

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
January 15, 2010

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 January 15, 2010, 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. Bill Hixon of Cymill Partners, developer of land in the District; Sergeant Blackledge, constable 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 December 18, 2009.** The proposed minutes of the meeting of December 18, 2009, previously distributed to the Board, were presented for review and approval. 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 minutes of December 18, 2009, as presented.

2. **Public Comments and letters from residents.** The President recognized Director Bryant, who reported on emails to the District's website. He reported that one resident emailed to request a tax bill and his request was forwarded to Assessments of the Southwest. Director Bryant reported another resident emailed to ask about the District's tax rate and the President responded with an explanation of the history of the District's tax rate and how it has decreased over time.

Director Bryant reported that there were four resident emails regarding billing which he forwarded to Eagle Water.

Director Bryant reported three residents emailed regarding the Cypress-Rosehill Beautification project, one requesting a development schedule, another requesting a new maintenance area agreement and the last complaining about the pine trees in the landscape plans. Director Bryant noted that he also did not favor pine trees due to mess and lack of sturdiness in high winds.

3. **Residential Solid Waste Collection Contract with Best Trash and collection of recycling bins notification to residents.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Residential Solid Waste Collection Contract with Best Trash, L.L.C., a copy of which is attached hereto as Exhibit "B." Ms. Ellison reported that the current solid waste collection company would like to collect its recycle bins on its last recycling day and asked that the residents be instructed to do so. The Board discussed paying for half of Best Trash's cost to mail an introduction letter to District residents and to include the recycling bin information in that letter. 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 Residential Solid Waste Collection Contract with Best Trash, L.L.C.

4. **Consider Cypress-Rosehill Beautification Project Proposal and any necessary action.** The President recognized Ms. Ellison, who reported that the Maintenance Area Agreements have been sent to the residents for signature. The Board discussed updating the project on the District's web site. The Board discussed a meeting in the District to answer resident questions regarding the Maintenance Area Agreements. The Board decided to hold an open house on February 3, 2010 at the Cypress Mill Recreation Center.

Mr. Hirshman reported that Harris County had comments on the traffic plan and that a meeting has been requested to explain the nature of the project.

5. **Recreational Facilities Planning/Harris County Flood Control District Partnership, Report on Homeowners Association matters and any necessary maintenance.** The President recognized Director Swedlund, who reported that the GreenPros proposal presented last month has been modified to \$30 for the irrigation rotor replacement. Director Swedlund reported that Greenpros provided a proposal of \$480 to remove the dead tree next to the lift station by Alicia's Mexican Grille parking lot. Director Halloran noted that the proposal did not include stump removal. Director Swedlund and Mr. Riley stated that they would obtain additional bids for the tree removal.

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 GreenPros proposal for the irrigation rotor replacement for \$30.00.

6. **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 "C." Ms. Bryant noted that 52% of the District's 2009 taxes had been collected as of December 31, 2009.

Ms. Bryant provided the Delinquent Tax Report prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), a copy of which is attached hereto as Exhibit "D." Ms. Bryant asked the Board if it wanted water termination letters sent to the nine delinquent taxpayers in the Delinquent Tax Report. Ms. Bryant asked the Board for authorization for Perdue to transfer four accounts to the Uncollectible Roll.

Upon motion by Director Bryant, 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, to authorize the expenditures listed therein, to approve the Delinquent Tax Report, to authorize Perdue to send the water termination letters to the nine delinquent taxpayers and to authorize Perdue to transfer the four accounts to the Uncollectible Roll.

**7. Delinquent tax attorney report and authorize water termination and litigation for unpaid taxes.** This item was covered under the Tax Assessor-Collector's Report.

**8. Authorize additional penalty on taxes, penalty and interest remaining delinquent.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code (the "Resolution"), a copy of which is attached hereto as Exhibit "E." Ms. Ellison reported that the revenue collected by levying this penalty is used to pay the delinquent tax attorney for the services provided to the District.

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 Resolution.

**9. Approve Resolution Authorizing Request for Certificate of Estimated Assessed Valuation.** Ms. Ellison presented to and reviewed with the Board the Resolution Authorizing Request for Certificate of Estimated Assessed Valuation, a copy of which is attached hereto as Exhibit "F." Ms. Ellison stated that this information is needed to prepare the bond application. Upon motion by Director Bryant, seconded by Director Swedlund, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Resolution Authorizing Request for Certificate of Estimated Assessed Valuation.

**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."

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 and to authorize payment of the checks listed therein.

**11. Adopt budget for fiscal year ending February 28, 2011.** This item was deferred.

12. **Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements, damage claims.** 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. Mr. Hirshman stated that a 230 to 250 gallons per connection flow rate will be requested in the next bond application to the Texas Commission on Environmental Quality ("TCEQ").

Mr. Hirshman reported that three bids were received for the wastewater treatment plant driveway. He reported that the low bid was Jaho, Inc. at \$42,019.75. Mr. Hirshman reported that DEC recommended award of the wastewater treatment plant driveway to Jaho, Inc.

Mr. Hirshman reported that DEC is working on the bond application and is waiting on documents and costs from the developers.

Mr. Hirshman reported that the American Disability Act compliance letter for the Constable Workspace has been received.

Mr. Hirshman reported on the Sydney Harbour developer request for reimbursement of the \$159,263.50 payment from 2001. He reported that Ms. Austin has located the 2004 reimbursement payment to Camcorp Interests, Ltd. of \$113,495.83 towards the outfall project. Mr. Hirshman reported that it appears that the remainder of the payment was used to remove a Certificate of Convenience and Necessity ("CCN") from the Sydney Harbour property, which the District did not intend to reimburse.

Mr. Hirshman reported that DEC has reviewed and provided comments on the AT&T building plans.

Mr. Hirshman reported that Brown & Gay Engineering has contacted DEC requesting approval of a \$9,000 change order for a waterline conflict in Cypress Landing. He stated that the change order is to route the waterline over a box culvert. The President stated that he did not believe the District should pay for the developer's error. Mr. Hirshman noted that the existing waterline was a foot deeper than believed. Ms. Ellison stated that the District is required to approve the change order but it should be noted that the developer will not be reimbursed for the change order.

Mr. Hirshman reported that Brown & Gay Engineering has requested approval to design and bid the water, sanitary sewer and drainage for Cypress Landing, Sections Five and Six.

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 Engineer's Report, to award the wastewater treatment plant driveway project to Jaho, Inc. in the amount of \$42,019.75; to approve the \$9,000 change order for Cypress Landing to modify the waterline around a box culvert but not to reimburse Centex Homes for the change order due to error; to approve Brown & Gay Engineering to design and bid water, sanitary sewer and drainage

for Cypress Landing, Sections Five and Six and to notify Sydney Harbour Interests, Ltd. that it will not be reimbursed for the CCN costs.

13. **Review Bond Issue and determine:**

a) **Sydney Harbour request for return of \$159,000.** This item was covered under the Engineer's Report.

b) **Sydney Harbour request for reimbursement of \$31,000 for stormwater pollution prevention plan.** Mr. Hirshman reported that Sydney Harbour Interests, Ltd. has requested storm water pollution prevention plan reimbursement for Sydney Harbour, Sections One and Two. He stated that the TCEQ does not favor inclusion of costs from subdivisions that have already been reimbursed in prior bond issuances in new bond issues, so he would recommend omitting this request from the current bond application and funding it from surplus funds, as appropriate. Mr. Hirshman reported that reimbursement of \$1,500 for dumpster rental for the storm water pollution prevention plan was also requested. Mr. Hirshman reported that \$692.42 was requested for reimbursement for lot staking. He noted that lot staking is not a reimbursable expense by the TCEQ. Mr. Hirshman reported that the developer requested reimbursement of annexation costs. It was Board consensus not to reimburse the annexation costs. Mr. Hirshman reported that \$19,806.66 was requested for reimbursement for "Change E-Inlets into Manholes, Clean Storm Line and Re-grout Manholes. Mr. Hirshman stated that he has requested further information on this item to determine if it is appropriate for reimbursement.

c) **Sydney Harbour failure to provide documents for escrowed funds.** Ms. Ellison reported that F&J has requested the documentation to release the escrowed funds from the last bond issuance from Sydney Harbour Interests, Ltd. with no response.

d) **Reduction of bond issue and use of surplus funds.** Mr. Hirshman asked the Board if it wanted to use surplus construction funds to reduce the bond issuance amount.

Upon motion by Director Henry, seconded by Director Swedlund, after full discussion and the question being put to the Board, the Board voted unanimously not to reimburse Sydney Harbour Interests, Ltd. for lot staking or annexation costs, to reduce the bond issuance amount by using available surplus funds not needed for the generator installation or wastewater treatment plant project and to inform Sydney Harbour Interests, Ltd. to provide the necessary documentation for the escrow release or waive right to the escrowed funds.

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 "I." Mr. Riley reported that water accountability has decreased to 93%. He reported that Severn Trent ("ST") has stated that the interconnect valve with Harris County Municipal Utility District No. 391 ("MUD 391") is leaking. Mr. Riley reported that ST wants to repair the interconnect valve and split the cost evenly between the two districts. He stated that ST is recommending the installation of a Insta-Valve for approximately \$11,000. Mr. Riley reported that the interconnect agreement with MUD 391 does not specify allocation of repair costs. Mr. Hirshman noted that extension of the waterline would allow repairs of the waterline without complete disruption of water service because currently the waterline dead ends into Cypress Landing. It was Board

consensus to authorize Mr. Riley and the President to inspect the interconnect and coordinate any necessary repair with ST.

Mr. Riley reported that a customer emailed to protest the removal of Visa as an option to pay water bills.

Mr. Riley reported receipt of a letter by Dr. and Mrs. McNeil requesting a water bill reduction for a bill of \$266 for 110,000 gallons of water. He noted that the customer stated she was out of town during the water usage. Mr. Riley reported that the water meter reading has been confirmed. He reported that the customer averages approximately 24,000 gallons per month and has a good payment history. 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 average the water bill for the resident.

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

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

Director Henry discussed having a Constable Open House. It was Board consensus to wait until the outdoor sign was installed and then prepare notification flyers concerning the newly constructed Constable Workspace.

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 Security Report and authorize the purchase of the sign for the outside of the Constable Workspace.

16. **Consider date of constable workspace open house and any necessary action.** This item was covered under the Security Report.

17. **Developer's Report, reimbursement issues and any necessary action.** The President recognized Mr. Hixon, who reported that the AT&T building plans are complete; however, construction of the building is on hold until the lease is signed. Mr. Hixon reported that discussion is ongoing with a prepared food franchise. Mr. Hixon reported that the 3.3 acre tract on Mueschke Road may be developed into an automotive repair facility and stated that the tract owner may want to be annexed into the District.

18. **Other matters.** The President recognized Ms. Ellison, who reported that new legislation requires notification be provided to residents of the deadline to submit applications to be on the ballot for the May 8, 2010 Directors Election. Ms. Ellison presented to and reviewed with the Board the Notice of Deadline to File Applications for Place on the Ballot ("Notice"), a copy of which is attached hereto as Exhibit "J." Ms. Ellison stated that the Notice would be posted at the same location that the agenda is posted in the District and at the F&J office.

19. **Next Meeting Date.** The Board noted that the next regular monthly Board meeting will be held on February 19, 2010, at 11:00 a.m. at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas.

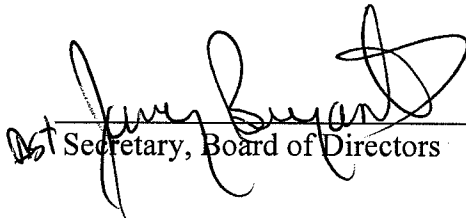
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

\* \* \*

The attached and foregoing minutes were passed and approved by the Board of Directors on February 19, 2010.

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

ATTEST:

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

(DISTRICT SEAL)

