

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
April 19, 2013

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 April 19, 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. 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. Gustavo Viecco of Pulte Homes, developer of land in the District; Mr. Nick Luton and Mr. Caleb Stone of Meritage Homes, developers of land in the District; Mr. Matthew May of Best Trash; 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 March 15, 2013.** The proposed minutes of the meeting of March 15, 2013, 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 March 15, 2013, as presented.

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 management of a root problem in her backyard arising from a District tree. The President reported that he met with the resident and that Greenpros will cut the tree roots protruding from the ground and that Greenpros will remove the tree if the issue remains in six months.

Director Bryant reported that a resident requested a replacement lid to her water meter box which he forwarded to Eagle Water.

Director Bryant reported that a resident requested information on the 2012 District taxes she paid which was forwarded to Ms. Bryant.

Director Bryant reported that four resident requests regarding billing issues were forwarded to Eagle Water.

Ms. Deitrick reported that a resident contacted Mr. Crahan, the Cypress Mill Homeowners Association (“HOA”) representative, regarding a sidewalk tripping hazard. The President reported that he inspected the location and that the sidewalk shifting is from a District sanitary sewer manhole which is the District’s responsibility to repair. Mr. Riley stated that he would coordinate repair of the sidewalk.

The Board discussed the email from Mr. Laham stating that the Sydney Harbour developer claimed to have blanket approval to build docks and sidewalks in the District’s drainage easement and is not required to obtain District approval for construction. It was the consensus of the Board to direct F&J to research this matter to determine if any blanket approval exists.

3. **Best Trash rate increase and any necessary action.** The President recognized Mr. May, who reported that under the District’s contract the solid waste collection rate will increase to \$15.60 per connection with the April billing cycle. He reported that the recycling carts arrived early and cart distribution is underway. Mr. May reported that the additional \$1.00 for the recycling carts will be added to the rate for a total of \$16.60 per connection with the May billing cycle. A copy of the Rate Increase letter is attached hereto as Exhibit “B.” Mr. May reported that only 30 residents have declined the recycling carts and that Best Trash has about 600 carts left to distribute.

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 solid waste collection rate increase to \$15.60 per connection for April and \$16.60 per connection per month for May.

4. **Security report.** Director Henry reviewed with the Board the Security Report for the month of March, a copy of which is attached hereto as Exhibit “C.” He reported that there was a significant increase in citations issued in March.

5. **Developers Report and reimbursement issues.** Mr. Luton reported 14 new home sales in Cypress Park in 2013. He reported that Cypress Park, Sections Three and Five, are ready for home construction. Mr. Luton reported that Cypress Park, Section Four, is expected to be ready for home construction in about one year.

Mr. Viecco reported four new home sales and five closings in Cypress Landing in March. He reported that Cypress Landing has 25 sold homes under construction and 38 homes on backlog for construction.

6. Waiver of Agriculture, Open-Space, Timberland, or Inventory Valuation by Meritage Homes. The President recognized Ms. Ellison, who presented to and reviewed with the Board the Waiver of Agriculture, Open-Space, Timberland, or Inventory Valuation between the District and Meritage Homes of Texas, LLC (“Waiver”), a copy of which is attached hereto as Exhibit “D.” Ms. Ellison explained that the Waiver is to establish that Meritage Homes of Texas, LLC will not claim an agricultural valuation on its property located within the District.

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 Waiver.

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. No action was taken on this item.

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 “E.” Ms. Bryant noted that 98% of the District’s 2012 taxes had been collected as of March 31, 2013. Ms. Bryant stated that she would obtain the Delinquent Tax Report from Perdue, Brandon, Fielder, Collins & Mott, LLP for the next Board meeting.

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 and to authorize the expenditures listed therein.

10. 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 “F.”

Ms. Austin reported that the waterline relocation work for the Harris County Huffmeister Road widening project billing totaled approximately \$12,000 and that the Harris County purchase order is for \$10,000. Mr. Hirshman reported that he met five times with Harris County. He reported that when the waterline was uncovered, it was about three feet from where it was expected so there was no need to relocate the waterline. It was the consensus of the Board to invoice the full amount to Harris County.

Ms. Austin stated that she would prepare the invoice for the work to provide utilities to the Harvest Bible Church.

Ms. Austin reported that she would prepare the annexation deposit refund for Pulte Homes.

Ms. Austin reviewed the Quarterly Investment Report, included in the Bookkeeper's Report.

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 accept the Bookkeeper's Report, to authorize payment of the checks listed therein and to approve the Quarterly Investment Report.

11. Consider June meeting date due to conflict with AWBD Conference. It was the consensus of the Board to hold the June Board meeting on June 14, 2013, due to the conflict with the Association of Water Board Directors Conference.

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 "G." Mr. Riley reported that water accountability was 95% in March.

Mr. Riley reviewed the Disconnection List with the Board. He reported that Cypress Lakes Management and Cypress Mill Homeowners Association paid.

Mr. Riley reviewed with the Board the Annual Identity Theft Prevention Program Report, 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 Operations Report, to terminate the delinquent accounts in accordance with the Rate Order, and to approve the Annual Identity Theft Prevention Program Report.

13. Water Conservation Proposal. The President opened discussion to the water conservation study known as the Goldwater project, earlier distributed to the Board. Director Rucker noted that all participants pay the \$3,000 annual fee regardless of the number of customers. He reported that the City of Houston is participating in the Goldwater project. It was the consensus of the Board not to participate in the Goldwater Project at this time.

14. Impact on Strategic Partnership Agreement of Election to Approve One Cent Sales Tax. The President reported that Emergency Services District No. 9 ("ESD #9") is holding an election for a one cent sales tax on May 11, 2013. He reported that if the one cent sales tax proposition passes, the District will not benefit from including additional commercial property into the District's Strategic Partnership Agreement with the City of Houston because there is a maximum of 8.25% sales tax in Texas. The Board discussed informing District residents of the one cent sales tax election and the impact on the District.

15. 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 "I."

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

Mr. Hirshman reported that DEC is preparing the plans for the Ground Storage Tanks for Water Plant No. 1

Mr. Hirshman reported that DEC is preparing the Wastewater Treatment Plant Improvement plans.

Mr. Hirshman reported that the bond application report is near completion and will be submitted to the Texas Commission on Environmental Quality next week for expedited review.

Mr. Hirshman reported that DEC will submit the Wastewater Treatment Plant Discharge Permit renewal application for the District within the next thirty days.

Mr. Hirshman reported that Harris County Municipal Utility District No. 531 ("MUD 531") contacted DEC for 500,000 gallons per day of sanitary sewer treatment capacity. He reported that the District does not have sufficient sanitary sewer treatment capacity to meet that request. Mr. Hirshman requested Board authorization to inform MUD 531 that the District does not have sufficient sanitary sewer treatment capacity for MUD 531.

Mr. Hirshman reported that DEC is researching the cost and preparing a feasibility study for the use of the District's effluent for the Cypress Lakes Golf Club. He reported that DEC will bill Triumph Club Management directly for DEC's work on the matter.

Mr. Hirshman recommended the Board utilize the lot south of the Water Plant No. 1 site for the additional Ground Storage Tanks. Ms. Ellison reported that Sydney Harbour Interests, Ltd. requested the standard lot price of \$35,000 for the lot. Mr. Hirshman reported that the City of Houston will require a replat of the lot which will require public notice and hearings. It was the consensus of the Board to proceed with the purchase of the lot directly south of Water Plant No. 1 with a buy back provision if the replat of the lot fails.

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 DEC to inform MUD 531 that the District does not have sufficient sanitary sewer treatment capacity to serve its needs, and to authorize F&J to proceed with the negotiation for purchase of the lot south of Water Plant No. 1 with the buyback provision.

16. Update on Refunding Bonds and Approve Master Insurance Agreement with Build America Mutual Assurance Company. The President recognized Ms. Ellison, who reviewed with the Board the letter from Rathmann & Associates, L.P., a copy of which is attached hereto as Exhibit "J." Ms. Ellison reported that the District attained 9.8% present value savings with the District's Refunding Bonds, Series 2013.

Ms. Ellison reported that Build America Mutual Assurance Company (“BAM”) requires a party insured under a BAM insurance policy to enter into a Master Insurance Agreement. She reported that BAM is a mutual insurance company and insured parties are considered its members, with the right to dividends. Ms. Ellison reported that if the District refunds the Refunding Bonds in the future, BAM will insure the bonds that refund the Refunding Bonds for no additional premium.

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 BAM Master Insurance Agreement, a copy of which is attached hereto as Exhibit “K.”

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

18. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on May 17, 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.

* * *

The foregoing minutes were passed and approved by the Board of Directors on May 17, 2013.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)

