

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
February 19, 2010

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 Fulbright & Jaworski L.L.P. at 1301 McKinney, Houston, Texas, on February 19, 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, except Director Swedlund. Also attending all or portions of the meeting were Mr. Steve Sheldon 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. Jimmy Pappas of Corinthian Development, developer of land in the District; Ms. Shannon Wiesepape of Centex Homes, developer of land in the District; Mr. Allen Schubert of Cymill Partners, developer of land in the District; Ms. Stephanie Lee of KGA Deforest Design; Mr. Greg Sissel of BKD, L.L.P., auditor for the District; Mr. Matthew May of Best Trash; Sergeant Blackledge, constable for the District; 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 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 meetings of January 15, 2010 and February 3, 2010.** The proposed minutes of the meeting of January 15, 2010, previously distributed to the Board, were presented for review and approval. The President suggested that the statement about Insta-Valves in the Operator's Report be deleted as superfluous. The President noted that the same paragraph as the minutes should reflect that the Board authorized the Operator and President to inspect and coordinate the repair of the interconnect with Harris County Municipal Utility District No. 391. 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 January 15, 2010, as revised.

The proposed minutes of the meeting of February 3, 2010, previously distributed to the Board, were presented for review and approval. 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 minutes of February 3, 2010, 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 three residents emailed regarding the loss of the Visa payment option for water bills. Ms. Ellison reported that Visa has dropped out of all water district credit card payment programs because Texas law requires the credit card fee to be less than 5% of the bill amount. Director Bryant noted that the residents have the option of using automatic withdrawal from their bank accounts.

Director Bryant reported that one resident emailed to ask if his deposit could be applied towards his water bill and he forwarded the request to Eagle Water for management.

Director Bryant reported that one resident emailed to request termination of water service on a specific date. He asked if Eagle Water verifies that the person who requests water termination has the authority to do so. Mr. Riley reported that the new house owner had already requested an account for water service for the address in question, so no further action was needed.

Mr. Staas complimented the Board on the Open House in the District to review the Cypress-Rosehill Beautification plans and discuss the agreements with the residents.

3. **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 January, a copy of which is attached hereto as Exhibit "B."

Director Henry reported that one deputy for the District repeatedly fails to show up for work. Director Henry requested Board authorization to request that Constable Hickman replace the deputy because the District is paying for the coverage.

Upon motion by Director Koehn, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Security Report and to authorize Director Henry to request that Constable Hickman replace one of the District's deputies.

4. **Appoint Auditor for Fiscal Year Ending February 28, 2010.** The President recognized Mr. Sissel, who presented to and reviewed with the Board an engagement letter for BKD, L.L.P. for fiscal year ending February 28, 2010, a copy of which is attached as Exhibit "C." Mr. Sissel requested that the Board consider engaging the services of BKD, L.L.P. to prepare the District's annual audit for fiscal year ending February 28, 2010, at an estimated cost of \$16,600.

Upon motion by Director Bryant, seconded by Director Koehn, after full

discussion and the question being put to the Board, the Board voted unanimously to approve the engagement letter and authorize the President to execute the letter.

5. **Discuss trash flyer mailing.** The President recognized Mr. May, who reviewed with the Board the Best Trash informational flyer, a copy of which is attached hereto as Exhibit "D." Mr. May confirmed that Best Trash is willing to split the flyer mailing costs of approximately \$375 with the District. The Board decided to include the notice as an insert into customer water bills.

6. **Developer's Report, reimbursement issues and any necessary action.** The President recognized Mr. Schubert, who reported that the AT&T building plans are complete; however, construction of the building is on hold until the lease is signed.

Ms. Wiesepape reported that the Cypress Landing detention pond has been inspected and that the contractor is addressing the punch list items. She reported that Centex Homes will request that the District accept the Cypress Landing detention pond once approved by Harris County.

Mr. Pappas reported that Kentucky Fried Chicken has received plan approval and obtained the necessary permits. Mr. Pappas reported that there has been an inquiry regarding a professional building. Director Henry thanked Mr. Pappas for resolving the issue regarding the Goodwill drop-off location.

7. **Consider Cypress-Rosehill Beautification Project Proposal and any necessary action.** The President recognized Ms. Lee reported that she is addressing a few minor Harris County comments and expects plan approval in March. The Board discussed the best way to obtain the outstanding agreements from the residents.

8. **Pump Control Security Cage proposals by Storm Water Solutions.** The President reported that Storm Water Solution provided proposals for security boxes around the pump station controls at Cypress Mill Estates detention pond and Cypress Mill Park detention pond in the amounts of \$929.73 and \$994.68. A copy of the proposals is attached hereto as Exhibit "E." Upon motion by Director Koehn, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Storm Water Solution proposals for security boxes around the pump station controls at Cypress Mill Estates detention pond and Cypress Mill Park detention pond in the amounts of \$929.73 and \$994.68.

Director Halloran joined the meeting.

9. **Recreational Facilities Planning/Harris County Flood Control District Partnership, Report on Homeowners Association matters and any necessary maintenance.** The President reported that GreenPros provided a proposal for irrigation repairs at the Cypress Mill Park detention pond in the amount of \$205.00, a copy of which is attached hereto as Exhibit "F." 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 Cypress Mill Park detention pond irrigation system repairs in the amount of \$205.00.

The President reported that the Cypress Mill Homeowners Association property manager wants the District to do something with the wires hanging down in the gazebo provided by the District. It was the consensus of the Board to inspect the gazebo to determine if removing the wires would be a simple procedure.

Ms. Ellison noted that Sergeant Blackledge reported at the February 3, 2010, Open House that debris had been dumped in the detention pond. The President stated that he would contact Storm Water Solutions for a proposal to remove the trash.

10. 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 "G." Ms. Bryant noted that 77% of the District's 2009 taxes had been collected as of January 31, 2010.

Ms. Bryant reviewed the Delinquent Tax Report by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), included in the Tax Assessor-Collector's Report. She reported that Perdue sent water termination letters to delinquent taxpayers and six taxpayers failed to respond. Ms. Bryant reported that Perdue wants direction on whether to terminate water service to the six delinquent taxpayers listed in the Delinquent Tax Report.

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, to authorize the expenditures listed therein, to approve the Delinquent Tax Report, and to authorize Perdue to terminate water service to the six delinquent taxpayers who failed to respond to the water termination letters.

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

12. Consider Property Tax Exemptions. Ms. Bryant reported that the District has an exemption of \$20,000 of the appraised value of residence homesteads within the District for individuals who are disabled or are 65 years of age or older. Ms. Ellison presented to and reviewed with the Board the Order Adopting Exemption from Taxation for Individuals Who are Disabled or are 65 Years of Age or Older (the "Order"), a copy of which is attached hereto as Exhibit "H."

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 Order with an exemption of \$20,000 of the appraised value of residence homesteads within the District for individuals who are disabled or 65 years of age or older.

13. 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 "I." Ms. Austin reported that the North Harris County Regional Water Authority is billing monthly instead of quarterly.

Upon motion by Director Henry, seconded by Director Halloran, 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.

14. **Adopt budget for fiscal year ending February 28, 2011.** The President recognized Ms. Austin, who reviewed with the Board the proposed budget for fiscal year ending February 28, 2011, included in the Bookkeeper's Report.

Upon motion by Director Halloran, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted to adopt the proposed budget for fiscal year ending February 28, 2011.

15. **Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements, damage claims.** The President recognized Mr. Sheldon, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "J." Mr. Sheldon reported that DEC is working on the new wastewater flows for the wastewater treatment plant expansion. Mr. Sheldon stated that a 230 gallons per connection flow rate will be requested in the next bond application to the Texas Commission on Environmental Quality ("TCEQ").

Mr. Sheldon reported that the wastewater treatment plant driveway contracts with Jaho, Inc. are ready for signature.

Mr. Sheldon reported that DEC is working on the bond application and is waiting on a few remaining documents. He asked the Board if it wanted the bond application to be submitted for expedited review by the TCEQ. It was the consensus of the Board to submit the bond application for expedited review.

Mr. Sheldon reported that Centex Homes has requested authorization to advertise for utilities construction in Cypress Landing East, Section Three, Phase Two.

Mr. Sheldon requested Board approval of the capacity commitment letters to Cypress Landing East, Sections Three and Four.

Mr. Sheldon requested Board approval of payment by Centex Homes of Pay Estimate #1 to Clearwater Utilities, Inc. in the amount of \$385,699.99 for the underground utilities to serve Cypress Landing East, Section Three, Phase One and Section Four.

Mr. Sheldon reported that it has been determined that the District has already reimbursed the Sydney Harbour developer for the \$159,263.50 payment in 2001.

Mr. Sheldon reported that DEC has reviewed the Kentucky Fried Chicken plans and issued a capacity commitment letter for the retail development.

Mr. Sheldon reported that DEC inspected the Cypress Landing East detention pond. He reported that all punch list items are complete. He reported that DEC recommends the District accept maintenance of the detention pond which includes a storm water quality feature that will require annual permitting. Mr. Sheldon reported that Storm Water Solutions will

provide a proposal for maintenance of the detention pond and permit compliance for the Board's consideration.

Mr. Sheldon requested Board approval of Pay Estimate #1 in the amount of \$1,444.30 to Storm Water Solutions for the Cypress Mill Park pump station repairs which were caused by vandalism.

Mr. Sheldon reported that the generator installation at the wastewater treatment plan is expected to be complete by June 10, 2010. He reported that Harris County requires execution of an acknowledgment form from the District to confirm that the District is aware that dirt is being placed on its land as part of the generator installation.

Mr. Sheldon reported that DEC is investigating the reimbursements the District paid Sydney Harbour for its detention pond, including the land. Ms. Ellison explained that the issue came up in researching the escrowed funds and because of a request from Sydney Harbour to change ownership records for the detention pond at Harris County Appraisal District. Ms. Ellison said that DEC wanted Board authorization to investigate the matter further.

Mr. Sheldon reported that DEC is preparing a cost estimate to extend the waterline along Mueschke Road to connect to Harris County Municipal Utility District No. 391.

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 Engineer's Report, to approve advertisement for utilities construction in Cypress Landing East, Section Three, Phase Two; to approve capacity commitment letters for Cypress Landing East, Sections Three and Four; to approve payment by Centex Homes of Pay Estimate #1 to Clearwater Utilities, Inc. in the amount of \$385,699.99 for the underground utilities to serve Cypress Landing East, Section Three, Phase One and Section Four; to approve acceptance of the Cypress Landing East detention pond pursuant to the developer agreement subject to F&J review; to approve payment of Pay Estimate #1 in the amount of \$1,444.30 to Storm Water Solutions for the Cypress Mill Park pump station repairs; and to authorize DEC to investigate the Sydney Harbour detention pond reimbursement.

16. **Approve Emergency Preparedness Plan.** The President recognized Mr. Riley, who reported that Mr. Plunkett of Eagle Water is managing preparation of the District's Emergency Preparedness Plan. Mr. Sheldon stated that the Emergency Preparedness Plan will be submitted to the Texas Commission on Environmental Quality by the March 1, 2010 deadline.

17. **Review Bond Issue.** No action was taken on this item.

18. **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 fourteen new waterline taps were installed in Sydney Harbour and Cypress Landing.

Mr. Riley reported that the Harris County Municipal Utility District No. 391 interconnect has been replaced. He reported that the previous valve was left open and abandoned and a new valve installed approximately twenty to thirty feet north of the existing valve.

Mr. Riley requested Board authorization to transfer the Collections List to bill collectors for management.

Mr. Riley reported that the above-ground pipes by the Walgreens driveway will be placed into an underground vault.

Mr. Riley reported that no additional sanitary sewer repairs have been performed.

Mr. Riley reported that the lift station improvements have significantly reduced flows at the wastewater treatment plant during rain events.

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 transfer the Collection List to collectors for management.

19. Discuss repair of interconnect valve with Harris County MUD No. 391 and any necessary action. No action was taken on this item.

20. Adopt Order Calling Directors Election. The President recognized Ms. Ellison, who presented to and reviewed with the Board the Order Calling Directors Election, a copy of which is attached hereto as Exhibit "L." Ms. Ellison informed the Board that a Directors election is scheduled to occur on May 8, 2010. Ms. Ellison reported that electronic voting machines are still required. Ms. Ellison presented to and reviewed with the Board the Premier Election Solutions, Inc. voting machine rental contract, a copy of which is attached hereto as Exhibit "M." She requested Board authorization to approve the contract and to deliver it to Premier Election Solutions, Inc. if it is determined that the District is having an election.

Upon motion by Director Henry, seconded by Director Halloran, after full discussion and having had the question put to the Board, the Board voted unanimously to approve the Order Calling Directors Election and the Premier Election Solutions, Inc. contract.

21. Other matters. No other matters were discussed.

22. Next Meeting Date. The Board noted that the next regular monthly Board meeting will be held on March 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.

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



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)