

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
February 21, 2014

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 Norton Rose Fulbright, 1301 McKinney, Houston, Texas, on February 21, 2014, 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. Nick Luton of Meritage Homes, developer of land in the District; Mr. Jim Moore of First General Realty; and Ms. Kathleen Ellison and Ms. Yvette Deitrick of Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, 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. **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 "B."

Mr. Hirshman reported that the plans for improvements at Water Plant No. 1 and Water Plant No. 2 were submitted to the City of Houston and Harris County. He reported that the final replat of the lot for the additional ground storage tanks at Water Plant No. 2 is at the City of Houston for signature and that the plat will also be signed by Harris County and then recorded.

Mr. Hirshman reported that the Wastewater Treatment Plant Improvement plans will be submitted to the Texas Commission on Environmental Quality ("TCEQ").

Mr. Hirshman reported that the Bond Application Report for the Series 2014 Bonds, in the amount of \$4,000,000 was submitted to the TCEQ.

Mr. Hirshman reported that DEC expects the District's Wastewater Treatment Plant Discharge Permit shortly.

Mr. Hirshman reported that Brown & Gay Engineers is requesting Board approval for advertisement and bid of the water, sanitary sewer and drainage facilities to serve Cypress Landing East, Section Ten.

Mr. Hirshman reported that DEC is waiting on the boundary survey to prepare the District boundary map for the 21 acre annexation, which includes the 17 acre tract for KCS Construction and the 4 acre tract for Ewing Irrigation.

Mr. Hirshman reported that DEC is preparing the feasibility study for the proposed 40 acre annexation by SafeSite. He reported that SafeSite projects an assessed valuation of \$27,000,000 for the tract. Mr. Hirshman reported that DEC requires an agreement between the District and SafeSite regarding reimbursement to complete the feasibility study. Mr. Hirshman stated that Mr. Wallace of SafeSite indicated he had no interest in seeking reimbursement from the District; however, he suggested F&J obtain a written statement to that effect.

Director Halloran joined the meeting.

Mr. Hirshman reported that the ground storage tank and hydropneumatic tank inspection report noted that some rust and barnacles were found in the tanks. He reported that touch-up coating of the tanks will be performed as part of the improvements at Water Plant No. 1 and Water Plant No. 2.

Ms. Ellison asked the Board how it wanted to handle reimbursement of costs in connection with the proposed 21 acre annexation. Mr. Hirshman reported that KCS Construction asked if the District would take ownership of the 150 foot wide ditch on the property. He noted that the District currently has an easement over the property and maintains it. He reported that the current site plan for the 21 acre tract includes a three acre detention pond. Mr. Hirshman stated that he does not know whether KCS Construction wants the District to maintain the planned three acre detention pond. Mr. Hirshman stated that annexation costs cannot be reimbursed. Mr. Hirshman stated that he would research the sanitary sewer easement from Harvest Bible Church. The President stated that the District usually reimburses for detention ponds and assumes maintenance of the detention ponds. Mr. Hirshman reported that KCS Construction has not decided whether the detention pond will be public or private.

Director Henry joined the meeting.

Mr. Hirshman reported that there is a washout in Cypress Landing East, next to the outfall pipe. He reported that DEC inspected the area and found no leak in the outfall pipe. Mr. Hirshman reported that he requested a repair cost estimate for the washout from Stormwater Solutions.

Director Rucker requested that Stormwater Solutions also inspect the pilot channel near Cypress Meade Lane because the pilot channel pump is no longer operating.

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 Engineer's Report and to approve advertisement and bid of the water, sanitary sewer and drainage facilities to serve Cypress Landing East, Section Ten.

2. **Minutes of the meeting January 24, 2014.** The proposed minutes of the meeting of January 24, 2014, previously distributed to the Board, were presented for review and approval. 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 minutes of January 24, 2014, as presented.

3. **Public Comments and letters from residents.** Director Bryant reported on emails to the District website. Director Bryant reported that a resident asked how to shut off water while performing bathroom repairs. He said he forwarded the email to Eagle Water to answer.

Director Bryant reported that a resident was building a pool and asked if the District needed to be contacted prior to filling the pool. He reported that the question was forwarded to Eagle Water.

Director Bryant reported receipt of a donation request from the Cy-Fair High School for the senior prom. He said it appeared to be a mass mailing and he did not respond. Director Bryant reported receipt of a billing request which was forwarded to Eagle Water.

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

Director Henry reported that Harris County Commissioners Court approved the Constable Substation. He reported that the substation construction is expected to begin shortly and take two to three weeks to complete. Director Henry reported that other nearby entities under contract with the Constable's Office will contribute to the substation costs.

5. **Proposal for agent to lease Constable Space and any necessary action.** Ms. Ellison reported that The Shoppes at Fry Road landlord had arranged for a leasing agent to work on getting a replacement tenant in the Constable Space. She presented to and reviewed with the Board the Brokerage Agreement between 290 Real Estate Fund, LP and NewQuest Properties, a copy of which is attached hereto as Exhibit "D." Ms. Ellison reported that Mr. Orkin of 290 Real Estate Fund, LP estimated that the leasing agent fee would be approximately \$4,000, depending on when the Constable Space is leased.

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 reimbursing 290 Real Estate Fund, LP for the leasing agent fee upon successful leasing of the Constable Space at The Shoppes at Fry Road.

6. **Developers Report and reimbursement issues.** Mr. Luton reported seven sales in Cypress Park in 2014.

7. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties.** The Board reviewed the Greenpros letter of a price increase of \$33.79 per month for a total of \$1,964.79

per month effective March 1, 2014, a copy of which is attached hereto as Exhibit "E." 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 rate increase to \$1,964.79 per month.

**8. Sydney Harbour Water Plant Expansion, including status of lot, fencing and landscaping proposal/cost estimate.** This item was deferred.

**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 "F." Ms. Bryant noted that 90.4% of the District's 2013 taxes had been collected as of January 31, 2014. Ms. Bryant reported that tax statements were mailed to the delinquent taxpayers.

Ms. Bryant reviewed with the Board a customer request to waive penalty and interest for a late tax payment, a copy of which is attached hereto as Exhibit "G." She reported that the customer's mortgage company received the District tax bill even though the customer does not have an escrow account. Ms. Bryant reported that the District is not permitted to waive penalty or interest unless there has been an error or omission by the District. 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 decline the customer's request for waiver of the penalty and interest.

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.

**10. Consider property tax exemptions.** The President recognized Ms. Ellison, who reported that the current exemption is \$20,000. Ms. Ellison presented to and reviewed with the Board the Order Adopting Exemption from Taxation for Individuals Who are Disabled or are 65 years of Age or Older, a copy of which is attached hereto as Exhibit "H."

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 grant an exemption of \$20,000 of appraised value for individuals who are disabled or 65 years of age or older for the 2014 tax year.

**11. Bookkeeper's Report, payment of bills, review investment report and policy, review budget, 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 "I."

Ms. Austin presented to and reviewed with the Board the proposed budget for fiscal year ending February 28, 2015, included in the Bookkeeper's Report.

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 to adopt the proposed budget for fiscal year ending February 28, 2015.

12. **Adopt budget for fiscal year ending February 28, 2015.** This item was covered under the Bookkeeper's Report.

13. **Adopt Order Calling Directors Election.** Ms. Ellison presented to and reviewed with the Board the Order Calling Directors Election, a copy of which is attached hereto as Exhibit "J." Ms. Ellison informed the Board that a Directors election is scheduled to occur on May 10, 2014.

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 adopt the Order Calling the Directors Election.

14. **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 "K."

Mr. Riley reviewed the Disconnection List with the Board.

Mr. Riley reported that he reviewed the pending Wastewater Treatment Plant Discharge Permit and found no issues with the proposed permit.

Mr. Riley reported that the seal failed on booster pump #3 at the Wastewater Treatment Plant and then the pump had electrical issues. He reported that subsequently the booster pump #2 seal started leaking. Mr. Riley reported that Burke Mechanical was contacted to repair booster pump #2. He reported that now booster pump #1's seal is failing and it has begun leaking. Mr. Riley reported that he does not know if the seal failure is inherent in the booster pumps or it is just a coincidence. He reported that the booster pumps are approximately six to seven years old.

Mr. Riley reported that Eagle Water is servicing the diesel engines and generators in preparation for hurricane season.

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

15. **Approve Rate Order (North Harris County Regional Water Authority fee).** Ms. Ellison presented to and reviewed with the Board the Order Amending and Restating Consolidated Rate and Service Order ("Amended Rate Order"), a copy of which is attached hereto as Exhibit "L." Ms. Ellison reported that the Amended Rate Order was updated for the North Harris County Regional Water Authority ("NHCRWA") pumpage fee of \$2.00 per 1,000 gallons effective April 1, 2014. Mr. Riley reported that the NHCRWA has brochures explaining the high cost of water which he will include with the water bills when the new NHCRWA pumpage fee goes into effect.

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 Amended Rate Order.

16. **Annexation agreement for KCS Construction Services 21 acres.** This item was covered under the Engineer's Report.

17. **Cypress Lakes Golf Course effluent usage.** This item was deferred.

18. **Authorize Refunding Bonds.** Ms. Ellison reported that Mr. Craig Rathmann, the District's financial advisor, would like to obtain an estimated assessed valuation. She presented to and reviewed with the Board the Resolution Authorizing Request for Certificate of Estimated Assessed Valuation ("Resolution"), a copy of which is attached hereto as Exhibit "M." 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 Resolution.

19. **Other Consultant and Director 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 March 21, 2014, at 11:00 a.m. at the offices of Norton Rose Fulbright, 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  
March 21, 2014.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

