

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
OCTOBER 20, 2017

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 October 20, 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 Allen DeJonge of 1190 Designs; Lieutenant Oscar Muniz of Harris County Constable, Precinct 4 (HCC, Pct.4); Ms. Donna Bryant of Assessments of the Southwest ("Assessments"), tax assessor-collector for the District; Mr. Tracy Riley and Mr. T.R. Riley of Eagle Water Management, Inc. ("Eagle Water"), operator for the District; Ms. Wendy Austin of District Data Services, bookkeeper for 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. **Convene Public Hearing on Proposed Tax Rate for 2017.** The President convened the public hearing on the proposed tax rate for 2017. There were no comments. The President closed the hearing.
2. **Adopt Order Setting Tax Rate and Levying Tax for 2017.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Order Setting Tax Rate and Levying Tax for 2017, a copy of which is attached hereto as *Exhibit B*. Ms. Bryant reported that the notice of public hearing was published.

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 adopt the Order Setting Tax Rate and Levying Tax for 2017 with a total tax rate of \$0.75, comprised of a rate of \$0.38 for debt service, \$0.29 for operation and maintenance expenses, and \$0.08 for contract obligations.

3. **Approve Amended District Information Form.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the amendment to Amended and Restated District Information Form, a copy of which is attached hereto as *Exhibit C*. Ms. Ellison reported that this document is recorded in the Harris County Real Property Records to provide notice to purchasers of property in the District of the current tax rate in 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 approve the Amendment to Amended and Restated District Information Form.

4. **Minutes of the meeting of September 15, 2017 and October 6, 2017.** The proposed minutes of the meetings of September 15, 2017 and October 6, 2017, previously distributed to the Board, were presented for review and approval. 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 minutes of September 15, 2017 and October 6, 2017, as amended.

5. **Presentation from 1190 Design.** Mr. DeJonge introduced himself to the Board and provided a brief overview of his professional background and business services. He reviewed a proposal for web design and web site maintenance services, a copy of which is attached as *Exhibit D*. He discussed pricing and layout design options and referred the Board to the websites of other municipal utility districts to see his work. Discussion ensued. No action was taken and it was the consensus of the Board to defer this item for next month's meeting.

6. **Public Comments and letters from residents.** The President recognized Director Bryant, who reported on correspondence that was received through the District's website, copies of which are attached as *Exhibit E*. He reported there was one request for new service, which were transmitted to Eagle Water for further handling.

Director Bryant discussed correspondence and reviewed photographs from a District resident regarding the Cypress Mill – Dry Creek Retention Pond. Discussion ensued. President Koehn said that he will find out who maintains the landscaping for that area and follow up on maintenance.

Director Bryant read correspondence from a District customer with complimentary comments for the service provided by Best Trash. He noted that the correspondence was transmitted to Matthew May, who expressed his appreciation for the compliments.

7. **Security Report.** The President recognized Lieutenant Muniz who reviewed the Security Report for the month of September, a copy of which is attached hereto as *Exhibit F*.

Director Henry reported that 32 citations were issued by extra patrol and there was one theft arrest at Wal-Mart.

8. **Developers Report and reimbursement issues.** Ms. Stephenson reported on the status of the leasing of the new commercial building in the District.

9. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties.** President Koehn reported that the landscape architect is preparing contracts for the fencing project for the lift stations at 290 and Cypresswood, respectively.

10. **Report on Beautification Projects.** There were no updates to report to the Board.

11. **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 G*. Ms. Bryant noted that 99.28% of the District's 2016 taxes had been collected as of September 30, 2017.

Ms. Bryant reviewed the Delinquent Tax Report from the District's delinquent tax attorneys and requested the Board's authorization for the delinquent tax attorneys to send notice of termination of service to eligible delinquent tax accounts. Ms. Bryant next reviewed and discussed a request for an installment payment agreement of \$300 per month for the 2016 taxes on two residential accounts. Discussion ensued regarding payment of 2017 taxes that will be due by January 31, 2018. 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 the District's delinquent tax attorneys to send notice of termination of service to eligible delinquent tax accounts and to approve an installment payment agreement of \$400 per month for the 2016 taxes on the two residential accounts discussed above so long as the taxpayer is current on 2017 taxes.

Upon motion by Director Halloran, 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.

12. **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 Chester, 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 for the purposes stated therein.

13. **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 95.8% for the billing period from August 31, 2017 to September 27, 2017.

Mr. Riley reported that the pump at Well No. 3 at Water Plant No. 2 has been pulled and all components are being cleaned. He said that the rig that pulled the pump will remain onsite to install the new pump upon delivery, which will reduce mobilization costs.

Mr. Riley reported that the variable frequency drives were replaced on Basins 1 and 2 at the Wastewater Treatment Plant. He said there were still problems with the program controls.

Mr. Riley reported on a tree at Wastewater Treatment Plant that needs pruning

Mr. Riley reported that Lift Station No. 1 has a chain link fence around it and the adjacent neighbor has a wood fence. He stated there is a tree between the fences that is causing the neighbor's wood fence to be unstable and leaning. He said Eagle will obtain a price to remove the tree and grind the stump.

Discussion ensued regarding vine removal on the transformers. Mr. TR Riley confirmed that he will contact the residents regarding tree pruning and removal and he will also follow up with CenterPoint on removing the vines from the transformers.

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.

14. 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 reported that Mr. Hirshman was unable to attend the meeting today and the President reviewed with the Board the Engineer's Report, a copy of which is attached hereto as *Exhibit J*.

Director Koehn reported on a request for approval of Change Order No. 3 for a total cost of \$18,035.75. He said that an eight inch piping loop is needed at the Wastewater Treatment Plant to prevent backflow of liquid sludge from the digester basin from reaching the new turbo blowers, and additional wiring and conduit is needed for a small electrical valve that was not included in the design.

Director Koehn reviewed a request for approval of Pay Estimate No. 8 in the amount of \$61,141.50 to W.W. Payton Corporation and Invoice No. 051456 in the amount of \$525.00 to Paradigm. Discussion ensued regarding a change order for additional costs of \$115,000 for an additional hydro tank and additional work related to removal of the pumps for service for a cost of \$7,000.

The Board reviewed detention pond maintenance proposals for the 3.7 acre Tract and the Keeton Tract. Discussion ensued.

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: (1) the Engineer's Report; (2) Change Order No. 3 for \$18,035.75; (3) Pay Estimate No. 8 for \$61,141.50 to W.W. Payton Corporation; (4) Invoice No. 0151456 for \$525.00 to Paradigm; (5) a proposal from Texas Erosion in the amount of \$1,750.00 for detention pond maintenance of the 3.7 acre tract; and (6) a proposal from Texas Erosion in the amount of \$7,000.00 for detention pond maintenance for the Keeton Tract.

15. Service Agreement with Fountain of Life Church. The Board reviewed a request for water service from Fountain of Life Church of God, a copy of which is attached as Exhibit K. Discussion ensued regarding minimum requirements to provide service. Ms. Ellison confirmed that she will follow up with Fountain of Life Church of God with the Board's requirements.

16. Discuss insurance renewal. The Board discussed requesting comparison proposals for insurance renewal. It was the consensus of the Board to obtain a proposal from the current vendor at this time.

17. Approve Engagement Letter for Arbitrage Compliance Services for Series 2013 Bonds. The President recognized Ms. Ellison, who reviewed with the Board the Bond Management Compliance Program Engagement Letter from Arbitrage Compliance Specialists, Inc. for the Unlimited Tax Bonds, Series 2013, a copy of which is attached hereto as *Exhibit H*.

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 Bond Management Compliance Program Engagement Letter from Arbitrage Compliance Specialists, Inc. for the Series 2013 Bonds.

18. Other Consultant and Director Reports. Ms. Ellison asked the Board to recommend a location for the District's next election and election officials. The Board asked for a summary of what is entailed.

19. Next meeting date. The next regular meeting of the Board is scheduled for November 17, 2017, at 11:00 a.m. at the offices of Norton Rose Fulbright US LLP, 1301 McKinney, Houston, Texas or such other time and place that a quorum can be established.

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 November 17, 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

