

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
FEBRUARY 17, 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 February 17, 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 Craig Rathmann of Rathmann & Associates, LP, financial advisor for the District; Sam Cocke of Texas Erosion; Lieutenant Oscar Muniz of Harris County Precinct 4 Constable's Office; 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; Mr. Bill Hixon 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 January 20, 2017.** The proposed minutes of the meeting of January 20, 2017, 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 January 20, 2017, 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 three requests for new service, a report of an underground water leak, and a request to restore landscaping following repair of a leak, all of which were forwarded to Eagle Water Management. He next reviewed an email about a sewage smell, and Mr. Riley reported that the smell resulted from an electrical issue which caused a digester to go out. Mr. Bryant stated that two tax related matter were

transmitted to the District's tax assessor and collector for further handling. He noted that two residents complained about trash services, and the problems were handled by Mr. Matthew May. Mr. Bryant stated that Randall Ellis of METRO contacted the District about attending the meeting to introduce himself as the contact for special districts. Mr. Bryant said that he gave Mr. Ellis the meeting date information and suggested that he contact Ms. Presser about being added to the agenda. Ms. Presser said Mr. Ellis had not contacted her yet. Mr. Bryant reported that a representative of Reliant Energy contacted the District to discuss the District's energy needs. Discussion ensued about the District's recent renewal of its current electricity contract and Mr. Bryant stated that he will respond to Reliant Energy.

3. **Security Report.** Lt. Muniz reviewed the Security Report for the month of January, a copy of which is attached hereto as *Exhibit C*. He reported that 744 calls were received in January.

Lt. Muniz discussed additional security measures taken at the Sound Wall.

Lt. Muniz asked if the Board has interest in adding bicycle patrol during the summer months when mischief usually increases in parks and detention pond areas. The Board indicated their interest, and Lt. Muniz said he will investigate this option and draft a schedule for the Board's review.

Director Henry reported there were 43 citations and two arrests for possession of marijuana during the extra patrols in January.

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 Security Report.

4. **Developers Report and reimbursement issues.** Mr. Hixon reported that completion of the retail development is anticipated by mid-March.

5. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties.** Mr. Hirshman reported that Director Koehn had provided him with a new contact, who has not responded regarding installation of the new panels for the wall.

Ms. Lee reported that Fencecrete is coordinating with the HOA to remove the old pre-cast fence.

6. **Resolution Approving Preliminary Official Statement; authorize distribution of POS and publication of Notice of Sale of the Bonds; and approving other related matters.** Mr. Rathmann reviewed the Preliminary Official Statement, a copy of which is attached as *Exhibit D*. He explained the bid process for the sale of bonds, including publication requirements and bond ratings. Mr. Rathmann recommended Mr. Alan Raynor of McCall Parkhurst & Horton as disclosure counsel.

Ms. Ellison presented an Order Adopting and Authorizing Official Notice of Sale and Bid Form, Authorizing Distribution Thereof and of a Preliminary Official Statement and Authorizing Publication of Notice of Sale, a copy of which is attached as *Exhibit E*.

Ms. Ellison discussed holding a special meeting of the Board for the bond sale. It was the consensus of the Board to meet at 5:00 p.m. on Wednesday, March 15, 2017 at the offices

of the Harris County Constable, Pct. 4, West District Patrol – Cypress Station, 14594 Mueschke Road, Cypress, Texas.

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 Order Adopting and Authorizing Official Notice of Sale and Bid Form, Authorizing Distribution Thereof and of a Preliminary Official Statement and Authorizing Publication of Notice of Sale.

7. Designate The Bank of New York Mellon Trust company, N.A. as Paying Agent/Registrar for the Bonds. 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 designation of The Bank of New York Mellon Trust Company, N.A. as Paying Agent/Registrar for the Bonds

8. Discuss and authorize refunding of District bonds. Mr. Rathmann reviewed an analysis for a proposed refunding of District bonds in the amount of approximately \$3,650,000, a copy of which is attached as *Exhibit F*. He stated the sale will be a negotiated transaction with delegated authority. Mr. Rathmann discussed the negative arbitrage associated with an advance refunding. Discussion ensued regarding rising interest rates and the best time to enter the market. Director Bryant asked Mr. Rathmann to determine if the District could use some of the money in its Debt Service Fund to contribute to the refunding. 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 financial advisor and attorney to move forward with preparation of documents required for the refunding of District bonds, as discussed.

9. Report on Beautification Projects. Ms. Ellison presented and reviewed with the Board various documents in connection with the replacement of the fence at the back of the Cypress Mill Estates Commercial Reserve. She presented to the Board a Participation Agreement and Construction and Maintenance License (Cypress Mill Estates Commercial Reserve) (the "Participation Agreement.") She reported that Cymill Partners, Ltd. has agreed to contribute \$50,000 to the fence project and has signed the Participation Agreement. The Participation Agreement has been sent to the Cypress Mill Homeowners' Association, Inc. (the "HOA") for review. Ms. Ellison stated that the HOA will be responsible for maintenance of the completed fence.

Ms. Ellison next reviewed a transmittal letter from the Board of Directors to property owners affected by the construction of the fence replacement behind Cypress Mill Commercial Reserve. She also presented and reviewed a Fence and Maintenance Area Property Usage Agreement ("Property Owner's Agreement"). She reported the Property Owner's Agreement is between the District, the HOA, and each affected property owner and provides for the District to construct the fence, the HOA to maintain the fence, and the property owner to allow access to his property. Ms. Ellison also presented an Agreement for Construction and Maintenance of Perimeter Fence ("Perimeter Fence Agreement"). She stated the Perimeter Fence Agreement sets forth terms between the District and HOA for construction and maintenance of the perimeter fence and, upon completion, the District will convey the Perimeter Fence to the HOA. Ms. Ellison said the documents for the Fenske fence project were substantially the same as the documents for the Cypress Mill Commercial Reserve fence project.

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 Participation

Agreement, Property Owner's Agreement, Perimeter Fence Agreement, and Bill of Sale and Conveyance of Perimeter Fence, as presented, copies of which are attached and collectively identified as *Exhibit G*, and to approve similar documents for the Fenske Road project.

10. **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 H*. Ms. Bryant noted that 85.66% of the District's 2016 taxes had been collected as of January 31, 2017. She reported that a list of 2016 uncollected accounts will be available next month. 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 Tax Assessor-Collector's Report and to authorize the expenditures listed therein.

11. **Consider Property Tax Exemptions.** Ms. Ellison 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 2017 tax year.

Upon motion by Director Halloran, seconded by Director Chester, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Order.

12. **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 J*. 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.

13. **Budget for fiscal year ending February 28, 2018.** Ms. Austin reviewed the proposed budget for fiscal year ending February 28, 2018, a copy of which is attached to the Bookkeeper's 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 budget for fiscal year ending February 28, 2018.

14. **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 K*. Mr. Riley reported that water accountability is 88.1% for the billing period from December 29, 2016 to January 26, 2017.

Mr. Riley reported that SAMCO has completed the leak detection acoustical analysis. He stated that the principal leaks detected by SAMCO have been repaired and he is waiting for a full billing cycle to see if the accountability improves.

Mr. Riley discussed the reason for the odor complaints and noted that there were no compliance issues or excursions.

Director Bryant asked about converting the District's current meters to electronic meters. Discussion ensued regarding the cost of conversion compared to customer service satisfaction.

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.

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. Mr. Hirshman introduced Mr. Cocke, whose company maintains the detention pond in Fair Meadows. Mr. Cocke provided the Board with background information on himself and Texas Erosion and then reviewed a monthly maintenance report, attached as *Exhibit L*.

Mr. Hirshman then presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as *Exhibit M*.

Mr. Hirshman presented and recommended approval of Pay Estimate No. 16 in the amount of \$202,567.11 to N & S Construction Co., LP for the Wastewater Treatment Plant Expansion. He stated the motor control center is on back order until April.

Mr. Hirshman presented and recommended approval of Pay Estimate No. 15 and Final in the amount of \$23,705.16 to JTR Construction for construction of Water Plant #2. He noted the project is complete, as well as the final inspection punch list.

Mr. Hirshman updated the Board on the request by Harris County Municipal Utility District No. 391 ("HCMUD 391") that the District participate in a cost sharing agreement for the installation of interconnect meters at the three interconnects. Mr. Hirshman reported that HCMUD 391's operator is obtaining costs for the meter installations.

Mr. Hirshman reported that four bids were received on January 27, 2017 for construction of utilities and detention to serve the Safe Site tract. He recommended awarding the contract to the low bidder, D. Grimm, Inc., in the amount of \$569,000.

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: (1) approve the maintenance report from Texas Erosion; (2) approve the Engineer's Report; (3) approve Pay Estimate No. 16 in the amount of \$202,567.11 to N & S Construction Co., LP for the Wastewater Treatment Plant Expansion; (4) approve Pay Estimate No. 15 and Final in the amount of \$23,705.16 to JTR Construction for construction of Water Plant #2; and (5) approve the award of a construction contract to D. Grimm, Inc. in the amount of \$569,000 for construction of utilities and detention to serve the Safe Site tract.

16. Report on AWBD winter conference. Attendees discussed sessions and provided feedback.

17. Next meeting date. The Board noted that a special Board meeting will be held on March 15, 2017 for the sale of Bonds. The next regular meeting of the Board is scheduled for March 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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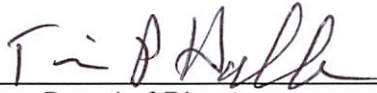
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The foregoing minutes were passed and approved by the Board of Directors on March 17, 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

