

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
May 17, 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 May 17, 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; Ms. Heidi Stephenson of Cymill Partners, developer of land in the District; Mr. Gustavo Viecco and Ms. Rosie Escobar of Pulte Homes, developers of land in the District; Mr. Nick Luton of Meritage Homes, developers of land in the District; Ms. Stephanie Lee of KGA DeForest Design ("KGA"); Mr. Matt Duvall of Acclaim Energy Advisors, and Ms. Kathleen Ellison and Ms. Carla Christensen 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 April 19, 2013.** The proposed minutes of the meeting of April 19, 2013, previously distributed to the Board, were presented for review and approval. 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 April 19, 2013, as presented.

2. **Public Comments and letters from residents.** The President noted an email from Mr. Crahan, the Cypress Mill Homeowners Association ("HOA") representative, regarding a gap in the sidewalk near the Cypress Mill Estates retention pond on Grove Estates Lane. The President stated that he inspected the sidewalk and it does need to be repaired.

Director Bryant reported that a resident emailed to complain about the size of the new recycling carts. He reported that the issue has been addressed.

Director Bryant reviewed a resident email regarding the inconvenience of setting up an account at Eagle Water when the office is closed for lunch until 1:30 p.m. with no prior notice even though he spoke with Eagle Water regarding about the need to set up an account. Mr. Riley said that Eagle Water had apologized to the customer and explained that the office was closed over lunch due to Administrative Professionals Day.

Director Bryant reported that Mr. Crahan emailed regarding the condition of the sidewalk and lawn repair after Eagle Water performed a sanitary sewer line repair at 14615 Thornbluff Court. Mr. Riley reported that the sidewalk and lawn have been restored.

Mr. Riley discussed with the Board the need to raise the driveway on Pebble Meadow, which sunk due to a District repair, and to raise the sidewalk panel adjacent to a manhole on Thornbluff Court.

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 authorize Eagle Water to raise the sidewalk at 14619 Thornbluff Court and to raise the driveway at 14622 Pebble Meadow.

3. **Security report.** Director Henry reviewed with the Board the Security Report for the month of April. He reported that 184 citations were issued and there were no home burglaries in April. 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 Security Report.

4. **Consider renewal of extra patrol.** The President recognized Ms. Ellison, who asked the Board if it wanted to renew the Extra Patrol coverage for July 1, 2013 through December 31, 2013 detailed in Exhibit A to the Independent Contractor Agreement, a copy of which is attached hereto as Exhibit "B." She noted that the proposed coverage is the same as the current coverage and will be performed by five 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 Exhibit A to the Independent Contractor Agreement which extends the extra patrol through December 31, 2013.

5. **Acclaim Energy DLO365 Demand Response Program and any necessary action.** The President recognized Mr. Duvall, who presented to and reviewed with the Board the Acclaim Energy Dynamic Load Optimization 365 Program, a copy of which is attached hereto as Exhibit "C." He reported that the purpose of the program is to provide for electricity needs during peak times by putting the District's facilities on back-up generation facilities, if necessary. Mr. Duvall stated there are no out of pocket costs for the District. He said the District will be paid for the time its facilities are not on the electric grid; however, the main point of the program is to help the community and he did not expect the cost savings to be great. The Board discussed the terms of the program agreements. Director Bryant expressed his

concern that control over the District's facilities would be given to outside parties. It was the consensus of the Board to authorize Acclaim Energy Advisors to perform the load analysis on the District facilities and return with a detailed proposal for the Board's consideration.

6. **Developers Report and reimbursement issues.** Mr. Viecco reported six new home sales in Cypress Landing in April.

Mr. Luton reported 19 new home sales in Cypress Park in 2013.

7. **Report on Homeowners Association matters, and authorization of maintenance on District properties.** The President recognized Ms. Lee, who presented to and reviewed with the Board a proposal by Allgreen Associates Landscaping for the installation of trees and an irrigation system on the south berm at the Wastewater Treatment Plant in the amount of \$24,525.00, a copy of which is attached hereto as Exhibit "D." The Board discussed the installation of deciduous oaks or crape myrtle instead of pine trees.

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 Allgreen Associates Landscaping for the installation of trees and an irrigation system on the south berm at the Wastewater Treatment Plant in the amount of \$24,525.00 with the substitution of deciduous oaks or crape myrtle for the pine trees.

8. **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 April 30, 2013.

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.

9. **Delinquent Tax Report and any necessary action regarding delinquent accounts including termination of service.** No action was taken on this item.

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 she invoiced Harvest Bible Church for the balance due to provide service to the church.

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

11. **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 94% in April.

Mr. Riley reported that the Water Plant No. 1 generator breaker trips every time Eagle Water attempts to operate the generator. He reported that Eagle Water is working on the issue and that it may be related to the temperature sensor.

Mr. Riley reviewed the Disconnection List with the Board.

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

Mr. Riley asked the Board if it wanted Eagle Water to repair the sidewalk on Grove Estates. 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 Eagle Water to repair the sidewalk.

12. **Approve Consumer Confidence Report.** Mr. Riley advised the Board that the District is required to distribute the 2012 Drinking Water Quality Report to customers by July 1, 2013. He said there were no changes in the form.

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 Eagle Water to mail the 2012 Drinking Water Quality Report to customers. A copy of the report is attached hereto as Exhibit "H."

13. **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 was submitted to the Texas Commission on Environmental Quality ("TCEQ"). He reported that the TCEQ declared the bond application administratively complete on May 6, 2013.

Mr. Hirshman reported that Mr. Moore has requested DEC begin work on the next bond application. He reported that the District's financial advisor is reviewing the feasibility of the next bond application to reimburse the developers.

Mr. Hirshman reported that House Hahl RD has requested 50,000 gallons per day of sanitary sewer treatment capacity from the District as part of the application process for a Wastewater Treatment Discharge permit. He recommended the Board authorize DEC to inform House Hahl RD that the District does not have sufficient wastewater treatment capacity available to serve the proposed development.

Mr. Hirshman reported that DEC is preparing the Wastewater Treatment Plant Discharge Permit renewal application for the District.

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. The Board reminded Mr. Hirshman that he should make arrangements with Cypress Lakes Golf Club to pay DEC for work on the effluent study.

Mr. Hirshman reported that DEC has reviewed requests for the District to consent to encroachments at 17931 Sugarloaf Bay Drive and 17830 Camp Cove Drive. He reported that DEC recommends Board 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 Engineer's Report, to authorize DEC to inform House Hahl RD that the District does not have sufficient sanitary sewer treatment capacity to serve its needs, and to approve the consents to encroachment at 17931 Sugarloaf Bay Drive and 17830 Camp Cove Drive.

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 authorize DEC to begin preparation of the next bond application contingent upon approval by Mr. Craig Rathmann, the District's financial advisor.

14. Unimproved Property Contract for purchase of lot adjacent to Water Plant No. 1. The President recognized Ms. Ellison, who presented to and reviewed with the Board the Unimproved Property Contract between the District and Sydney Harbour Interests, Ltd. ("Contract"), a copy of which is attached hereto as Exhibit "J." Ms. Ellison explained that the Contract is for the lot south of the Water Plant No. 1 site for the additional Ground Storage Tanks. The Board requested that Mr. Hirshman coordinate surveying of the lot.

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 Contract and to authorize DEC to coordinate survey of the lot.

15. Other Consultant and Director Reports. 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 June 14, 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 June 14, 2013.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

