bryant reported that the resident's questions were forwarded to Eagle Water for management.

Director Bryant reported that a resident emailed to request that future tax bills be directed to his home, and that the request was forwarded to Ms. Bryant for management.

Director Bryant reported that a resident emailed to request a change of billing address, and that the resident email was forwarded to Eagle Water for management.

Director Bryant reported that Mr. Crahan, the Cypress Mill Homeowner Association representative, emailed regarding the poor drainage of the Cypress Mill detention ponds. The President reported that Storm Water Solutions is working on resolving the drainage issue.

Director Bryant reported that a resident emailed about a tree on District property that is damaging his fence. He reported that Storm Water Solutions is taking care of the tree.

Director Bryant reported that he noted the detention pond behind the Shoppes at Fry Road was holding water. Mr. Oliver reported that Eagle Water replaced a fuse in the pump and that the detention pond is now draining.

Director Bryant reported that a resident emailed about a high water bill. He reported that the resident claimed to have average water usage of 4,000 to 5,000 gallons per month, and that the resident was billed for 20,000 gallons in July and 33,000 gallons in August. Director Bryant reported that the resident stated he turned off his sprinklers after receipt of the July water bill and does not understand the increase in water usage. He reported that Eagle Water is researching the matter.

**3. Consider Financial Advisor's tax rate recommendations and Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2015.** The President recognized Mr. Rathmann, who presented to and reviewed with the Board the recommendation for the 2015 tax rate, a copy of which is attached hereto as Exhibit "B." Mr. Rathmann recommended a debt tax rate of \$0.50 per \$100 assessed valuation to provide the District with sufficient funds to make debt service payments. He reported that the developer incentive contract tax rate may be decreased to \$0.10 per \$100 assessed valuation. He stated that the average home value increased. Mr. Rathmann reviewed the District's fund balances and budget.

Ms. Ellison presented to and reviewed with the Board the Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2015, a copy of which is attached hereto as Exhibit "C." Ms. Ellison noted that the Order authorizes the tax assessor's office to publish a notice of the proposed tax rate and a public hearing with respect to the tax rate.

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 propose a

total tax rate of \$0.79 per \$100 assessed valuation, with \$0.50 for debt service, \$0.19 for maintenance and operating expenditures, and \$0.10 for the developer incentive fee, to approve the Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2015 and to authorize the District's tax assessor collector to publish the proposed tax rate.

4. **Mr. Peter Barnhart Annexation Request.** Mr. Barnhart reported that Mr. Mallet owns about 32 acres in the vicinity of Fenske Road and Cypress-Rosehill Road. Mr. Barnhart reported that the District engineer at Dannenbaum Engineering Corporation ("DEC") stated that the District has sufficient capacity to serve the tract. The President reported that the District is close to the maximum connections allowed under the District's waiver of elevated storage tank requirement ("Waiver") from the Texas Commission on Environmental Quality ("TCEQ"). Mr. Barnhart stated that the Waivers are routinely granted and asked if the District is interested in annexing the tract into the District. The President stated that obtaining a TCEQ Waiver is more difficult than it used to be. Ms. Ellison stated that the District's remaining bond authorization has been committed to current developers in the District. Mr. Barnhart asked if the District would be opposed to providing out-of-District water service if a Waiver is obtained. The President stated that a cost proposal from DEC for the engineering work involved in applying for a new Waiver needs to be considered. Mr. Rathmann noted that the developer incentive contract tax rate decreases as land is annexed into the District that increases the District's taxable value. The President reported that the Board will consult with DEC regarding the engineer's estimate of the cost for the engineering work involved in applying for a new Waiver and report any decisions or information to Mr. Barnhart.

5. **Security report.** Lieutenant Blackledge reviewed with the Board the Security Report for the month of August, a copy of which is attached hereto as Exhibit "D." He reported that several guns were stolen from unlocked vehicles in the District.

Lieutenant Blackledge reported that a new Texas statute classifies theft under \$100 as a Class E misdemeanor which will allow the constables to write tickets for most of the thefts at Wal-Mart. He reported that the new statute will reduce the constables' time spent on thefts at Wal-Mart.

Lieutenant Blackledge reported that the eMachine computers at the Harris County Constable's Office Cypress Substation are non-functioning. Lieutenant Blackledge requested Board authorization for him to take possession of the computers and coordinate destruction of the computers which originally came from the District's Constable Space on U.S. Highway 290.

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 and to provide authorization for Lieutenant Blackledge to take possession of the two computers and coordinate their destruction.

6. **Joint Facilities Development Financing Agreement (M/I Homes and Dalton Wallace).** Ms. Ellison reported that she drafted a Joint Facilities Development Financing Agreement ("Joint Agreement") for the shared facilities between M/I Homes and Dalton Wallace, which she had forwarded to the District's engineer. 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 release the Joint Agreement to M/I Homes and Dalton Wallace, upon approval of the Joint Agreement by the President, Ms. Ellison, and the District's engineer.

7. **Developers Report and reimbursement issues.** No action was taken on this item.

8. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties; including landscaping at Cypress Ridge detention pond.** No action was taken on this item.

The President left the meeting.

9. **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 Fence, Phase 2. Ms. Lee presented to and reviewed with the Board the bid tabulation sheet for the Water Plant No. 2 Fence, Phase 2, a copy of which is attached hereto as Exhibit "E." She recommended award to the low bidder, Fencecrete America, Inc., in the amount of \$36,441.25.

Ms. Lee reported that she only received one bid for the Water Plant No. 2 Landscaping project which was significantly higher than expected. Ms. Lee reported that she will obtain additional landscaping bids for the Board's consideration.

Upon motion by Director Bryant, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve award of the contract to Fencecrete America, Inc. in the amount of \$36,441.25 for the Water Plant No. 2 Fence, Phase 2.

10. **Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination.** The Vice 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 99.44% of the District's 2014 taxes had been collected as of August 31, 2015.

Ms. Bryant reviewed with the Board the Delinquent Tax Report provided by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), included in the Tax Assessor-Collector's Report. 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. Ms. Bryant requested Board authorization to transfer the Matthews 2009 vehicle account to the Uncollectible Roll.

Upon motion by Director Bryant, seconded by Director Halloran, 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, to authorize Perdue to provide the Water Termination Letters to the Water Termination Letter Candidates on the Delinquent Tax Report, and to authorize Perdue to transfer the Matthews 2009 vehicle account to the Uncollectible Roll.

11. **Operator's Report, authorization of maintenance and hearing on delinquent accounts.** The Vice President recognized Mr. Oliver, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "G." Upon review of the Water Production Report, Mr. Oliver reported that no water was

pumped at Water Plant No. 1. He reported that the pump is being installed today in Water Well #1 at Water Plant No. 1 and that the water well is expected to be operational next Thursday.

Mr. Oliver reported that Alsay provided a proposal to pull the submersible motor and pump at Water Well #1A at Water Plant No. 1 in the amount of \$6,800. He asked the Board if it wanted the motor and pump pulled and inspected by Alsay. It was the consensus of the Board to defer action on the motor and pump at the present time.

Mr. Oliver reported that the interconnect valve with Harris County Municipal Utility District No. 391 was closed September 15, 2015.

Mr. Oliver reported that the new Ground Storage Tanks at Water Plant No. 2 are completed and operational.

Mr. Oliver reviewed the Disconnection List with the Board.

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

**12. Bookkeeper's Report, payment of bills, review investment report and policy, review budget, and any necessary changes.** The Vice 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 two Certificates of Deposit ("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 at 0.2% and Green Bank at 0.5%. Ms. Austin noted that the new CDs would be higher than the current Texpool interest rate.

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, and to authorize the bookkeeper to purchase replacement CDs at Compass Bank at 0.2% and Green Bank at 0.5%.

**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 Board reviewed the Engineer's Report provided by the District engineer, a copy of which is attached hereto as Exhibit "G."

It was noted that Mr. Hirshman recommended payment of Pay Estimate #4 from JTR Construction in the amount of \$17,177.69 for the Water Plant No. 2 Improvements and payment by Pulte Homes of Pay Estimate #3 to Kenneth Lamb Construction Co., Ltd. in the amount of \$24,909.00 for construction of the water, sanitary sewer and storm sewer facilities to serve Cypress Landing, Section Eleven.

Ms. Ellison reported that Mr. Hirshman requested Board authorization to approve a consent to encroachment on the District's drainage easement in Sydney Harbour if the applicant meets the requirements of the District's policy. She stated that the Board had already authorized the consultants to move forward with approval of consents to encroach if all requirements are met.

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 #4 from JTR Construction in the amount of \$17,779.69 for the Water Plant No. 2 Improvements; to approve payment by Pulte Homes of Pay Estimate #3 to Kenneth Lamb Construction Co., Ltd. in the amount of \$24,909.00 for construction of the water, sanitary sewer and storm sewer facilities to serve Cypress Landing, Section Eleven; and to authorize Mr. Hirshman to issue a consent to encroachment on the District's drainage easement in Sydney Harbour if the applicant meets the requirements of the District's policy.

14. **Other Consultant and Director Reports.** Ms. Ellison reported on an amendment to Chapter 176 of the Local Government Code concerning disclosures of conflicts of interest.

15. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on October 22, 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  
October 22, 2015.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

