

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
May 20, 2011

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 May 20, 2011, 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
David Templeton, 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; Ms. Heidi Stephenson of Cymill Partners, developer of land in the District; Mr. Mark Janik of Pulte Group, developer of land in the District; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Mr. Nick Luton of Meritage Homes, developer of land in the District; Mr. Craig Rathmann of Rathmann & Associates, financial advisor for the District; 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 April 15, 2011.** The proposed minutes of the meeting of April 15, 2011, previously distributed to the Board, were presented for review and approval. 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 minutes of April 15, 2011, as presented.

2. **Public Comments and letters from residents.** The President recognized Director Bryant, who reported on emails to the District's website. He reported that a resident emailed stating that the District water bill is the only bill he has to pay with a check. The Board noted that the resident can pay with automatic withdrawal.

Director Bryant reported that a resident emailed requesting a six month history of her water bill payment. He said that the request was forwarded to Eagle Water for management.

3. **Security report and any necessary action.** The President recognized Director Henry, who presented to and reviewed with the Board the Security Report for the month of April, a copy of which is attached hereto as Exhibit "C."

4. **Consider constable workspace lease and T1 line.** The President recognized Ms. Ellison, who reported that she spoke with The Shoppes at Fry Road owner/leasing company regarding extension of the current constable workspace lease, which expires August 31, 2012. She reported that the company offered two options for extension of the lease. Ms. Ellison reported that one option is for extension of the lease through 2016 with an annual rent of \$10,800 per year and the other is for extension of the rent free period through 2014, at which time the rent would go to market rate, which is currently \$27,000 per year. Director Henry suggested that he discuss the terms of the lease extension with the company and the Constable's Office prior to the Board making its decision. It was the consensus of the Board that Director Henry should discuss the matter with the leasing company.

5. **Developer's Report, reimbursement issues and any necessary easements.** The President recognized Ms. Stephenson, who reported that Raising Cane's is working on the permitting and expects construction to be complete in mid-December.

Mr. Janik reported that Pulte Homes is working with DEC on the upcoming bond application report. He reported that new home sales in Cypress Landing are brisk.

Mr. Luton reported that Meritage Homes completed the landscaping and soft-scaping in Cypress Park. He reported that Cypress Park has 16 net sales to date and has closed five of the homes.

6. **Recreational Facilities Planning/Harris County Flood Control District Partnership, Report on Homeowners Association matters, Greenpros proposals and any necessary maintenance.** The President reviewed with the Board the Greenpros proposal for mulch of the trees in the esplanade adjacent to Sydney Harbour for a cost of \$1,375.00, a copy of which is attached hereto as Exhibit "C." The Board decided to decline the mulch proposal.

The President asked the developers if they would be interested in the District landscaping the medians and frontage along Mueschke Road, as it recently did along Cypress-Rosehill Road. He stated that the Homeowner Associations would have to be willing to assume maintenance of the areas upon completion. The President noted that the Mueschke Road medians could be improved. Mr. Luton and Mr. Janik agreed to discuss possible improvements.

7. **Alicia's Mexican Grille temporary parking lot restoration and any necessary action.** The President recognized Ms. Ellison, who reviewed with the Board an email from Mr. Rohde, the Cypress Mill Homeowners Association property manager, a copy of which is attached hereto as Exhibit "D." The Board requested that DEC obtain contractor proposals to remove the parking lot gravel and bushes, hydromulch the area previously leased to Alicia's Mexican Grille for parking, and reinstall the curb cut.

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 2010 taxes had been collected as of April 30, 2011.

Ms. Bryant noted that the Delinquent Tax Report prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P., included in the Tax Assessor-Collector's Report, has two accounts which they recommend be transferred to the Uncollectible Roll. She reported that one account is for a vehicle and the other account is for a vacant tract on Mueschke Road which was deeded to Harris County. The Board determined that the Mueschke Road tract belonged to Pulte Homes prior to conveyance. Mr. Janik reported that he would pay the delinquent taxes for the account.

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 Tax Assessor-Collector's Report, to authorize the expenditures listed therein and to authorize Perdue, Brandon, Fielder, Collins & Mott, L.L.P. to transfer the delinquent vehicle account to the Uncollectible Roll.

9. **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 check #7851 to Harris County was reduced to take into account an overpayment under the revised contract terms.

Upon motion by Director Henry, seconded by Director Templeton, 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.

10. **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 "G." Mr. Riley reported that seven new taps were installed in April.

Mr. Riley reported that all the sanitary sewer point repairs, except for one, are complete.

Mr. Riley reported that Eagle Water has surveyed approximately one-third of the District's fire hydrants. He reported that 24 fire hydrants have been identified as requiring painting thus far. Mr. Riley reported that it costs approximately \$30 to paint a fire hydrant. He requested Board authorization to paint the District's fire hydrants when necessary, as part of the District's maintenance program.

Mr. Riley presented to and reviewed with the Board an Eagle Water request for an increase in rates, a copy of which is attached hereto as Exhibit "H." He reported that the various rate increases for personnel and equipment result in about a 10% increase. Mr. Riley noted that the water tap and meter installation proposed rate increase is \$100 for a total tap fee of \$450 for

¾ and 5/8 inch taps, and \$550 for one inch taps. He suggested that the District consider increasing the tap fees in the Rate Order to offset the increase in the charge by Eagle Water for tap fee installations. The Board then received input from the developers on a rate increase at this time. 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 proposed Eagle Water rate increase but not to increase the tap fee charges in the District Rate Order.

Director Henry asked for an update on the leak on Cypress-Rosehill Road which he called in to Eagle Water. Mr. Riley reported that they could not locate the leak. Director Henry provided additional information on the leak location. Mr. Riley reported that it would be investigated that day.

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.

11. **Approve Consumer Confidence Report.** This item was deferred.

12. **Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements, 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 preparing the ninth Bond Issuance Application. He reported that the total for Cypress Landing East, as submitted to DEC, is \$6,063,155.49, not including the land costs for the detention and lift station site. Mr. Hirshman reported that the valuation would only cover approximately \$2,000,000 to \$2,500,000 in reimbursement at this time. Mr. Hirshman reported that Pulte Group did not provide information for Cypress Landing, Sections Three, Four and Five.

He reported that Mr. Rathmann requested that the District obtain a Harris County Appraisal District estimate of assessed valuation as of June 1, 2011. Ms. Ellison presented to and reviewed with the Board the Resolution Authorizing Request for Certificate of Estimated Assessed Valuation ("Authorizing Resolution"), a copy of which is attached hereto as Exhibit "J." Ms. Ellison reported that the Authorizing Resolution allows for the District's tax assessor to request an estimate of assessed valuation from the Harris County Appraisal District.

Mr. Hirshman reported on the proposed interconnect with Harris County Municipal Utility District No. 391 ("MUD 391"). He reported that DEC is coordinating the interconnect location with the MUD 391 engineer.

Mr. Hirshman reported that the District requires 1,600 gallons per minute ("gpm") of additional booster pump capacity based on the TCEQ requirements. Mr. Hirshman reported that DEC will review the existing pumps and configurations to determine the optimal configuration to meet TCEQ requirements. He reported that the costs for the additional capacity will be included in the next bond application.

Mr. Hirshman reported that a proposed annexation tract, Cypress Auto Center, has

provided two preliminary diagrams of the utility line placement, both of which are acceptable to DEC. He reported that Cypress Auto Center will need to acquire an easement from the District. Mr. Hirshman reported that DEC is waiting on final plans from Cypress Auto Center.

Mr. Hirshman reported that DEC is working on the wastewater treatment and discharge permit application for submission prior to August 1, 2011.

Mr. Hirshman reported that DEC is working with Cymill Partners, Ltd. on the utility easements to convey the utilities on the 8.9 acre tract to the District.

Mr. Hirshman reported that it will cost approximately \$50,000 for the relocation of the pumps at the Wastewater Treatment Plant to the exterior of the digester basins. Mr. Riley reported that the pump relocation will provide a long term solution for the problems with the submersible pumps. Mr. Hirshman reported that he will have Eagle Water review the plans prior to proceeding. Mr. Hirshman reported that he will obtain three proposals for the project.

Mr. Hirshman reported that DEC inspected the swale on the outside berm of the Wastewater Treatment Plant site. He reported that no erosion was seen. The President reported that he would review the site to see if the resident's fence construction is done.

Mr. Hirshman reported that Harris County has increased its stormwater quality permit and renewal fees.

Mr. Hirshman reported that CenterPoint Energy requested utility service to a tract on Cypress Church Road. He reported that the District has sufficient capacity to provide the requested water and sanitary sewer service to the tract. The Board requested that Mr. Hirshman ask CenterPoint Energy why it is converting to public water and sewer and if CenterPoint Energy is willing to be annexed to the District.

Mr. Hirshman reported that the cost estimate for water and sanitary sewer service was provided to Harvest Bible Church.

13. **Refunding Bonds.** The President recognized Mr. Rathmann, who presented to and reviewed with the Board a Summary of Refunding Effects, a copy of which is attached hereto as Exhibit "K." Mr. Rathmann noted that the summary shows that the District can save debt service expense by refunding certain maturities of its outstanding bonds. He noted that such savings are net of the costs to issue refunding bonds and must meet the minimum savings requirement set by the City of Houston.

Mr. Rathmann presented to and reviewed with the Board a Preliminary Official Statement ("POS"), dated May 20, 2011, for the District's proposed Unlimited Tax Refunding Bonds, Series 2011, a copy of which is attached hereto as Exhibit "L." "

Ms. Ellison presented to and reviewed with the Board the Order Authorizing the Issuance of Unlimited Tax Refunding Bonds, Series 2011, a Bond Purchase Agreement, a Transfer and Paying Agency Agreement, and an Official Statement, and Authorizing the President of the Board to Approve the Amounts, Interest Rates, Prices and Terms of the Bonds, and Other Matters in Connection Therein (the "Order"), a copy of which is attached hereto as

Exhibit "M." Ms. Ellison explained to the Board that the Order sets parameters for the sale of the bonds, so that Mr. Rathmann and the President or Vice President can proceed with the sale and commitment of the Bonds once the parameters are met. Ms. Ellison presented to and reviewed with the Board the Transfer and Paying Agency Agreement, a copy of which is attached hereto as Exhibit "N." Ms. Ellison reported that The Bank of New York Mellon Trust Company, N.A. will serve as Paying Agent and Registrar for the Bonds if the Order approving the Transfer and Paying Agency Agreement is approved.

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 Authorizing Resolution, to approve the POS, to adopt the Order and to authorize the President or Vice President to sign the pricing documents.

14. **CenterPoint Energy utility capacity commitment request and any necessary action.** This item was covered under the Engineer's Report.

15. **Resolution Authorizing Charging Personnel Costs for Public Information Requests.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Resolution Authorizing Charging Personnel Costs for Public Information Requests (the "Resolution"), a copy of which is attached hereto as Exhibit "O." Ms. Ellison reported that the Resolution establishes that the District may recover personnel costs if greater than 36 hours of personnel time is used on an open records request by a single requestor.

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 Resolution.

16. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on June 17, 2011, 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 foregoing minutes were passed and approved by the Board of Directors on June 17, 2011.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

