

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
November 18, 2011

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 November 18, 2011, 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
- David Templeton, Treasurer
- Tim Halloran, Secretary
- Jerry Bryant, Assistant Secretary

All members of the Board were present, except Director Halloran. Also attending all or portions of the meeting were 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. Lynette Tujague of District Data Services, Inc., bookkeeper for the District; Ms. Heidi Stephenson of Cymill Partners, developer of land in the District; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Mr. Nick Luton of Meritage Homes, developer of land in the District; Mr. Robert Moore of First General Realty; Mr. Mark Janik of Pulte Homes, developer of land in the District; Sergeant Blackledge, deputy for the District; Mr. Mike Harrington of American Enerpower, Inc.; 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 meeting of October 21, 2011.** The proposed minutes of the meeting of October 21, 2011, previously distributed to the Board, were presented for review and approval. Director Bryant noted that the tree mentioned in item #9 was damaged, not dead.

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 October 21, 2011, as revised.

2. **Public Comments and letters from residents.** The President recognized Director Bryant, who reported on emails to the District's website. He reported that five customers emailed regarding billing issues, which were forwarded to Eagle Water for management and response.

Director Bryant reported that Legend Homes emailed again to request that all its water bills be mailed together. He reported that Eagle Water again stated that bundling the bills is not feasible because the billing process is automated.

The President reported that the Cypress Mill Homeowners Association requested District participation in the purchase and installation of a marquee at Cypress-Rosehill Road. It was the consensus of the Board not to participate in the purchase and installation of a marquee at Cypress-Rosehill Road.

The President reported that the Cypress Mill Homeowners Association is interested in installation of fencing similar to that installed by the District along Cypress-Rosehill Road, due to the widening of Skinner Road. He reported that the fencing would be installed along the back of the lots along Skinner Road. It was the consensus of the Board to request detailed cost information. The President stated that he would let the Cypress Mill Homeowners Association know about the Board's decision on the marquee and Skinner Road fence installation.

3. **Security report and any necessary action.** The President recognized Sergeant Blackledge, who reported that the T1 line is currently being installed. He reviewed with the Board the Security Report for the month of October, a copy of which is attached hereto as Exhibit "B."

Upon motion by Director Templeton, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Security Report.

4. **Renew Interlocal Agreement for Law Enforcement Services with Harris County.** Ms. Ellison reviewed with the Board the Interlocal Agreement for Law Enforcement Services between Harris County and the District, a copy of which is attached hereto as Exhibit "C." She noted that a provision has been added to the agreement providing that the District will receive a refund of prepayments if Harris County is unable to continue to provide the coverage specified in the Interlocal Agreement. Ms. Ellison reported that the Interlocal Agreement is for 70% coverage of four deputies and one sergeant.

Upon motion by Director Bryant, seconded by Director Templeton, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Interlocal Agreement for Law Enforcement Services.

5. **Extra Patrol Renewal.** The President recognized Sergeant Blackledge, who reviewed with the Board the proposed Extra Patrol coverage and costs for 2012 detailed in Exhibit A to the Independent Contractor Agreement, a copy of which is attached hereto as Exhibit "D." He noted that the proposed coverage is the same as the current coverage and will be performed by four deputies.

Upon motion by Director Bryant, seconded by Director Templeton, after full discussion and the question being put to the Board, the Board voted unanimously to approve Exhibit A to the Independent Contractor Agreement which extends the extra patrol through June 30, 2012.

6. **Consider electricity contract renewal and any necessary action.** The President recognized Mr. Harrington, who presented to and reviewed with the Board quotes for one to five year contracts, a copy of which is attached hereto as Exhibit "E." Mr. Harrington reported that a contract for two of the District's electricity meters will expire in January of 2012 and the main electricity contract will expire in June of 2012. He reported that the District currently has a contract with Constellation Energy. Mr. Harrington reported that the new contract can provide for the same ending date for all the District's meters. The Board discussed the length of term for the electricity contract.

Upon motion by Director Henry, seconded by Director Templeton, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the President to review electricity quotes and to enter into an electricity contract with the lowest bidder for a three year term.

7. **Developer's Report, reimbursement issues and consideration of bond anticipation note.** The President recognized Ms. Stephenson, who reported that Raising Cane's opened on November 16, 2011.

Mr. Janik reported that Pulte Homes had four sales last month in Cypress Landing. He reported that Cypress Landing is Pulte Homes' third best community in new home sales. Mr. Janik reported that utilities construction bids for Cypress Landing East, Section Seven, will be opened next week. He reported that Pulte Homes is purchasing \$25,000 in new plants to replace landscaping that did not survive the drought. Mr. Janik reported that a second fountain will be installed in the amenity lake. He reported that the annual homeowners association meeting went well.

Mr. Luton reported that Meritage Homes has had 27 sales to date in 2011 in Cypress Park.

8. **Mueschke Road beautification and any necessary action.** The President recognized Ms. Ellison, who reported that the preliminary cost estimate for the Mueschke Road Median Landscape Enhancements was provided to Harris County Municipal Utility District No. 391 ("MUD 391"). She reported that the MUD 391 board has not made a decision on whether to participate in the project.

9. **Recreational Facilities Planning/Harris County Flood Control District Partnership, Report on Homeowners Association matters, Greenpros proposals and any necessary maintenance.** No action was taken on this item.

10. **Cypress Mill Homeowners Association request regarding marquee.** This item was covered under Public Comments.

11. **Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination.** 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 99% of the District's 2010 taxes had been collected as of October 31, 2011.

Upon review of the Unpaid Accounts Tax Roll, Ms. Bryant stated that the Kimball Hill Homes delinquencies have been corrected with Harris County Appraisal District and should be removed after correction.

Upon motion by Director Templeton, 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.

12. **Convene Public Hearing to tax goods in transit.** The President convened the public hearing to tax goods in transit. There were no comments. The hearing was closed.

13. **Adopt Resolution Authorizing Taxation of Goods in Transit.** Director Bryant reported that new legislation provides for an exemption of newly defined goods-in-transit in public warehouses beginning with the 2012 tax year. He stated that a taxing unit may exercise a local option to tax goods-in-transit in public warehouses that are otherwise exempt if a public hearing is held, and the governing body thereafter passes an order to tax such property.

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 adopt the Resolution Approving Taxation of Goods-in-Transit that are Otherwise Exempt from Taxation under Section 11.253, Texas Tax Code, a copy of which is attached hereto as Exhibit "G."

14. **Bookkeeper's Report, payment of bills, review investment report and policy, 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 "H."

Upon motion by Director Bryant, seconded by Director Templeton, 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.

15. **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."

Upon review of the Disconnection List, Mr. Riley reported that the resident with a balance of \$2,004.32, mailed in a \$100 payment with no explanation. He reported that the customer's water usage was 158,000 and 94,000 gallons for the last two months.

Mr. Riley requested Board authorization to transfer the accounts on the Collection List included in the Operator's Report to the Uncollectible Roll and to turn them over to a collection agency.

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 authorize Eagle Water to transfer the Collection List accounts to the Uncollectible Roll and turn them over to a collection agency.

16. Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements, bonds. 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 "J." Mr. Hirshman reported that Mr. Adkins is no longer under contract to purchase the golf course. He reported that a company that manages golf courses contacted him regarding the possibility of the District supplying grey water to the golf course.

Mr. Hirshman reported that the ninth Bond Issuance Application in the amount of \$4,600,000, has been submitted to Texas Commission on Environmental Quality ("TCEQ")

Mr. Hirshman reported on the utility service to Harvest Bible Church. He reported that the field topography and survey work is complete. Mr. Hirshman reported that the plans will be submitted to the governmental agencies for review by November 25, 2011. He reported that the surveyor is still preparing the ten foot waterline easement along Mueschke Road. Mr. Hirshman reported that there will be no need for a lift station and that a gravity sanitary sewer line will be installed.

Mr. Hirshman reported that a proposed annexation tract, Cypress Auto Center, has provided revised construction plans to DEC for review because of the inability to obtain an easement from Kentucky Fried Chicken. He reported that the developer still requires an easement but no easements from the District will be utilized.

Mr. Hirshman reported on the wastewater treatment and discharge permit. He reported that the second notice was published on October 14, 2011. Mr. Hirshman reported that DEC is waiting for the final permit from the TCEQ.

Mr. Hirshman reported that DEC has provided the capacity commitment letter for seven equivalent single family connections of water and sanitary sewer service to Panda Express Restaurant. He reported that DEC is reviewing the plans for the Panda Express Restaurant.

Mr. Hirshman reported on the exterior pumps for the digester basins at the Wastewater Treatment Plant. He reported that DEC provided the plans to the City of Houston and Eagle Water.

Mr. Hirshman reviewed with the Board options for the installation of bars on the outfall at Cypress Mill Park detention pond. The Board discussed the safety risks that result from the installation of bars. It was the consensus of the Board to install "No Trespassing" signs

near the outfall to deter illegal entry. Director Henry stated that he would obtain the appropriate language for the “No Trespassing” signs from Sergeant Blackledge and provide it to Mr. Hirshman.

Mr. Hirshman requested Board approval of payment by Pulte Group of Pay Estimate #7 and Final to Clearwater Utilities, Inc. in the amount of \$14,743.55 for water, sanitary sewer and storm sewer to serve Cypress Landing East, Section Three, Phase One and Section Four.

Mr. Hirshman reported that the Cy-Fair Volunteer Fire Department is requesting the District’s waterline and fire hydrant information. He noted the request is in the Engineer’s Report.

Mr. Hirshman reported that DEC provided the requested documents related to the golf course to F&J.

Mr. Hirshman reported that a property owner on Skinner Road requested that the District provide a letter stating that the District is not able to supply water to that location. He noted the request is in the Engineer’s Report.

Mr. Hirshman requested Board approval of offsite easements for Cypress Landing East, Section Seven.

Mr. Hirshman reported that Mr. Westmoreland of the Lakes of Rosehill subdivision emailed regarding possible water supply options. He reported that the Lakes of Rosehill is located in a Certificate of Convenience and Necessity (“CCN”) and is served by Aquasource. Mr. Hirshman reported that he informed Mr. Westmoreland that the District is not permitted to serve property owners in a CCN. He reported that Mr. Westmoreland was going to discuss the matter with the Lakes of Rosehill Homeowners Association and follow up with him.

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 authorize the installation of “No Trespassing” signs near the District’s outfall pipes; to authorize payment by Pulte Group of Pay Estimate #7 and Final to Clearwater Utilities, Inc. in the amount of \$14,743.55 for water, sanitary sewer and storm sewer to serve Cypress Landing East, Section Three, Phase One and Section Four; to authorize DEC to provide the requested information to the Cy-Fair Volunteer Fire Department; to authorize DEC to provide a letter to the Skinner Road property owner that the District is not able to supply water to that location; and to authorize the offsite easements for Cypress Landing East, Section Seven.

17. Cy-Fair Volunteer Fire Department request for geographic system information data. This item was covered under the Engineer’s Report.

18. Wastewater Treatment Plant pump relocation proposals and any necessary action. This item was deferred.

19. Requests for annexation by CenterPoint Energy, golf course, Cypress Auto Center and any necessary action. This item was covered under the Engineer’s Report.

20. **Accept CenterPoint Energy Petition for Addition of Land and Approve Petition for City Consent.** The President recognized Ms. Ellison, who reported that CenterPoint Energy is obtaining signatures of the Petition for Addition of Land and Petition for Consent to Addition of Land, and has requested Board approval of the petitions so the annexation can proceed when signatures are obtained. Ms. Ellison presented to and reviewed with the Board a Petition for Addition of Land and the Petition to the City of Houston for Consent to Addition of Land, copies of which are attached hereto as Exhibits "K" and "L," respectively. Mr. Riley reported that CenterPoint Energy contacted him regarding tap installation and costs. Mr. Riley reported that he informed CenterPoint Energy that Eagle Water would bore under Huffmeister Road and install the water meters. He requested Board confirmation that the usual tap fee of three times the cost is to be used for the CenterPoint Energy tap installation. The Board confirmed for Mr. Riley that the usual tap fee applies for the CenterPoint Energy tap installation.

Upon motion by Director Templeton, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to accept the CenterPoint Energy Petition for Addition of Land and approve the Petition for City Consent for 19.977 acres.

21. **Request for Water Service from Lakes of Rosehill homeowner.** This item was covered under the Engineer's Report.

22. **Changing Date for Director Elections pursuant to Senate Bill 100.** The President recognized Ms. Ellison, who reported that Senate Bill 100 allows utility districts to change the directors election date from May 2012 to November 2012 or May 2013. Ms. Ellison reported that the Board should decide by the end of 2011 whether to change its election date if it wants to effectuate the change prior to the May 2012 election. The Board discussed the advantages and disadvantages of the different election date options. It was the consensus of the Board to retain the May 2012 election date.

23. **Harris County Appraisal District Board of Directors ballot.** The President recognized Ms. Ellison, who reported that the Board may vote for a director for the Harris County Appraisal District Board of Directors.

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 Resolution Casting its Ballot for the Election of a Person to the Board of Directors of the Harris County Appraisal District for Glenn E. Peters. A copy of the resolution is attached hereto as Exhibit "M."

24. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on December 16, 2011, at 11:00 a.m. at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas.

Executive Session for Contemplated Litigation. Upon motion by Director Bryant, seconded by Director Henry, the Board voted unanimously to go into executive session at 12:10 p.m. to consult with its attorney about pending or contemplated litigation pursuant to

Texas Government Code section 551.071. At that time, all persons left the meeting except the Directors, Ms. Ellison, and Ms. Deitrick.

Upon motion by Director Bryant, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously at 12:21 p.m. to reconvene in public session.

25. **Review back charge to Alicia's and any necessary action.** The Board directed F&J to prepare a notice of water termination to be delivered to Mr. Flores' and Alicia's Mexican Grill for failure to pay the back charge for restoration of the previously leased space.

26. **Review subpoena in Woodmere Development v. CRE LJ and any necessary action.** No action was taken on this item.

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

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The foregoing minutes were passed and approved by the Board of Directors on December 16, 2011.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

