

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
June 12, 2009

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 special session, open to the public, at the offices of Fulbright & Jaworski L.L.P. at 1301 McKinney, Houston, Texas, on June 12, 2009, 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  
Angell Swedlund, Treasurer  
Tim Halloran, Secretary  
Jerry Bryant, Assistant Secretary

All members of the Board were present. 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; Ms. Wendy Austin of District Data Services, Inc., bookkeeper for the District; Mr. Jim Holcomb of Cymill Partners, developer of land within the District; Mr. Greg Sissel of BKD, L.L.P., auditor for the District; 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. **Minutes of the meeting of May 15, 2009.** The proposed minutes of the meeting of May 15, 2009, previously distributed to the Board, were presented for review and approval. 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 minutes of May 15, 2009, as presented.

2. **Public Comments and letters from residents.** The President recognized Director Bryant, who reported on emails to the Board. He reported that there were five emails related to billing and water fees which were forwarded to Eagle Water for handling.

Director Bryant reported that Ms. Norris of the Cypress Mill Homeowners Association emailed her thanks and appreciation of the Board's decision to pursue the Cypress-

Rosehill Beautification Project.

3. **Approve audit for fiscal year ending February 29, 2009.** The President recognized Mr. Sissel, who presented to and reviewed with the Board the draft of the District's audit for fiscal year ending February 29, 2009 (the "Audit"), a copy of which is attached hereto as Exhibit "B." Mr. Sissel noted that the District has one and a half years of reserve for expenses and close to two years reserve for debt.

Mr. Sissel 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. Mr. Sissel explained that the material weakness is that the District does not engage independent parties to prepare and to audit the District's financial statements and noted that most municipal utility districts also have the same material weakness in their internal controls over financial reporting. A copy of the letter is attached hereto as Exhibit "C."

Mr. Sissel 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 hereto as Exhibit "D."

Upon motion by Director Swedlund, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Audit subject to a ten day review period for Directors and District consultants and to approve the draft Management's Response to the management letter.

4. **Security report and take any necessary action regarding constable workspace.** The President recognized Director Henry, who reviewed with the Board the Security Report for the month of May, a copy of which is attached hereto as Exhibit "E."

Director Henry stated that the speed limit on Cypress-Rosehill has been increased to 45 miles per hour since the installation of the traffic light at Cypresswood Drive.

5. **Award constable workspace build out, lease and any necessary action.** Mr. Hirshman reported that he has contacted Mr. Pappas to notify him that the Board wants vinyl flooring installed instead of tile and carpeting. He reported that he has not received the bid package from the architect. Mr. Hirshman reported that if the project was advertised soon, the bids could be opened prior to the July Board meeting. The Board requested that Mr. Hirshman contact the architect directly to expedite the preparation of the bid package and the award of the constable space project.

6. **Developers' Report, reimbursement agreement and any necessary easements.** The President recognized Mr. Holcomb, who reported that additional security cameras are being added to his retail areas. He reported that Compass Bank is scheduled to open June 29, 2009. Mr. Holcomb reported that the punch list is being addressed for the reimbursement for the water lines and storm sewer at U.S. Highway 290 and Cypress-Rosehill.

Mr. Holcomb noted that the Cypress-Rosehill Beautification Project is a wonderful idea for the area.

7. **Recreational Facilities Planning/Harris County Flood Control District Partnership, Report on Homeowners Association matters and mowing proposals.** The President recognized Director Swedlund, who reported that the Board met at the Cypress Mill Estates Detention Pond and discussed trimming the underbrush of the wax myrtles, replacing with crape myrtles the wax myrtles that are leaning over too far to be saved, and planting knock-out roses. Upon motion by Director Swedlund, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve the above-described work at the Cypress Mill Estates Detention Pond.

8. **Consider Cypress-Rosehill Beautification Project.** The President reported that Director Swedlund and he met with KGA/DeForest Design, L.L.C. to discuss the addition of the Cypress-Rosehill Beautification Project to the District's Master Park Plan. He reported that KGA/DeForest Design, L.L.C. hopes to present an updated plan and pricing options at the July Board meeting.

9. **Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts.** 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 "F." Ms. Bryant noted that 97% of the District's 2008 taxes had been collected as of May 31, 2009.

Ms. Bryant reported that the Harris County Appraisal District ("HCAD") provided a 2009 preliminary taxable value for the District of \$428,608,797, which includes the addition of the 2008 personal property taxable value. Ms. Bryant reported that the certified tax roll is usually a little less than the preliminary valuation due to appeals. She reported that the HCAD estimate of assessed valuation as of May 1, 2009 is \$433,621,202.

Director Swedlund asked if the taxpayers who arranged payment plans have been making timely payments. Ms. Bryant stated that she would research the accounts.

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 Tax-Assessor-Collector's Report and to authorize the expenditures listed therein.

10. **Bookkeeper's Report, Review Investment Report and payment of bills.** 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 "G."

Ms. Austin presented to and reviewed the proposed Amended Budget included in the Bookkeeper's Report. She reported that the budget was amended with the addition of \$100,000 for the Constable Facility and \$150,000 for Detention Maintenance.

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 accept the Bookkeeper's Report, to authorize payment of the checks listed therein, and to approve the Amended Budget.

11. **Amend Budget.** This item was covered under the Bookkeeper's Report.

12. **Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement expenses and grant of easements.** 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 reported that DEC is working on the new wastewater flows for the wastewater treatment plant expansion. He stated that a lower flow rate will be requested in the next bond application to the Texas Commission on Environmental Quality ("TCEQ").

Mr. Hirshman reported that DEC is preparing the plans for the wastewater treatment plant generator.

Mr. Hirshman reported that the District needs the documents from the developer's engineer before it can accept the water, sanitary sewer and drainage facilities at the Shoppes at Fry Road.

Mr. Hirshman reported that the contractor needs to complete a few punch list items before the final TCEQ inspection of the water lines and storm sewer at Fry Road.

Mr. Hirshman reported that DEC has begun work on the Bond Application, which is to include Sydney Harbour, Sections Three and Four, and the detention and utilities for The Shoppes at Fry Road. He reported that DEC is waiting for documents and costs from the developers.

Mr. Hirshman presented to and reviewed with the Board Pay Estimate #2 from Storm Water Solutions for the Cypress Ridge detention pond repair in the amount of \$11,040.

Mr. Hirshman reported that Harris County is widening Mueschke Road and that two District manhole tops need to be shifted. He reported that the contractor for the Mueschke Road project will perform the manhole work and bill the District.

Mr. Hirshman reported that he will contact the architect to expedite the bidding of the Constable Workspace Project.

Mr. Hirshman reported on protection for the backflow preventers at the back driveway to Walgreens. He reported that he is waiting on the Wal-Mart plans.

Mr. Hirshman reported that DEC is updating the plans for the wastewater treatment plant driveway modification.

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 and to approve payment of Pay Estimate #2 from Storm Water Solutions for the Cypress Ridge detention pond repair in the amount of \$11,040.

13. **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 "I." Mr. Riley noted that the District has continued high water accountability.

Mr. Riley reported that the wastewater treatment plant chlorinators have been installed.

Mr. Riley reported that the contractor relocating the wastewater treatment plant transducer is waiting on a part and the work should be complete soon.

Mr. Riley reported that the replacement of water plant booster pump #2 is nearly complete.

Mr. Riley reported that NTS has provided a proposal of \$21,650 per pump for the three pumps at lift station #1, which will include new electrical controls and a new starter. He reported that the pumps will be downsized from 1,800 gallons per minute to 400 gallons per minute. He requested Board approval for NTS to replace the three pumps at lift station #1.

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 terminate the delinquent accounts in accordance with the Rate Order and to approve NTS's proposal to replace the three pumps at lift station #1 for a cost of \$21,650 per pump.

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

15. **Next Meeting Date.** The Board noted that the next regular monthly Board meeting will be held on July 17, 2009, 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.

\* \* \*

The attached and foregoing minutes were passed and approved by the Board of Directors on July 17, 2009.

  
\_\_\_\_\_  
President, Board of Directors

ATTEST:

  
\_\_\_\_\_  
Secretary, Board of Directors

(DISTRICT SEAL)

