

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
SEPTEMBER 15, 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 September 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. Also attending all or portions of the meeting were Lieutenant Oscar Muniz of Harris County Constable, Precinct 4 (HCC, Pct.4); Ms. Jennifer Hanna of BKD LLP, auditor for the District; Mr. Craig Rathmann of Rathmann & Associates L.P., financial advisor to 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; Ms. Stephanie Lee of KGA/DeForest Design LLC, landscape architects 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 August 18, 2017.** The proposed minutes of the meeting of August 18, 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 August 18, 2017, as amended.

2. **Public Comments and letters from residents.** The President recognized Director Bryant, who reported on correspondence that was received through the District's website, a copy of which is attached as *Exhibit B*. Director Bryant noted that he had some technical issues, which delayed receipt of District correspondence. He reported there were five requests for new service or discontinuance of service and five inquiries regarding billing, all of which were transmitted to Eagle Water for further handling.

Director Bryant reviewed correspondence from a customer on Towering Cypress Drive that asked about: 1) recent media coverage regarding hexavalent chromium being present in the tap water for Harris County; 2) what the Board is doing about it; and 3) a comprehensive testing of the elements in the tap water. Mr. Riley said that he will follow up with the customer.

Director Bryant reported on Hurricane Harvey questions from customers who wanted to know if the water would be cut off due to flooding, if there were any issues that could cause water supply to be restricted or cut off during the storm, and about water quality because of rumors heard that the water quality had been compromised due to flooding. Discussion ensued, and it was noted that there were no water quality or supply issues.

Director Bryant reviewed a request for inspection for underground facilities at a new construction site and requested that someone return the call. Mr. Riley obtained the phone number and said that he will follow up.

Director Bryant reported that a customer on Midnight Glen Drive requested a new water meter cover because his cover appeared to have washed away during the storm and the status of the mailing out water bills. Mr. Riley indicated that Eagle Water would follow up.

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 report on District correspondence.

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

Lieutenant Muniz reported on tire and wheel thefts under investigation.

Director Henry distributed a report from Harris County Constables, Pct. 4 about Hurricane Harvey rescue and recovery updates, a copy of which is attached as *Exhibit C-1*. He noted that HCC, Pct. 4 received an estimated 12,000 emergency calls for service and coordinated with local fire departments, Coast Guard, and local volunteer boat operators to assist in rescue operations. Lieutenant Muniz reported that the Cypresswood station was lost during the storm. Each of the Directors expressed their gratitude and appreciation to Lieutenant Muniz and the other officers that patrolled the District during the storm and following recovery.

Director Henry reported that 32 citations were issued by extra patrol and Lieutenant Rogers rode his bike patrolling the District for 20 hours. During the storm and flooding, units patrolled the District on the extra patrol.

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 Security Report.

4. Developer Reimbursement Audit and payment to developer. The President recognized Ms. Hanna, who presented to and reviewed with the Board the draft of the Developer Reimbursement Audit, a copy of which is attached hereto as *Exhibit D*. Ms. Hanna reported that the total reimbursement amount due to CyMill Partners, Ltd. for construction of detention facilities to serve Cypress Mill Plaza Retail Center on behalf of the District is \$248,111.00 She noted that interest was recalculated to reflect the 2017 Bond rate.

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 developer reimbursement audit and to authorize payment of \$248,111.00 to CyMill Partners Ltd., subject to the District's receipt of TCEQ's authorization to purchase the facilities.

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

6. Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties. President Koehn reviewed and presented a proposal from Storm Water Solutions in the amount of \$6,851.00 for re-grading the flow line of Dry Creek between Moss Valley and Cypress Rosehill for drainage, a copy of which is attached as *Exhibit E*. 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 proposal from Storm Water Solutions in the amount of \$6,851.00 as presented.

President Koehn recognized Ms. Lee who presented and reviewed a bid tabulation for fencing at the 290 lift station and the Cypresswood lift station, a copy of which is attached as *Exhibit F*. She reported that three bids were solicited and Fencecrete America is the bidder with the lowest qualified bid in the amount of \$34,738.00 for fencing at both lift stations. Discussion ensued regarding deferring fencing at the 290 lift station and it was the consensus of the Board to defer fence replacement at the 290 lift station pending completion and clean-up of construction of Highway 290 in that area.

Ms. Lee reported that she prepared a cost estimate for an "all wood" fence replacement at Lift Station No. 3. President Koehn said that he will coordinate with affected residents about removal of existing fences and construction of a fence shared by the District and such residents. Mr. Riley stated that he will also obtain quotes for replacement of the wood fencing at Lift Station No. 3.

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 bid from Fencecrete America, Inc. in the amount of \$34,738.00, but to defer proceeding with the construction at the 290 Lift Station until TxDOT finishes its work in the area.

7. Report on Beautification Projects. President Koehn and Ms. Ellison updated the Board on the status of the Fenske Road Fence Project.

8. Consider Financial Advisor's tax rate recommendations and Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2016. The President recognized Mr. Rathmann, who presented to and reviewed with the Board the recommendation for the 2017 tax rate, a copy of which is attached hereto as *Exhibit G*. He stated that the average home value increased. Mr. Rathmann reviewed the District's fund balances and budget. Discussion ensued about future bond sales and proposed tax rates to meet the District's financial needs.

The Board considered approval of the Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2017, a copy of which is attached hereto as *Exhibit H*. Ms. Ellison noted that the Order authorizes the

tax assessor's office to publish a notice of the proposed tax rate and a public hearing with respect to the tax rate.

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 propose a total tax rate of \$0.75 per \$100 assessed valuation, with \$0.38 for debt service, \$0.29 for maintenance and operating expenditures, and \$0.08 for the developer incentive fee, to approve the Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2017 and to authorize the District's tax assessor collector to publish the proposed tax rate.

Discussion ensued regarding a bond election to seek authorization to issue bonds to provide funding for repair, replacement and long term maintenance of the District's aging infrastructure and facilities, assuming the District's boundaries do not change. Messrs. Hirshman and Riley said they will coordinate efforts to prepare a cost summary of amounts needed to finance aging infrastructure and internal facilities.

9. 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 I*. Ms. Drew noted that 99.19% of the District's 2016 taxes had been collected as of August 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.

10. 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 J*. 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.

11. 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 K*. Mr. Riley reported that water accountability is 96.5% for the billing period from July 29, 2017 to August 27, 2017.

Mr. Riley reported that no delinquent accounts have been disconnected during and post-Harvey. It was the consensus of the Board to return to normal billing procedures, pursuant to the terms of the District's Rate Order, at this time.

Mr. Riley reported that Well No. 3 at Water Plant No. 2 is in need of repairs and that C&C will pull the pump for a full evaluation. Discussion ensued regarding authorization for repairs.

Mr. Riley discussed the condition of the Control/Blower room roof and the Chlorine Room roof at the Wastewater Treatment Plant. He estimated the cost to replace the roofs and fascia to be approximately \$12,705.00. 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: (1) approve the Operations Report; (2) authorize the Operator to terminate delinquent accounts in accordance with the Rate Order; (3), authorize repair or replacement of Well No. 3 pump in an amount not to exceed \$50,000.00 subject to review of C&C's evaluation of the pump by President Koehn and the District's engineer; and (4) authorize replacement of the roofs as recommended by Eagle Water.

12. 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 L*.

Mr. Hirshman presented and recommended approval of Pay Estimate No. 5 in the amount of \$9,625.27.00 to Monarch Civil Constructors, LLC for the Keeton Tract.

Mr. Hirshman presented and recommended approval of Pay Estimate No. 7 in the amount of \$58,995.00 to W.W. Payton Corporation.

Mr. Hirshman reported the Safe Site tract utility construction is complete. He recommended Pay Estimate No. 4 from the contractor, D. Grimm, Inc., in the amount of \$3,448.00.

Mr. Hirshman reported that, as discussed previously in this meeting, the summary of costs will be prepared for future repair and replacement of District facilities.

Mr. Hirshman reported that the land owners have been identified for the tract at Huffmeister and Cypress Rose Hill regarding the fence adjacent to Water Plant No. 2. He said that Dannenbaum will contact the land owners about sharing the costs for fencing.

Mr. Hirshman reported the STP permit will be submitted upon receipt of samples from Eagle Water.

Mr. Hirshman reviewed proposals from Texas Erosion and Storm Water Solutions for the maintenance of the detention ponds at the 3.7 acre commercial site and the Keeton Tract.

Mr. Hirshman reviewed the schedule of values provided last year for renewal of the District's insurance. The President directed Mr. Hirshman to review the values and increase them as necessary to replacement value.

Upon motion by Director Chester, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve: (1) the Engineer's Report; (2) Pay Estimate No. 5 in the amount of \$9,625.27.00 to Monarch Civil Constructors, LLC; (3) Pay Estimate No. 7 in the amount of \$58,995.00 to W.W. Payton Corporation; and (4) Pay Estimate No. 4 in the amount of \$3,448.00 to D. Grimm, Inc..

13. Service Agreement with Fountain of Life Church. President Koehn recognized Ms. Ellison who reported that she had been contacted by the Business Manager for the Fountain of Life Church ("FoLC") about proposed water service. She said FoLC is outside the District. She asked the Board if it wished to provide water service and the terms that should be

established. The President said FoLC should be treated the same way as Harvest Bible Church, another out-of-district customer, and asked the consultants to provide information on what Harvest Bible Church paid to establish service with the District.

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

15. Approve event notice regarding Hurricane Harvey. Ms. Ellison reported that there was some uncertainty in the municipal bond market due to Hurricane Harvey and some districts were making a voluntary filing stating they had no hurricane damage. She said that the Financial Advisor has indicated that activity and rates in the bond market are now good and filing a notice is not necessary. No action was taken on this item.

16. Nomination of Harris County Appraisal District director. Ms. Ellison reported that the Harris County Appraisal District is accepting nominations for a director to represent water districts. It was noted that Glenn Peters is the incumbent. The Board took no action on this item.

17. Next meeting date. The next regular meeting of the Board is scheduled for October 20, 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.

*

*

*

The foregoing minutes were passed and approved by the Board of Directors on October 20, 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

