

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
DECEMBER 15, 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 December 15, 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, except Directors Henry and Bryant, thus constituting a quorum. Also attending all or portions of the meeting were Mr. Kyle Phoenix of Kendall Development; Lieutenant Oscar Muniz and Captain James Blackledge 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 of Eagle Water Management, Inc. ("Eagle Water"), operator for the District; Ms. Wendy Austin of District Data Services, bookkeeper for the District; Mr. Sam Cocke of Double Oak Erosion; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District;; Mr. Bill Hixon 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. **Minutes of the meeting of November 17, 2017.** The proposed minutes of the meeting of November 17, 2017, previously distributed to the Board, were presented for review and approval. Upon motion by Director Chester, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of November 17, 2017.

2. **Public Comments and letters from residents.** The President reported on correspondence that was received through the District's website, copies of which are attached as *Exhibit B*.

He reported that the website received five messages related to service and one message concerning odor from the wastewater treatment plant, all of which were forwarded to Eagle Water for further handling. He reported that a tax related message was received and forwarded to the District's Tax Assessor/Collector.

3. **Web design and maintenance.** The President reported that Director Bryant had researched variations of web designs by 1190 Designs, noting the District's current web site was established in 2006. Discussion ensued regarding the District's current costs for web design and maintenance and projected costs for a new design and maintenance. The President said that Director Bryant reviewed the three options offered by 1190 Designs and suggests option one to meet the District's needs. Upon motion by Director Chester, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Director Bryant to proceed with the option one proposal of 1190 Designs.

4. **Security Report.** The President recognized Lieutenant Muniz who reviewed the Security Report for the month of November, a copy of which is attached hereto as *Exhibit C*. Lieutenant Muniz updated the Board on recent arrests of suspects in some robberies and noted the stolen property was recovered.

5. **Extra Patrol matters.** The President recognized Ms. Ellison, who reported that Donald Steward should be added to the District's extra patrol officers and requested the Board's approval of a Peace Officer Agreement with Officer Steward, a copy of which is attached as *Exhibit D*. Captain Blackledge said that he reduced his hours from 70 to 50 so that Officer Steward's 20 hours will not change the total hours and cost to the District. Ms. Ellison said two officers who patrolled the District no longer patrol and their agreements need to be terminated. Ms. Ellison stated that Exhibit A to each Peace Officer Agreement sets forth the term of the agreement, the monthly hours and hourly rate of the officer. She asked that the Board approve a new Exhibit A to each patrol officer's Peace Officer Agreement to extend the term for another year. A copy of updated Exhibit A is attached as *Exhibit E* to these minutes. Ms. Ellison reported the District's peace officer bond insurance is about is \$600 for a three-year policy or \$150 per officer and to add a fifth officer would increase the total triennially paid premium to \$750. She said that the fifth officer is being added mid-term, therefore the pro-rated cost is \$50.

Upon motion by Director Chester, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to 1) approve the Peace Officer Agreement for Donald Steward; 2) approve an updated Exhibit A to existing Peace Officer Agreements; 3) terminate the Peace Officer Agreements with the officers who no longer provide extra patrol; and 4) authorize NRF to contact the insurance provider to update the officers' peace officer bonds.

6. **Developers Report and reimbursement issues.** Mr. Hixon reported on the status of the leasing of the new commercial building in the District.

7. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties.** Captain Blackledge recommended placing "no trespassing" signs at the detention pond in Cypress Mill Section 4 so that the officers can enforce the requirement. He said he would provide the wording to Eagle Management.

President Koehn recognized Mr. Cocke, who presented a proposal for cleaning the playground equipment and park area, a copy of which is attached as *Exhibit F*. Discussion ensued. Upon motion by Director Chester, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the proposal presented by Mr. Cocke.

8. **Rate Increase for GreenPros contract and proposal for fall mulch.** Ms. Ellison reported the District previously received a letter from GreenPros notifying the District that a 3% increase in the District's contracts will be effective January 1, 2018. Discussion ensued. Ms. Ellison stated the letter was a notice; therefore, no action is required of the Board.

9. **Report on Beautification Projects.** President Koehn recognized Mr. Cocke, who reviewed a maintenance report dated December 15, 2017 for Fair Meadows Detention Ponds and Keeton Tract Pond, a copy of which is attached as *Exhibit G*.

Mr. Cocke next reviewed and discussed proposals for landscape maintenance and detention pond maintenance, copies of which are attached as *Exhibit H*. No action of was taken at this time.

President Koehn reviewed a report from KGA/Deforest, which was distributed to the Board. He reported that the construction contracts for the Fenske Road Fencing Improvements are presented for execution. Upon motion by Director Chester, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the report from KGA/Deforest and authorize execution of the construction contracts for the Fenske Road Fencing Improvements. A copy of the KGA/Deforest report is attached as *Exhibit I*.

10. **Assignment and Assumption of Agreement for Services of Tax Assessor/Collector.** Ms. Bryant reported that the current Agreement for Services of Tax Assessor/Collector is in the name of Tommy Lee and the assignment will transfer the contract to Assessments of the Southwest, Inc. Upon motion by Director Chester, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Assignment and Assumption for Services of Tax Assessor/Collector, a copy of which is attached as *Exhibit J*.

11. **Amendment to Agreement for Services of Tax Assessor/Collector.** Ms. Bryant reported that ASW has not increased its costs for services since 2008. She presented a Third Amendment to Agreement for Services of Tax Assessor/Collector, a copy of which is attached as *Exhibit K*. Ms. Bryant noted an increase in the quarterly invoice from \$0.95 to \$0.98 per unit and an increase in the cost of envelopes from \$0.04 to \$0.05. Upon motion by Director Chester, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Third Amendment for Services of Tax Assessor/Collector, a copy of which is attached as *Exhibit K*.

12. **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 L*. Ms. Bryant noted that 2.94% of the District's 2017 taxes had been collected as of November 30, 2017. Upon motion by Director Chester, seconded by Director Halloran, 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.

13. **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 M*. Upon motion by Director Chester, seconded by Director Halloran, 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.

14. 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 N*.

Mr. Riley discussed issues with the controls for Basins 1 and 2 at the wastewater treatment plant that resulted in high ammonia causing an excursion. He reported the issues have been resolved and this matter will be reflected in next month's report.

Mr. Riley reported that Double Oak Erosion presented a proposal for removal of the Hackberry tree between two fences at the District's Lift Station No. 1 and a Live Oak tree in front of Water Plant No. 1. He noted the proposal was lower than the proposal presented last month from Davey Tree Surgery. Discussion ensued regarding removal of the small trees between the two fences and Mr. Cocke stated that he will remove those trees.

Mr. Riley requested the Board's authorization to write off 15 accounts that are uncollectible.

Mr. Riley reported on a delinquent commercial customer whose property is on the south side of Highway 290. He stated the customer uses approximately 200,000 gallons of water per month for irrigation and has paid a \$350 security deposit. He stated the Rate Order allows for a maximum security deposit of \$400 for commercial customers and recommended a review of this item in the Rate Order in the future.

Mr. Riley stated that the Harris County Municipal Utility District No. 391 ("391") operator closed a District valve when installing an interconnect vault at Huffmeister Road which resulted in the loss of water to approximately 1,500 customers for several hours. He said that Eagle Water tried to open the interconnect at Renner Crossing and found that the new meter vault installed there had a check valve that prevented the District from obtaining water. He said Eagle Water fielded more than 400 calls. Discussion ensued. Mr. Riley noted that the District lost approximately 250,000 gallons of water in the incident. Mr. Riley provided the apology from Inframark. The President asked Mr. Riley to keep him informed.

Upon motion by Director Chester, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report; to authorize the write-off of 15 uncollectible accounts and to authorize the Operator to terminate delinquent accounts in accordance with the Rate Order.

15. 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 as *Exhibit O*.

Mr. Hirshman discussed the request for service from Kendall Development. He said that after further research he has found that the Texas Commission on Environmental Quality is approving elevated storage tank waivers; however, a great deal of information is being required in the study and it is taking longer to obtain approval. He reported the next step is an

annexation feasibility study. Ms. Ellison reported that a deposit in the amount of \$15,000 is required to cover the costs incurred to determine feasibility. Discussion ensued regarding payment of the cost to prepare a request for an elevated storage tank waiver.

Mr. Hirshman next reviewed and discussed a Utilities Preliminary *Summary of Costs* for the proposed bond election, a copy of which is attached as *Exhibit O-1*.

Upon motion by Director Chester, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report.

16. **Other Consultant and Director Reports.** There were no other reports..

17. **Next meeting date.** The next regular meeting of the Board is scheduled for January 19, 2018, 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 January 19, 2018.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

