

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
JANUARY 20, 2017

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 January 20, 2017, 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, thus constituting a quorum. Also attending all or portions of the meeting were Lieutenant Oscar Muniz of Harris County Precinct 4 Constable's Office; Mr. Greg Sissel of BKD, L.L.P., auditors for 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. Wendy Austin 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, developer of land in the District; 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. **Minutes of the meeting of December 16, 2016.** The proposed minutes of the meeting of December 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 December 16, 2016, as presented.

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 correspondence from a resident regarding his water meter, which he forwarded to Eagle Water Management to respond.

He next reviewed two transmittals relating to garbage issues, which he forwarded to Matthew May of Best Trash. He said Mr. May contacted the customers and addressed the issues.

3. **Security Report.** Lt. Muniz reviewed the Security Report for the month of December, a copy of which is attached hereto as *Exhibit C*. He reported that 793 calls were received in December.

Lt. Muniz reported on a tire/rim theft ring operating in the District and surrounding area. He reported that the investigation now covers a multi-county area and the Federal Government is involved.

Lt. Muniz reported on another issue in the District in which UPS boxes filled with marijuana are being delivered to random addresses and then taken.

Director Henry reported there were 29 citations from the extra patrol in December.

4. **Appoint auditor for fiscal year ending February 29, 2017.** The Vice President recognized Mr. Sissel, who presented to and reviewed with the Board an engagement letter for BKD, L.L.P. for fiscal year ending February 28, 2017, a copy of which is attached hereto as *Exhibit D*. Mr. Sissel requested that the Board consider engaging the services of BKD, L.L.P. to prepare the District's annual audit for fiscal year ending February 28, 2017, at an estimated cost of \$19,500, which represents a three percent increase from last year's fee.

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 engagement letter and authorize the President to execute the letter.

5. **Developers Report and reimbursement issues.** Ms. Stephenson reported the lift station and force main for the commercial tract are in place. She reported that the detention pond is being graded.

Ms. Orsak reported there are five vacant lots in the District.

6. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties.** Mr. Hirshman reported the columns have been erected for the abatement barrier.

Ms. Ellison reported she contacted the Sydney Harbor Homeowners Association ("HOA") regarding the leak in an overflow weir in Sydney Harbour. She stated the management company for the HOA stated that the leak would be repaired.

7. **Report on Beautification Projects.** Ms. Lee presented and reviewed a summary of the status of the pending beautification projects, attached hereto as *Exhibit E*. She said the projects are ready to be advertised for bid upon the Board's direction. Discussion ensued regarding an appropriate construction staging area. Ms. Lee discussed her concern about the loss of plants nearest to the fence line.

Ms. Ellison discussed preparation of documents for property owners relating to construction and maintenance of the fence projects.

8. **Adopt Resolution Authorizing Additional Penalty on Delinquent Taxes.** The Vice President recognized Ms. Ellison, who presented to and reviewed with the Board the Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code (the "Resolution"), a copy of which is attached hereto as *Exhibit F*. Ms. Ellison reported that the revenue collected by levying this penalty is used to pay the delinquent tax attorney for the services provided to the District.

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 adopt the Resolution.

9. **Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination.** The Vice 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 64.91% of the District's 2016 taxes had been collected to date. 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 Tax Assessor-Collector's Report and to authorize the expenditures listed therein.

Ms. Ellison reported the District's Financial Advisor has requested an estimate of value in connection with the sale of the Series 2017 bonds. She presented a Resolution Authorizing Request for Certificate of Estimated Assessed Valuation for the Board's 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 Resolution Authorizing Request for Certificate of Estimated Assessed Valuation.

10. **Budget for fiscal year ending February 28, 2018.** Ms. Austin noted that a copy of the Operating Fund Draft Budget Worksheet for fiscal year ending February 28, 2018 is included in the Bookkeeper's Report. She stated that action by the Board is not necessary until next month.

11. **Bookkeeper's Report, payment of bills, review investment report and policy, review budget, and any necessary changes.** The Vice 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 I*. 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 and for the purposes stated therein.

12. **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 J*. Mr. Riley reported that water accountability is 89.8% for the billing period from December 1, 2016 to December 31, 2016.

Mr. Riley reported that SAMCO has started its leak detection acoustical analysis. He stated that SAMCO has located minor leaks, but they are not significant enough to explain the decrease in accountability. Discussion ensued.

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

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

13. **Meters at interconnects with Harris County Municipal Utility District No. 391.** This matter is discussed under the Engineer's Report.

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 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 K*.

Mr. Hirshman presented and recommended approval of Pay Estimate No. 15 in the amount of \$28,323.00 to N & S Construction Co., LP and Invoice 050576 in the amount of \$1,775.08 to Paradigm for the Wastewater Treatment Plant Expansion.

Mr. Hirshman reported that construction of homes has begun in Fair Meadows and that utilities, detention, offsite sanitary sewer, and paving have been completed. He presented and recommended payment of Pay Estimate No. 7 (Final) in the amount of \$48,735.46 to Principal Services Ltd.

Mr. Hirshman presented and requested approval of Pay Estimate No. 4 in the amount of \$18,277.72 to Monarch Civil Constructors, LLC for the Keeton Tract development construction.

Mr. Hirshman reported that the Texas Commission on Environmental Quality ("TCEQ") has issued a staff memo approving the bond application for Bond Issue No. 13 in the amount of \$5,175,00 and the District is waiting for the certified memo.

Mr. Hirshman discussed the TCEQ requirement that the District add a 10,000 gallon hydro tank and said the TCEQ's recommendation was not rescinded. He stated that DEC will proceed with the design of an additional 10,000 gallon hydro tank.

Mr. Hirshman reported that Harris County Municipal Utility District No. 391 ("HCMUD 391") was recently granted a waiver from elevated storage within in its district. He stated that HCMUD 391's engineer has requested that the District participate in a cost sharing agreement for the installation of interconnect meters at the three interconnects. Mr. Hirshman said that the meters will help to more accurately monitor the criteria and conditions to comply with TCEQ rules and regulations pertaining to the waiver from elevated storage. He noted that HCMUD 391's Operator quoted an estimate of \$25,000 per eight-inch meter. Discussion ensued regarding engineering and installation costs. 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 authorize the District's engineer to advise HCMUD 391 that the District will pay 50% of the cost for installation of the meters but will not participate in any additional costs, such as engineering fees or easement costs.

Mr. Hirshman reported that Harris County Improvement District No. 13 ("HCID 13") has requested additional water capacity. He said he told HCID 13 that the District does not have any extra capacity.

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: 1) the Engineer's

Report; 2) Pay Estimate No. 15 in the amount of \$28,323.00 to N & S Construction Co., LP and Invoice 050576 in the amount of \$1,775.08 to Paradigm for the Wastewater Treatment Plant Expansion; 3) Pay Estimate No. 7 (Final) in the amount of \$48,735.46 to Principal Services Ltd. for Fair Meadows Underground Utilities; and Pay Estimate No. 4 in the amount of \$18,277.72 to Monarch Civil Constructors, LLC for the Keeton Tract development construction.

15. **Report on Eminent Domain Annual Report filing.** Ms. Ellison reported that the District is required to file an annual report by February 1, 2017 with the Texas Comptroller of Public Accounts to retain its eminent domain rights. She stated there are no changes from last year's report and that NRF has filed the report on behalf of the District.

16. **Other Consultant and Director Reports.** Ms. Ellison discussed the bond sale, noting that the Notice of Sale and Preliminary Official Statement will be considered for approval at the February meeting and the bond sale will occur in March within the District. Discussion ensued regarding availability of a quorum and it was the consensus of the Board to set a bond sale for March 15, 2017 in the District.

17. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on February 17, 2017, 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 February 17, 2017.



Vice President, Board of Directors

ATTEST:



Secretary, Board of Directors

