

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
September 19, 2008

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 September 19, 2008, 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  
Angell Swedlund, Treasurer  
Tim Halloran, Secretary  
Jerry Bryant, Assistant Secretary

All members of the Board were present except Director Halloran. Also attending all or portions of the meeting were Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Mr. Tommy Lee 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. Bill Hixon of Cymill Partners, developer of land within the District; Sergeant Blackledge, constable for the District; Mr. Craig Rathmann of Rathmann & Associates, L.P., financial advisor for the District; Mr. Chris Swedlund, District resident; 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 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 of the meeting of August 15, 2008.** The proposed minutes of the meeting of August 15, 2008, previously distributed to the Board, were presented for review and approval. Mr. Hirshman recommended removal of the statement that there may be space at Water Plant No. 1 for an elevated storage tank. 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 August 15, 2008 as revised.

2. **Public Comments and letters from residents.** The President recognized Director Bryant, who reported on resident emails to the District web site. He reported receipt of an email from Ms. Burgess regarding the lights left on at the wastewater treatment plant, which

the operator has resolved. Director Bryant reported that the Colemans were not receiving their water bill even though the operator had the correct address.

Director Bryant reported that two emails were sent regarding recycling: a resident in favor of recycling that wanted information and another resident who wanted to obtain a recycling bin. He stated that the recycling information was added to the District web site and the resident was advised to contact WCA to obtain the recycling bin. Director Bryant reported receipt of one email against recycling.

Director Bryant reported receipt of emails regarding water disconnect and reconnects. He stated that one involved a resident that paid the old operator with the old account number.

Director Bryant reported receipt of four emails asking if the water was potable after Hurricane Ike. He stated that he informed the residents that the water was safe to drink without boiling and had that statement added to the District web site. He stated that the Houston Chronicle had an article on collection of the storm debris and a link to that article was added to the District web site.

Director Bryant stated that a resident contacted the District regarding failure of WCA to pick up her trash. Director Bryant thanked Director Swedlund for contacting the resident to discuss the matter.

Director Bryant reported that the Cypress Mill Homeowners Association ("Cypress Mill HOA") sent an email regarding a portion of the District's fence being down. Mr. Riley reported that he informed the Cypress Mill HOA that the fence would be repaired once higher priority issues were resolved if the fence belonged to the District. Director Henry reported that the portion of fence is in the front of the wastewater treatment plant. Mr. Riley stated that a temporary fence has been installed at that location.

Director Bryant reported that Eagle Water has hired him to provide information technology services and asked that the disclosure be entered into the minutes.

3. **Security report and any necessary action.** The President recognized Sergeant Blackledge, who presented to and reviewed with the Board the Security Report for the month of August, a copy of which is attached hereto as Exhibit "B." Sergeant Blackledge noted that all of the automobile burglaries involved unlocked cars. He stated that two neighbors continue to fight on Cobblestone. Sergeant Blackledge reported that a few car windows were shot out by BB guns. He stated that there were no incidents related to the hurricane.

Sergeant Blackledge reported that Harris County Municipal Utility District No. 391 has a law enforcement contract for one deputy.

4. **Developers' Report, reimbursement issues and any necessary easements.** The President recognized Mr. Hixon, who reported that Compass Bank has begun construction. He stated that Alicia's Mexican Grille will open soon. Mr. Hixon reported that he has a tenant for the space next to Dr. Lin, which will be a bead shop.

Ms. Deitrick reported that Mr. Wamhoff of Centex Homes reported an average of one home sale per month. She stated that Centex Homes has twenty-four homes built and several more under construction.

5. **Recreational Facilities Planning/Harris County Flood Control District Partnership and Report on Homeowners Association matters.** The President recognized Director Swedlund, who reported that she met with Greenpros to survey the hurricane damage in the District. Director Swedlund presented to and reviewed with the Board two proposals from Greenpros for tree pruning and clean up of the storm debris around Cypress Mill Estates detention pond and park for \$3,050.00 and removal of the storm debris for \$1,400.00, copies of which are attached hereto as Exhibits "C" and "D," respectively.

Director Swedlund reported that the District has malfunctioning sprinklers in the District. She presented to and reviewed with the Board the Greenpros proposal for sprinkler repairs in the amount of \$2,075.00, a copy of which is attached hereto as Exhibit "E."

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 three Greenpros proposals for clean-up and removal of the storm debris, and sprinkler repairs.

Director Swedlund reported that she has reviewed the maintenance contracts with Storm Water Solutions and Greenpros and met with them. Director Swedlund reported that Storm Water Solutions prefers to only maintain detention ponds and is mowing the tops at the request of the District. She stated that Greenpros is mowing the ends along the top of the detention ponds, creating redundancy and a poor appearance to the area with the different grass lengths.

Director Swedlund suggested that the District use the same contractor that the Cypress Mill HOA uses to maintain the District property other than the detention ponds. Director Swedlund stated that it would be better to have one contractor managing all of the mowing and sprinkler issues in the District and to have Storm Water Solutions only maintain the detention ponds. It was the consensus of the Board to obtain proposals for the top mowing.

Director Swedlund reported that Ms. Loughlin has a gate in her back fence to the Cypress Mill detention pond and has installed a wooden bridge and stepping stones on the District's property. She reported that Ms. Loughlin contacted her regarding damage to the bridge by the mowing contractor. Director Swedlund reported that Ms. Loughlin stated that former Director Handley recommended that she install the bridge. The Board discussed the fact that the bridge interferes with the maintenance berm and asked Ms. Ellison to write a letter to Ms. Loughlin directing her to remove the bridge and vegetation on the District property.

Director Swedlund reported that the Cypress Mill newsletter prints the names and contact information for the District's maintenance contractors and encourages residents to contact them directly with issues. It was the consensus of the Board that District residents should not be directed to contact Storm Water Solutions and Greenpros regarding District maintenance issues. The Board asked Ms. Ellison to write a letter to the person managing the Cypress Mill HOA newsletter regarding removal of the contractor information.

6. **Consider the Financial Advisor's Recommendation for the 2007 Tax Rate and Authorize Publication.** The President recognized Mr. Rathmann, who presented to and reviewed with the Board the recommendation for the 2008 tax rate, a copy of which is attached hereto as Exhibit "F." Mr. Rathmann reported that the debt tax rate may be decreased to \$0.63 per \$100 assessed valuation. He stated that the District will increase its debt when it issues bonds to reimburse the District developers. Mr. Rathmann stated that the calculations were conservative and assumed no increase in the assessed valuation in the District. He reviewed the operating budget with the Board and stated that the Operating Fund Balance is important to obtain an investment grade rating for future bonds, since municipal bond insurance is no longer available. Mr. Rathmann stated that Standard & Poor's prefers an Operating Fund Balance which is 50-100% of the annual budget. He stated that the District has a good Operating Fund Balance. Mr. Hirshman stated that the District will expand the wastewater treatment plant in the next twenty-four months at an estimated cost of \$1,200,000. Mr. Hirshman stated that the Water Plant No. 1 water well was built before 1983 and may need to be replaced in the future. He stated that it costs approximately \$2,000,000 to drill a new water well.

Ms. Ellison presented to and reviewed with the Board the Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2008, a copy of which is attached hereto as Exhibit "G." Ms. Ellison noted that the Order authorizes the tax assessor's office to publish the notice and proposed tax rate and to hold a public hearing with respect to the tax rates. Upon motion by Director Swedlund, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to propose a total tax of \$1.03 per \$100 assessed valuation, with \$0.63 for debt service, \$0.20 for maintenance and operating expenditures, and \$0.20 for developer incentive; to approve the Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2008; and to authorize the District's tax assessor collector to publish the proposed tax rate.

7. **Tax Assessor-Collector's Report and payment of bills.** The President recognized Mr. Lee, who presented to and reviewed with the Board the Tax Assessor-Collector's Report, a copy of which is attached hereto as Exhibit "H." Mr. Lee noted that 98% of the District's 2007 taxes had been collected as of August 31, 2008.

Mr. Lee reported that De Lage Landen Operational on the Delinquent Tax Roll paid the 2007 taxes and is delinquent for prior years. He reported that Drake Infrastructure Inc. rendered the personal property late and it is probably a computer for a home business.

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 Tax-Assessor-Collector's Report and to authorize the expenditures listed therein.

8. **Amendment to Tax Assessor-Collector Contract.** The President recognized Mr. Lee, who presented to and reviewed with the Board the Second Amendment to Agreement for Services of Tax Assessor-Collector, a copy of which is attached hereto as Exhibit "I." Mr. Lee reported that the last fee increase was in 1993. He stated that the amendment is for an increase from \$0.87 to \$0.95 per account per month, which equates to an increase of approximately \$3,000 per year. Mr. Lee reviewed the Hourly Fee Schedule increases with the

Board. Upon motion by Director Henry, seconded by Director Swedlund, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Second Amendment to Agreement for Services of Tax Assessor-Collector.

9. **Bookkeeper's Report, Review Investment 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 "J." Ms. Austin presented to and reviewed with the Board the Quarterly Investment Report, 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 approve the Quarterly Investment Report.

10. **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 "K." Mr. Hirshman reviewed the revised contract with Storm Water Solutions for mowing of the drainage channel that was discussed at the June Board meeting, included in the Engineer's Report.

Mr. Hirshman reported that DEC is designing a generator for the wastewater treatment plant for power outages and that the plans will be submitted for approval within sixty days.

Mr. Hirshman reported that DEC reviewed the Compass Bank plans.

Mr. Hirshman reported that he met with Cypress Lakes Golf Club and Harris County Municipal Utility District No. 391 to discuss effluent reuse to water the golf course.

Mr. Hirshman reported that he reviewed the insurance renewal forms. He stated that the insurance lists the replacement value of the wastewater treatment plant at \$1,500,000. It was the consensus of the Board that the \$1,500,000 value was sufficient.

Upon motion by Director Bryant, seconded by Director Swedlund, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report and to approve the Storm Water Solutions contract for mowing of the detention channel tops.

11. **Report on District Property Inventory.** This item was deferred.

12. **Operator's Report, authorization of maintenance and hearing on delinquent accounts.** The President recognized Mr. Riley, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "L." Mr. Riley noted that the wastewater treatment plant average daily flow amount is incorrect.

Mr. Riley reported that there was minimal impact from Hurricane Ike. He stated that the generators at the water plants were used for a day and the portable generator was used for several days at the District's lift stations. Mr. Riley reported that there was some fence damage which will be repaired. The President reported that one side of the fence around the lift station at The Shoppes at Fry Road fell into the detention pond.

Director Bryant asked Mr. Riley to include the arrears analysis on the past due accounts.

Upon motion by Director Henry, seconded by Director Swedlund, 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. **Attorney's Report.** No action was taken on this item.

14. **Discuss meeting in the District.** No action was taken on this item.

15. **Other matters.** No other matters were discussed.

16. **Next Meeting Date.** The Board noted that the next regular monthly Board meeting will be held on October 17, 2008, 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 attached and foregoing minutes were passed and approved by the Board of Directors on October 17, 2008.

  
\_\_\_\_\_  
President, Board of Directors

ATTEST:

  
\_\_\_\_\_  
Secretary, Board of Directors

(DISTRICT SEAL)

