

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
JUNE 17, 2016

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 June 17, 2016, 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 Lieutenant Oscar Muniz of Harris County Precinct 4 Constable's Office; 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; Wendy Austin of District Data Services, Inc., bookkeeper for the District; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Mr. Greg Sissel of BKD, LLP., District auditor; Mr. Brian Jarrard of Holcomb Properties Company, Ms. Juanita Orsak of Pulte Homes, and Ms. Heidi Stephenson of Cymill Partners, developers of land in the District; Ms. Kathleen Ellison and Ms. Brenda Presser of Norton Rose Fulbright US LLP ("NRF"), attorneys for the District; and Mr. Gustavo A. Guido of Zen Builders, Inc.

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 20, 2016.** The proposed minutes of the meeting of May 20, 2016, previously distributed to the Board, were presented for review and approval. 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 minutes of May 20, 2016, as presented.

2. **Public Comments and letters from residents.** The President recognized Mr. Gustavo who asked the Board to consider annexation of a one-acre tract at the intersection of Kings Court and Cypress Rosehill. He said he proposed to construct an eight-unit retail development on the site. The President expressed concern about the negative impact the development would have on taxable values in the District. 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 deny the request for annexation into the District and decline to provide service.

The President recognized Director Bryant, who reported on various emails to the District's website, copies of which are attached as *Exhibit "B."* He stated that he received four requests for new water and sewer service and forwarded the requests to Eagle Water. Director Bryant next reported on a second solicitation from S.E.A.L. Security Solutions to which no response

was provided. He said that he received a couple of comments about meeting minutes not being updated and, after speaking with Ms. Presser, reported that postings are current. In response to a resident's inquiry about street lights along Mueschke Road, Director Bryant responded the project is progressing forward.

Director Bryant next reviewed and discussed correspondence from a District resident and member of the homeowners' association, George Rogers, about two matters of concern. Director Bryant presented Mr. Rogers' first concern, regarding issues with ATV's and golf carts in and around the retention pond at the center of Cypress Mill Park Section Two resulting in large ruts in the soil and damaging the landscaping. He said Mr. Rogers inquired about the District installing restrictive fencing at access points to prevent access. Discussion ensued regarding benefits and futility of installing fencing to prevent or deter access. The Board declined to install fencing, but directed Lieutenant Muniz to provide extra patrol in the area.

Director Bryant next discussed Mr. Rogers' request for waste bins for pets around the detention pond sidewalk trail. After a full discussion by the Board, Director Bryant was directed to respond to Mr. Rogers that the Board would allow the Homeowners' Association to install and maintain the waste bins.

3. **Security Report.** Lieutenant Muniz reviewed the Security Report for the month of May, a copy of which is attached hereto as *Exhibit "C."* The Board discussed the issues in Cypress Mill Park Section Two concerning damages to the retention pond from ATVs and action that the Board can take to reduce activity. Lieutenant Muniz suggested adding extra patrol to the area and issue citations at time of offense. He then requested the Board's authorization to press charges and prosecute at the time of the offense, on behalf of the District. 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 authorize peace officers, patrolling under the contract with the District, to press charges and prosecute persons, on behalf of the District, that are trespassing on District property with ATVs and golf carts and other recreational vehicles causing damage to District property at the time of the offense.

Lieutenant Muniz then left the meeting and Director Henry reviewed the remainder of the Security Report, noting 18 citations were issued and there was one arrest for possession of marijuana. Director Henry also reported that Captain Blackledge expressed gratitude, on behalf of the Harris County Sheriff's Office and Harris County Precinct 4 Constable's Office, for the District's contribution for the Cellebrite forensic analysis for the purpose of abating criminal activity in the District. Director Henry stated the report on data extracted from the cell phone assisted in the arrest of suspects responsible for approximately 142 burglaries and two murders within the District area.

4. **Approve audit for fiscal year ending February 28, 2016.** The President recognized Mr. Sissel, who presented to and reviewed with the Board the draft of the District's audit for fiscal year ending February 28, 2016 (the "Audit"), a copy of which is attached hereto as *Exhibit "D."* Mr. Sissel noted that the District has a one and a half year reserve for debt service and maintains a one year reserve in the General Fund.

Mr. Sissel 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 and a draft management response. A copy of the letter is attached to the audit, which is attached hereto as *Exhibit "D-1."*

Mr. Sissel 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 to the draft audit, which is attached hereto as *Exhibit "D-2."*

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

5. **Developers Report and reimbursement issues.** The President recognized Mr. Jarrard, who updated the Board on the status of the proposed construction of a commercial retail center on Cymill Partners' 3.7 acre parcel in the District. He reported that plans have been submitted to the District's engineer for review and appropriate property descriptions will be transmitted to NRF for preparation of storm sewer and sanitary sewer easements. Mr. Jarrard anticipates construction to begin the first of August with occupancy in late Spring to early Summer of 2017. He said that he is awaiting updated a utility commitment letter from the District's engineer. Mr. Hirshman confirmed that the updated utility commitment letter for 37 ESFC was sent to Carol Harrison at IDS Engineering Group by letter dated June 9, 2016, a copy of which is attached to the Engineer's Report. Mr. Jarrard then reviewed the landscaping plans for the property and responded to the Board's questions about fencing, gates, curb cuts and wheel stops. Mr. Jarrard also inquired about planting trees on the retention pond slope and installing rod iron fences around the ponds. The Board consented to the planting and fencing provided there are curb cuts and gates for the mowers.

Ms. Orsak reported on status of development, noting that Cypress Landing East should be completed within about a year. She said she would provide a summary of Pulte's costs to Dannenbaum for preparation of a bond application. She requested the District's consent to install galvanized pipes across the opening of the 72 inch exposed storm pipe in the detention pond. Mr. Riley discussed maintenance issues with the installation of a grate. Ms. Orsak reported the item is not required by the Texas Commission on Environmental Quality, but is more of a safety issue. It was the consensus of the Board to permit Pulte to install and maintain the pipes across the opening of the storm pipe at Pulte's cost, if it wishes to do so.

6. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties.** Mr. Hirshman reported on the US 290 noise abatement barrier.

7. **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 "E." Ms. Bryant noted that 98.6% of the District's 2015 taxes had been collected to date.

Ms. Bryant stated the Harris County Appraisal District issued the District's estimated preliminary appraised value at \$770,874,016 and estimated preliminary taxable value at \$752,867,779. Ms. Bryant stated that Assessments has calculated estimated personal property taxable value at \$21,785,285 for a total estimated preliminary taxable value of \$774,653,064. She reminded the Board that the values discussed are preliminary and do not include adjustments to property owners and exemptions.

Ms. Bryant reviewed the Annual Escheated Funds Report, attached hereto as "Exhibit E-1" and stated there is no abandoned property for the period March 1, 2012 through February 29, 2013.

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.

8. **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 "F."* 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 "G."* Mr. Riley reported that water accountability is 92.9% for the billing period through May 27, 2016.

Mr. Riley reviewed the Disconnection List with the Board and brought to the Board's attention a delinquent account where it is known that a disabled person is in the residence. He reviewed the payment history, action taken and reported no response has been received. He stated that he has allowed some latitude due to the circumstances; however, with no response, he will now send a letter, certified, return receipt requested, to notify residents that service will be disconnected.

Mr. Riley also reviewed the list of accounts that are uncollectible and requested the Board's authorization to turn the seven accounts to the collections agency.

Director Halloran discussed a meeting with representatives from the Grand Parkway who attributed flooding around newer sections of the Grand Parkway to storm water system issues.

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 Operations Report, to authorize the Operator to transmit notice of termination of service, as discussed, to terminate the remaining delinquent accounts in accordance with the Rate Order, and to send seven accounts to collection.

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 "H."*

Mr. Hirshman reported on the Wastewater Treatment Plant Improvements. Mr. Hirshman requested Board approval of Pay Estimate No. 8 to N & S Construction Co., LP in the amount \$80,379.46 for the Wastewater Treatment Plant Improvements, Invoice No. 049979 to Paradigm in the amount of \$2,514.58 for testing, and Invoice No. 201603532 to LJA Engineering, Inc. in the amount of \$1,048.20 for installation of electrical components at the Plant.

Mr. Hirshman reported that contracts are signed for construction of Water Plant No. 1 improvements, noting that W.W. Payton was the low bidder at \$1,790,000. He stated that a preconstruction meeting is being coordinated with the contractor and operator to begin the project. Director Koehn stated that he will sign the construction contracts, but that Water Plant No. 1 is to remain in full service until improvements at Water Plant No. 2 are completed and Water Plant No. 2 is back in operation.

Mr. Hirshman reported on the Water Plant No. 2 improvements and requested Board approval of Pay Estimate No. 10 to JTR Construction in the amount \$69,160.50 for the Water Plant No. 2 Improvements.

Mr. Hirshman reported that Phase 1 of the Fair Meadows Utilities, Detention, and Offsite Sanitary Sewer Project is complete. He also reported that change orders, presented and approved for this project last month, have been sent to the respective owners for payment.

Mr. Hirshman reported that property descriptions are being prepared for transmittal to NRF to prepare easements for Keeton Tract boundary line.

Mr. Hirshman reported Pay Estimate No. 5 and Final to Lischka Utilities, LLC in the amount \$32,459.70 for construction of water, sanitary sewer and storm sewer facilities to serve Cypress Landing East, Section Twelve and Change Order No. 3 in the amount of \$22,017.45, representing a net increase to the construction contract, for demucking the lots to achieve passing compaction tests, were submitted to Pulte Group, Inc. for payment on behalf of the District.

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: (1) approve the Engineer's Report; (2) approve Pay Estimate No. 8 to N & S Construction Co., LP in the amount \$80,379.46 for the Wastewater Treatment Plant Improvements, Invoice No. 049979 to Paradigm in the amount of \$2,514.58 for testing, and Invoice No. 201603532 to LJA Engineering, Inc. in the amount of \$1,048.20 for installation of electrical components at the Plant; (3) approve Pay Estimate No. 10 to JTR Construction in the amount \$69,160.50 for the Water Plant No. 2 Improvements; and (4) approve Pay Estimate No. 5 and Final to Lischka Utilities, LLC for the construction of the water, sanitary sewer, and storm sewer facilities to serve Cypress Landing East Section 12 in the amount of \$32,459.70 and Change Order No. 3 in the amount of \$22,017.45.

11. **Other Consultant and Director Reports.** No other reports were presented.

12. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on July 15, 2016, 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.

* * *

The foregoing minutes were passed and approved by the Board of Directors on July 15, 2016.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

