

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
April 15, 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 April 15, 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, except Director Templeton. 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. Bill Hixon of Cymill Partners, developer of land in the District; Ms. Shannon Wiesepape of Pulte Group, developer of land in the District; Mr. Jason Schultz of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Mr. Robert Moore and Mr. Jim Moore of First General Realty; Mr. Matthew May of Best Trash; Sergeant Blackledge, constable 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 March 18, 2011.** The proposed minutes of the meeting of March 18, 2011, 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 March 18, 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 realtor emailed requesting information and he forwarded the request to F&J. Ms. Ellison reported that the notice to purchaser was provided to the realtor.

Director Bryant reported that a resident emailed to arrange a meter reinstallation. He said he forwarded the request to Eagle Water.

Director Bryant reported that a resident emailed requesting a copy of the District's Operations Contract with Eagle Water. The Board requested that F&J provide the Operations Contract to the resident.

Director Bryant reported that a resident emailed about an increase in her water bill over the last two months. He said he forwarded the email to Eagle Water. He reported another resident emailed about a \$1,400 water bill, which was forwarded to Eagle Water. Mr. Riley reported that the meter reading was mistyped and that the customer's balance was corrected.

Director Bryant reported that Mr. Howard emailed to thank the Board for clearing the area behind his home, which Mr. Howard said had been cleared twice in eight years. He reported that Mr. Howard requested more regular clearing of the area. The President reported that the area behind Mr. Howard's home belongs to the District. He said he was unsure who cleared the area. The President reported that he would contact Greenpros regarding the property. The Board asked F&J to inform Mr. Howard that the Board is investigating maintenance of the area.

The President reported that a resident in Cypress Mill Estates contacted him regarding erosion of the District swale by the Wastewater Treatment Plant. He reported that the resident was in the process of installing a new fence and that he informed the resident that the District would evaluate the area after the fence construction is complete. Director Bryant noted that a secure fence should be in place at the Wastewater Treatment Plant. Mr. Riley reported that he is waiting on a drawing from DEC to obtain prices for an additional fence.

3. **First Amendment to Agreement for Law Enforcement Services.** The Board reviewed the proposed First Amendment to Agreement for Law Enforcement Services, a copy of which is attached hereto as Exhibit "B."

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 First Amendment to Agreement for Law Enforcement Services.

4. **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 March, a copy of which is attached hereto as Exhibit "C."

5. **Consider Increase in Security Patrol.** The President recognized Sergeant Blackledge, who reviewed the funds budgeted for security in 2011 and the cost reduction which results from the First Amendment to Agreement for the Law Enforcement Services. He reported that the Extra Patrol currently has a budget of \$3,150 per month and requested Board authorization to increase the Extra Patrol to \$5,250 per month to maintain the same amount of security coverage in the District as the District had prior to the reduction in services resulting from the First Amendment to Agreement for Law Enforcement Services. The Board reviewed the proposed Exhibit A to the Independent Contractor Agreement, a copy of which is attached hereto as Exhibit "D."

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 Exhibit A to the Independent Contractor Agreement which extends the extra patrol through December 2011.

Sergeant Blackledge reported that approximately two and a half hours are lost each day in traveling to the Louetta Road substation to enter data. He reported that Wal-Mart is willing to donate computers for the Constable Workspace on Fry Road and that a T1 line is required for secure transmission of the data. The Board discussed the benefits of installing a T1 line at the Constable Workspace. The President reviewed T1 installation prices with the Board and suggested investigating an extension of the Constable Workspace lease prior to committing to the T1 line installation and lease. Sergeant Blackledge stated that he would ask the property manager to contact F&J regarding extension of the lease.

6. **Best Trash rate increase and any necessary action.** The President recognized Mr. May, who reported that under the District's contract the solid waste collection rate will increase to \$14.83 per connection with the April billing cycle. A copy of the Rate Increase letter 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 solid waste collection rate increase to \$14.83 per connection.

Mr. May presented to and reviewed with the Board the Greenstar Recycling flyer, a copy of which is attached hereto as Exhibit "F." He reported that Greenstar Recycling will print and tri-fold the flyer for the District at no charge. Mr. May offered to pay for stuffing the Greenstar Recycling flyer with the District water bill to increase customer awareness of all the materials that are recyclable so long as the stuffing cost was within reason. Mr. Riley stated that he would research the cost.

Mr. May presented to and reviewed with the Board the Yes You Can Recycle It flyer, a copy of which is attached hereto as Exhibit "G." Mr. May asked the Board if it wanted to include the Yes You Can Recycle It flyer with the water bill once a quarter.

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 the Greenstar Recycling flyer to be included with the water bill and to place the recycling information on the District web site.

7. **Developer's Report, reimbursement issues and any necessary easements.** The President reviewed an email by Mr. Luton stating that Cypress Park has 13 net sales to date and closed two of the homes. Mr. Luton reported that the improvements to the entry and the park site have boosted sales in the last couple of months and Meritage Homes hopes to have the masonry wall complete prior to next month's Board meeting.

Ms. Wiesepape reported that two homes sold in Cypress Landing with a total of twelve homes sold this year. She reported that Cypress Landing, Sections Three and Five are complete.

Mr. Hixon reported that the road turn-off to Jardine Drive is complete. He reported that Raising Cane's construction is proceeding.

8. **Cypress-Rosehill Beautification Project and any necessary action.** No action was taken on this item.

9. **Recreational Facilities Planning/Harris County Flood Control District Partnership, Report on Homeowners Association matters and any necessary maintenance.** No action was taken on this item.

10. **Fence proposal for Dry Creek.** The President recognized Mr. Riley, who reported that ninety feet of a four foot high wrought iron fence with no gate will cost \$2,119 for the location by Cypress Mill Park, Section Four. Upon motion by Director Bryant, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the installation of the wrought iron fencing at the Cypress Mill Park, Section Four location.

11. **Alicia's Mexican Grille temporary parking lot restoration and any necessary action.** The President recognized Ms. Ellison, who reported that the Cypress Mill Homeowners Association called to request that parking on the previously leased space be prevented. Ms. Ellison reported that she has discussed restoration of the leased area with Mr. Herrera's attorney and has not heard back. It was the consensus of the Board to notify Mr. Herrera that he has thirty days to restore the leased area to its original condition or the District will restore the area and charge Mr. Herrera.

12. **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 "H." Ms. Bryant noted that 97% of the District's 2010 taxes had been collected as of March 31, 2011.

Upon review of the Delinquent Tax Roll, Ms. Bryant stated that she would research the Harris County, Cypress Ridge Homeowner Association and "United States" delinquencies.

Ms. Bryant reported that the delinquent statements will be sent next month notifying the taxpayers of the additional 20% penalty effective July 1, 2011.

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 and to authorize the expenditures listed therein.

13. **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 "I." Ms. Austin reported receipt of the annexation deposit for the Cypress Auto Center and the insurance payment for the damaged radiator.

Ms. Austin reported that the Constable Space costs have increased to \$727 per month.

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 accept the Bookkeeper's Report and to authorize payment of the checks listed therein.

14. 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 "J." Mr. Riley reported that Cypress Landing Park Homeowner Association, which is on the cut-off list, has paid.

Mr. Riley reviewed the Collection List included in the Operations Report. He requested Board authorization to send the accounts to collection and transfer the accounts to the Write Off Roll.

Mr. Riley reported that the sampler at the Wastewater Treatment Plant requires replacement at a cost of \$5,735.

Mr. Riley reported that Eagle Water has completed additional sanitary sewer point repairs. He reported that two more deep repairs and a few shallow repairs remain to be performed.

Mr. Riley reported that the backflow preventer for the newly planted trees at the Wastewater Treatment Plant requires repair. Mr. Riley reported that he will research the warranty for the equipment. The President reported that the vacuum breaker at the Wastewater Treatment Plant is leaking and that the mainline valve used to shut off the vacuum breaker is not working as he was unable to shut off the leak. Mr. Riley stated that he would research the issue.

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, to terminate the delinquent accounts in accordance with the Rate Order, to authorize Eagle Water to send the Collection List accounts to collection and transfer the accounts to the Write-Off Roll and to authorize the replacement of the sampler at the Wastewater Treatment Plant.

15. Begin compilation of Continuing Disclosure Materials. The President recognized Ms. Ellison, who reported that an annual requirement for the District's bonds is to file annual financial and operating information. She requested approval for the District's consultants to prepare the disclosure materials. 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 the District's consultants to prepare the disclosure materials.

16. Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements, bonds. The President recognized Mr. Schultz, who presented to and reviewed with the Board

the Engineer's Report, a copy of which is attached hereto as Exhibit "K." Mr. Schultz reported that DEC is preparing the ninth Bond Issuance Application for Cypress Landing East.

Mr. Schultz 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. Schultz reported on the feasibility study for utility service to Harvest Bible Church. He reported on the cost estimate to provide water and sanitary sewer service to the Harvest Bible Church with the proposed MUD 391 interconnect as part of the project. Mr. Schultz requested Board authorization to provide service to Harvest Bible Church.

Mr. Schultz reported that the District requires 1,600 gallons per minute ("gpm") of additional booster pump capacity based on the TCEQ requirements. Mr. Schultz 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. Schultz 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. Ms. Ellison asked the Board if it wanted F&J to proceed with preparation of the annexation petitions.

Mr. Schultz reported that the District's wastewater treatment and discharge permit will expire on February 1, 2012. He reported that DEC is working on the permit application for submission prior to August 1, 2011. The President requested a proposal for DEC's work on the permit application.

Mr. Schultz reported that Cymill Partners, Ltd. has requested the common utilities on the 8.9 acre tract become District facilities. Mr. Hixon reported that he would provide the as-built plans to DEC so that DEC can prepare the easement plans.

Mr. Schultz reported that DEC is coordinating and obtaining a cost estimate for the relocation of the pumps at the Wastewater Treatment Plant to the exterior of the digester basins.

Mr. Schultz requested Board authorization of re-routing of the sanitary sewer to serve the Medical Facility within The Shoppes at Fry Road. He reported that DEC has no objection to the proposed re-route. Mr. Schultz reported that the contractor constructing the medical facility will remove and replace the parking lot surface as required.

Mr. Schultz reported that DEC will evaluate the swale on the outside berm of the Wastewater Treatment Plant site. Director Bryant reported that this was discussed earlier and that the District would wait to evaluate the swale until the resident's fence construction is done.

Mr. Schultz reported that DEC will evaluate the Wastewater Treatment Plant site for installation of an interior fence to improve security.

Mr. Schultz requested Board authorization to transfer The Shoppes at Fry Road detention pond permit to the District. He reported that Storm Water Solutions has provided a proposal of \$4,794.00 for annual maintenance and permitting of The Shoppes at Fry Road detention pond.

Mr. Schultz reported that Harris County Municipal Utility District No. 418 requested 3,600,000 gallons of wastewater treatment capacity from the District. He reported that DEC notified Harris County Municipal Utility District No. 418 that the District does not have the requested wastewater treatment capacity available.

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 Engineer's Report; to authorize water and sanitary sewer service to Harvest Bible Church with utility connection costs to be paid by Harvest Bible Church; to authorize F&J to prepare the annexation documents for the Cypress Auto Center annexation; to authorize the re-routing of the sanitary sewer to serve the Medical Facility within The Shoppes at Fry Road; to authorize the transfer of The Shoppes at Fry Road detention pond permit to the District and to approve the Storm Water Solutions proposal of \$4,794.00 for annual maintenance and permitting of The Shoppes at Fry Road detention pond.

17. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on May 20, 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 May 20, 2011.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

