

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
August 21, 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 regular session, open to the public, at the offices of Norton Rose Fulbright, 1301 McKinney, Houston, Texas, on August 21, 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. Also attending all or portions of the meeting were Mr. Tommy Lee 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. Lynette Tujague 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 and Mr. Jacob Rice of Pulte Homes, developers of land in the District; Ms. Stephanie Lee of KGA Deforest Design; Mr. Jim Moore of First General Realty; 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 July 17, 2015.** The proposed minutes of the meeting of July 17, 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 July 17, 2015, as presented.

2. **Public Comments and letters from residents.** Director Bryant reported that a resident emailed that some of the links on the District's website were not functioning. He reported that NRF contacted the website company and that the links are now functioning.

Director Bryant reported that three residents emailed about the color of the water and low water pressure, and he forwarded the comments to Eagle Water. Mr. Riley reported that the yellow water was caused from opening an interconnect valve with Harris County Municipal Utility District No. 391 ("MUD 391") which caused water to flow in pipes that had not

had flowing water for some time. Mr. Riley stated that the low water pressure is from Water Well #1 being out of service, and that the water pressure was increased when the MUD 391 interconnect valve was opened.

Director Bryant reported that a resident emailed about a potential underground leak at 14334 Millstone Estates, and that the resident email was forwarded to Eagle Water to investigate.

Director Bryant reported that a resident contacted the District regarding building an encroachment on the District's drainage easement in Sydney Harbour. Mr. Hirshman reported that he is working with the resident on the proposed construction on the District's drainage easement.

Director Bryant reported that two residents emailed the District's website to establish water service, and he forwarded the requests to Eagle Water.

Director Bryant reported that two residents emailed the District's website regarding mowing of the area between Cypress Mill and Sydney Harbour. He reported that the area has been mowed.

The President reported that Ms. Loughlin emailed the District's website again about the mowing contractor cutting the vines on her fence. The President stated that he would meet with Ms. Loughlin.

3. **Security report.** Director Henry reviewed with the Board the Security Report for the month of July, a copy of which is attached hereto as Exhibit "B." He reported that there was an arrest for a burglary in Cypress Mill Estates.

Director Henry reported that there has been a delay in the T1 line installation at the Constable Cypress Substation.

4. **Developers Report and reimbursement issues.** Mr. Day reported that Cypress Landing had nine new home sales in July. Mr. Day reported that utility construction is complete in Cypress Landing, Section Eleven, and the Texas Commission on Environmental Quality ("TCEQ") inspection is being scheduled. Mr. Day reported that the Cypress Landing, Section Twelve utilities bids are ready for Board approval.

5. **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.

6. **Sydney Harbour Water Plant Expansion, including Phase Two landscaping bids and award project.** Ms. Lee presented to and reviewed with the Board a proposal for landscape architectural technical services for various landscape/amenity related projects in the District, a copy of which is attached hereto as Exhibit "C." Ms. Lee stated that the proposal is for hourly rate compensation and would apply to Phase Two of the Water Plant No. 2 Landscaping. She reported that the landscaping will be bid separately from the remaining fence construction for Water Plant No. 2. 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 KGA Deforest Design LLC proposal for landscape architectural technical services.

7. **Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination.** The President recognized Mr. Lee, who presented to and reviewed with the Board the Tax Assessor-Collector's Report, a copy of which is attached hereto as Exhibit "D." Mr. Lee noted that 99.34% of the District's 2014 taxes had been collected as of July 31, 2015.

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 Tax Assessor-Collector's Report and to authorize the expenditures listed therein.

8. **Bookkeeper's Report, payment of bills, review investment report and policy, review budget, and any necessary changes.** The President recognized Ms. Tujague, 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 Henry, 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.

9. **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 "F." Upon review of the Water Production Report, Mr. Riley reported that the District received water from MUD 391 the last three days of the reporting period and that not all water production is included in the report. Mr. Riley reported that the interconnect valve with MUD 391 was closed yesterday and that the District will repay MUD 391 with water once he and the MUD 391 operator determine the amount of water due MUD 391.

Mr. Riley reviewed the Disconnection List with the Board.

Mr. Riley reported on Water Well #1 at Water Plant No. 1. He reported that the contractor completed acidization of Water Well #1, and that the contractor will televise the well next week. Mr. Riley reported that the contractor will install the pump and take bacteriological samples. He estimated that it will take two weeks for Water Well #1 to be operational. Mr. Riley reported that the total cost of the water well cleaning and repairs is \$153,000.

Mr. Riley reported that Eagle Water found closed valves in the District during the process of opening the interconnect valve with MUD 391. He reported that the closed valves were impeding water flow in the District. Mr. Riley requested Board authorization to perform a comprehensive valve survey in the District to confirm that valves are open and functional. He proposed that Eagle Water work on the valve survey by subdivision. Mr. Riley stated that Eagle Water would keep a record of the valve locations and have DEC update the District plans with the correct location upon completion of the valve survey. Mr. Riley stated that GPS coordinates of the valve location are not that beneficial to the operator. Mr. Riley stated that Eagle Water would begin the valve survey in Cypress Mill, Section One, due to the difficulty locating the valves in that subdivision.

Mr. Riley reported that the District's Wastewater Treatment Plant had excursions for ammonia and biochemical oxygen demand ("BOD") which will be in next month's Operations Report. He reported that the Wastewater Treatment Plant barely had enough air available to meet demand during the days when the temperature exceeded 100 degrees. Mr. Riley reported

that the upcoming Wastewater Treatment Plant Improvements will improve the processing at the plant.

Mr. Riley reported that water was found coming from the Ground Storage Tank overflow during testing. He reported that all three booster pump check valves were found to be failing. Mr. Riley reported that NTS provided a cost estimate to replace the valves of \$3,000 to \$5,000 per valve due to the difficulty in accessing the check valves.

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 perform a comprehensive valve survey, and to authorize replacement of the three booster pump check valves.

10. 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 "G."

Mr. Hirshman reported on the Wastewater Treatment Plant Improvements. Mr. Hirshman reported that NRF reviewed and approved the payment and performance bonds for the contract with N&S Construction Co, L.P. Mr. Hirshman reported that the contract is ready for signature.

Mr. Hirshman reported on the Water Plant No. 2 improvements. Mr. Hirshman recommended payment of Pay Estimate #3 from JTR Construction in the amount of \$461,006.52 for the Water Plant No. 2 Improvements. Mr. Hirshman requested Board approval of a Change Order to remove the coating of the interior of the new Ground Storage Tank and add painting of the fuel tank and generator enclosure for a net reduction of \$26,039. Mr. Hirshman stated that the interiors of the hydropneumatic tanks will not be painted due to new requirements. He stated that DEC will inspect the interiors of the hydropneumatic tanks and will address the need to paint the interiors if it is determined that recoating is needed.

Mr. Hirshman reported that DEC submitted the District's Bond Application to the Texas Commission on Environmental Quality for expedited review on August 11, 2015.

Mr. Hirshman recommended Board approval of payment by Pulte Homes of Pay Estimate #6 to 5758 Construction in the amount of \$15,339.50 for work on the detention pond to serve Cypress Landing, Sections Eleven and Twelve.

Mr. Hirshman reported that fourteen bids were received on August 18, 2015, for the water, sanitary sewer and drainage facilities to serve Cypress Landing East, Section Twelve. Mr. Hirshman recommended award to the low bidder, Lischka Utilities, LLC, in the amount of \$497,000.00.

Mr. Hirshman reported that Sydney Harbour Interests, Ltd. has requested a capacity commitment of three equivalent single family connections to serve a fitness center on a reserve within Sydney Harbour. Mr. Hirshman reported that Ms. Trapolino from Sydney Harbour Interests, Ltd. has not yet provided the site plan or location of the fitness center.

Mr. Hirshman reported receipt of a request for consent to encroachment on the District's drainage easement for pool construction in Sydney Harbour. Mr. Hirshman stated that he is working with the pool contractor on the request.

Mr. Hirshman reviewed the two land plans for the Cypress Land Development 20 acre tract, included in the Engineer's Report. He reported that one land plan includes a daycare, medical clinic and veterinary clinic. Mr. Hirshman reported that the other land plan is for a daycare, medical clinic and four office condo buildings.

Mr. Hirshman reported that he spoke with the engineer managing the Highway 290 construction regarding the timing for construction of the sound wall. Mr. Hirshman reported that the engineer stated that Segment D is scheduled to be completed by the end of 2016, but he did not know when the wall will be started. The President asked if the contractor is coordinating with the District residents to give them information on the sound wall construction. Mr. Hirshman stated that he would check.

Mr. Hirshman reported that a property owner of a 5.11 acre tract north of Cypress Landing East requested utility service for a proposed strip center. Mr. Hirshman reported that he informed the owner that the District does not have capacity available based on the TCEQ elevated storage tank variance. Mr. Hirshman reported that he would follow-up with the owner regarding possible options to provide utility service to the tract.

Mr. Hirshman reported that he submitted the District's Application for Release of Escrowed Funds to the TCEQ for the upcoming Wastewater Treatment Plant Improvements.

Mr. Hirshman reported that bids were received for the clearing and grubbing for the M/I Homes tract on Mueschke Road. Mr. Hirshman recommended award to the low bidder K&K Tree & Tractor Service in the amount of \$74,884.86 for the clearing and grubbing for the M/I Homes tract.

Mr. Hirshman reviewed the planned joint facilities for the Dalton Wallace and M/I Homes tracts. Mr. Hirshman reported that Dalton Wallace and M/I Homes plan to construct a detention pond that will serve both tracts, utilizing a portion of land from each participant. Mr. Hirshman asked the Board for authorization for NRF to prepare a cost sharing agreement between Dalton Wallace and M/I Homes for the shared detention pond, the extension of the sanitary sewer line north to the Dalton Wallace tract and the extension of the water line south to the M/I Homes tract. Mr. Hirshman reported that an agreement may facilitate an agreement on the construction of the joint facilities. Ms. Ellison estimated that the cost to prepare the agreement would be at least \$5,000. The President suggested inclusion of language permitting access by either party on the land of the other, as needed for construction, and phased construction in case one party is ready to proceed with the facilities before the other party. Upon motion by Director Koehn, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to authorize NRF to proceed with preparation of a cost sharing agreement between Dalton Wallace and M/I Homes.

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 payment of Pay Estimate #3 from JTR Construction in the amount of \$461,006.52 for the Water Plant No. 2 Improvements; to approve the Change Order to remove the coating of the interior of the new Ground Storage Tank and add painting of the fuel tank and generator enclosure for a net reduction of \$26,039 at Water Plant No. 2; to

approve payment by Pulte Homes of Pay Estimate #6 to 5758 Construction in the amount of \$15,339.50 for work on the detention pond to serve Cypress Landing, Sections Eleven and Twelve; to approve award of the contract to Lischka Utilities, LLC in the amount of \$497,000.00 for the construction of water, sanitary sewer and drainage facilities to serve Cypress Landing East, Section Twelve; and to approve award of the contract to K&K Tree & Tractor Service in the amount of \$74,884.86 for the clearing and grubbing for the M/I Homes tract.

11. **Joint Facility Development Agreement (M/I Homes and Dalton Wallace).** This item was covered under the Engineer's Report.

12. **Review developer land plans and any necessary action.** 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 Cypress Land Development land plans for the 20 acre tract presented in the Engineer's Report.

13. **Approve Continuing Disclosure Report and Authorize Filing.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Resolution of the Board of Directors of the District Approving Continuing Disclosure Materials and the Annual Report on Financial Information and Operating Data ("Continuing Disclosure Report"), a copy of which is attached hereto as Exhibit "H." Ms. Ellison reported that the Continuing Disclosure Report is an annual requirement which updates bondholders on the status of the District and includes the audit. She reported that Ms. Amy Lewis from Rathmann & Associates prepared the Continuing Disclosure Report and NRF reviewed it.

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 Continuing Disclosure Report and authorize its filing.

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

15. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on September 17, 2015, at 10:00 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
September 17, 2015.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

