

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
June 26, 2015

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 special session, open to the public, at the offices of Norton Rose Fulbright, 1301 McKinney, Houston, Texas, on June 26, 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. Ryan Day, Mr. Jacob Rice and Mr. Chris Maxwell of Pulte Homes, developers of land in the District; Mr. Jim Moore of First General Realty; Ms. Jennifer Hanna of BKD, LLP, auditor 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 May 15, 2015.** The proposed minutes of the meeting of May 15, 2015, previously distributed to the Board, were presented for review and approval. Upon motion by Director Henry, seconded by Director Chester, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of May 15, 2015, as presented.

2. **Public Comments and letters from residents.** Director Bryant reported that a resident emailed the District's website to establish water service, and he forwarded the request to Eagle Water.

Director Bryant reported that a resident and the Cypress Mill Homeowner Association emailed the District's website regarding a water leak, and he forwarded the emails to Eagle Water.

Director Bryant reported that a resident emailed the District's website asking how to discard the metal supports for a canopy/tent. Director Bryant said he directed the resident to the portion of the District's website that details acceptable items for trash collection and how to dispose of special items.

Director Bryant reported that Ms. Loughlin emailed about the landscape contractor cutting vines on the outsides of her fence. The President reported that he has contacted Ms. Loughlin and has scheduled a meeting with her.

**3. Approve audit for fiscal year ending February 28, 2015.** The President recognized Ms. Hanna, who presented to and reviewed with the Board the draft of the District's audit for fiscal year ending February 28, 2015 (the "Audit"), a copy of which is attached hereto as Exhibit "B." Ms. Hanna noted that the District has a two year reserve for debt service.

Ms. Hanna presented to and reviewed with the Board a draft letter to management from BKD in which BKD reported that there were material weaknesses in the District's internal controls over financial reporting. A copy of the letter is attached hereto as Exhibit "C."

Ms. Hanna presented to and reviewed with the Board a draft letter on the auditor's responsibility under auditing standards. A copy of the letter is attached hereto as Exhibit "D."

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 Audit and to approve the draft Management's Response to the management letter.

**4. Security report.** Director Henry reviewed with the Board the Security Report for the month of May, a copy of which is attached hereto as Exhibit "E." He reported that there was a major accident at Cypress Ledge Lane and Huffmeister Road. Director Henry reported that the persons involved in the accident were in satisfactory condition. Director Henry reported that there were also four minor car accidents.

Director Bryant reported that AT&T offered a two-year contract with no installation charge for a T1 line with an increased bandwidth of 5 megabytes per second for \$1,108 per month. Director Bryant reported that the Fairfield Homeowner Association and Harris County Municipal Utility District No. 69, also served by the Constable Cypress Substation, only contribute an aggregate of \$1,750 annually for the T1 line expense. The Board discussed invoicing the Fairfield Homeowner Association and Harris County Municipal Utility District No. 69 for the T1 expense based on the number of deputies serving each community. Ms. Austin said she had already invoiced the Fairfield Homeowner Association and Harris County Municipal Utility District No. 69 for the coming year based on the amounts they had agreed to pay in the past, so the Board decided to wait until the next year to change the invoicing.

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 Security Report.

**5. Developers Report and reimbursement issues.** Ms. Stephenson reported that interest in the 3.7 acre tract has increased with the news of a Costco being built close by. She reported that the type of development is still undecided.

Mr. Day reported that Cypress Landing had 12 new home sales in May and 47 sales in 2015. Mr. Day reported that utility construction is complete in Cypress Landing, Section Eleven, and that the contractor is cutting streets. Mr. Day thanked the Board for the installation of the signs to prohibit vehicles on the detention pond.

**6. Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties; including landscaping at Cypress Ridge detention pond.** The President reported that the Cypress Ridge Detention Pond Landscape Improvements are complete. He asked Mr. Hirshman to get an update on the sound barrier wall.

**7. Sydney Harbour Water Plant Expansion, including landscaping bids and award project.** The President reviewed the report from Ms. Lee of KGA Deforest Design, a copy of which is attached hereto as Exhibit "F." The President reported that Ms. Lee recommended approval of Pay Estimates #2 and #3 in the amounts of \$20,664.14 and \$6,171.25, respectively, to Fencecrete America for the Water Plant fence, and approval of Change Order #3 in the amount of \$4,060.00 to complete the brick fence along the side and front of the Water Plant site, a copy of which is attached hereto as Exhibit "G." The President noted that the change order encompasses work which was originally in Phase 2 of the project. He reported that the existing wood fence has not been removed as required by the contract and recommended holding payment until the fence removal is complete.

Upon motion by Director Koehn, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to approve payment of Pay Estimates #2 and #3 in the amounts of \$20,664.14 and \$6,171.25, respectively, to Fencecrete America for the Water Plant fence and to release payment when the wood fence is removed, and to approve Change Order #3 in the amount of \$4,060.00 to complete the brick fence along the side and front of the Water Plant site.

**8. 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 98.85% of the District's 2014 taxes had been collected as of May 31, 2015.

Upon review of the Delinquent Tax List, Ms. Bryant stated that she would confirm with the Delinquent Tax Attorney that the Murcom Technology account for the tax years 2006 through 2008 may be transferred to the Uncollectible Roll, and will request that transfer at the next Board meeting.

Ms. Bryant reported that the Harris County Appraisal District provided a 2015 preliminary taxable value for the District of \$680,857,549, which includes the addition of the 2014 personal property taxable value. Ms. Bryant reported that the certified tax roll is usually a little less than the preliminary valuation due to appeals.

Upon motion by Director Henry, 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.

**9. 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 "I." Ms. Austin reported that she will hold check no. 10593 to Fencecrete America until instructed by the President to release it. Ms. Austin reported that payment for Pay Estimate #1 to JTR Construction in the amount of \$74,148.30 for the Ground Storage Tank construction is not included in the Bookkeeper's Report.

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, to authorize payment to JTR Construction in the amount of \$74,148.30 for the Ground Storage Tank construction, and to hold check no. 10593 until the wood fence is removed.

**10. 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 "J."

Mr. Riley reviewed the Disconnection List with the Board.

Mr. Riley reported that the Water Well #1 well shaft had increased looseness between the motor and pump. Mr. Riley reported that he asked Alsay to pull the pump to determine the cause of the looseness. He reported that it will cost about \$7,200 for Alsay to pull the pump, transport the pump to Alsay's shop and to televise the water well. Mr. Riley reported that Alsay has moved on site and expects to begin pulling the well next Monday. Mr. Riley reported that Alsay should provide a repair cost estimate in five business days. Mr. Riley reported that he has contacted Harris County Municipal Utility District No. 391 about the possible need to receive water via the interconnect valve. Mr. Riley reported that the water well repairs could take four to six weeks. It was the consensus of the Board to hold a special meeting on July 6, 2015, at 5:00 p.m. at Cypress Mill Recreation Center, 18010 Cypresswood Drive, Cypress, Texas, 77429, to consider the estimate for the water well repair.

Upon motion by Director Henry, 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 terminate the delinquent accounts in accordance with the Rate Order.

**11. 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 "K." Mr. Hirshman reported that five bids were received on May 28, 2015, for the Wastewater Treatment Plant Improvements. He reviewed with the Board the bid tabulation sheet, included in the Engineer's Report. Mr. Hirshman recommended award to the low bidder, N&S Construction Co., L.P. in the amount of \$2,760,490.00.

Mr. Hirshman requested Board authorization to state in the District's Bond Application that the District will install a 7,500 gallon hydropneumatic tank to meet the Texas Commission on Environmental Quality ("TCEQ") requirements regarding the District's capacity. Mr. Hirshman reported that installation of the hydropneumatic tank would be paid from the General Fund at an estimated cost of \$25,000.

Mr. Hirshman reported on the Water Plant No. 2 improvements. He reported that the contractor is making connections to the existing piping. Mr. Hirshman recommended payment of Pay Estimate #1 from JTR Construction in the amount of \$74,148.30 for the Water Plant No. 2 Improvements.

Mr. Hirshman reported that DEC is preparing the Bond Application Report for the next bond issuance in the amount of \$3,535,000. He reported that the Bond Application Report will be submitted to the TCEQ prior to the next Board meeting.

Mr. Hirshman recommended Board approval of payment by Pulte Homes of Pay Estimate #5 to 5758 Construction in the amount of \$76,636.00 for work on the detention pond to serve Cypress Landing, Sections Eleven and Twelve.

Mr. Hirshman recommended Board approval of payment by Pulte Homes of Pay Estimate #2 to Kenneth Lamb Construction Co., Ltd. in the amount of \$179,823.38 for construction of the water, sanitary sewer and storm sewer facilities to serve Cypress Landing, Section Eleven.

Mr. Hirshman reported that Harris County Municipal Utility District No. 434 requested wastewater treatment capacity from the District as part of its application for a wastewater treatment discharge permit. Mr. Hirshman recommended the Board authorize DEC to inform Harris County Municipal Utility District No. 434 that the District does not have surplus wastewater treatment capacity to serve it.

Mr. Hirshman requested Board authorization for the President to execute the stormwater quality permit renewal application for the Cypress Landing Park detention pond, included in the Engineer's Report.

Mr. Hirshman reported receipt of a request by Cisneros Design Group for nine equivalent single family connections ("ESFC") to serve one acre of the 2.5 acre tract in the District, at the southeast corner of Cypress-Rosehill Road and Huffmeister Road. He reported that the plan is for development of a 10,000 square foot retail building. Mr. Hirshman reported that originally 5 ESFC was allocated to the 2.5 acre tract. Mr. Hirshman requested Board authorization to provide a utility commitment of 9 ESFC to the Cisneros Design Group for the one acre tract and to increase the utility allocation to the remaining 1.5 acre tract.

Upon motion by Director Henry, seconded by Director Chester, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report, to approve award of the contract to N&S Construction Co., L.P. in the amount of \$2,760,490.00 for the Wastewater Treatment Plant Improvements; to authorize DEC to include a reference to installation of a 7,500 gallon hydropneumatic tank in the District's Bond Application Report; to approve payment of Pay Estimate #1 from JTR Construction in the amount of \$74,148.30 for the Water Plant No. 2 Improvements; to approve payment by Pulte Homes of Pay Estimate #5 to 5758 Construction in the amount of \$76,636.00 for work on the detention pond to serve Cypress Landing, Sections Eleven and Twelve; to approve payment by

Pulte Homes of Pay Estimate #2 to Kenneth Lamb Construction Co., Ltd. in the amount of \$179,823.38 for construction of the water, sanitary sewer and storm sewer facilities to serve Cypress Landing, Section Eleven; to authorize DEC to inform Harris County Municipal Utility District No. 434 that the District does not have surplus wastewater treatment capacity to serve it; to authorize the President to execute the stormwater quality permit renewal application for the Cypress Landing Park detention pond; to authorize DEC to provide a utility commitment of 9 ESFC to the Cisneros Design Group for the 1 acre tract at Cypress-Rosehill Road and Huffmeister Road, and to increase the utility allocation to the remaining 1.5 acre tract.

**12. Review bids and award Wastewater Treatment Plant Improvements project.** This item was covered under the Engineer's Report.

**13. Order Authorizing Application for Texas Commission on Environmental Quality Approval for Release of Escrowed Funds for Wastewater Treatment Plant Expansion.** Ms. Ellison reported that the TCEQ report approving the District's previous bond issue escrowed certain funds until the District provides additional documentation concerning the Wastewater Treatment Plant Improvements. Ms. Ellison presented to and reviewed with the Board the Order Authorizing the Application (the "Order") and the Application for Approval by the Texas Commission on Environmental Quality for Release of Escrowed Funds ("Application"), a copy of which is attached hereto as Exhibit "L."

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 and Application.

**14. Adopt Order Adding Land and Redefining Boundaries (Cypress Land Development and Ewing Irrigation).** Mr. Hirshman reported that the company managing the plat for Cypress Land Development's 20 acre tract included a 60 foot right-of-way through the property to extend a stub street to Mueschke Road in order to meet platting criteria. Mr. Hirshman said the company did not discuss the issue with Cypress Land Development. He reported that the preliminary plat has been approved. Mr. Hirshman reported that Cypress Land Development has hired a new company to seek a waiver from the City of Houston to remove the 60 foot right-of-way from the plat. Ms. Ellison reported that the District has an agreement with Cypress Land Development that requires Board authorization for any change in the development plan for the tract from the development plan included in the agreement. The Board discussed the implications of development of the tract with a 60 foot right-of-way through the middle. Upon motion by Director Henry, seconded by Director Chester, after full discussion and the question being put to the Board, the Board voted unanimously to defer adding the tract to the District until the right-of-way issue is resolved or a new development plan is presented for Board approval.

**15. Amended District Information Form.** This item was deferred.

**16. Report on Association of Water Board Directors Conference.** The Board discussed the challenges of traveling to the conference with several of the roads flooded. Director Bryant reported that the Drought Update seminar covered the recent significant rainfall in Texas. Mr. Riley reported that the speaker stated that only one county in Texas remains in a drought due to the recent rainfall.

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

18. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on July 17, 2015, at 11:00 a.m. at the offices of Norton Rose Fulbright, 1301 McKinney, Houston, Texas.

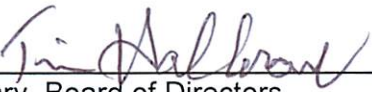
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD,  
the meeting was adjourned.

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The foregoing minutes were passed and approved by the Board of Directors on  
July 17, 2015.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

