

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
May 20, 2016

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 May 20, 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. Rhonda Rushton 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. Lynette Tujague of District Data Services, Inc., bookkeeper for the District; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Ms. Stephanie Lee of KGA-DeForest Design LLC, landscape architect for the District; Mr. James R. Holcomb, Mr. Bill Hixon and Ms. Heidi Stephenson 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. **Qualify Directors and Election of Officers.** Certificates of Election were presented for Directors Chester and Bryant, and it was noted that each candidate had executed his Oath of Office and Statement of Elected Officer. Ms. Ellison stated that all steps had been taken to qualify the directors. The President then opened discussion to election of officers. 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 retain the current slate of officers.

2. **Minutes of the meeting of April 15, 2016.** The proposed minutes of the meeting of April 15, 2016, 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 April 15, 2016, as presented.

3. **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 "B." He reviewed correspondence concerning a damaged fire hydrant in front of 15810 King Cypress Lane, asking for a change of billing address for Murphy Oil, and requesting water service. He confirmed that these emails were forwarded to Eagle Management.

4. **Security Report.** Director Henry reviewed the Security Report for the month of April, a copy of which is attached hereto as Exhibit "E." He stated that there were 27 citations, including four juvenile curfew citations, given by officers on the extra patrol.

5. **Developers Report and reimbursement issues.** Mr. Hixon discussed proposed construction of a commercial retail center on Cymill Partners' 3.7 acre parcel in the District. Mr. Hixon noted that the detention ponds for the parcel were built several years ago. He said Cymill Partners will clean the ponds and convey title to the District after completion of the work. He said that Cymill Partners would grant the District a 10 foot access easement along the detention ponds but would like to pave a portion of the easement. He said that Cymill Partners would execute the District's standard form of Consent to Encroachment.

Mr. Hixon and Mr. Holcomb then discussed sanitary sewer service to the parcel. Mr. Hirshman said that a force main would need to be constructed to the District's manhole at Gardenia Estates Lane and a grinder pump would need to be installed on the parcel. He recommended using the landscape easement rather than the right-of-way for the force main. Mr. Hixon and Mr. Holcomb asked that the District take ownership of the force main. It was the consensus of the Board to do so. Mr. Holcomb proposed that Cymill Partners retain ownership of the grinder pump and contract with Eagle Management for its maintenance. Mr. Riley said he would like to add a monthly monitoring fee to the utility bill for the 3.7 acre parcel and invoice the District for any repairs and maintenance. He indicated that the District could then invoice Cymill Partners for the repairs and maintenance.

Mr. Hixon asked for a water and sewer capacity letter from the District. Mr. Hirshman said he would issue a capacity letter for 37 equivalent single family connections and two physical water connections.

Mr. Holcomb asked if the detention pond costs could be reimbursed by the District in its upcoming bond issue. Ms. Ellison said that the bond issue was at a preliminary stage and she would raise the question with Mr. Rathmann.

The Board discussed putting guard rails around the detention ponds.

Upon motion by Director Henry, seconded by Director Bryan, after full discussion and the question being put to the Board, the Board voted unanimously to approve a Consent to Encroachment for paving on the detention pond access easement, take ownership of the force main from the 3.7 acre parcel to Gardenia Estates Lane, and to issue a water and sewer capacity letter for the 3.7 acre parcel in the amount of 37 equivalent single family connections and two physical water connections.

6. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties.** No update or report was presented to the Board.

7. **Discuss Mueschke Road street light installation and any necessary action.** Mr. Hirshman reviewed a proposal and ancillary documents from CenterPoint Energy to furnish, install, own and maintain street lighting service on Mueschke Road for a cost of \$56,060.00, a copy of which is attached hereto as Exhibit "D." Discussion ensued regarding the portion of Mueschke Road where the street lights are being purchased by Harris County Municipal Utility District No. 391 and the portion of Mueschke Road where the District would purchase street lights. Mr. Hirshman noted a three-month time period from order to delivery of street lights. 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 proposal from CenterPoint and authorize the installation of street lights to the District's boundary line.

8. **Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination.** The President recognized Ms. Rushton, 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. Rushton noted that 98.26% of the District's 2015 taxes had been collected to date. 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 and to authorize the expenditures listed therein.

9. **Approve Resolution Authorizing Request for Certificate of Estimated Assessed Valuation.** Ms. Ellison presented and requested the Board's approval for a Resolution Authorizing Request for Certificate of Estimated Assessed Valuation, a copy of which is attached hereto as Exhibit "F." She stated the resolution will authorize the District's Tax Assessor/Collector to request an estimate of the District's assessed value as of April 15, 2015 and was requested by the financial advisor. 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 Resolution Authorizing Request for Certificate of Estimated Assessed Valuation.

10. **Approve Engagement Letter for ACS.** Ms. Ellison next reviewed and requested approval of engagement letters from Arbitrage Compliance Specialists ("ACS") to provide arbitrage compliance services for the District's \$9,915,000.00 Unlimited Tax Refunding Bonds, Series 2007, and to include in the District's bond management compliance program the District's \$3,525,000 Unlimited Tax Bonds, Series 2016 and \$3,940,000 Unlimited Tax Refunding Bonds, Series 2016, copies of which are attached as Exhibit "G." Upon motion by Director Chester, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve the engagement letters with ACS, as presented.

11. **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." Director Bryant inquired about the remaining deposit, in the amount of (\$7,889.63) on page 3 of the bookkeeper's report, for costs associated with the Safesite annexation. He asked whether this amount is a credit or debt to the District. Ms. Tujague confirmed the amount to be a debt and indicated the bookkeeper would follow up with Safesite. Upon motion by Director Chester, 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.

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 water accountability is 92.8% for the billing period through April 28, 2016.

The Board inquired about how the wastewater treatment system operated during the recent heavy rains. Mr. Riley responded the rains put stress on the system, but there were no known issues nor overflows at the Wastewater Treatment Plant.

Mr. Riley reviewed the Disconnection List with the Board. Discussion ensued regarding outstanding balances that exceed remaining deposits.

Mr. Riley next reviewed the Consumer Confidence Report, attached to the Operations Report. He reported there are no violations. He stated the Texas Commission on Environmental Quality ("TCEQ") requires the Consumer Confidence Report be distributed to District customers by July 1, 2016.

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 terminate the delinquent accounts in accordance with the Rate Order, and authorize the distribution of the Consumer Confidence Report to District residents.

13. **Approve Order Adopting Water Conservation Plan.** The President recognized Ms. Ellison, who reported that Mike Plunkett, of Eagle Water Management, notified NRF that the District had reached 3,300 connections and is now required to adopt and file a Water Conservation Plan with the Texas Water Development Board. She presented to and reviewed with the Board a proposed Order Adopting Water Conservation Plan, a copy of which is attached as Exhibit "J." She stated that the plan had been reviewed by Mr. Plunkett and conformed to the Texas Water Development Board requirements. 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 Adopting a Water Conservation Plan and to authorize filing of same.

14. **Review Rate Order.** Ms. Ellison reported that she reviewed the District's Rate Order to determine if the base rate covers the current cost of solid waste collection. She then distributed and reviewed with the Board a history of such costs, a copy of which is attached hereto as Exhibit "K." Following the Board's review, the Board took no action to revise the current Rate Order.

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 "L."

Mr. Hirshman reported on the Wastewater Treatment Plant Improvements. Mr. Hirshman requested Board approval of Pay Estimate No. 7 to N & S Construction Co., LP in the amount \$85,163.40 for the Wastewater Treatment Plant Improvements and Invoice 049888 to Paradigm in the amount of \$23,807.44 for testing.

Mr. Hirshman updated the Board on Water Plant No. 1 improvements, noting that W.W. Payton was the low bidder at \$1,790,000. He stated that contracts are prepared and will be submitted to the contractor for signature and bonds.

Mr. Hirshman reported on the Water Plant No. 2 improvements and requested Board approval of Pay Estimate No. 10 to JTR Construction in the amount \$69,150.00 for the Water Plant No. 2 Improvements. He reported the valve did not perform as designed. He said the valves would be removed and a spool pipe would be inserted instead. He said installation is planned for today, and following the installation, the tanks will be emptied for painting. He also reported on receipt of notice from a subcontractor for non-payment of invoice by contractor. Mr. Hirshman notified the contractor, JTR Constructors, Inc., who indicated it had paid the invoice and will provide a copy evidencing such payment.

Mr. Hirshman updated the Board on the development at the corner of Cypress Rose Hill and Huffmeister and reported that he reviewed plans and sent comments to the engineer. The remaining acreage will be addressed when development occurs.

Mr. Hirshman reported on the Fair Meadows Utilities, Detention, and Offsite Sanitary Sewer Project. He reported that Phase 1 is complete. Mr. Hirshman requested Board approval of Pay Estimate No. 3 to Principal Services, Ltd. in the amount \$248,019.41 for the Fair Meadows Utilities, Detention, and Offsite Sanitary Sewer Project. He said the developer is paying \$227,183.34 and \$20,836.7 will be paid from the District's developer escrow account. He also presented and requested approval of Change Order No. 1 in the amount of \$10,785.05 for Fair Meadow Utilities contract, Change Order No. 2 in the amount of \$60,366.63 for the M/I Homes portion of the Fair Meadows contract, and Change Order No. 2 in the amount of \$13,000 for the Safesite portion of the Fair Meadows contract.

Mr. Hirshman requested approval of Pay Estimate No. 4 and Final in the amount of \$49,267.37 to Kenneth Lamb Construction Co., Ltd. for construction of water, sanitary sewer, and drainage facilities to serve Cypress Landing East Section 11.

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: (1) approve the Engineer's Report; (2) approve payment of Pay Estimate No. 7 to N & S Construction Co., LP in the amount \$85,163.40 for the Wastewater Treatment Plant Improvements and Invoice 049888 to Paradigm in the amount of \$23,807.44 for testing; (3) approve Pay Estimate No. 10 to JTR Construction in the amount \$69,150.00 for the Water Plant No. 2 Improvements; (4) approve Pay Estimate No. 3 to Principal Services, Ltd. in the amount \$248,019.41 for the Fair Meadows Utilities, Detention, and Offsite Sanitary Sewer Project; (5) approve of Change Order No. 1 in the amount of \$10,785.05 for the Fair Meadows contract; (6) approve Change Order No. 2 in the amount of \$60,366.63 for M/I Homes portion of Fair Meadows contract; and (7) Change Order No. 2 in the amount of \$13,000 for Safesite portion of Fair Meadows contract.

16. **Authorize preparation of bond application.** Ms. Ellison reported that Pulte Homes had requested that the Board authorize the Engineer to begin preparation of a bond application. 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 authorize the District's engineer to begin preparing a bond application.

17. **Approval of Assignment of Agreement with Cypress Land Development LLC.** Ms. Ellison reported that Jason Keeton contacted her to discuss assignment of the

District's agreement with Cypress Land Development LLC and reimbursables to a related entity. She stated no further correspondence had been received. The Board deferred any action until it receives more information.

18. **Release of Easements.** Ms. Ellison reported that a water line easement and a storm sewer easement granted to the District by Cypress Land Development LLC had incorrect property descriptions and need to be redone. She asked the Board to release the two easements with incorrect property descriptions, copies of which are attached hereto as Exhibit "K." 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 Release of Easements, as discussed, and authorize the recording of same.

19. **Consent to Encroachment (3.7 Tract).** This item was handled under Item 5.

20. **Other Consultant and Director Reports.** Ms. Lee reported that the Water Plant 2 landscaping is complete and the final check is being held until punch list items are satisfactorily completed.

21. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on June 17, 2016, 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.

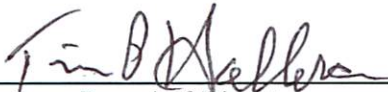
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The foregoing minutes were passed and approved by the Board of Directors on  
May 20, 2016.



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President, Board of Directors

ATTEST:



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Secretary, Board of Directors

(DISTRICT SEAL)

