

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
March 16, 2007

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 16, 2007, 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
Alex Handley, 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. Wendy Austin of District Data Services, Inc., bookkeeper for the District; Mr. John Brock of AquaServices L.P., operator for the District; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Ms. Donna Bryant of Assessments of the Southwest, tax assessor-collector for the District; Mr. Bill Hixon of Cymill Partners, developer of land within the District; Mr. Chad Harkin of Kimball Hill Homes, developer of land within the District; Mr. Greg Wamhoff of Centex Homes, developer of land within the District; Mr. Jimmy Pappas of Corinthian Fry Road Investors, developer of land; Deputy Blackledge and Deputy Brooks, deputies of the District; and Mr. Oliver Pennington, Mr. Steve Carroll, Ms. Mindy Harper, 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 the 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.** The proposed minutes of the meeting of February 16, 2007, 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 February 16, 2007, as presented.

2. **Public Comments and letters from residents.** Director Handley reported that he investigated the areas that appeared to be holding water in follow-up to Mr. Staas's questions from the last meeting. He stated that the areas did not have standing water at

the time of his inspection, but that they may have had problems before the recent repair of the irrigation system. Director Handley reported that he has arranged for Storm Water Solutions to review the areas to confirm they are draining properly.

3. **Security report and any necessary action.** Deputy Blackledge reviewed the provided Security Report with the Board, a copy of which is attached hereto as Exhibit "B." Deputy Blackledge reported that home burglaries have decreased and that car burglaries are occurring at the same rate. He stated that thefts at Wal-Mart are increased due to the addition of a second loss prevention officer.

Deputy Blackledge reported that Rescue Medical Products provided a price of \$3,077.49 for two automated external defibrillators, which includes pads appropriate for children. He stated that the defibrillator may be used by untrained individuals as it instructs the person what actions to perform. Deputy Blackledge stated that the batteries and pads need to be replaced after use and that Rescue Medical Products will provide the battery and pads in exchange for usage information for a study it is preparing for Congress.

The Board discussed the percentage of the time the deputies spent on Wal-Mart activity, the new commercial area and arrest averages.

The Board discussed the space in the new professional building for the deputies and Deputy Blackledge said that he would contact his superior to arrange for Constable approval for the space in the new building for the deputies.

Upon motion by Director Handley, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve the purchase of the two automated external defibrillators by Rescue Medical Products and to provide usage information in exchange for replacement batteries and pads.

4. **Developers' Report and reimbursement issues.** The President recognized Mr. Harkin, who reported that the Cypress Landing Park lift station construction is progressing. He stated that the contractor has started utilities construction in Cypress Landing Park, Section One.

Mr. Wamhoff reported that the contractor is paving the streets in Cypress Landing, Section Two, and that model home construction will begin shortly. He stated that the recreation center is under design and that the entrance landscaping will begin soon.

Mr. Hixon reported that the professional building at Cypress Mill Place and U.S. Highway 290 will have primarily medical occupants. He stated that Compass Bank, located on the tract at Cypress Rosehill and U.S. Highway 290, needs to extend the utility lines beyond the tract before paving the lot. Mr. Hirshman stated that the waterline will be public and that the sanitary sewer and storm sewer will be public if located in an easement. 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 authorize Cymill Partners to advertise the extension of utility lines.

Mr. Pappas reported that the bids received for the boring under U.S. Highway 290 and lift station were significantly over budget. He requested Board authorization to reject the bids and rebid the project. Mr. Pappas reported that advertisement for the onsite utilities will start March 26. He stated that 70% of the retail space is under letter of intent, and that CVS Pharmacy and IHOP are close to being signed. Upon motion by Director Handley, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Mr. Pappas to reject the bids and authorize rebidding of the boring under U.S. Highway 290 and the lift station.

5. **Consider Corinthian Fry Road Investors petition for annexation and submission to the City of Houston.** No action was taken on this item.

6. **Recreational Facilities Planning/Harris County Flood Control District Partnership.** Director Handley reported that the clean up and mowing of the easement along Mills Park is progressing. He stated that the sprinklers are now in good repair and that the timing was adjusted to avoid spraying joggers.

7. **Tax Assessor-Collector's Report and payment of bills.** 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 91% of the District's 2006 taxes have been collected as of February 28, 2007.

Ms. Bryant presented to and reviewed with the Board letters from Ms. Cathro and Mr. Perez requesting waiver of penalty and interest on delinquent taxes, copies of which are attached hereto as Exhibits "D" and "E," respectively. Ms. Cathro mistakenly mailed the check to Cy-Fair Independent School District and Mr. Perez's check was never received by the tax assessor. The Board discussed the situations where it has previously waived penalty is when the tax assessor has mailed the tax bill to the incorrect address.

Upon motion by Director Handley, seconded by Director Bryant, 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 requests for waiver of penalty and interest.

8. **Discuss and Approve Property Tax Exemptions.** No action was taken on this item.

9. **Approve Resolution Supporting Proposed Legislation to Cap Ad Valorem Tax Increases.** The President recognized Mr. Pennington, who presented to and reviewed with the Board the Resolution Supporting Proposed Legislation to Cap Ad Valorem Tax Increases (the "Resolution"), a copy of which is attached hereto as Exhibit "F." Upon motion by Director Handley, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Resolution.

10. **Bookkeeper's Report, and payment of bills.** 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 "G." Ms. Austin reported that check 5455 would be held per

Mr. Hirshman's instructions. Mr. Hirshman stated that he wants to hold the check until he receives the final televising of the sewer line.

Ms. Austin stated that check 5443 would be paid out of the Capital Projects Fund.

Ms. Austin reported that she is not receiving payment from Walgreen's pursuant to the Strategic Partnership Agreement. Ms. Bryant stated that Mr. Lee will contact the City of Houston to initiate payment by Walgreen's.

Ms. Austin reported that she could have items below the budget for Operating Reserve and Repair and Replacement Expenses. The Board discussed upcoming projects and asked Mr. Hirshman to prepare a list of projects and their respective costs for the Board's review.

Upon motion by Director Bryant, seconded by Director Handley, 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. The President recognized Mr. Brock, who presented to and reviewed with the Board the Operator's Report, a copy of which is attached hereto as Exhibit "H." Mr. Brock reported that he does not know if the interconnect with Harris County Municipal Utility District No. 391 was open. He stated that he is waiting for the approval of the waiver for the elevated storage tank requirement which will require a meter of the interconnect to resolve the issue.

Mr. Brock reported that there were three ammonia excursions due to blower problems at the wastewater treatment plant. Mr. Brock reported that the district may incur a fine if there is another excursion within the next five months. He stated that two blowers were sent back to the manufacturer and that upon return, one blower immediately failed. Mr. Brock reported that the electrical engineering study stated that the problems at the wastewater treatment plant were not electrical. He stated that Mr. Schrader, the electrical engineer, suggested changing from positive displacement blowers to centrifugal blowers.

Mr. Brock reviewed the draft Consumer Confidence Report, included in the Operator's Report.

Mr. Brock reviewed the Water Well No. 3 performance report and stated that it is performing well.

Mr. Brock reported that there are 296 delinquent accounts

Mr. Brock reported that the insurance paid \$3,776 for the repair at Lift Station No. 3.

Mr. Brock reported that one of the rails used by the sludge pump broke. He reviewed options to improve the design so that the system does not depend on the rails to run smoothly.

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 Operator's Report, and to terminate those accounts listed on the delinquent list.

12. **Engineer's Report and any necessary action regarding construction projects, detention pond maintenance and reimbursement expenses.** 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 the final construction cost for the sewer line repair was \$34,000. He stated that Centerpoint is questioning if it should have to pay all of the repair cost as more was repaired than that the damage caused by Centerpoint. Mr. Hirshman stated that \$17,400 of the repair cost is attributable to Centerpoint. He stated that the collection attorney requested a breakdown of engineering costs for the Centerpoint issue for the past two years. Mr. Hirshman stated that the total engineering costs came to \$23,000 and that he provided the collection attorney two methods of assigning Centerpoint's share of those costs.

Mr. Hirshman reported that the final design is done for the widening of Cypress Rosehill. He stated that the plans include DEC's comments, including moving the three drains and the force main. He stated that these items will be alternate bid items which will be bid as part of the project. Mr. Hirshman stated that the District will be sent the invoice for the items done for the District. He stated that there will be a traffic signal at Cypresswood Drive.

Mr. Hirshman reported that the 12" offsite waterline, phase two, is waiting on the final easement. He stated that the court has approved alternate service and that the hearing will be March 27. The Board asked Mr. Hirshman to confirm that the fire hydrants are included in the plans.

Mr. Hirshman reported that the Notice to Proceed for the 10" offsite force main construction was given March 1, 2007, and that construction began March 12, 2007.

Mr. Hirshman reported that the Cypress Landing Park engineer has requested authorization to rebid the water, sanitary sewer and drainage facilities for Cypress Landing Park, Section Two, due to the expiration of the bids.

Mr. Hirshman reported that the final inspection was held on the offsite 12" waterline, phases one and three, on March 8, 2007. He stated that the contractor is now working on the punch list.

Mr. Hirshman recommended approval of Pay Estimate No. 2 to Conn's Construction, Inc. in the amount of \$108,441.90 for the Lift Station for Cypress Landing. He recommended approval of Pay Estimate No. 3 to B & D Construction in the amount of \$171,281.04 for the Offsite Drainage Channel.

Mr. Hirshman reported that Notice to Proceed was given on March 6, 2007, for the utilities and detention facilities to serve Cypress Landing Park, Section One.

Mr. Hirshman reported that DEC continues work on the letter to the TCEQ requesting 280 gallons per connection rate.

Mr. Hirshman reported that DEC is revising the model for the elevated storage tank variance request.

Mr. Hirshman reported that the generator at Water Plant No. One and the lift station controls for the generator hookups will be bid on April 11, 2007. He stated that an alternate bid item will be a portable generator to see what that would cost.

Mr. Hirshman reported that Storm Water Solutions replaced the pump at Cypress Mill Estates pond and has cleaned out the pond at the commercial development.

Mr. Hirshman reported that the engineer for the Harris County Emergency Services District No. 9, Cy-Fair Volunteer Fire Station No. 4 has requested the District own and operate the lift station and force main for the fire department. The Board discussed the implications of such a decision and decided not to own and operate the lift station and force main for the fire station.

Mr. Hirshman reported that Brown & Gay, engineers for Cypress Landing, will respond to the letter by R. G. Miller dated March 13, 2007, regarding the Cypress Landing outfall construction.

Mr. Hirshman recommended approval of Pay Estimate No. 2 to Insituform Technologies in the amount of \$3,400.00 for the CIPP Sanitary Sewer Lining project along Cypress Rose Hill Road. He stated the check for this pay estimate would be held until he receives the final televising of the sewer line.

Mr. Hirshman reported that the wastewater permit is up for renewal in 2008 and requested authorization to submit the permit renewal application. He stated that Mr. Brock will arrange the laboratory tests for this submittal.

Mr. Hirshman reported that Mr. Schrader provided his report on the wastewater treatment plant. He stated that the report provides his findings, the potential causes for the problems and recommended solutions. Mr. Hirshman stated that it was recommended to change the positive displacement blowers to centrifugal blowers. Mr. Hirshman requested authorization to proceed with the recommendations. He stated that he will prepare the design and specifications for the recommendations and Mr. Brock will arrange for the changes. The Board determined that this repair could be paid for under maintenance.

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 Engineer's Report; to authorize the rebidding of the water, sanitary sewer and drainage facilities for Cypress Landing Park, Section Two; to approve Pay Estimate No. 2 to Conn's Construction, Inc. in the amount of \$108,441.90 for the Lift Station for Cypress Landing; to approve Pay Estimate No. 3 to B & D Construction in the amount of \$171,281.04 for the Offsite Drainage Channel; to deny the request to own and operate the lift station and force main for the Cy-Fair Volunteer Fire Department No. 4; to approve payment of Pay Estimate No. 2 to Insituform Technologies in the amount of \$3,400.00 for the CIPP Sanitary Sewer Lining project along Cypress Rose Hill Road; and to approve DEC to submit the wastewater permit renewal application.