

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
July 21, 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 July 21, 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; Ms. Stephanie Lee of KGA/DeForest Design LLC, landscape architects for the District; Ms. Cathy Drew 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. Lynette Tujague of District Data Services, bookkeeper for the District; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Mr. Bill Hixon and Mr. Brian Jarrard 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 June 16, 2017.** The proposed minutes of the meeting of June 16, 2017, previously distributed to the Board, were presented for review and approval. 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 the minutes of June 16, 2017, as amended.

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 three contacts regarding billing issues which were forwarded to Eagle Water for response.

Director Bryant discussed correspondence from a District resident on Maple Hill who notified the Board that water no longer drains properly and ponds in low areas. The resident requested that the Board consider re-grading to allow proper drainage and prevent ponding. President Koehn stated that he will contact Green Pro to assess the issue.

3. **Security Report.** The President recognized Lieutenant Muniz who reviewed the Security Report for the month of June, a copy of which is attached hereto as *Exhibit C*. Director Henry reported there were 28 citations issued on extra patrol, one arrest for possession of marijuana, and one arrest for theft.

Lieutenant Muniz presented and reviewed notice of an estimated increase for law enforcement services to be effective March 1, 2018. A copy is attached as *Exhibit C-1*.

4. **Developers Report and reimbursement issues.** Mr. Hixon reported on the status of tenants for the new commercial building. Discussion ensued regarding the status of construction for the entrance and exit ramps to US Highway 290.

Mr. Hixon reviewed and discussed detention pond costs since initial work in 2006. He said additional capacity was required to be added, as well as additional erosion protection. He said a wrought iron fence had been installed for safety. Mr. Hirshman reported there are a few minor issues remaining on the detention pond and he will be meeting with Silt Solutions to assess for resolution.

5. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties.** The President recognized Ms. Lee, who reported that she met with President Koehn at the lift station sites located along 290 and Cypresswood Drive to assess design improvements. She discussed installing an eight-foot precast fence with a louvered gate for the lift station along Highway 290 and moving the gate at the Cypresswood Drive lift station back 14 feet and replacing the current gate with an electric slide gate to allow additional space to enter and exit the facility. Ms. Lee presented a Change Order for the design fee for the projects in the amount of \$4,200, a copy of which is attached as *Exhibit D*.

Mr. Riley reported that the fencing at Lift Station No. 3 needs to be replaced and noted that there is a picket fence currently in place. He presented proposals from two vendors in the amount of \$10,500 and \$11,800, respectively. After a discussion, the Board requested Ms. Lee to prepare a quote for fence replacement at Lift Station No. 3 and present it to the Board at the next month.

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 Change Order to the KGA DeForest contract, as presented.

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

Mr. Hixon reported that Walgreens is repairing its sprinkler system.

President Koehn reported on the height of the current fence behind the Walgreens commercial site. He said the current fence is more than seven feet high and at least one homeowner wants a fence at least as tall as the one being replaced behind her home. He recommended that the new fence be approximately eight feet tall for an estimated cost increase of \$15,000. 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 and approve the design revision in the fence project, as discussed.

7. Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination. The President recognized Ms. Drew, 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. Drew noted that 99.03% of the District's 2016 taxes had been collected as of June 30, 2017. Upon motion by Director Henry, 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.

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 F*. 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 accept the Bookkeeper's Report and to authorize payment of the checks listed and for the purposes stated 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 95.7% for the billing period from May 26, 2017 to June 27, 2017.

Mr. Riley reported that Basin #1 still needs a new decanter arm, noting that delivery was expected within four to six weeks and it has been four weeks since the order was placed.

Mr. Riley reported that Water Plant 1 is back in service until the fall, when it will be taken off line for repairs. He said Water Plant 2 is not in service because of vibrations on well pump No. 3, and the District has been receiving water through the interconnect with Harris County Municipal Utility District No. 391 ("No. 391").

Mr. Riley reported on the cleaning and televising of the District's sanitary sewer lines in Cypress Mill Estates, Section 8 to determine the source of cracking and settling of sidewalks. He said that there is no evidence of inflow or infiltration contributing to the problem. He proposed contacting CRC to raise sidewalks with an injection substance where applicable for a cost of \$150-200 per location. He said the remainder of the repairs will require excavation, regrading and replacing for an approximate cost of \$10,000. Discussion ensued regarding Harris County's responsibility for storm sewer lines. Mr. Hirshman said that he will contact Harris County to notify them about settlement relating to the storm sewer lines.

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 terminate delinquent accounts in accordance with the Rate Order, to turn the list of unpaid accounts over to collections and to authorize Eagle Water to contact CRC to contract for sidewalk repairs with an injection substance where applicable.

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 presented and recommended approval of Pay Estimate No. 5 in the amount of \$91,755 to W.W. Payton Corporation.

Mr. Hirshman reported that 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 and has abandoned the idea.

Mr. Hirshman presented and recommended approval of Pay Estimate No. 4 in the amount of \$78,323.96 to D. Grimm, Inc. for the Safe Site tract construction. He stated that \$78,323.96 of \$81,771.96 was approved for payment because a supplier was not paid by the contractor on this project. The supplier is claiming that \$3,448.00 is has not been paid.

Mr. Hirshman reported that the manhole at Cypress Lakes near the Lift Station had a sink hole that has been repaired. He request approval of a request for payment to Camino Services for \$4,312.00.

Mr. Hirshman updated the Board on preparation of Bond Application No. 14 in the amount of \$1,900,000. Discussion ensued, including developers' reimbursement and potential bond election.

Mr. Hirshman discussed a request from the engineer for Harris County Municipal Utility District No. 418 for sewer capacity in the amount of 2.1M GPD. He said the District does not have the capacity and requested the Board's authorization to respond to the request.

The Board discussed potential annexation tracts the District can serve. Mr. Hirshman will present a map of potential tracts at next month's meeting.

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: (1) approve the Engineer's Report; (2) approve Pay Estimate No. 5 in the amount of \$91,755 to W.W. Payton Corporation for construction of Water Plant No. 1 Pump Replacement and Ground Storage Tank Addition; (3) approve Pay Estimate No. 4 in the amount of \$78,323.96 to D. Grimm, Inc. for the Safe Site tract construction; (4) approve the request for payment to Camino Services for \$4,312.00 for sinkhole repairs; and (5) authorize Dannenbaum to send a letter denying a request for capacity.

11. 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 I*. 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 Rathmann & Associates prepared the Continuing Disclosure Report and NRF reviewed it.

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 Continuing Disclosure Report and authorize its filing.

12. Report on AWBD summer conference. Director Bryant reported on a session he attended regarding Smart Meters and disposal of replaced meters.

13. **Other Consultant and Director Reports.** Ms. Ellison noted distribution of the 2017 Legislative Summary for the regular session.

14. **Next meeting date.** The next regular meeting of the Board is scheduled for August 18, 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 August 18, 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

