

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
OCTOBER 21, 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 October 21, 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. Also attending all or portions of the meeting were Ms. Terry M. Surtain, a resident of the District; Ms. Stephanie Lee of KGA-DeForest Design LLC, landscape architect for the District; Ms. Donna Bryant 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. Lynette Tujague 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. **Convene Public Hearing on Proposed Tax Rate for 2016.** The President convened the public hearing on the proposed tax rate for 2016. There were no comments. The President closed the hearing.
2. **Adopt Order Setting Tax Rate and Levying Tax for 2016.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Order Setting Tax Rate and Levying Tax for 2016, a copy of which is attached hereto as *Exhibit B*. Ms. Bryant reported that the notice of public hearing was published.

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 adopt the Order Setting Tax Rate and Levying Tax for 2016 with a total tax rate of \$0.77, comprised of a rate of \$0.40 for debt service, \$0.29 for operation and maintenance expenses, and \$0.08 for contract obligations.

3. **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 C*. 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 Henry, 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.

4. **Minutes of the meeting of September 16, 2016.** The proposed minutes of the meeting of September 16, 2016, 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 16, 2016, as amended.

5. **Public Comments and letters from residents.** The President recognized Ms. Surtain who addressed to Board about a payment plan for delinquent taxes. She stated the District's delinquent tax attorneys offered a payment plan of \$600.00 per month for three months, which she said that she cannot afford to pay. She asked if the Board would consider an alternative payment plan with a lower monthly payment for a longer period. 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 a payment plan for Ms. Surtain to pay \$300.00 per month until 2015 delinquent taxes are paid in full.

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 correspondence regarding billing issues, requests for new service, and a water leak, all of which were forwarded to Eagle Water Management for responses.

Mr. Bryant stated that he followed up with Tracy Wilkerson of Texan Web Hosting about making a presentation to the Board. He said that he gave him the next meeting date, time, and place, and told him to contact Ms. Presser to be added to the District's agenda. Ms. Presser confirmed that she had not been contacted by Mr. Wilkerson. Discussion ensued about pursuing other vendors to manage the District's web site, and after full discussion, Mr. Bryant stated that he will seek other vendors about making a presentation to the Board.

Mr. Bryant reported on a request from a resident for the location of any sewer cleanouts on the resident's property. Mr. Hirshman replied that provided the resident with a copy of the drawings that illustrate sewer cleanout locations and has not heard back from him.

Mr. Bryant discussed an email from Mr. Mike Crahan of the Cypress Mill Homeowners Association, who is requesting warranty information on various fencing projects. Ms. Ellison reported that she supplied Mr. Crahan with the warranty on the Fencecrete fence on Cypress-Rosehill, which has a ten-year warranty. She said the Fencecrete fence on Skinner Road put in by the Homeowner's Association has a one-year warranty. The President asked Ms. Lee to see if she could get the warranty extended. Mr. Hixon discussed the fence adjacent to Walgreen's and reported it is approximately 20 years old. He stated that the fence was conveyed to property owners upon the purchase of their homes.

Mr. Bryant said the HOA reported they have received several calls about overwatering in an area located on Cypress Rosehill that is District property. Director Koehn stated that he contacted the District and HOA to reduce the timing on the irrigation.

Mr. Bryant said that a resident asked about the status of the Mueschke Road lighting project. Director Henry said the project is under construction.

Director Bryant discussed questions about recycling received last month and whether to add a recycling pick up day. After full discussion, it was the consensus of the Board that is not cost efficient to add another day for pick up of recycling items.

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 retain the current solid waste and recycle schedule.

6. Security Report. Director Henry reviewed the Security Report for the month of September, a copy of which is attached hereto as *Exhibit E*. He reported that 724 calls were received in September.

Director Henry reported there were 29 citations issued, two arrests for possession of drug paraphernalia, and one arrest for possession of controlled substance in September during the extra patrols.

7. Proposed web site services from Texan Web Hosting. A representative of Texan Web Hosting was not present and did not submit a proposal. No action was taken on this matter.

8. Developers Report and reimbursement issues. Mr. Hixon reported the shopping center project has been delayed due to an issue with fill dirt, which has since been resolved.

9. Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties. Director Koehn reported the sound wall is under construction.

10. Report on Beautification Projects. Ms. Lee presented and reviewed a cost estimate for fencing and streetscape improvements on Cypresswood Drive and Fenske Road, a copy of which is attached as *Exhibit F*. Discussion ensued regarding revisions to the proposed plan to include a sliding gate at the lift station, four-foot sidewalks, and deletion of a portion of the proposed sidewalk. The Board asked Ms. Lee to revise the plans.

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 G*. Ms. Bryant noted that 99.5% of the District's 2015 taxes had been collected to date. Ms. Bryant pointed out check #1705 to Houston Community Newspapers for \$675.00 for publication of the Notice of Public Hearing to levy the District's 2016 tax. She also noted check no. 1708 for \$11,271.75 for quarterly billing for tax bill mailouts.

Ms. Bryant reviewed the Delinquent Tax Report, prepared by Perdue, Brandon, Fielder, Collins & Mott L.L.P., the District's delinquent tax attorneys, a copy of which is attached to the Tax Assessor-Collector's Report. She reviewed the water termination letter candidates who are delinquent on payment of taxes, and reported that no responses have been received. She stated that she will follow up on these accounts following the meeting before submitting the list for termination of water service.

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, to authorize the expenditures listed therein, and to authorize the Operator to terminate water service to the listed candidates if payment arrangements are not made.

12. 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 H*. She reported that she prepared a manual check to N&S Construction Co., LP for \$764,292.52 in response to the Engineer's submission of Pay Estimate No. 11 for \$114,276.60 and Pay Estimate No. 12 for \$650,012.92 for the Wastewater Treatment Plant Expansion.

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 Bookkeeper's Report and to authorize payment of the checks listed and for the purposes stated therein.

13. 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 water accountability is 89.3% for the billing period from August 30, 2016 to September 27, 2016.

Mr. Riley reviewed the Discharge Monitoring Report and noted an excursion. He said it is difficult to operate the plant with its current flow and the expansion should remedy the problem.

Mr. Riley reported the submersible pump 2A needs to be lowered. He presented a quote from Alsay for \$7,340 to lower the pump.

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 Operations Report, to authorize the Operator to terminate delinquent accounts in accordance with the Rate Order, and to approve the quote from Alsay for \$7,340 to lower the submersible pump.

14. Approve Waivers of Agriculture, Open-Space, Timberland, or Inventory Valuation. Ms. Ellison reported that the District's annexation agreements require the developers to waive agriculture, open-space, timberland or inventory valuation in connection with the District. She presented a form of such waiver. 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 Waivers of Agriculture, Open-Space, Timberland, or Inventory Valuation from Pulte Homes, M/I Homes of Houston, H. Dalton Wallace, and Cypress Land Development.

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 presented and recommended approval of Pay Estimate No. 11 in the amount of \$114,276.60 and Pay Estimate No. 12 in the amount of \$650,012.92 to N & S Construction Co., LP for the Wastewater Treatment Plant Expansion. It was noted that approval of these pay estimates was provided in the Bookkeeper's Report.

Mr. Hirshman reported that a Notice to Proceed was issued to W. W. Payton Corporation on October 17, 2016 for pump replacement and ground storage tank addition at Water Plant No. 1. He confirmed that construction will not begin until Water Plant No. 2 is online.

Mr. Hirshman reported on the Water Plant No. 2 improvements and requested Board approval of Pay Estimate No. 13 to JTR Construction in the amount \$36,237.60. Director Bryant asked Mr. Hirshman about the manufacturer's warranty. Mr. Hirshman stated he contacted the manufacturer, Superior Tank, regarding the severe deterioration of the bolts. He said Superior Tank did come out but is not willing to compensate the District for any expenses because they have not performed an annual inspection on the bolts.

Mr. Hirshman noted that a Summary of Costs for Bond Issue #13 is included in the Engineer's Report.

Mr. Hirshman reported that removal of the encroachment of the back slope structure into Lot 27 in Cypress Mill Park, Section 5 is complete. He stated that six inches of concrete was removed and a sprinkler head was relocated. He said the estimated cost is \$3,500.00 and will be presented to the Board next month.

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 and Pay Estimate No. 11 in the amount of \$114,276.60 and Pay Estimate No. 12 in the amount of \$650,012.92 to N & S Construction Co., LP for the Wastewater Treatment Plant Expansion.

16. **Consider request for insurance proposals(s).** 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.

17. **Other Consultant and Director Reports.** No other reports were presented.

18. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on November 18, 2016, 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.

*

*

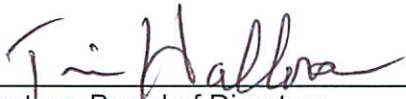
*

The foregoing minutes were passed and approved by the Board of Directors on November 18, 2016.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

