

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
JULY 15, 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 July 15, 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. 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, Inc., bookkeeper for the District; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Ms. Heidi Stephenson of Cymill Partners ("Cymill"), developers 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 June 17, 2016.** The proposed minutes of the meeting of June 17, 2016, previously distributed to the Board, were presented for review and approval. The President made several revisions. 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 minutes of June 17, 2016, as amended.

2. **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."* Director Bryant stated that Mr. Rogers responded to the District's communication on pet waste bins and reported that the Cypress Mill HOA Board has decided not to pursue the pet waste bins at this time. Director Bryant stated that he received three requests for new water and sewer service, notice of a water leak, notice of an issue with excessive hard water in Sydney Harbour, notice of the fountains not working in Leyland Shores, an inquiry about the customer's account balance, all of which were forwarded to Eagle Water. Director Bryant reported that he received an inquiry about obtaining trash and recycle bins, which he forwarded to Best Trash. He next discussed a request for a late fee waiver from Panda Express. 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 deny the request from Panda Express for a waiver of a late fee.

3. **Security Report.** Director Henry reviewed the Security Report for the month of June, a copy of which is attached hereto as *Exhibit "C."* He reported on calls received in June. He said 27 citations were issued and two arrests were made during the extra patrol in the District. Director Henry reported on an invitation for "Coffee With a Cop," previously distributed to the Board and encouraged attendance by the Board. Upon motion by Director Chester, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Security Report.

4. **Developers Report and reimbursement issues.** Ms. Stephenson updated the Board on the status of the Cymill project in the District. The President said he talked to the Homeowner's Association regarding the force main to serve the project.

5. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties.** Mr. Hirshman reported there are no updates to report on the US 290 noise abatement barrier and that the project is on track for completion by year end.

6. **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 "D."* Ms. Bryant noted that 98.97% of the District's 2015 taxes had been collected to date. She noted the District received an estimate of value from the Harris County Appraisal District in the amount of \$786,653,503 as of April 15, 2016. She said the estimate was attached to her report.

The Board reviewed the Delinquent Tax Roll and noted several duplications. Ms. Bryant stated that she will follow up to correct the issue.

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.

7. **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 "E."*

Mr. Hirshman noted that check no. 11379 to Principal Services Ltd. in the amount of \$85,512.99 for the payment of Pay Estimate No. 5 for the Fair Meadows utilities, detention and offsite sanitary sewer project, Phase I is incorrect and should be voided. He stated the developer is paying \$73,271.22 of Pay Estimate 5 and the District escrow account's share is \$12,241.34, which represents Wallace's portion of the joint offsite sanitary sewer and joint west detention facility. Mr. Hirshman requested that a check be issued to Principal Services Ltd. in the amount of \$12,241.34, representing the District escrow account's portion of the total amount of Pay Estimate No. 5.

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, to authorize payment of the checks listed therein, to authorize the bookkeeper to void check no. 11379 and to issue a manual check to Principal Services Ltd. in the amount of \$12,241.34 representing the District escrow account's portion of Pay Estimate No. 5 for the Fair Meadows utilities, detention and offsite sanitary sewer project, Phase I.

8. **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 "F."* Mr. Riley reported that water accountability is 95.6% for the billing period ending June 28, 2016.

Mr. Riley discussed distribution of the delinquent list and industry concerns for protection of customers' personal information. Upon full discussion, Mr. Riley stated that he will bring one copy to the meeting for reference.

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, to authorize the Operator to terminate delinquent accounts in accordance with the Rate Order, and to send uncollectible accounts to collection agency.

9. **Consider new rate proposal for Operator.** Mr. Riley presented to and reviewed with the Board a Schedule of Rates, a copy of which is attached hereto as *Exhibit "G."* He reported that labor costs have increased in the past two years and reviewed the increases in hourly rates. He said Eagle Water has a new service/crane truck to pull pumps and de-rag. Mr. Riley reviewed an increase in water tap and meter installation fees. 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 proposed rates set forth on the Schedule of Rates, as presented.

10. **Consider possible amendments to Rate Order.** Discussion ensued regarding the District's Rate Order in connection with the increase in water tap and meter installation fees from Eagle Water. The President noted that the District's fees are higher than the new fees of Eagle Water. It was the consensus of the Board not to amend the Rate Order at this time.

11. **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 "H."*

Mr. Hirshman reported on the Wastewater Treatment Plant Improvements. He requested the Board's approval of Pay Estimate No. 7 in the amount of \$85,163.40 and Pay Estimate No. 9 in the amount of \$13,338.00 to N & S Construction Co., LP for the Wastewater Treatment Plant Improvements and Invoice No. 050052 to Paradigm in the amount of \$1,254.74 for testing. He also requested approval of Change Order No. 1 in the amount of \$84,000, representing an increase to the contract amount, for an additional eight-inch sanitary sewer air line from the blower to the new Sequencing Batch Reactor Basin. Director Koehn inquired about pay estimate sequencing, since Pay Estimate 8 was presented and approved last month. Mr. Hirshman reported that Pay Estimate 7 was discovered unpaid after the District's last meeting and, therefore, is being presented today. Director Koehn asked Mr. Riley if he was aware of the Change Order, and Mr. Riley said he had not seen it. 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 Pay Estimate No. 7 in the amount of \$85,163.40 and Pay Estimate No. 9 in the amount of \$13,338.00 to N & S Construction Co., LP for the Wastewater Treatment Plant Improvements, Invoice No. 050052 to Paradigm in the amount of \$1,254.74 for testing, and Change Order No. 1 in the amount of \$84,000 for an additional eight-inch sanitary sewer air line from the blower to the new SBR Basin, subject to the Operator's approval.

Mr. Hirshman reported on a pre-construction meeting with the contractor on Water Plant No. 1 and said the Notice to Proceed will be issued August 1. Director Koehn stated that Water Plant 1 cannot be turned off until Water Plant No. 2 is operational. He inquired if Mr. Hirshman had

coordinated with Mr. Riley on the timing of construction to plan for Water Plant shut-downs. Mr. Riley stated that timing is good because both water plants should be operational prior to next summer. Mr. Hirshman reported that preliminary work on Water Plant No. 1 will not affect use of Water Plant No. 2 or its functionality.

Mr. Hirshman presented and requested approval of Change Order No. 3 in the amount of \$5,023.00 to JTR Construction for the replacement of the vents on the top of both original storage tanks at Water Plant No. 2. He then discussed Phoenix Coating Surveillance's inspection report on the coatings, which states that bolts on the floor of Ground Storage Tank #2 have deteriorated and need to be replaced or sealed before final coating. He reported an inspection is also being made on Ground Storage Tank #1 and the tank manufacturer has been notified to review the issue.

Mr. Hirshman discussed the status of preparation of Bond Issue No. 13 and items for reimbursement. He reported that if the District includes reimbursement of the 3.7 acre detention, submission of the bond issue will be delayed at least two months. It was the consensus of the Board to move forward with preparation of Bond Issue No. 13 to include reimbursement for Cypress Landing East Sections 11 & 12.

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) Change Order No. 3 in the amount of \$5,023.00 to JTR Construction for the replacement of the vents on the top of both original storage tanks at Water Plant No. 2; and (3) Pay Estimate No. 5 to Principal Services, Ltd. for the District escrow account's share of joint offsite sanitary sewer and joint west detention facility in the amount of \$12,241,34.

The President opened discussion to the one-acre tract on Cypress Rosehill discussed at the last meeting. Mr. Hirshman said the owner of the tract who had asked for out-of-District service is also interested in having the tract annexed into the District. Director Henry discussed the additional revenue to the District if the site was developed. Director Chester said it would be beneficial to the District if it could control development of the tract. Upon full discussion, the Board tabled this matter subject to the acquisition of additional data regarding the legality of restricting development of the tract, current deed restrictions and community feedback.

12. Approve Arbitrage Compliance Specialists Engagement Letters for arbitrage compliance services for \$5,020,000 Unlimited Tax Refunding Bonds, Series 2012 and \$4,550,000 Unlimited Tax Bonds, Series 2012. The President recognized Ms. Ellison, who reviewed with the Board the Engagement Letters from Arbitrage Compliance Specialists, Inc. for the fifth year reports for the Unlimited Tax Bonds Series 2012 and Unlimited Tax Refunding Bonds, Series 2012, copies of which are attached hereto as Exhibit "I." She noted that an arbitrage rebate analysis is required by the tax covenants in the District's bond orders.

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 execute the Engagement Letters authorizing Arbitrage Compliance Specialists, Inc. to prepare the District's Arbitrage Rebate Reports for the Unlimited Tax Bonds Series 2012 and Unlimited Tax Refunding Bonds, Series 2012.

13. Report on AWBD conference. The directors discussed the seminars they attended.

14. Other Consultant and Director Reports. No other reports were presented.

15. Next meeting date. The Board noted that the next regular monthly Board meeting will be held on August 19, 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.

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The foregoing minutes were passed and approved by the Board of Directors on July 15, 2016.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

