

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
April 21, 2017

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 April 21, 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. Also attending all or portions of the meeting were Mr. Sam Cocke of Texas Erosion; Lieutenant Oscar Muniz of Harris County Precinct 4 Constable's Office; Mr. Matthew May of Best Trash; Mr. Greg Sissel of BKD, LLC ("BKD"), auditors for the District; 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. 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 March 17, 2017.** The proposed minutes of the meeting of March 17, 2017, previously distributed to the Board, were presented for review and approval. 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 minutes of March 17, 2017.

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 he received three requests for new service, which were forwarded to Eagle Water. Director Bryant said he also received two requests for service for properties not in the District. He requested that NRF coordinate with the District's web site manager to post a link to the Operator's contact information through the Texas Commission on Environmental Quality's web site.

Director Bryant reported that a request was received for a tap for new construction of a vet clinic, which was forwarded to Eagle Water for further handling.

Director Bryant reviewed correspondence from a customer who missed two payments due to working offshore, which resulted in a disconnection of service. Discussion ensued regarding the customer's payment history and no action was taken by the Board.

3. Accept Developer Reimbursement Audit, Conveyance of facilities, and approve reimbursement of Pulte Homes. The President recognized Mr. Sissel, who presented to and reviewed with the Board the draft of the Developer Reimbursement Audit, a copy of which is attached hereto as *Exhibit C*. Mr. Sissel reported the total reimbursement amount due to Pulte Homes is \$3,615,666.85.

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 11 and 12 from Pulte Homes ("Pulte Conveyance"). She noted that the District was paying for these facilities with the Series 2017 bond proceeds and that Pulte Homes is conveying the facilities 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 approve the developer reimbursement audit, to accept the Pulte Conveyance, and to authorize payment of \$3,615,555.85 to Pulte Homes.

4. Report from Best Trash regarding annual CPI rate increase. The President recognized Mr. May, who reported that, under the District's contract, the solid waste collection rate increased to \$18.02 per connection, effective with the billing cycle of April 2017 and continuing through March 2018. A copy of the rate increase letter is attached hereto as *Exhibit D*. Mr. May reviewed with the Board the complaints Best Trash received through the year and the responses made by Best Trash. 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 solid waste collection rate increase to \$18.02 per connection.

5. Developers Report and reimbursement issues. Ms. Stephenson reported on the resolution of right-of-way permit issues relating to connecting power to the new commercial building. She also reported that punch list items on the detention pond are being addressed, as required by the District.

6. Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties. It was noted that the wall is up and the project is near completion.

The President recognized Mr. Cocke, who presented and reviewed the monthly maintenance report for the Fair Meadows Detention Ponds, a copy is attached as *Exhibit E*.

7. Report on Beautification Projects. Ms. Ellison reported on the progress in obtaining resident agreements to replace fencing in connection with the District's beautification projects.

8. **Security Report.** Lieutenant Muniz reviewed the Security Report for the month of March, a copy of which is attached hereto as *Exhibit F*. He reported that 915 calls were received in March and three warrants were issued.

Lieutenant Muniz updated the Board on information about bike patrols and reported that Lieutenant Lance Rogers is bike certified. He stated that the Board will be required to approve "extra hours" or split existing patrol hours for Lieutenant Rogers to perform bike patrol. Discussion ensued regarding number of hours, patrol area, and term for the bike patrol. Director Henry volunteered to coordinate with Lieutenant Rogers to determine the scope of duties, hours and area for bike patrol in the District.

Director Henry reported there were 29 citations and three arrests for possession of drug paraphernalia during the extra patrols for March.

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 Security Report and authorize Director Henry to coordinate with Lieutenant Rogers on a scope for bike patrol duties during the summer.

9. **Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination.** The 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 97.51% of the District's 2016 taxes had been collected as of March 31, 2017.

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.

10. **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 H*.

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 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 President recognized Mr. Riley, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as *Exhibit I*. Mr. Riley reported that water accountability is 96.5% for the billing period from February 27, 2017 to March 27, 2017.

Mr. Riley reported a violation of the permit limit on average daily ammonia concentration. Mr. Riley updated the Board on the Wastewater Treatment Plant rehabilitation, noting that the rental blowers have been removed and the new blowers are in place, which has reduced the ammonia concentrations.

Mr. Riley reported on the status of Water Plant No. 2, stating that the District will need to use the interconnect with Harris County MUD 391 to supplement water supply while Water Plant

No. 1 is out of service for rehabilitation. He stated that he has had a discussion with Harris County MUD No. 391's Operator on this matter.

Mr. Riley presented the Annual Report on the District's Identity Theft Program, a copy is attached as *Exhibit I-1*. He stated there are no incidents to report nor any suggested changes to the District's current program.

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 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 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 J*.

Mr. Hirshman presented and recommended approval of Pay Estimate No. 18 in the amount of \$74,281.45 to N & S Construction Co., LP and Invoice No. 050790 in the amount of \$1,166.08 to Paradigm for the Wastewater Treatment Plant Expansion.

Mr. Hirshman presented and recommended approval of Pay Estimate No. 2 in the amount of \$188,865.00 to W.W. Payton Corporation and Invoice No. 050844 in the amount of \$1,623.58 to Paradigm for the Water Plant No. 1 Replacement and Ground Storage Tank Addition. He also presented and recommended approval of Change Order No. 1 for a contract reduction of \$15,125.00 and extension of the contract for an additional 60 days due to revisions to the layout of the booster pump suction and discharge piping and valves as well as revisions to the suction and discharge headers. Mr. Hirshman reported the new tank is completed and design is proceeding on the additional 10,000 gallon hydro tank.

Mr. Hirshman presented and recommended approval of Pay Estimate No. 1 in the amount of \$78,117.60 to D. Grimm, Inc. for the Safe Site tract construction.

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: (1) approve the Engineer's Report; (2) approve Pay Estimate No. 18 in the amount of \$74,281.45 to N & S Construction Co., LP and Invoice No. 050790 in the amount of \$1,166.08 to Paradigm for the Wastewater Treatment Plant Expansion; and (3) to approve Pay Estimate No. 2 in the amount of \$188,865.00 to W.W. Payton Corporation, Invoice No. 050844 in the amount of \$1,623.58 to Paradigm, Change Order No. 1 for contract reduction for \$15,125.00, and contract extension of 60 days for construction of Water Plant No. 1 Replacement and Ground Storage Tank Addition; and (4) Pay Estimate No. 1 in the amount of \$78,117.60 to D. Grimm, Inc. for the Safe Site tract construction.

13. Report on District bond issues and any necessary action. Ms. Ellison discussed a report from the District's Financial Advisor, Rathmann & Associates, LP on the District's refunding bond sale, a copy of which was previously distributed to the Board. She reported on total (gross) debt service savings and the total present value savings.

Ms. Ellison presented documents for execution that are required for the refunding bond closing on May 10, 2017.

14. **Other Consultant and Director Reports.** Ms. Ellison asked the Board if it wanted to vote in the Build America Mutual Assurance Company election of directors. The Board took no action on this item.

15. **Next meeting date.** The next regular meeting of the Board is scheduled for May 19, 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 May 19, 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

