

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
DECEMBER 16, 2016

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 regular session, open to the public, at the offices of Norton Rose Fulbright, 1301 McKinney, Houston, Texas, on December 16, 2016, 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 Directors Halloran, thus constituting a quorum. Also attending all or portions of the meeting were Ms. Stephanie Lee of KGA-DeForest Design LLC, landscape architect for the District; Ms. Rhonda Patterson of Assessments of the Southwest ("Assessments"), 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, 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; and Ms. Kathleen Ellison and Ms. Brenda Presser 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 18, 2016.** The proposed minutes of the meeting of November 18, 2016, previously distributed to the Board, were presented for review and approval. 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 minutes of November 18, 2016, as presented.

2. **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 B*. Mr. Riley reported that water accountability is 91.2% for the billing period from October 27, 2016 to November 29, 2016. He stated that November 29, 2016 is the cutoff date for unpaid delinquent accounts and requested the Board's consideration to defer and grant a grace period due to the holidays.

Mr. Riley reported there are 24 accounts that remain outstanding and requested the Board's authorization to turn them over to collections. Upon motion by Director Henry,

seconded by Director Bryant, the Board voted unanimously to authorize Eagle Water to send the 24 uncollectible accounts to collections and write them off as uncollectible.

Mr. Riley updated the Board on the accountability issues and reported that all efforts have been exhausted to determine the causes for lack of improvement. He recommended the District authorize Eagle Water to contact SAMCO, a leak detection service company, to perform an acoustical analysis to identify any issues. He stated there are approximately 30 miles of line and at \$500 per mile, he estimated the cost as \$15,000. Discussion ensued. Upon motion by Director Henry, seconded by Director Chester, the Board voted unanimously to authorize Eagle Water to engage SAMCO to perform an acoustical analysis for an estimated cost of \$15,000.

Mr. Riley reported on a leak in an overflow weir in Sydney Harbour. He stated the District is not responsible for maintenance of the weir since it is in place for the purpose of maintaining the amenity lake. He stated that Sydney Harbour has been notified that this issue is not a District responsibility. The Board discussed a formal notice to the Sydney Harbour HOA. After a full discussion, the Board directed NRF to prepare a formal notice to the Sydney Harbour HOA that the issues with the weir and amenity lake maintenance are not the responsibility of the District.

Mr. Riley reported on a defective solenoid valve at Water Plant No. 2 on the chlorine feed system to Cypress Ridge and Cypress Landing. He stated the system was flushed and the residents were not at risk.

Upon motion by Director Chester, 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 authorize the Operator to terminate delinquent accounts in accordance with the Rate Order.

3. **Amended Rate Order.** Mr. Riley reviewed the changes to the District's Amended and Consolidated Rate Order, attached as *Exhibit C*. Ms. Ellison reported the changes in the Rate Order make it consistent with the District's billing schedule and update the lead limitations on internal piping set by the Texas Commission on Environmental Quality ("TCEQ"). 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 Amended Rate Order.

4. **Public Comments and letters from residents.** The President recognized Director Bryant, who reported on various emails to the District's website, copies of which are attached as *Exhibit D*. Director Bryant stated that he received two inquiries for new service, two transmittals regarding payment issues, and one request for paperless billing, which he forwarded to Eagle Water Management for responses. He next reviewed two transmittals regarding receipt of tax statements, which he said had been forwarded to the tax assessor/collector. Director Bryant stated the District received notice from PB Houston regarding installation of traffic lights at Mueschke and Tacoma Springs and requested contact information for the District's engineer to discuss proposed impact to water lines at the intersection. Mr. Hirshman reported that he provided intersection details to PB Houston yesterday.

5. **Security Report.** Director Henry reviewed the Security Report for the month of November, a copy of which is attached hereto as *Exhibit E*. He reported that 735 calls were received in November.

Director Henry reported there were 21 citations in November, and an ATV was towed from the retention pond by Cypress Landing, during the extra patrols.

Ms. Ellison reviewed with the Board the Interlocal Agreement for Law Enforcement Services between Harris County and the District. Ms. Ellison reported that the Interlocal Agreement is for 70% coverage of five deputies, one lieutenant, and one sergeant and costs remain the same as last year. Discussion ensued regarding exhibits, noting the CAD description of the District labeled "Exhibit A" does not fully represent all of the District's territory and boundaries and the map provided by Dannenbaum fully represents the District's area. Ms. Ellison stated that NRF will follow up with Harris County Constable's Office, Precinct Four about the exhibits.

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 Interlocal Agreement for Law Enforcement Services with the Dannenbaum illustration of the District.

6. **Developers Report and reimbursement issues.** Mr. Hixon reported that walls are being erected on development of the 3.7 acres. He stated there is no update on commercial leases.

7. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties.** Director Koehn stated that he had asked Mr. Hirshman to follow up on the status of the noise abatement barrier because the Cypress Mill Homeowners Association (the "Cypress Mill HOA") has been asking about it in order to coordinate fence replacement with construction of the barrier wall. Mr. Hirshman reported that he received an email from TxDOT stating that a schedule is being prepared on the wall construction. He stated that the drilled shafts are currently being installed and the fabricator has completed fabrication of the bottom wall panels, as well as the coping (which tops the wall). Mr. Hirshman noted that, as the actual installation of the sound wall nears completion, TxDOT Area Engineer Office plans to set up a meeting with the homeowners to answer questions and let them know what to expect.

8. **Report on Beautification Projects.** Ms. Lee reviewed a proposal and cost estimate for Commercial Area Fence Improvements, a copy of which is attached hereto as *Exhibit F*. Mr. Hixson stated that he spoke with Mr. Holcomb and Cy Mill Partners will contribute \$50,000 towards the Commercial Area Fence Improvements project. Discussion ensued regarding the project. 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 approve the proposal for Commercial Area Fence Improvements and authorize NRF to begin preparing the necessary conveyance documents for homeowners affected by the Commercial Area Fence Improvements.

The President reported that Cypress Ridge Homeowners Association ("Cypress Ridge HOA") will accept maintenance of the fence improvements on Fenske Road. He stated that Cypress Mill HOA discussed making a contribution to the fence improvements on Cypresswood Drive and the topic will be more fully discussed at the next Cypress Mill HOA meeting. Ms. Lee recommended some surveying of the location of the fence on Fenske Road, and the Board concurred. 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 approve the proposal for the Fenske Road Fence Improvements attached hereto as *Exhibit F* and authorize NRF to

prepare the necessary conveyance documents for property owners affected by the Fenske Road Fence Improvements.

9. **Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination.** The President recognized Ms. Patterson, who presented to and reviewed with the Board the Tax Assessor-Collector's Report, a copy of which is attached hereto as *Exhibit G*. Ms. Patterson noted that 2.65% of the District's 2016 taxes had been collected to date. 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.

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 H*.

Ms. Austin noted that \$1,186,398 transferred to the Capital Projects Fund from the Operating Fund will be reflected on next month's report and noted in the Capital Projects Fund analysis. Discussion ensued regarding available funds and bond funds to meet costs for completion of outstanding projects.

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 and to authorize payment of the checks listed and for the purposes stated 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 I*. Ms. Ellison reported the District is required to annually review its Investment Policy. She stated the District's bookkeeper provides an updated list of qualified brokers with whom the District can make investments. 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 Resolution Reviewing the Investment Policy and to maintain the current investment policy.

12. **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 presented and recommended approval of Pay Estimate No. 14 in the amount of \$113,780.69 to N & S Construction Co., LP for the Wastewater Treatment Plant Expansion.

Mr. Hirshman reported that final inspection is in process at Water Plant No. 2. He stated that Water Plant No. 2 will be fully operational and online by January 1, 2017.

Mr. Hirshman discussed maintenance of the detention pond in Fair Meadows and reviewed proposals from Texas Erosion and Storm Water Solutions, copies of which are

attached to the Engineer's Report. Mr. Hirshman recommended acceptance of the proposal from Texas Erosion.

Mr. Hirshman discussed two options for an additional hydro tank at Water Plant #1. Mr. Hirshman stated that he is waiting on TCEQ approval of the District's current bond application before approaching TCEQ with these options.

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: 1) the Engineer's Report; 2) Pay Estimate No. 14 in the amount of \$113,780.69 to N & S Construction Co., LP for the Wastewater Treatment Plant Expansion; and 3) a proposal from Texas Erosion for maintenance of detention ponds in Fair Meadows for an annual cost of \$21,000.

13. **Review arbitrage rebate compliance.** The President recognized Ms. Ellison who reported on the District's Arbitrage Rebate and Yield Restriction Compliance Service Program handled by Arbitrage Compliance Specialists. She said that Arbitrage Compliance Specialists found no outstanding issues.

14. **Other Consultant and Director Reports.** There were none.

15. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on January 20, 2017, at 11:00 a.m. at the offices of Norton Rose Fulbright US LLP, 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 20, 2017.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)