

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
AUGUST 18, 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 August 18, 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 Director Halloran, thus constituting a quorum. Also attending all or portions of the meeting were Captain James Blackledge and Lieutenant Oscar Muniz of Harris County Precinct 4 Constable's Office; Mr. Sam Cocke of Texas Erosion; 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. Wendy Austin of District Data Services, bookkeeper for the District; 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 July 21, 2017.** The proposed minutes of the meeting of July 21, 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 July 21, 2017, as amended.

2. **Public Comments and letters from residents.** The President recognized Director Bryant, who reported that no correspondence was received through the District's website.

Ms. Ellison reported that Mr. Martin from Sydney Harbour Homeowner's Association had requested assistance with fast traffic in the neighborhood. The Board discussed the request with Captain Blackledge and Lieutenant Muniz, who said they would follow up with Mr. Martin.

3. **Security Report.** The President recognized Lieutenant Muniz who reviewed the Security Report for the month of July, a copy of which is attached hereto as *Exhibit B*. Captain

Blackledge reported on the arrest of car thieves. He reviewed the extra patrol stats, noting there were 27 citations issued, one towed vehicle from flood control, and two arrests for possession of marijuana. Discussion ensued regarding continuation of the bike patrol and it was the consensus of the Board to terminate the bike patrol as of September 1, 2017. Captain Blackledge also reported on suspects related to a wave of tire and rim thefts in Fairfield and Harris County MUD No. 391.

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

5. Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties. The Board reviewed a depiction of its lift station property on Cypress-Rosehill, a copy of which is attached as *Exhibit C*. The Board decided to put in a new 8 foot wood fence along the property line to eliminate the space between the District's fence and the adjacent fences. The President said he would talk to the affected residents. The Board requested that Mr. Riley obtain a proposal for the fence.

President Kohen asked Mr. Riley about the status of the fence at Water Plant No. 2. Mr. Riley reported that the wood fence on the north side is deteriorating and not secure. The Board asked the District's engineer to approach the developer of the commercial property adjacent to the fence to see if it would be interested in helping pay for a new fence.

6. Report on Beautification Projects. President Koehn and Ms. Ellison reported on the status of the agreements with homeowners pertaining to fencing improvements. Ms. Ellison reported that she had received all the agreements from the homeowners along Fenske Road. The President said that the Fenske Road right-of-way needs to be mowed. He asked Ms. Ellison to obtain a letter from the Cypress Ridge Homeowners Association agreeing to mow the right-of-way on a regular basis. 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 fence agreements with the homeowners along Fenske Road, contingent upon the Homeowners Association's agreement to maintain the Fenske Road right-of-way.

The President recognized Mr. Cocke, who presented and reviewed the monthly maintenance report for the Fair Meadows Detention Ponds, a copy is attached as *Exhibit D*. Mr. Cocke said the grass had not taken off but with the rain it looked better. Upon inquiry, he said the ponds are mowed 12 times a year. The President suggested that the mowing be increased in the summer. Discussion ensued and Mr. Cocke stated that he will prepare a proposal for an increased mowing schedule. No action was taken on this matter.

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 99.11% of the District's 2016 taxes had been collected as of July 31, 2017.

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 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 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 for the purposes stated therein.

9. Resolution Reviewing Investment Policy, and Making any Desirable Changes Thereto. Ms. Ellison reported that the District is required, under the Public Funds Investment Act, to review its investment policy annually. She reviewed proposed changes to the investment policy to conform to legislation passed in the 2017 Regular Session. 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 Resolution Reviewing Investment Policy and Making Desirable Changes Thereto and the revised investment policy. A copy of the resolution and investment policy are attached as *Exhibit G*.

10. 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 H*. Mr. Riley reported that water accountability is 95.6% for the billing period from June 27, 2017 to July 28, 2017.

Mr. Riley reported that the District has been receiving water through the interconnect with Harris County Municipal Utility District No. 391 ("No. 391"). He stated that Eagle Water is coordinating with Severn Trent on tracking the water through the interconnect.

Mr. Riley reported that Well No. 3 at Water Plant No. 2 is in need of repairs and will be taken offline post-summer. He discussed capacity, noting that the GST at Water Plant No. 1 may be available in a few weeks for additional capacity. Mr. Riley said he anticipates that the pump at Well No. 3 will require replacement; however, all components will be evaluated to determine whether they should be replaced or repaired.

Mr. Riley reported that the District's TPDES Permit expires February 15, 2018 and President Kohen asked Mr. Hirshman to confirm the status.

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, 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 I*.

Mr. Hirshman presented and recommended approval of Pay Estimate No. 6 in the amount of \$54,720 to W.W. Payton Corporation.

He reported that No. 391 has received approved plans for two interconnects and has bid the project, and the low bid was \$69,400. He said the District will be responsible for one-half of the cost and that Severn Trent will install the meters. Mr. Hirshman stated that No. 391's attorney will prepare an interconnect agreement for the District's attorney to review.

Mr. Hirshman reviewed the preliminary Summary of Costs for Bond Issue No. 14, and said the District will have no more authorized bonds.

Mr. Hirshman reviewed the Summary of Costs for reimbursement for detention to service the 3.7 acre commercial tract. Discussion ensued on the funds for reimbursement and the timing. Ms. Ellison noted that the District cannot reimburse the developer without a reimbursement audit and a pre-purchase inspection by the TCEQ.

Mr. Hirshman reported that he met with an engineer for Harris County regarding the sidewalk repairs at storm manholes in the Estates section and confirmed that Harris County will make the repairs to the sidewalks, along with some paving and inlet repairs.

Mr. Hirshman identified and discussed 26 potential tracts for annexation into the District that are not served by another municipal utility district or an entity holding a Certificate of Convenience and Necessity. He reviewed a Utilities Preliminary Summary of Costs – Tables 1 and 2, which are attached to the Engineer's Report.

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; and (2) approve Pay Estimate No. 6 in the amount of \$54,720.00 to W.W. Payton Corporation.

12. Acceptance of Detention Ponds (Cypress Mill Estates Commercial Reserve). The President recognized Ms. Ellison, who presented to and reviewed with the Board conveyance instruments for the detention ponds on the Cypress Mill Estates Commercial Reserve. 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 conveyance of the detention ponds, subject to a satisfactory final inspection by the District engineer.

13. Order Authorizing Application for Expedited Consideration of Approval by TCEQ of Project and Issuance of Bonds. Discussion ensued regarding a filing timeline and the projects to be funded in a new bond issue. Mr. Hirshman said the summary of costs was included in the Engineer's Report. 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 Order Authorizing Application for Expedited Consideration of Approval by TCEQ of Projects and Issuance of Bonds.


14. Other Consultant and Director Reports. No reports were presented.

15. Next meeting date. The next regular meeting of the Board is scheduled for September 15, 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 September 15, 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

