

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
August 17, 2012

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 17, 2012, 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
Eddie Rucker, Treasurer
Tim Halloran, Secretary
Jerry Bryant, Assistant Secretary

All members of the Board were present, except Director Bryant, who arrived while the meeting was in progress. 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. Wendy Austin of District Data Services, Inc., bookkeeper for the District; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Mr. Jim Moore of First General Realty; Ms. Heidi Stephenson of Cymill Partners, developer of land in the District; Mr. Mark Janik of Pulte Homes, developer of land in the District; Ms. Stephanie Lee of KGA DeForest Design ("KGA"); 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 July 27, 2012.** The proposed minutes of the meeting of July 27, 2012, previously distributed to the Board, were presented for review and approval.

Upon motion by Director Henry, seconded by Director Rucker, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of July 27, 2012, as presented.

2. **Security report.** Director Henry 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." He reported that burglaries have increased.

The President asked if the deputies should be informed of the recent copper thefts at utility district facilities. Mr. Riley stated that the deputies should be informed to closely monitor the gates at the District's facilities. Director Henry reported that he would inform Sergeant Blackledge of the issue.

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

3. **Developers Report and reimbursement issues.** Director Henry thanked Ms. Stephenson for arranging mowing of the 3.2 acre tract. Ms. Stephenson reported that the rain in July delayed mowing of the property.

Mr. Janik reported that Pulte Homes had ten new homes sales in July. He reported that Pulte Homes would like to have two new subdivisions designed and ready for home construction by the end of the year.

4. **Mueschke Road beautification and any necessary action.** The President recognized Ms. Lee, who reported that the Mueschke Road beautification plans are under review by Harris County. She reported that the Mueschke Road beautification project may be ready to bid next week.

5. **Report on Homeowners Association matters, and authorization of maintenance on District properties.** The President reported that Greenpros provided a proposal for maintenance of the area by the lift station that was previously the temporary parking lot in the amount of \$268.75 per month.

The President reported that Greenpros inspected the District's irrigation systems at the detention ponds and provided a proposal for repairs for a cost of \$971.00. He reported that the repairs are for dead batteries, and broken valves and rotors.

Upon motion by Director Koehn, 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 addition of maintenance of the area by the lift for a monthly cost of \$268.75 and the repairs of the irrigation system in the amount of \$971.00.

6. **Fire hydrant painting proposals and any necessary action.** Mr. Riley reported that Eagle Water has assigned an Eagle Water employee the sole duty of painting fire hydrants. He reported that the fire hydrants that were in need of painting in Sydney Harbour and Cypress Ridge have already been painted as part of the fire hydrant inspections. Mr. Riley reported that fire hydrant painting is underway in Cypress Mill Park and that the employee is working west from Skinner Road. He reported that the employee averages painting eight to ten fire hydrants a day. Mr. Riley reported that the employee is cleaning the hydrants with a hand tool and applying one to two coats of paint as needed.

7. **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 "C." Ms. Bryant noted that 99% of the District's 2011 taxes had been collected as of July 31, 2012.

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

8. **Bookkeeper's Report, payment of bills, review investment report and policy, and any necessary changes.** 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 "D." Ms. Austin reported that the District's next debt payment is due September 1, 2012.

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

9. **Operator's Report, authorization of maintenance and hearing on delinquent accounts.** Mr. Riley presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "E." He stated that Eagle Water will amend the water withdrawal permit that is coordinated with the North Harris County Regional Water Authority. He reported that 15 inches of rainfall occurred in July, which contributed to the above-average maximum daily flow at the Wastewater Treatment Plant.

Mr. Riley reported that water accountability for July was 95%. He reported that 18 residential water connections were added in July.

Mr. Riley reported that there was a leak on a two-inch irrigation line at the Wastewater Treatment Plant. He reported that the irrigation line is being repaired.

Mr. Riley reported that Eagle Water is replacing a 12 by 9 foot driveway panel in Grove Estates. He reported that Eagle Water previously performed a repair at the location and installed the driveway panel, which has subsequently sunk.

Mr. Riley reviewed the Disconnection List with the Board.

Mr. Riley reviewed with the Board the Collection List, included in the Operations Report. He requested Board authorization to transfer the accounts to the Uncollectible Roll and to send them to collections.

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 to send them to collections.

10. **Public Comments and letters from residents.** The President recognized Director Bryant, who reported on various emails to the District's website.

Director Bryant reported that someone emailed to request water service; however, she did not reside in the District.

Director Bryant reported that a resident emailed to request that the District mow the easement north of Cypress Mill, Section Two. He reported that Director Koehn checked with Stormwater Solutions and found that the easement was scheduled to be mowed in the near future.

Director Bryant reported that a person who manages several rental properties in the District requested a District water service application, which was forwarded to Eagle Water.

Director Bryant reported that a resident emailed regarding a white fly infestation in a tree between Cypress Stone Lane and Maple Mill. The President reported that he contacted Cypress Creek Pest Control, who inspected the tree infestation. He reported that the Cypress Creek Pest Control employee said it was the worst infestation he had seen. The President reported that Cypress Creek Pest Control offered to spray the tree for a cost of \$225.00 and that it could be done on Monday. The President reported that he discussed the findings with the resident.

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 authorize the white fly infestation treatment by Cypress Creek Pest Control in the amount of \$225.00.

11. **Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements, issuance of unlimited tax 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 "F."

Mr. Hirshman reported on the utility service to Harvest Bible Church. He reported that the water and sewer line construction is underway.

Mr. Hirshman reported on the exterior pumps for the digester basins at the Wastewater Treatment Plant. He recommended Board approval of Pay Estimate #3 and Final to B-5 Construction Co. Inc. in the amount of \$9,253.20 for the digester basin pump relocation.

Mr. Hirshman reported on the emergency water interconnect with Harris County Municipal Utility District No. 391 ("MUD 391"). He reported that the City of Houston has approved the interconnect plans contingent upon receipt of the required easements, including a water meter easement granted to the public by the District. Mr. Hirshman reported that the project will be bid and it is expected to be constructed this year. He reported that the plan is for the District to fund the interconnect construction and for MUD 391 to reimburse the District when MUD 391 begins to utilize that waterline section.

Mr. Hirshman reported on the three acre tract on Cypress Chase Boulevard which is partially within the District and partially within MUD 391. He said that the MUD 391

engineer has determined that it is more cost-effective for MUD 391 to extend its sanitary sewer line to serve the tract. He said MUD 391 is still proposing that the District provide water service to the tract.

Mr. Hirshman reported that DEC is preparing the booster pump plans. He stated that a second opinion regarding replacement of the master control center will be solicited.

Mr. Hirshman reported on the Cypress Chase Boulevard repairs. He reported that the contractor received Exxon's approval to remove the pavement crossing the pipeline. Mr. Hirshman reported that the contractor will begin work on Monday. He reported that the project is expected to take three weeks to complete. Mr. Hirshman reported that Mr. Hixon will allow the contractor to dispose of the excavated dirt on the nearby berm.

Mr. Hirshman requested Board authorization for the President to execute the Storm Water Quality Permit renewal application for the Cypress Ridge Detention Pond.

Mr. Hirshman reported that he attended a meeting on the widening of U.S. Highway 290. He reported that the District is in segment 9 of the project. Mr. Hirshman reported that the plan is to add a third lane to the frontage road in September 2012 and to widen U.S. Highway 290 in September 2013.

Mr. Hirshman reported that he attended the Cypress Creek Overflow study meeting. He reported that public hearings are scheduled for September 2013 and the study is expected to be completed in September 2014.

Mr. Hirshman reported on the Wastewater Treatment Plant Improvements. He reported that DEC prepared a cost estimate of \$1,700,000 for the addition of a 400,000 gallons per day sequencing batch reactor ("SBR"), two additional blowers, additional primary and secondary digester units, an additional splitter box and modification of the headworks unit. Mr. Hirshman reported that the engineering costs are estimated at \$380,000, for a total of approximately \$2,000,000 for the project. The Board instructed Mr. Hirshman to obtain Mr. Rathmann's input on the funding of the project.

Mr. Hirshman reported that he is coordinating with Mr. Rathmann, the District's financial advisor, regarding the amount of the next bond issuance.

Mr. Hirshman reported on the District's Application for Release of Escrowed Funds. He reported that DEC will meet with the Texas Commission on Environmental Quality ("TCEQ") to discuss pending issues.

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 Pay Estimate #3 and Final to B-5 Construction Co. Inc. in the amount of \$ 9,253.20 for the digester basin pump relocation; to authorize the President to execute the Storm Water Quality Permit renewal application for the Cypress Ridge Detention Pond, and to authorize the President to execute the water meter easement dedicated to the public following its preparation by F&J.

12. **Take necessary action to proceed with replacement of fence at Water Plant #1.** The President reported that four District residents living adjacent to Water Plant #1 have not returned the Maintenance Area Agreements for the proposed fence on the property line. He noted that Ms. Lee will proceed with advertisement for bids on the project next week.

13. **Request from Harris County Municipal Utility District No. 391 regarding service to lots partially within Harris County Municipal Utility District No. 391.** Ms. Ellison reported that MUD 391 has revised the proposed terms for providing utility service to the lots that are partially located in the District and partially within MUD 391. She reported that MUD 391 proposes providing sanitary sewer service to the lots and wants the District to provide water service. She said that MUD 391's proposal is that neither district charge out-of-district rates and that each district receive its respective tax revenue from the lots. Ms. Ellison reported that the District would receive the tap fees. It was the consensus of the Board to accept the proposed terms contingent upon review of the proposed agreement.

14. **Lakes of Rosehill Homeowners Association request to share security.** Ms. Ellison reported that the Harris County Attorney's Office states that the District's contract with the Constable may be amended if the District chooses to contract with Lakes of Rosehill to share coverage. Ms. Ellison asked the Board if it wanted F&J to prepare an agreement between the District and Lakes of Rosehill Homeowners Association and notify the Lakes of Rosehill to proceed with an election to approve the cost of a deputy. It was the consensus of the Board that the Lakes of Rosehill Homeowners Association should pay for the preparation of the agreement. It was also the consensus of the Board that Lakes of Rosehill Homeowners Association should pay its share of the security costs six months in advance, which is the time period required for the District to terminate its contract with Harris County.

15. **Other Consultant Reports (Attorney Report).** No action was taken on this item.

16. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on September 21, 2012, 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 foregoing minutes were passed and approved by the Board of Directors on September 21, 2012.

Robert G. Kempf - VP
President, Board of Directors

ATTEST:

Tom Halloran
Secretary, Board of Directors

(DISTRICT SEAL)

