

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
November 20, 2015

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 November 20, 2015, 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 Halloran. 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. Brannon Boozer of M/I Homes, developer of land in the District; Ms. Juanita Orsak of Pulte Homes, developer of land in the District; Lieutenant Blackledge, constable for the District; and Ms. Kathleen Ellison 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 October 22, 2015.** The proposed minutes of the meeting of October 22, 2015, 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 October 22, 2015, as presented.

2. **Public Comments and letters from residents.** Director Bryant reported that a representative from Bloomberg Business requested the District's 2015 financial report. Ms. Ellison reported that NRF usually provides the District's audit upon request.

Mr. Riley reported that Mr. Dazey contacted the District this week regarding odor from the District's Wastewater Treatment Plant. Mr. Riley reported that Mr. Dazey's home is one-quarter of a mile away from the Wastewater Treatment Plant. Mr. Riley reported that Eagle

Water found three manholes in front of Mr. Dazey's home, including one in his driveway. Mr. Riley reported that there was some water at the bottom of one of the manholes and debris in the sanitary sewer line. He reported that Eagle Water cleaned out the sanitary sewer line to improve flow and installed an inflow protector on the manhole to control odor. Mr. Riley stated that hopefully these steps will resolve the issue for Mr. Dazey.

Director Bryant reported that a contractor emailed the District's website for tap and meter fee information because he was bidding a project near Mueschke Road and U.S. Highway 290. Director Bryant reported that the question was forwarded to Eagle Water and DEC for management. Mr. Hirshman reported that the project is located on one of the three lots partially in Harris County Municipal Utility District No. 391 ("MUD 391") where the District provides water service and MUD 391 provides sewer service. Mr. Hirshman reported that he provided the water and tap fee information to the contractor.

Director Bryant reported that two residents emailed regarding transfer of an account to a new residence and change in name on an account, which were forwarded to Eagle Water for management.

Director Bryant reported that the sound wall installation information was provided to Mr. Wilson.

Director Bryant reported that a resident emailed to ask if the District uses chloramines as a disinfectant. Director Bryant reported that the question was forwarded to Eagle Water for response.

3. **Mr. Peter Barnhart Annexation Request.** No action was taken on this item.

4. **Security report.** Lieutenant Blackledge reviewed with the Board the Security Report for the month of October, a copy of which is attached hereto as Exhibit "B." He reported that thirteen people were arrested related to car burglaries and home burglaries in the District.

Lieutenant Blackledge reported that AT&T has installed its portion of the new T1 line and that Harris County is bidding the work for its part of the project. He reported that Harris County is installing a video tower which will facilitate video downloading.

Lieutenant Blackledge asked the Board to consider the addition of a sergeant to the District's 2016 Security Contract. The Board asked for information on the surrounding communities, including the number of officers and number of homes being covered.

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 Security Report.

5. **Consider renewal of extra patrol.** The President recognized Lieutenant Blackledge, who asked the Board if it wanted to renew the Extra Patrol coverage for January 1, 2016 through December 31, 2016, detailed in Exhibit A to the Independent Contractor Agreement, a copy of which is attached hereto as Exhibit "C." He noted that the proposed coverage is the same as the current coverage and will be performed by four deputies.

Lieutenant Blackledge reported that the extra patrol focuses on the District's facilities and detention ponds.

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 extra patrol through December 31, 2016.

6. **Developers Report and reimbursement issues.** Ms. Orsak reported that Cypress Landing East has 38 homes under construction in Cypress Landing East, Section Eleven. She reported that Cypress Landing East Section Twelve is expected to be ready for home construction in January. Ms. Orsak reported that Pulte Homes expects to complete construction in the District in 2016.

7. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties; including landscaping at Cypress Ridge detention pond.** No action was taken on this item.

8. **Sydney Harbour Water Plant Expansion, including Phase Two landscaping bids and award project.** The President requested that Mr. Hirshman provide an update on the ground storage tank painting via email so the fence installation may be scheduled.

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 "D." Ms. Bryant noted that 99.61% of the District's 2014 taxes had been collected as of October 31, 2015.

Ms. Bryant reported that Assessments of the Southwest drove the District and provided updates on business entities in the District to the City of Houston for the Strategic Partnership Agreement between the District and the City of Houston.

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.

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 "E."

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 therein.

11. **Engagement letters for arbitrage compliance services for Series 2011 Bonds and Series 2011 Refunding Bonds.** The President recognized Ms. Ellison, who reviewed with the Board the Engagement Letters from Arbitrage Compliance Specialists, Inc. for the Series 2011 Bonds and Series 2011 Refunding Bonds, copies of which are attached hereto as Exhibit "F." She noted that an arbitrage analysis is required by the tax covenants in the District's bond orders.

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 execute the Engagement Letters authorizing Arbitrage Compliance Specialists, Inc. to prepare the District's Arbitrage Reports for the Series 2011 Bonds and Series 2011 Refunding Bonds.

12. 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 "G." Mr. Riley reported that there were two ammonia excursions at the Wastewater Treatment Plant. He reported that a leak developed in the underground piping in Basin #2. Mr. Riley reported that Eagle Water is researching the practicality of draining Basin #2 to fix the leak.

Mr. Riley reported on the failed blower at the Wastewater Treatment Plant. He reported that it will cost an estimated \$15,000 to replace the blower and \$13,000 to rebuild the blower. Mr. Riley reported that Eagle Water has confirmed that NTS has a blower available for rental at a cost of \$1,500 per month. Mr. Riley reported that the current plan is to do nothing and if necessary, rent a blower unit until the Wastewater Treatment Plant Improvements are completed.

Mr. Riley reported that Eagle Water is coordinating repayment of the water to MUD 391. He reported that the District owes MUD 391 about 40,000,000 gallons and estimated that it will take a few months to repay the water to MUD 391.

Mr. Riley reviewed the Disconnection List with the Board.

Mr. Riley reviewed the Collections List with the Board.

Mr. Riley reported on Water Well #2A. He presented to and reviewed with the Board the Alsay proposal to replace the equipment and rehabilitate the water well, a copy of which is attached hereto as Exhibit "H." Mr. Riley reported that Alsay has pulled the pumping equipment and televised the water well. Mr. Riley recommended the Board approve replacement of the equipment and rehabilitation of the water well for an estimated cost of \$57,716.00, including the \$6,800 for the pulling of the pumping equipment and initial televising.

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, to terminate the delinquent accounts in accordance with the Rate Order, to authorize Eagle Water to turn the Collection List accounts over to collection, and to approve the Alsay proposal for replacement of the equipment and rehabilitation of Water Well #2A for an estimated cost of \$57,716.00, including the \$6,800 for the pulling of the pumping equipment and initial televising

13. 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 "I."

Mr. Hirshman reported on the Wastewater Treatment Plant Improvements. He reported that construction is underway. Mr. Hirshman recommended payment of Pay Estimate #1 to N & S Construction Co., LP in the amount of \$49,500.00 for the Wastewater Treatment

Plant Improvements. Mr. Hirshman reported that there is a pile of gravel at the Wastewater Treatment Plant that will need to be relocated for the construction. He asked the Board if it had any need for the gravel. He indicated he would instruct the contractor to bury the gravel in the berm, if the gravel was not needed. The President noted that there is an irrigation system in the berm. Mr. Hirshman reported that the gravel would be buried in the bottom of the berm when the berm is widened. The Board indicated that it had no need for the gravel.

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 Change Order #2 in the amount of \$4,060.00 for replacement of corroded pipe at the existing ground storage tank.

Mr. Hirshman reported that the Texas Commission on Environmental Quality ("TCEQ") approved the District's Bond Application in the amount of \$3,525,000. He reported that DEC has requested the pre-purchase inspection of the related facilities.

Mr. Hirshman reported that DEC issued a capacity commitment letter to Sydney Harbour Interests, Ltd. for three equivalent single family connections to serve a fitness center on a reserve within Sydney Harbour.

Mr. Hirshman that the Fair Meadows clearing and grubbing is complete. He recommended approval of payment by M/I Homes of Houston of Pay Estimate #1 to K & K Tree and Tractor Services in the amount of \$133,152.60. Mr. Hirshman reported that Change Order #1 to the contract in the amount of \$58,317.76 adds \$39,350.00 for removal of barbed wire fence and \$20,467.76 for additional clearing and stump grinding, and deducts \$1,500.00 for installation of a stabilized construction entrance. The Board discussed the change order. Mr. Boozer reported that the contractor did not discuss the additional charge of \$39,350.00 with him. Mr. Boozer noted that Stormwater Solutions installed the stabilized construction entrance for a cost of \$1,500.

Mr. Hirshman reported on the rough cut detention for Fair Meadows and Safesite detention. He reported that the work is near completion.

Mr. Hirshman reported that ten bids were received for the utilities construction and completion of the detention pond for Fair Meadows on November 10, 2015. Mr. Hirshman recommended award to the low bidder, Principal Services, Ltd., in the amount of \$2,020,062.10 for the utilities construction and completion of the detention pond for Fair Meadows.

Mr. Hirshman reported receipt of a request for capacity in the Cypress Land Development tract. He reported that the daycare in the tract is requesting 13 connections. Mr. Hirshman instructed the daycare owner to obtain approval from Cypress Land Development for the 13 connections.

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 #1 to N & S Construction Co., LP in the amount of \$49,500.00 for the Wastewater Treatment Plant Improvements; to approve Change Order #2 in the amount of \$4,060.00 for replacement of corroded pipe at the existing ground storage tank for the Water Plant No. 2 Improvements contract; to approve payment by M/I Homes of Houston of Pay Estimate #1 to K & K Tree and Tractor Services in the amount of the original contract amount of \$74,834.86, to approve the portions of Change Order #1 to the

contract to add \$20,467,76 for additional clearing and stump grinding and deduct \$1,500.00 for the installation of a stabilized construction entrance; to not approve the additional cost of \$39,350.00 for removal of barbed wire fence; and to approve award of the contract to Principal Services, Ltd. in the amount of \$2,020,062.10 for the utilities construction and completion of the detention pond for Fair Meadows.

14. **Joint Facilities Development Financing Agreement (M/I Homes and Dalton Wallace).** Ms. Ellison reported that M/I Homes of Houston and Dalton Wallace have approved and executed the Joint Facilities Development Financing Agreement ("Joint Agreement") for the shared facilities between M/I Homes and Dalton Wallace, a copy of which is attached hereto as Exhibit "J." Ms. Ellison reported that M/I Homes of Houston and Dalton Wallace will make payments to the District per the Joint Agreement within ten days.

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 Joint Agreement.

15. **Renew District insurance.** The President opened discussion to the Harco Insurance Services proposal, a copy of which is attached hereto as Exhibit "K." Ms. Ellison noted that Director Halloran had reviewed the proposal and recommended increasing the Law Enforcement Liability coverage from \$1,000,000 to \$2,000,000.

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 HARCO Insurance Services proposal with the increase in the Law Enforcement Liability coverage to \$2,000,000.

16. **Harris County Appraisal District Board of Directors ballot.** The President recognized Ms. Ellison, who reported that the Board may vote for a director for the Harris County Appraisal District Board of Directors. No action was taken on this item.

17. **Other Consultant and Director Reports.** Ms. Ellison reported that the North Harris County Regional Water Authority is holding informational meetings regarding long term water supply for the northwest area of Harris County.

18. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on December 18, 2015, 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.

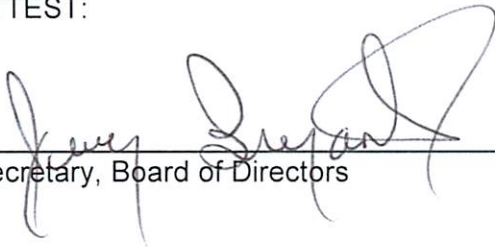
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The foregoing minutes were passed and approved by the Board of Directors on
December 18, 2015.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

