

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
March 19, 2010

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 19, 2010, 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 Swedlund. Also attending all or portions of the meeting were Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Ms. Rhonda Rushton 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. Brandi Hebert of District Data Services, Inc., bookkeeper for the District; Mr. Nick Luton of Centex Homes, developer of land in the District; Mr. Bill Hixon of Cymill Partners, developer of land in the District; Ms. Stephanie Lee of KGA Deforest Design; Sergeant Blackledge, constable for the District; Mr. David Templeton, 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 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 February 19, 2010.** The proposed minutes of the meeting of February 19, 2010, previously distributed to the Board, were presented for review and approval. Director Henry asked that the Security Report section of the minutes be revised to reflect that he had reported that one deputy for the District repeatedly failed to show up for duty. 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 19, 2010, as revised.

2. **Accept Resignation of Director Swedlund.** 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 Director Swedlund's resignation.

3. **Appointment of Director.** The President introduced Mr. David Templeton and noted that he was interested in serving on the Board. Ms. Ellison reported that Mr. Templeton lives in the District and is qualified to serve on 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 appoint Mr. Templeton to the Board.

4. **Election of Officers.** 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 elect Director Templeton to fill the vacancy in the position of Treasurer.

5. **Public Comments and letters from residents.** The President recognized Director Bryant, who reported on emails to the District's website. He reported that four residents emailed with billing questions which he forwarded to Eagle Water for management.

Director Bryant reported that one resident emailed about past due taxes and requested a permit for remodeling, which may be related to the Homeowners Association. The President stated that he attempted to contact the resident about the permit. Director Bryant reported that he forwarded the email to the tax assessor, who stated that there were no past due taxes for that property.

Director Bryant reported that a resident emailed regarding failure of WCA to pick up the trash on Monday. Director Bryant stated that he notified the resident that a new trash collector will start on April 1, 2010. He suggested that the Best Trash flyer concerning its services be placed on the District web site.

Director Bryant reported that Ms. Krolczyk emailed and mailed the Board to complain that she could not use her Visa credit card to pay her water bill and to complain about the handling of her account. He reported that Visa has dropped out of all water district credit card payment programs because Texas law prohibits the credit card company from charging more than 5% of the bill amount. Director Bryant noted that the residents have the option of using automatic withdrawal from their bank accounts. Director Bryant suggested contacting the Association of Water Board Directors legislative committee about the loss of Visa as a payment option. Mr. Riley noted that all bank debit cards are issued with Visa.

6. **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 February and Extra Patrol Stats, a copy of which is attached hereto as Exhibit "B." Sergeant Blackledge reported on the new deputy who will patrol the District upon completion of training. He stated that the position will be covered until the new deputy begins working for the District.

Sergeant Blackledge stated that Constable Hickman did not want a larger sign for the Constable Office in the District because it is not a fully manned office and officers may not be available to help someone who goes there.

Upon motion by Director Bryant, seconded by Director Templeton, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Security Report.

7. Developer's Report, reimbursement issues and any necessary action.

The President recognized Mr. Hixon, who reported that the AT&T building bids will be opened in April and that construction is scheduled to begin in May. He reported that the AT&T building should be delivered in late November or December 2010.

Mr. Luton reported that Centex Homes has closed on 87 homes and has another 21 homes slated for closing. He reported that the paving contractor is working in Cypress Landing East, Section Four, and is expected to be completed in a couple weeks. He reported that the paving contractor will begin in Cypress Landing East, Section Three, next week. He noted that Centex is happy with the activity in Cypress Landing East.

8. Consider Cypress-Rosehill Beautification Project Proposal and any necessary action. The President recognized Ms. Lee, who reported that the plans for the Cypress-Rosehill Beautification project are at Harris County for approval.

Ms. Lee presented to and reviewed with the Board the Fencecrete America proposal for replacement of the Water Plant #2 fence along Cypress-Rosehill, a copy of which is attached hereto as Exhibit "C." She asked the Board if it wanted the old fence panels removed or salvaged for future use. It was the consensus of the Board to salvage the fence panels and store them at the wastewater treatment plant site.

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 award of the Water Plant #2 fence replacement along Cypress-Rosehill to Fencecrete America in the amount of \$22,150.00.

9. Recreational Facilities Planning/Harris County Flood Control District Partnership, Report on Homeowners Association matters and any necessary maintenance.

The President presented to and reviewed with the Board the GreenPros proposal to replace three dead tress with three desert willows along Cypress Mill Park detention pond for \$825.00; to plant six 30 gallon Live Oaks in the front of the Cypress Mill Park, Section Five, pocket park for \$1,500; and to supply spring color at the Cypress Mill Estates detention pond for \$894.00, a copy of which is attached hereto as Exhibit "D."

The President reported that Director Bryant and he removed the wires hanging down in the gazebo.

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 GreenPros proposal except to plant three live oaks instead of desert willows along the Cypress Mill Park detention pond, thus reducing the price by \$75.00.

10. Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts. The President recognized Ms. Rushton, 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. Rushton noted that 93% of the District's 2009 taxes had been collected as of February 28, 2010.

Ms. Rushton presented to and reviewed with the Board a customer request for waiver of his personal property tax because his computer and desk do not use any water, a copy of which is attached hereto as Exhibit "F." Ms. Rushton noted that the Board is not permitted to waive the personal property tax under Texas law.

Upon motion by Director Templeton, seconded by Director Henry, 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 Mr. Emery's request for waiver of the personal property tax.

11. Bookkeeper's Report, Review Investment Report and payment of bills. The President recognized Ms. Hebert, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "G." Ms. Hebert reported that the March 1, 2010 debt payment was paid.

Ms. Hebert reviewed the Quarterly Investment Report, included in the Bookkeeper's Report. The Board discussed investing the Debt Funds in Certificates of Deposit.

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, to approve the Quarterly Investment Report and to authorize Ms. Austin, the District bookkeeper, to invest a portion of the Debt Funds in money market accounts or Certificates of Deposit as appropriate.

12. Approve Collateral Security Agreement with Amegy Bank. The President recognized Ms. Ellison, who presented to and reviewed with the Board the Collateral Security Agreement with Amegy Bank, a copy of which is attached hereto as Exhibit "H." Ms. Ellison reported that the Collateral Security Agreement with Amegy Bank is to provide collateral to secure the District's deposits at the bank which exceed \$250,000, the limit of coverage provided by the Federal Deposit Insurance Corporation. Ms. Hebert reported that Amegy Bank is requiring the agreement with entities that have deposits of less than \$250,000.

Upon motion by Director Henry, seconded by Director Halloran, after full discussion and having had the question put to the Board, the Board voted unanimously to approve the Collateral Security Agreement with Amegy Bank.

13. Authorize bookkeeper to file annual energy report with the State Energy Conservation Office. 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 authorize the bookkeeper to file the annual energy report with the Texas Energy Conservation Office.

14. Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements,

damage claims. 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 on the new wastewater flows for the wastewater treatment plant expansion. Mr. Hirshman stated that a 230 gallons per connection flow rate will be requested in the next bond application to the Texas Commission on Environmental Quality ("TCEQ").

Mr. Hirshman reported that the wastewater treatment plant driveway contractor will begin next week. He reported that the construction will be coordinated with Eagle Water.

Mr. Hirshman reported that DEC is working on the bond application. He reported that \$72,293 was escrowed for Sydney Harbour detention pond land costs from a previous bond issuance. Mr. Hirshman reported that the Sydney Harbour developer was reimbursed for excavation and dirt work for the detention pond. He reported that the Sydney Harbour developer was reimbursed only for a portion of the land used for detention in Sydney Harbour, Sections One and Two. He noted that the developer was not reimbursed for interest carry on such land and the TCEQ had escrowed funds for that purpose. It was the consensus of the Board to reimburse the developer for land costs and interest costs from surplus and escrowed funds.

Mr. Hirshman requested Board approval of payment by Centex Homes of Pay Estimate #3 to Clearwater Utilities, Inc. in the amount of \$27,397.43 for the underground utilities to serve Cypress Landing East, Section Three, Phase One and Section Four.

Mr. Hirshman reported that Storm Water Solutions has provided a proposal for maintenance of the Cypress Landing East, Section Four, detention pond in the amount of \$21,230 per year.

Mr. Hirshman reported that the contractor is awaiting delivery of the generator to proceed with the generator installation at the wastewater treatment plant. He reported that Harris County requires execution of an acknowledgment form from the District to confirm that the District is aware that dirt is being placed on its land as part of the generator installation.

Mr. Hirshman reported that DEC is preparing a cost estimate to extend the waterline along Mueschke Road to connect to Harris County Municipal Utility District No. 391.

Mr. Hirshman reported that it would cost approximately \$27,000 for DEC to convert the overall district data to a Geographical Information System ("GIS"). He asked the Board if it wanted DEC to proceed with the conversion. He stated that there would be additional costs for maintenance of the District's GIS system, once prepared. The Board requested a GIS presentation.

Upon motion by Director Templeton, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report, to approve reimbursement of the land costs for the Sydney Harbour detention pond with surplus funds; to approve payment by Centex Homes of Pay Estimate #3 to Clearwater Utilities, Inc. in the amount of \$27,397.43 for the underground utilities to serve Cypress Landing East, Section Three, Phase One and Section Four; and to approve the Storm

Water Solutions proposal for maintenance of the Cypress Landing East, Section Four, detention pond for the annual cost of \$21,230.

15. **Accept Conveyance of Cypress Landing East Detention Pond.** Ms. Ellison presented to and reviewed with the Board the Conveyance of Detention Pond for the 14.07 acre site serving Cypress Landing East, a copy of which is attached hereto as Exhibit "J." 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 Conveyance of Detention Pond by Centex Homes.

16. **Unauthorized Drainage Pipes into Cypress Ridge Detention Pond.** Mr. Hirshman reported that a home outside of the District has unauthorized underground drainage pipes draining into the District's Cypress Ridge Detention Pond. Ms. Ellison presented to and reviewed with the Board a letter to the homeowner instructing him to remove the drainage pipes within thirty days. 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 send the letter to the homeowner. A copy of the letter is attached hereto as Exhibit "K."

Director Henry stated that the drainage channel along Bladenboro Drive has growth and debris that should be removed. The President noted that the drainage channel belongs to the Harris County Flood Control District. The Board requested that Mr. Hirshman send a letter requesting clean out of the drainage channel along Bladenboro Drive to the Harris County Flood Control District on behalf of the District.

17. **Approve Order Authorizing Application for Expedited Consideration of Approval by TCEQ of Project and Issuance of Bonds.** Mr. Hirshman reported that DEC discovered several undocumented Change Orders when preparing the bond application. He reported that it will take one to two months to finalize the bond application for expedited review by the TCEQ.

Ms. Ellison presented to and reviewed with the Board the Order Authorizing the Application (the "Order"), and the Application for Expedited Approval by Texas Commission on Environmental Quality of Project and Issuance of Bonds (the "Application"), a copy of which is attached hereto as Exhibit "L." Upon motion by Director Bryant, seconded by Director Templeton, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Order and Application.

18. **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 "M." Mr. Riley reported that Eagle Water will begin the work on the above-ground pipes by the Walgreens driveway that will be placed into an underground vault, if the weather permits.

Mr. Riley reported that there is insufficient space for a pickup truck to park at the lift station on Mueschke Road because of the recent widening of Mueschke Road. He stated that he will inspect the location for possible solutions.

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.

19. **If Applicable, Cancel Election and Adopt Order Declaring Unopposed Candidates Elected to Office.** Ms. Ellison stated that all candidates were unopposed and reviewed with the Board an Order Declaring Unopposed Candidates Elected to Office, a copy of which is attached hereto as Exhibit "N." 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 such Order, thereby canceling the 2010 Directors Election and declaring the unopposed candidates, Directors Koehn, Henry and Halloran, elected to office.

20. **Next Meeting Date.** The Board noted that the next regular monthly Board meeting will be held on April 16, 2010, 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.

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The attached and foregoing minutes were passed and approved by the Board of Directors on April 16, 2010.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

