

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
February 19, 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 February 19, 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, 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, Inc., bookkeeper for the District; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Ms. Heidi Stephenson of Cymill Partners, developer of land in the District; Mr. Robert Moore of Meritage Homes, developer of land in the District; Mr. Jim Moore of First General Realty; Ms. Juanita Orsak of Pulte Group, developer of land in the District; Mr. Brannon Boozer of M/I Homes, developer of land in the District; Ms. Jennifer Hanna of BKD, L.L.P, auditor for the District; and Ms. Kathleen Ellison, Ms. Corey Knight and Ms. Yvette Deitrick 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 January 21, 2016.** The proposed minutes of the meeting of January 21, 2016, previously distributed to the Board, were presented for review and approval. 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 January 21, 2016, as presented.

2. **Public Comments and letters from residents.** Director Bryant reported that a resident emailed to initiate water service, and the email was forwarded to Eagle Water for management.

3. **Security report.** Director Henry reviewed with the Board the Security Report for the month of January, a copy of which is attached hereto as Exhibit "B." Director

Henry reported that shots were fired at Wal-Mart, and fortunately no one was injured. Director Henry reported that the shooter was later arrested.

Director Henry reported that a street light and fire hydrant were damaged by a vehicle. Mr. Riley reported that the driver had no insurance.

4. Approve Developer Reimbursement Audit, accept conveyances and authorize payment to developers. The President recognized Ms. Hanna, who presented to and reviewed with the Board the draft of the Developer Reimbursement Audit, a copy of which is attached hereto as Exhibit "D." Ms. Hanna reported that the total reimbursement amount to Pulte Homes is \$1,518,031.71. She reported that the total reimbursement amount to First General Realty is \$1,042,865.05. Ms. Hanna reported the total reimbursement amount to Meritage Homes is \$450,435.77.

Ms. Ellison presented to and reviewed with the Board the Conveyance of Facilities for Water, Sewer, and Drainage Facilities to Serve Cypress Landing East, Sections 6, 8, 9 and 10 from Pulte Homes ("Pulte Conveyance"), Conveyance of Facilities for Water, Sewer, and Drainage Facilities to Serve Cypress Landing Park, Sections 4 and 5 from Meritage Homes of Texas ("Meritage Conveyance"), and Receipt and Conveyance from First General Holdings ("First General Receipt"), copies of which are attached hereto as Exhibits "D," "E," and "F," respectively. She noted that the District was paying for these facilities with the Bond proceeds and that Pulte Homes and Meritage Homes are conveying the facilities to the District.

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 developer reimbursement audit and to authorize payment of \$1,518,031.71 to Pulte Homes, \$1,042,865.05 to First General Realty, and \$450,435.77 to Meritage Homes.

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 Pulte Conveyance, Meritage Conveyance and First General Receipt.

5. 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 "G." 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 increased District debt due to the issuance of the District's Unlimited Tax Bonds, Series 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 Amendment to Amended and Restated District Information Form.

6. Report on Unlimited Tax Refunding Bonds, Series 2016 and any necessary action. Ms. Ellison reported that the District's Unlimited Tax Refunding Bonds, Series 2016, are expected to price next Tuesday.

7. Developers Report and reimbursement issues. Ms. Stephenson reported that Cymill Partners is preparing building renderings and specifications for the 3.7 acre tract.

Ms. Orsak reported that 41 homes are being constructed in Cypress Landing East.

8. Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties. The President reported that Harris County Municipal Utility District No. 391 ("MUD 391") is coordinating with CenterPoint Energy for installation of street lights along Mueschke Road in MUD 391. He reported that the MUD 391 developer asked if the Board was interested in continuing the street light installation along Mueschke Road in the District. The President estimated that the street light installation would cost \$45,000 to \$50,000. He noted that the street lights may help deter crime and maintain home valuations. It was the consensus of the Board to pursue street light installation along Mueschke Road in the District.

9. 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 "H." Ms. Bryant noted that 96% of the District's 2015 taxes had been collected to date.

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 Tax Assessor-Collector's Report and to authorize the expenditures listed therein.

10. Consider Property Tax Exemptions. Ms. Bryant reported that the Board has previously granted an exemption of \$20,000 of the appraised value of residence homesteads within the District for individuals who are disabled or are 65 years of age or older. Ms. Ellison presented to and reviewed with the Board the Order Adopting Exemption from Taxation for Individuals Who are Disabled or are 65 Years of Age or Older (the "Order"), a copy of which is attached hereto as Exhibit "I," which would continue the exemption for the 2016 tax year.

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.

11. 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 "J." Ms. Austin reported that the wires and checks for distribution of the Bond proceeds will be held until deposit of the proceeds.

Ms. Austin presented to and reviewed with the Board the proposed budget for fiscal year ending February 28, 2017, included in the Bookkeeper's Report. Ms. Austin reported that she would make an adjustment to the budget to provide for the cost of the Water Plant No. 1 Improvements to be paid from the General Fund.

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, and to adopt the proposed budget for fiscal year ending February 28, 2017.

12. **Adopt budget for fiscal year ending February 29, 2017.** This item was covered under the Bookkeeper's Report.

13. **Amendment to Bookkeeper's Contract.** Ms. Austin presented to and reviewed with the Board the Agreement for Bookkeeping Services, a copy of which is attached hereto as Exhibit "K." Ms. Austin reported that the current Bookkeeping Contract has not been amended for close to eleven years.

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 Agreement for Bookkeeping Services.

14. **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. He reported that the structure foundation has been completed. Mr. Hirshman requested Board approval of Pay Estimate Nos. 3 and 4 to N & S Construction Co., LP in the amounts \$59,612.40 and \$147,142.80, respectively, for the Wastewater Treatment Plant Improvements.

Mr. Hirshman reported on the Water Plant No. 1 Improvements project. He reported that three bids were received on February 11, 2016. Mr. Hirshman presented to and reviewed with the Board the bid tabulation sheet, included in the Engineer's Report. He recommended award to the low bidder, W.W. Payton Corporation in the amount of \$1,790,000. Mr. Hirshman requested Board approval of the Phoenix Coating Surveillance LLC ("Phoenix Coating") proposal in the amount of \$32,500. for testing of the coating that is part of the Water Plant No. 1 Improvements project. Mr. Hirshman reported that Phoenix Coating will test the paint thickness on the three ground storage tanks and hydropneumatic tanks. Ms. Ellison stated that the District will require Form 1295 from W.W. Payton Corporation and Phoenix Coating Surveillance LLC.

Mr. Hirshman reported on the Water Plant No. 2 improvements. Mr. Hirshman reported that the contractor is painting the facilities. Mr. Hirshman requested Board approval of Pay Estimate #8 to JTR Construction in the amount of \$13,487.40 for the Water Plant No. 2 Improvements.

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 Engineer's Report; to approve payment of Pay Estimate Nos. 3 and 4 to N & S Construction Co., LP in the amounts \$59,612.40 and \$147,142.80, respectively, for the Wastewater Treatment Plant Improvements; to approve award of the contract to W.W. Payton Corporation in the amount of \$1,790,000 for the Water Plant No. 1 Improvements project, contingent upon receipt of the Form 1295; to approve the Phoenix Coating proposal in the amount of \$32,500 for testing of the coatings that are part of the Water Plant No. 1 Improvements project, contingent upon receipt of the Form 1295; and to approve payment of Pay Estimate #8 to JTR Construction in the amount of \$13,487.40 for the Water Plant No. 2 Improvements.

15. **Review bids and award contract for Water Plant No. 1 Improvements.** This item was covered under the Engineer's Report.

16. **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 "M." Mr. Riley reported that the Wastewater Treatment Plant operated at 71% of permitted flow in January.

Mr. Riley reported that water production was high in January because the District was repaying water to Harris County Municipal Utility District No. 391. He reported that the District has completed repaying Harris County Municipal Utility District No. 391 the approximate 41,000,000 gallons of water the District used in 2015.

Mr. Riley reviewed the Disconnection List with the Board.

The President asked Mr. Riley to investigate the Water Production and Accountability Four Month Average at 104.8%.

Mr. Riley reported that there was a sanitary sewer backup at 16423 Chandler Ridge in the District. He reported that the District's insurance does not include coverage for sanitary sewer backups. Mr. Riley reported that the sanitary sewer lines of the affected resident and his neighbor connect at a Y joint which leads to the District system. He reported that the issue occurred before the Y joint and is the District's responsibility. Mr. Riley asked the Board whether it wants to reimburse the resident for reasonable expenses, even though the District may not have any legal obligation to do so. Mr. Riley reported that the resident has not returned Eagle Water's voice messages so it is possible that the resident's homeowners insurance is covering the restoration expense. Mr. Riley reported that Eagle Water has not been allowed inside the home to determine the extent of the damage; however, he did note that discarded carpet was seen outside the home. The President stated that he favored the District reimbursing reasonable expenses.

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 and to terminate the delinquent accounts in accordance with the Rate Order.

17. **Report on Association of Water Board Directors Conference.** Ms. Ellison reported that the Legal Requirements for Water District Web Sites seminar was informative. Ms. Ellison presented to and reviewed with the Board a memorandum concerning the requirements for District websites, a copy of which is attached hereto as Exhibit "N."

18. **Other Consultant and Director Reports.** No action was taken on this item.

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

* * *

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



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

