

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
SEPTEMBER 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 September 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 Director Koehn. Also attending all or portions of the meeting were Ms. Julie Williams of Rathmann & Associates L.P., financial advisor to the District; Lieutenant Oscar Muniz of Harris County Precinct 4 Constable's Office; Ms. Rhonda Rushton 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; Ms. Juanita Orsak of Pulte Homes and 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 August 19, 2016.** The proposed minutes of the meeting of August 19, 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 August 19, 2016, as amended.

2. **Public Comments and letters from residents.** The Vice 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 he received four pieces of correspondence regarding billing issues and report of a water leak, all of which were forwarded to Eagle Water Management for responses.

He reported on comments received from the Cy Mill Homeowners representative about the pond in the Estates holding water and creating a breeding ground for mosquitos. He said

Director Koehn confirmed that the pond had been treated for mosquitos and the pump was working.

Director Bryant discussed receipt of a solicitation for web site services from Tracy Wilkerson. The Board discussed current web site management and, following discussion, Director Bryant will follow up to obtain more information to determine if a presentation is warranted.

Director Bryant reported on comments on the HOA web site from a District resident with questions about recycling. The Board requested that NRF address the questions with Matthew May at Best Trash for a response to the resident.

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 report on correspondence from District residents.

3. **Security Report.** Lt. Muniz reviewed the Security Report for the month of August, a copy of which is attached hereto as *Exhibit C*. He reported that 781 calls were received in August. He reported on an armed robbery at the Murphy's gas station, stating that an investigation determined the robbery was an inside job because the clerk knew the thief. He stated that \$25,000 was stolen and the case was referred to the Robbery Division.

Lt. Muniz invited the members of the Board and community to attend "Coffee With Cops" that will be held on October 22, October 29 and November 5 and hosted by HEB.

Lt. Muniz addressed the issues reported in the local news about missing property from the Property Room and the procedures to address and resolve these issues.

Director Henry reported there were 13 citations issued in July and 21 citations issued in August during the extra patrols. He stated there is no increase in costs for District's contract for law enforcement services for 2017. Director Henry reported on an email received from Captain Blackledge relating to the District's payment for the forensic analysis. Captain Blackledge stated in his correspondence that the analysis led to the recovery of three stolen firearms and other stolen property from District residents; the last defendant is now on trial for charges brought by Captain Blackledge and for murder and the forensic analysis is being utilized. A copy of Captain Blackledge's email is attached to the Security Report.

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 Security Report.

4. **Developers Report and reimbursement issues.** Ms. Orsak reported there are approximately 20 vacant lots remaining and she anticipates build out in the first quarter of 2017.

5. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties.** Mr. Hirshman reported that he has met with Texas Department of Transportation and they are ready to begin. He stated there a couple modifications to the wall direction.

6. **Report on Beautification Projects, including Property Damage Release for Tree Damage (Insured by Geico).** Ms. Presser reported on the status of the District's claims relating to an auto collision in February of this year damaging the District's landscaping on Huffmeister at Cypress Ledge. She stated that two Geico customers involved in the accident will be paying on the District's claim, noting the District's receipt of a check for \$913.50 representing 30% of the total claim. Ms. Ellison stated that the remainder of the funds due will be pro-rated because the total claims exceed the Geico customer's policy limit. She presented a Property Damage Release, attached as *Exhibit D*, and explained that Geico requires this document to release funds to the District. 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 authorize execution of the Property Damage Release, as presented.

Director Henry reported that the installation of street lights by Centerpoint will be delayed 30-60 days.

7. **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 2016.** The Vice President recognized Ms. Williams, who presented to and reviewed with the Board the recommendation for the 2016 tax rate, a copy of which is attached hereto as *Exhibit E*. Ms. Williams recommended a debt tax rate of \$0.40 per \$100 assessed valuation to provide the District with sufficient funds to make debt service payments. She reported that the developer incentive contract tax rate may be decreased to \$0.08 per \$100 assessed valuation. She stated that the average home value increased. Ms. Williams reviewed the District's fund balances and budget. She said her analysis assumes the issuance of \$5,250,000 in new debt during 2017. Discussion ensued about future bond sales and proposed tax rates to meet the District's financial needs.

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 2016, a copy of which is attached hereto as *Exhibit F*. 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 Bryant, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to propose a total tax rate of \$0.77 per \$100 assessed valuation, with \$0.40 for debt service, \$0.29 for maintenance and operating expenditures, and \$0.08 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 2016 and to authorize the District's tax assessor collector to publish the proposed tax rate.

8. **Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination.** The Vice 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 G*. Ms. Rushton noted that 99.34% of the District's 2015 taxes had been collected to date.

Ms. Rushton 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 requested the Board's authorization to terminate

water service of these candidates if payment is not received or committed to be paid by the District's next meeting on October 21, 2016.

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, and to authorize the Operator to terminate water service to candidates if payment is not received or committed to be paid by the District's next meeting on October 21, 2016.

9. Approval of Payment Services Agreement for Tax Assessor/Collector Service Agreement. Ms. Rushton presented and requested approval of a Payment Services Agreement between the District and First Mobile Trust, LLC, a subsidiary of First Billing Services, LLC. She said the tax assessor was asking districts to switch to First Mobile because it will provide more payment options to customers.

Upon motion by Director Halloran, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Payment Services Agreement.

10. Bookkeeper's Report, payment of bills, review investment report and policy, review budget, and any necessary changes. The Vice 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 G*. 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. Operator's Report, authorization of maintenance and hearing on delinquent accounts. The Vice President recognized Mr. Riley, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as *Exhibit H*. Mr. Riley reported that water accountability is 98.1% for the billing period from July 28, 2016 to August 29, 2016. He noted that water usage is down from July. He stated there are 314 delinquent accounts.

Mr. Riley said the PLC (programmable logic controller) at the Wastewater Treatment Plant has been malfunctioning but the problem may have been fixed.

Discussion ensued regarding a letter from the Texas Commission on Environmental Quality (the "TCEQ") regarding Notice of Violation for Compliance Evaluation Investigation. Mr. Hirshman reported on the two deficiencies noted.

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

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 Vice 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 I*.

Mr. Hirshman presented and recommended approval of Pay Estimate No. 10 in the amount of \$84,517.34 to N & S Construction Co., LP for the Wastewater Treatment Plant Expansion. He also presented and recommended approval of Change Order No. 1 for a net increase of \$84,000.00 to the contract price for additional piping from the blowers and electrical components.

Mr. Hirshman reported on the Water Plant No. 2 improvements and requested Board approval of Pay Estimate No. 12 to JTR Construction in the amount \$26,550.00. He then presented and requested approval of Change Order No. 5 in the amount of \$5,382.00, representing a contract amount increase, to JTR Construction for the coating on the floor of Tank No. 1 to cover the rusting bolts. Director Bryant asked Mr. Hirshman to follow up on the manufacturer's warranty. Mr. Hirshman stated he has not yet contacted the manufacturer. He stated that Phoenix Coating has analyzed and tested the coatings on both tanks and stated the appropriate coatings have been applied to both tanks. Mr. Hirshman stated the project is anticipated to be completed by October 12, 2016 and a Change Order will be presented for time extension of the project.

Mr. Hirshman reported that Fair Meadows has completed utilities, detention, offsite sanitary sewer project, and paving, and construction has begun on eight houses. He presented and recommended payment of Pay Estimate No. 3 in the amount of \$248,019.41, of which the District escrow's portion is \$20,836.07, Pay Estimate No. 4 in the amount of \$213,946.79, of which the District escrow's portion is \$55,888.40, and Pay Estimate No. 5 in the amount of \$85,512.55, of which the District escrow's portion is \$24,981.34, to Principal Services Ltd.

Mr. Hirshman presented and requested approval of Pay Estimate No. 2 in the amount of \$45,101.02 to Monarch Civil Constructors, LLC for the Keeton Tract development construction.

Mr. Hirshman updated the Board on a previous discussion to cut six inches from a concrete pad that is encroaching on Lot 27 in Cypress Mill Park Section 5, which impedes the homeowner from setting his fence back to his property line. He stated that he is looking for a contractor to saw cut the concrete.

Mr. Hirshman discussed several easements being abandoned and recorded in connection with the Safesite tract to meet requirements by the City of Houston, which are exhibited in the Engineer's Report. He discussed a proposed detention pond easement at the entrance. Discussion ensued regarding maintenance and if the proposed detention pond will be an amenity feature. It was the consensus of the Board to take the easement.

Mr. Hirshman requested the Board's consideration of taking ownership of a 150' drainage easement that crosses the Keeton tract, since the Keeton tract has been annexed into the District.

Mr. Hirshman reviewed outstanding construction contracts, balances due, and sources for proposed funding to complete the projects.

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 (1) approve the Engineer's Report; (2) approve Pay Estimate No. 10 in the amount of \$84,517.34, and Change Order No. 1 in the amount of \$84,000.00, to N & S Construction Co., LP relating to the Wastewater Treatment Plant Expansion; (3) approve Pay Estimate No. 12 in the amount \$26,550.00, and Change Order No. 5 in the amount of \$5,382.00, to JTR Construction in connection with the

Water Plant No. 2 Improvements; (4) approve Pay Estimate Nos. 3, 4 and 5 in the amounts of \$248,019.4, \$213,946.79, and \$85,512.55, respectively, of which the District escrow's portion is \$89,464.47, to Principal Services Ltd. for facilities to serve Fair Meadows, Phase I and the Safesite tract; (5) approve Pay Estimate No. 2 in the amount of \$45,101.02 to Monarch Civil Constructors, LLC for the Keeton Tract development construction; (6) accept detention pond easement for the Safesite tract and defer the acceptance of maintenance; and (7) accept fee title to the 150' drainage easement crossing the Keeton tract, provided there is no cost to the District.

13. **Order Authorizing Application for Expedited Consideration of Approval by TCEQ of Projects and Issuance of Bonds.** Discussion ensued regarding a filing timeline and the projects to be funded in a new bond issue. 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 Order Authorizing Application for Expedited Consideration of Approval by TCEQ of Projects and Issuance of Bonds, a copy of which is attached as *Exhibit K*.

14. **Release of Easements (H. Dalton Wallace property).** Ms. Ellison reported that Mr. Hirshman has reviewed and has no objection to the filing of releases of Water Line Easement 1, Water Line Easement 3, Water Line Easement 4, and Access and Utility Easement, which are no longer needed by the developer. She stated that Mr. Hirshman has also reviewed and has no objection to the filing of Type 1 Permanent Access and Utility Easement, Water Line Easement 1 and Water Line Easement 1A, which replace the easements being released. 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 (1) accept and approve the filing of releases of Water Line Easement 1, Water Line Easement 3, Water Line Easement 4, and Access and Utility Easement in the Real Property Records of Harris County; and (2) approve the filing of Type 1 Permanent Access and Utility Easement, Water Line Easement 1 and Water Line Easement 1A in the Real Property Records of Harris County.

15. **Nomination for Texas Municipal League Intergovernmental Risk Pool Board of Trustees Election.** It was the consensus of the Board to decline participation in the Board of Trustees Election.

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

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



President, Board of Directors

ATTEST:



Secretary, Board of Directors

