

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
March 15, 2013

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 March 15, 2013, 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. 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. Lynnette Tujague of District Data Services, Inc., bookkeeper for the District; Mr. Steve Sheldon 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; Ms. Shannon Wiesepeape of Pulte Homes, developer of land in the District; Ms. Stephanie Lee of KGA DeForest Design; Mr. Nick Luton of Meritage Homes, developer of land in the District; Mr. Sawyer Blackburn and Mr. Robert Santini of Friendswood Development Company; Mr. Mike Feild and Mr. Billy Sitton of Triumph Club Management; Mr. Craig Rathmann of Rathmann & Associates, L.P., the financial advisor 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 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 February 15, 2013.** The proposed minutes of the meeting of February 15, 2013, previously distributed to the Board, were presented for review and approval. Director Henry reported that the minutes identified Lieutenants Cupit and Schultz as deputies.

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 February 15, 2013, as revised.

2. **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 a resident requested a change in his water bill billing address which he forwarded to Eagle Water.

Director Bryant reported that a resident asked if water bills are available via email. Director Bryant reported that he informed the resident that the District does not have water billing via email.

Director Bryant reported that Mr. Crahan, the Cypress Mill Homeowners Association ("HOA") representative, requested a discount on water to fill the HOA swimming pool, which had to be drained for re-plastering. He reported that the estimated water volume of the pool is 138,000 gallons. Mr. Riley reported that the District is already providing water to the HOA at the cost to produce the water plus applicable fees. It was the consensus of the Board to decline the HOA's request.

Director Halloran joined the meeting.

Director Bryant reported that a resident requested the 2012 Drinking Water Quality Report. He reported that the 2012 report is not available yet and that Eagle Water provided the 2011 Drinking Water Quality Report to the resident.

Director Bryant reported that Mr. Crahan contacted the District regarding shingle damage on the gazebo near the detention pond in Cypress Mill Estates. The President reported that the HOA handyman will provide a proposal for repair of the gazebo roof.

Director Bryant reported that Mr. Crahan requested the Board consider a replacement for Deputy Walker. He noted that the decision on the new deputy was already made by that time and that the Board was not involved in the decision.

3. **Request for use of effluent by golf course.** The President recognized Mr. Sitton and Mr. Feild of Triumph Club Management. Mr. Sitton reported that Triumph Club Management purchased the Cypress Lakes Golf Club. He reported that Triumph Club Management would like to research the cost of purchasing effluent from the District for irrigation of the golf course. Mr. Sheldon reported that the equipment for treating effluent for irrigation in another situation cost approximately \$200,000. He noted that the cost does not include the lines to transport the effluent or storage for the effluent. The President stated that the District would require a deposit for the District's engineer to prepare a feasibility study for the use of effluent for the golf course. Mr. Sheldon stated that DEC will provide Mr. Sitton a proposal for the cost of the feasibility study. Mr. Sitton stated that they would proceed with the deposit and feasibility study if the DEC proposal is reasonable.

4. **First Amendment to Residential Solid Waste Collection Contract.** 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 First Amendment

to Residential Solid Waste Collection Contract with Best Trash, a copy of which is attached hereto as Exhibit "B."

5. **Security report.** Director Henry reviewed with the Board the Security Report for the month of February, a copy of which is attached hereto as Exhibit "C."

Director Henry reported that the furnace repair at the constable office space was completed. He reported that natural gas service was never arranged. Director Henry reported that Ms. Austin is coordinating the natural gas service and that the gas meter has been ordered.

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

6. **Developers Report and reimbursement issues.** Mr. Blackburn reported that Friendswood Development Company ("Friendswood") now has the 40 acres north of Cypress Landing under contract to purchase. He reported that Friendswood would like to have the 40 acres annexed into the District if Friendswood decides to proceed with the purchase of the 40 acres.

Ms. Wiesepape reported that the contractor is constructing utilities to serve Cypress Landing, Section Eight, and expects to be done by April. She reported that Cypress Landing, Section Nine, utilities construction is complete. Ms. Wiesepape reported that Pulte Homes has authorized the design of two more sections. She reported that Cypress Landing has 21 sold homes under construction.

Mr. Luton reported that residents asked about security at the Cypress Park Homeowner Association meeting. Director Henry reported that he would contact Sergeant Blackledge to increase constable visibility in Cypress Park. Mr. Luton reported that the Cypress Park residents were very appreciative of the District's work on the Mueschke Road Beautification project. He reported that the Harris County inspection of Cypress Park, Sections Three and Five, is scheduled for next week.

7. **Report on Homeowners Association matters, and authorization of maintenance on District properties.** No action was taken on this item.

8. **Update on District parks and authorization of any necessary repairs.** Mr. Riley reported that CRC Concrete Raising Corporation will begin filling the voids on the slopes by the park on Cypress Orchard Lane next week.

Director Bryant reported that Kraftsman Commercial provided a proposal for the replacement plexiglass bubble for the playground equipment in the amount of \$1,175.32, including installation. 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 Kraftsman Commercial proposal for the plexiglass bubble replacement in the amount of \$1,175.32, including installation.

9. **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 "D." Ms. Bryant noted that 97% of the District's 2012 taxes had been collected as of February 28, 2013. Ms. Bryant reported that delinquent tax statements were distributed to the taxpayers.

Ms. Bryant reviewed with the Board the CA Foods, LLC request for waiver of penalty and interest. She reported that the taxpayer claimed the payment was mailed January 31, 2013 but Assessments of the Southwest never received the check. Ms. Bryant reported that the Texas Tax Code does not permit the District to waive penalty and interest unless an agent of the District did something incorrect, such as mail the statement to an incorrect address.

Upon motion by Director Bryant, seconded by Director Rucker, 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, and to deny the customer request for waiver of penalty and interest.

10. **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 "E." Director Bryant noted that the \$20,000 check for the Skinner Road Beautification project to the HOA is not in the Bookkeeper's Report. Ms. Tujague reviewed the Skinner Road Beautification Agreement and invoices provided by the HOA, and prepared the check to the HOA.

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 accept the Bookkeeper's Report, to authorize payment of the checks listed therein and the check to the HOA.

11. **Authorize bookkeeper to file annual energy report with the State Energy Conservation Office.** Ms. Ellison reported that the energy consumption report is an annual filing requirement for the District. Mr. Riley reported that the energy auditor from the State Energy Conservation Office visited the District's facilities and did not make any recommendations on how to reduce energy consumption. 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 authorize the bookkeeper to file the annual energy report with the Texas Energy Conservation Office.

12. **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 "F." Mr. Riley reported that Eagle Water is monitoring accountability.

Mr. Riley reviewed the Disconnection List with the Board.

Mr. Riley reported that CenterPoint Energy canceled the waterline relocation for the Huffmeister Road widening project. He reported that CenterPoint Energy realized there was no conflict when Eagle Water excavated for the relocation. Mr. Riley reported that Ms. Austin will invoice Harris County for DEC's and Eagle Water's cost for the waterline relocation for the Huffmeister Road widening project.

Mr. Riley reported that Eagle Water reviewed the plans for the pediatric clinic and daycare center at the corner of Cypresswood Drive and Cypress Mill Place Boulevard.

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

13. **Water Conservation Proposal.** Ms. Ellison reviewed with the Board the Goldwater Project proposal, a copy of which is attached hereto as Exhibit "G." She reported that the major cost for participation would be Eagle Water's cost for gathering and providing the water usage data and the annual cost of \$3,000. It was the consensus of the Board to research the program and discuss it at a later Board meeting. No action was taken on this item.

14. **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. Sheldon, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "H."

Mr. Sheldon reported on the utility service to Harvest Bible Church. He recommended Board approval of Pay Estimate #3 and Final to C.E. Barker Ltd in the amount of \$11,113.67. He reported that the contractor completed the replacement of plants and landscaping to DEC's satisfaction.

Mr. Sheldon reported that DEC is working with Eagle Water on the booster pump plans.

Mr. Sheldon presented to and reviewed with the Board the Preliminary Cost Estimate for the Ground Storage Tanks for Water Plant No. 1 and Water Plant No. 2, a copy of which is attached hereto as Exhibit "I." He reported that the cost is estimated to be \$583,800 for the 200,000 gallon storage tank for Water Plant No. 1 and \$853,550 for the 200,000 gallon storage tank at Water Plant No. 2. Ms. Ellison reported that the letter with the Texas Landowner Bill of Rights was provided to the owner of the lot south of Water Plant No. 2. Ms. Ellison reported that she has received no response from the letter.

Mr. Sheldon reported that DEC is preparing the Wastewater Treatment Plant Improvements plans.

Mr. Sheldon reported that Harris County determined that the District does not need to relocate the waterline for the Huffmeister Road widening project. He reported that the District will invoice Harris County for DEC's and Eagle Water's expenses.

Mr. Sheldon reviewed with the Board the draft bond application report included in the Engineer's Report. He reported that the bond application report is expected to be submitted within ten to twelve days.

Mr. Sheldon reported that DEC provided comments on the construction plans for the proposed daycare center and pediatric clinic at the corner of Cypresswood Drive and Cypress Mill Place Boulevard. He reported that DEC is awaiting revised plans addressing the comments.

Mr. Sheldon requested Board authorization for DEC to prepare the Wastewater Treatment Plant Discharge Permit renewal application for the District. He reported that the permit expires on January 31, 2014 and that the renewal application is required 180 days prior to the permit's expiration.

Upon motion by Director Rucker, 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 payment of Pay Estimate #3 and Final from C.E. Barker Ltd in the amount of \$11,113.67 for the utility service to Harvest Bible Church, and to authorize DEC to prepare the Wastewater Treatment Plant Discharge Permit renewal application.

15. Resolution authorizing negotiations with landowner, making a final offer to the landowner, and if not accepted, exercising the power of eminent domain. The President recognized Ms. Ellison, who presented to and reviewed with the Board the Resolution Authorizing Negotiations with Landowner, Making a Final Offer to the Landowner, and If Not Accepted, Exercising the Power of Eminent Domain ("Resolution"), a copy of which is attached hereto as Exhibit "J."

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 Resolution.

16. Order Authorizing Application for Expedited Consideration of Approval by Texas Commission on Environmental Quality of Project and Issuance of Bonds. The President recognized Ms. Ellison, who presented to and reviewed with the Board the Order Authorizing the Application (the "Order"), and the Application for Expedited Approval by Texas Commission on Environmental Quality of Project and Issuance of Bonds (the "Application"), a copy of which is attached hereto as Exhibit "K." 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 and Application.

17. Replacement of fence at Water Plant #1 and any necessary action. Ms. Lee reported that the fence installation is complete. She reported that the grass seeding was delayed.

18. Order Authorizing the Issuance of Unlimited Tax Refunding Bonds, Series 2013, a Bond Purchase Agreement, a Transfer and Paying Agency Agreement, and an Official Statement, and Authorizing the President or Vice President of the Board to Approve the Amounts, Interest Rates, Prices and Terms of the Bonds, and Other Matters in Connection Therewith. The President recognized Mr. Rathmann, who presented to and

reviewed with the Board a Summary of Refunding Effects, a copy of which is attached hereto as Exhibit "L." Mr. Rathmann noted that the summary shows that the District can save debt service expense by refunding certain maturities of its outstanding bonds. He noted that such savings are net of the costs to issue refunding bonds and must meet the minimum savings requirement set by the City of Houston.

Mr. Rathmann presented to and reviewed with the Board a Preliminary Official Statement ("POS"), dated March 15, 2013, for the District's proposed Unlimited Tax Refunding Bonds, Series 2013, a copy of which is attached hereto as Exhibit "M."

Mr. Rathmann explained that pursuant to Municipal Securities Rulemaking Board Rule G-17, underwriters must disclose to issuers their role in bond transactions. He reported that each underwriter provides a letter disclosing its role in the transaction. Mr. Rathmann requested Board authorization for the President to acknowledge such letters from RBC Capital Markets and First Southwest Company. 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 authorize the President to acknowledge the underwriter disclosure letters from RBC Capital Markets and First Southwest Company.

Ms. Ellison presented to and reviewed with the Board the Order Authorizing the Issuance of Unlimited Tax Refunding Bonds, Series 2013, a Bond Purchase Agreement, a Transfer and Paying Agency Agreement, and an Official Statement, and Authorizing the President or Vice President of the Board to Approve the Amounts, Interest Rates, Prices and Terms of the Bonds, and Other Matters in Connection Therewith (the "Order"), a copy of which is attached hereto as Exhibit "N." Ms. Ellison explained to the Board that the Order sets parameters for the sale of the bonds, so that Mr. Rathmann and the President or Vice President can proceed with the sale of the Bonds once the parameters are met. Ms. Ellison presented to and reviewed with the Board the Transfer and Paying Agency Agreement, a copy of which is attached hereto as Exhibit "O." Ms. Ellison reported that The Bank of New York Mellon Trust Company, N.A. will serve as Paying Agent and Registrar for the Bonds if the Order approving the Transfer and Paying Agency Agreement is approved.

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 adopt the Order, to approve the POS, and to authorize the President or Vice President to sign the pricing documents if there is a minimum of 6% present value savings.

19. **Other Consultant Reports.** No action was taken on this item.

20. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on April 19, 2013, 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 foregoing minutes were passed and approved by the Board of Directors on April 19, 2013.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

