MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
June 16, 2017

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 16, 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 Lieutenant Oscar Muniz of Harris County Precinct 4 Constable's Office; Mr. Brian Krueger of BKD LLP ("BKD"), auditors for the District; Ms. Stephanie Lee of KGA/DeForest Design LLC, landscape architects for the District; Ms. Donna Bryant of Assessments of the Southwest ("Assessments"), tax assessor-collector for the District; Mr. Chris Oliver 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; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer 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. **Minutes of the meeting of May 19, 2017.** The proposed minutes of the meeting of May 19, 2017, 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 May 19, 2017.

2. **Public Comments and letters from residents**. The President recognized Director Bryant, who reported on various emails to the District's website, copies of which are attached as *Exhibit B.* Director Bryant reported on correspondence from The Claims Center, a third party claims administrator for CenterPoint Energy, requesting contact information for the payment of an invoice for damages to a streetlight, which was determined not to be the District's responsibility. Director Bryant reported on operating questions and concerns which were forwarded to Eagle Water for response. He noted an email from the resident at 14334 Millstone Estates Lane, who said Eagle Water had dug up the area under and near his driveway twice to repair a neighbor's water line and now his driveway was settling. The Board asked Eagle Water to respond. Director Bryant stated that a question regarding exemptions for residents over 65 was transmitted to the

District's Tax Assessor/Collector for a response. He reported on and discussed a request for the District's monthly crime report from the President of the Sydney Harbour HOA. Discussion ensued regarding posting of the District's crime stats and Rate Order on the District's web site. 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 post the monthly crime stats and current Rate Order on the District's web site.

Mr. Hirshman reported that the District may receive emails concerning dust from the sandblasting at Water Plant No. 1. He said a seam in the cover had opened and the winds carried the dust onto the surrounding houses. He stated that the issue has since been resolved.

3. **Security Report.** The President recognized Lieutenant Muniz who reviewed the Security Report for the month of May, a copy of which is attached hereto as *Exhibit C.* Director Henry reported there were 13 citations issued on extra patrol.

4. **Approve audit for fiscal year ending February 28, 2017.** The President recognized Mr. Krueger, who presented to and reviewed with the Board the draft of the District's audit for fiscal year ending February 28, 2017 (the "Audit"), a copy of which is attached hereto as *Exhibit D.* Mr. Krueger 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. Krueger 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. Krueger 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 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.

5. **Developers Report and reimbursement issues.** Ms. Stephenson reported on the status of tenants for the new commercial building. She also reported that punch list items on the detention pond are being addressed.

6. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties**. The Board discussed the 290 exit ramp.

7. **Report on Beautification Projects**. President Koehn and Ms. Ellison reported on the status of homeowner easements acquired for fencing improvements.

The Board discussed fencing around the lift station on Highway 290 and the lift station on Cypresswood Drive. The Board asked Ms. Lee to design a fence for the Highway 290 lift station which would be further back than the previous fence. They asked Ms. Lee to design fencing and an electric slide gate for the Cypresswood Drive lift station. The President and Ms. Lee agreed to meet to view the sites.

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 E.* Ms. Bryant noted that 98.63% of the District's 2016 taxes had been collected as of May 31, 2017.

Ms. Bryant reported that Harris County Appraisal District has notified her that the District's preliminary 2017 value is $856,743,189.

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.

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 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 and for the purposes stated therein.

10. **Operator's Report, authorization of maintenance and hearing on delinquent accounts.** The President recognized Mr. Oliver, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as *Exhibit G.* Mr. Oliver reported that water accountability is 95.0% for the billing period from April 27, 2017 to May 26, 2017.

Mr. Oliver reported on the cause for District's receipt of a notice of ammonia violation, stating there were issues with the old decanter arm on Basins 1 and 2 which tripped out. Mr. Riley reported there are also issues with the new blowers tripping the breakers and they are corresponding with the manufacturer to determine a resolution. He noted that Basin 1 is down awaiting delivery and installation of a new decanter arm.

He noted that Eagle responded to a violation notice from Harris County Pollution Department.

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, to authorize the Operator to terminate delinquent accounts in accordance with the Rate Order, and to turn the list of unpaid accounts over to collections.

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 H.*

Mr. Hirshman presented and recommended approval of Pay Estimate No. 20 in the amount of $33,031.50 to N & S Construction Co., LP for the Wastewater Treatment Plant Expansion. He noted that the remaining work on the project consists of the installation of decanter arms for the basins, installation of additional sidewalks and site paving for the project.

Mr. Hirshman presented and recommended approval of Pay Estimate No. 4 in the amount of $47,295.00 to W.W. Payton Corporation. He reported the new tank construction is complete at Water Plant No. 1 and design is proceeding on an additional 10,000 gallon hydro tank.

Mr. Hirshman reported that Harris County Municipal Utility District No. 391 ("No. 391") received approval for two of the three interconnects as depicted on the map attached to the Engineer's Report. He stated that the third interconnect was not approved because No. 391 could not secure an easement from the No. 391 lot owner for a meter. Mr. Hirshman said that No. 391 will bid the two approved interconnects and attempt to get an easement from the lot owner in the District.

Mr. Hirshman presented and recommended approval of Pay Estimate No. 3 in the amount of $177,875.73 to D. Grimm, Inc. for the Safe Site tract construction.

Mr. Hirshman reported that the punch list items are being completed at the detention ponds, and he is waiting for confirmation that repairs are completed to perform his inspection. He noted the issue was low spots in the pond that needed to be filled to allow flow to the drainage channel.

Mr. Hirshman reported that the sinkhole at the manhole at Cypress Landing East near the lift station has been repaired pursuant to the proposal submitted and approved at last month's meeting.

Upon motion by Director Bryant, seconded by Director Halloran, 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. 20 in the amount of $33,031.50 to N & S Construction Co., LP, for the Wastewater Treatment Plant Expansion; *(3)* approve Pay Estimate No. 4 in the amount of $47,295.00 *to* W.W. Payton Corporation for construction of Water Plant No. 1 Pump Replacement and Ground Storage Tank Addition; and (4) approve Pay Estimate No. 3 in the amount of $177,875.73 to D. Grimm, Inc. for the Safe Site tract construction.

12. **Other Consultant and Director Reports.** Ms. Ellison reported that she is working with Steve Sheldon on the bond application. She said developer interest will accrue from the date construction invoices are paid and not from the date the developers deposited their money in the escrow fund.

Ms. Ellison reported that Arbitrage Compliance Specialists performed arbitrage rebate calculations and testing on the District's Series 2012 Unlimited Tax Bonds and no rebate payment is due to the IRS.

13. **Next meeting date.** The next regular meeting of the Board is scheduled for July 21, 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 July 21, 2017.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)