

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
August 15, 2008

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 Fulbright & Jaworski L.L.P. at 1301 McKinney, Houston, Texas, on August 15, 2008, 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
Alex Handley, Treasurer
Tim Halloran, Secretary
Jerry Bryant, Assistant Secretary

All members of the Board were present except Director Handley. Also attending all or portions of the meeting were Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Ms. Donna Bryant of Assessments of the Southwest, tax assessor-collector for the District; Mr. Tracy Riley of Eagle Water Management, Inc. ("Eagle Water"), operator for the District; Mr. Jim Holcomb of Cymill Partners, developer of land within the District; Sergeant Blackledge, constable for the District; Ms. Angell Swedlund, Mr. Don Staas, and Ms. Dorothy Staas, District residents; and Ms. Kathleen Ellison and Ms. Yvette Deitrick of Fulbright & Jaworski L.L.P. ("F&J"), attorneys for the District.

The meeting was called to order in accordance with the 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. **Accept resignation of Director Handley.** 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 resignation of Director Handley.

2. **Appoint and Qualify New Director.** Ms. Ellison noted that Ms. Swedlund owned property in the District and was qualified to serve on the Board. Ms. Swedlund introduced herself to the Board. 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 appoint Ms. Swedlund to the Board.

3. **Election of Officer and appointment of recreational facilities director.** 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 elect Director Swedlund to fill the vacancy in the position of Treasurer and recreational facilities director.

4. **Minutes of the meeting of July 25, 2008.** The proposed minutes of the meeting of July 25, 2008, 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 25, 2008 as presented.

5. **Public Comments and letters from residents.** The President recognized Mr. Staas, who asked if it would be possible to post the draft meeting minutes to the District web site before approval by the Board. The Board discussed the proposal and decided that the minutes should be official before they are posted.

Director Halloran joined the meeting.

Director Henry requested that Director Bryant acknowledge all emails sent to the District web site and state that the email has been forwarded to the appropriate individual for response or will be considered at the next Board meeting. Director Henry stated that Director Bryant should be paid a per diem for his efforts managing the emails received from the District web site. Director Swedlund suggested that Director Bryant provide the contact information for the person the email was forwarded to in his reply to the resident. The Board discussed documentation of follow-up and resolution of the emails. Mr. Riley stated that most of the emails are related to billing. He suggested that the emails be handled the same as inquiries by phone, without written documentation of the question and response.

Mr. Staas stated that Ms. Trafton from the Cypress Mill Homeowners Association (“HOA”) stated that she previously never received responses from emails sent to the Board. Director Henry stated that he did not recall any emails from Ms. Trafton until after the last Cypress Mill HOA meeting in July. Director Bryant reported that Ms. Trafton emailed the Board on July 25, 2008 requesting that the Cypress Mill Estates detention pond sprinklers be reset to activate between four and five in the morning. The President reported that he contacted GreenPros to change the sprinkler activation time and that the time has been changed. He stated that the old contact at GreenPros is no longer there and that is why GreenPros has appeared not to be responsive.

Director Bryant reported on resident emails to the District web site. He reported receipt of an email from Ms. Patterson requesting the ability to go online to check her balance for water service. Mr. Riley reported that such information cannot be provided by Eagle Water at this time in an online format and that creating such online service would create security issues. Director Bryant stated that he would reply to the resident’s email that it is not available at this time.

Director Bryant reported receipt of an email by Ms. Loughlin regarding broken concrete around a manhole, which has been forwarded to Storm Water Solutions for repair. Director Bryant reported that he would inform Ms. Loughlin that it has been forwarded to Storm Water Solutions for repair. Director Bryant reported receipt of an email by Mr. Howard in

response to the letter to Cypress Hill HOA and the Cypress Mill newsletter regarding the recycling issue, in which Mr. Howard reiterated his reasons against recycling. Director Bryant reported receipt of an email by Mr. Moore which states his reasons against recycling, asks who will receive the profits from the recycling and what percentage of the District residents need to oppose recycling to stop the service. The Board noted that the District does not realize any profits from recycling. The Board reiterated that if a majority of District residents are against recycling, it will be discontinued.

Director Bryant reported receipt of an email by Ms. Robison stating that her water was terminated for non-payment and when the bill was paid on Thursday, July 30, she was informed the water would be turned on Friday, July 31 and that it has not been turned on yet. Mr. Riley stated that Ms. Robison has her dates confused as July 31 was Thursday and that her water was turned on Friday. Director Bryant reported receipt of an email by Ms. Choate regarding water termination two days in a row. He reviewed the email which stated that the water was turned off even though she paid the bill and that when she contacted the operator, the water was turned back on; however, the water was terminated again the next day. Mr. Riley reported that Eagle did not receive the resident's payment because she paid the bill to the incorrect water district.

Director Bryant reported receipt of an email stating that residents cannot pay their water bills at HEB Grocery and Kroger. Mr. Riley reported that he confirmed with Texas State Bank that District customers are able to pay at HEB Grocery and Kroger. He reported that some customers are using the old account numbers which will not work at HEB Grocery and Kroger.

Director Bryant reported receipt of an email by Ms. Trafton regarding the portion of the fence removed from the Cypress Mill reserve. Director Bryant recalled that Sergeant Blackledge recommended removal of the fence to promote safety for the children walking between their neighborhoods and schools. It was further noted that the nearby residents did not like the fence being removed. The President stated that he favored replacing the fence. 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 replacement of the fence by Eagle Water.

Director Bryant reported receipt of an email by Ms. Freilich regarding overpayment of her water bill and lack of credit on the subsequent water bill. Mr. Riley stated that the credit has been taken care of.

Upon motion by Director Swedlund, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to approve the recommendations for responding to emails to the District website, as discussed.

6. **Security report and any necessary action.** The President recognized Sergeant Blackledge, who presented to and reviewed with the Board the Security Report for the month of July, a copy of which is attached hereto as Exhibit "B."

7. **Developers' Report, reimbursement issues and any necessary easements.** The President recognized Mr. Holcomb who reported that Alicia's Mexican Grille

will open at the new location on August 26, 2008. He stated that Compass Bank will open soon and that there is still space available for new tenants.

8. **Recreational Facilities Planning/Harris County Flood Control District Partnership and Report on Homeowners Association matters.** Director Bryant asked about mosquito control in the District. The President reported that Cypress Mill HOA manages mosquitoes and recommended that Director Bryant contact Ms. Trafton regarding mosquito control.

9. **Landscaping proposals.** The President reported that he obtained a new contact for GreenPros and that GreenPros responded in a timely manner to the request to reset the Cypress Mill Estates detention pond sprinklers. No action was taken on this item.

10. **Tax Assessor-Collector's Report and payment of bills.** 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 "C." Ms. Bryant noted that 98% of the District's 2007 taxes had been collected as of July 31, 2008. She stated that Harris County Appraisal District expects to provide the certified tax roll the week of August 25.

Ms. Bryant reported that the Philly Connection has been removed from the Delinquent Tax Roll. Mr. Hirshman asked about De Lage Landen Operational on the Delinquent Tax Roll. Ms. Bryant reported that this was a personal property account and that omitted property has recently been added to the tax roll. Ms. Bryant stated that she would research the account.

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.

11. **Bookkeeper's Report, Review Investment Report and payment of bills.** The Board noted that the bookkeeper was not at the meeting because of confusion about the meeting date. 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 authorize payment of the District's normal operating expenses. A listing of such expenditures is attached hereto as Exhibit "D."

12. **Engineer's Report and any necessary action regarding construction projects, detention pond maintenance and reimbursement expenses.** 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 "E." Mr. Hirshman reported that Storm Water Solutions has discovered a beaver in the Cypress Mill Park detention pond, which will be removed from the pond.

Mr. Hirshman reported that the Cypress Landing and Cypress Landing Park developers are finalizing the detention ponds and working on Harris County Flood Control District acceptance.

Mr. Hirshman reported that the Texas Commission on Environmental Quality

("TCEQ") has granted the waiver of the elevated storage requirement. Mr. Hirshman noted that a hydropneumatic tank will have to be added if the District's connections increase to more than 3,600 due to the TCEQ stipulations. Mr. Hirshman reported that Centex Homes asked if the District still required the land it set aside for the elevated storage tank and if the District wanted to purchase the land. Mr. Hirshman stated that the chance of the TCEQ revoking the elevated storage tank waiver is very low. It was the consensus of the Board that the District has no need to purchase the land from Centex Homes for an elevated storage tank.

Mr. Hirshman reported that DEC is preparing the design of a generator for the wastewater treatment plant for power outages.

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

13. **Report on District Property Inventory.** The President recognized Director Henry, who reported receipt of an email by Ms. Loughlin asking if the District owns the Cypress Mill playgrounds and is responsible for the ground maintenance. Director Henry reported that he has requested that the District engineer identify all District property. Mr. Hirshman reported that he can only identify District property by the plats and that the parks were platted as recreational reserves. Mr. Holcomb reported that the main park in Cypress Mill is owned by the Cypress Mill HOA. The President reported that ownership can be checked at Harris County Appraisal District. Mr. Hirshman stated that he would prepare a map identifying District property.

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 "F." Director Bryant questioned the accuracy of Water Well 2A and Water Well 3 water pumpage. Mr. Riley noted that the amounts were probably reversed and that he will research the numbers.

Mr. Riley reported that the Roots positive displacement blower has been installed and is operational at the wastewater treatment plant.

Mr. Riley reported that the commercial meters in the District have been tested and a few will be replaced for an approximate cost of \$5,000.

Mr. Riley reviewed the Discharge Monitoring Report, included in the Operations Report, and noted that there were no excursions.

Mr. Riley reported on a two inch waterline break on Arbormont which feeds the wastewater treatment plant. Mr. Hirshman reported that the waterline to the wastewater treatment plant was a temporary service line which is no longer necessary.

Director Bryant asked if the backflow preventer test is required. Mr. Riley reported that the previous District operator required commercial entities to install backflow preventers regardless of the nature of their business. He stated that the backflow preventers are necessary to protect from a potential health hazard. Mr. Riley reported that Eagle Water is in the

process of developing a backflow preventer policy and guidelines. Mr. Hirshman reported that the City of Houston required all businesses to install backflow preventers and that all the utility districts in the City of Houston extraterritorial jurisdiction are required to do the same to conform to the City of Houston requirements.

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 and to terminate the delinquent accounts in accordance with the Rate Order.

15. **Attorney's Report.** Ms. Deitrick asked the Board when it wanted to meet in the District for an informational meeting. The Board discussed meeting in the Sydney Harbour recreational center. Ms. Deitrick stated that she would research the details of the recreational center in Sydney Harbour and report the findings at the next Board meeting.

16. **Other matters.** No other matters were discussed.

17. **Next Meeting Date.** The Board noted that the next regular monthly Board meeting will be held on September 19, 2008, at 11:00 a.m. at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The attached and foregoing minutes were passed and approved by the Board of Directors on September 19, 2008.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

