

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
December 21, 2012

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 December 21, 2012, 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
Eddie Rucker, Treasurer
Tim Halloran, Secretary
Jerry Bryant, Assistant Secretary

All members of the Board were present except Director Henry. Also attending all or portions of the meeting were 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. Wendy Austin of District Data Services, Inc., bookkeeper for the District; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Sergeant James Blackledge, deputy for the District; Mr. Jim Moore of First General Realty; Mr. Bill Hixon of Cymill Partners, developer of land in the District; Mr. Mark Janik and Mr. Gustavo Viecco of Pulte Homes, developers of land in the District; Ms. Elizabeth Fowler; 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 November 16, 2012.** The proposed minutes of the meeting of November 16, 2012, previously distributed to the Board, were presented for review and approval.

Upon motion by Director Halloran, seconded by Director Rucker, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of November 16, 2012, as presented.

2. **Public Comments and letters from residents.** The President recognized Ms. Fowler, who reported that she recently purchased property located in the District and Harris

County Municipal Utility District No. 391 ("MUD 391"). She requested water service for a pediatric clinic on the property. Ms. Fowler said that her engineer was going to send the pediatric clinic plans to Mr. Hirshman. Mr. Hirshman reported that he did not receive the plans. Mr. Riley said that he also needs a set of plans so that he can review them prior to installation of the waterline tap. He reported that both Eagle Water and DEC must approve the plans and once that is accomplished, Eagle Water will send an invoice for the tap installation. Mr. Riley said the tap will not be installed until the invoice is paid.

Director Bryant reported on various emails to the District's website. He reported that a resident emailed after moving out of the District to confirm the water service was terminated and no outstanding balance remained. Director Bryant reported that the email was forwarded to Eagle Water.

Director Bryant reported that a resident emailed regarding decreased water pressure and the information was forwarded to Eagle Water.

Director Bryant reported that a resident requested information regarding tax exemptions for individuals sixty-five years or older and the request was forwarded to Assessments of the Southwest.

Director Bryant reported that Mr. Crahan, the Cypress Mill Homeowners Association ("HOA") representative, emailed regarding the sanitary sewer installation by the intersection of Cypresswood Drive and Cypress Mill Place. Director Bryant reported that Mr. Crahan asked if damage to the HOA's irrigation system would be repaired if caused by the contractor. Director Bryant reported that he assured Mr. Crahan any damage to the HOA's irrigation system would be repaired by the contractor.

Director Bryant reported that Ms. Hanford emailed regarding service to a tract on Cypress Rosehill Road. Mr. Hirshman reported that Ms. Hanford's request is discussed in the Engineer's Report.

Director Bryant reported that a resident emailed regarding a water leak in Cypress Landing and the issue was forwarded to Eagle Water.

3. Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination. 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 "B." Ms. Rushton noted that 1.85% of the District's 2012 taxes had been collected as of November 30, 2012.

Upon motion by Director Bryant, seconded by Director Rucker, 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.

4. Security report. Sergeant Blackledge presented to and reviewed with the Board the Security Report for the month of November, a copy of which is attached hereto as Exhibit "C."

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

5. **Developers Report and reimbursement issues.** Mr. Janik reported eight new homes sales in November in Cypress Landing. He reported that 24 homes are under construction in Cypress Landing. Mr. Janik reported that Westco has not mobilized to begin work on the Mueschke Road beautification project. Mr. Janik reported that he is working with Sherry Baker regarding replacement or reimbursement for the landscaping that perished when the irrigation was shut off for the construction work for the utility service to Harvest Bible Church.

6. **Request for annexation.** Mr. Hirshman reported that Pulte Group has requested annexation of a 40-acre tract along Mueschke Road. He reported that existing facilities within Cypress Landing are capable of serving the additional units proposed for the 40-acre annexation. Mr. Hirshman reported that the site plan for the acreage includes a detention pond. Mr. Janik reported that Pulte Group is researching natural vegetation and other low-water maintenance options for the detention pond. The President reported that Mr. Rathmann, the District's financial advisor, had analyzed the annexation and estimated that Pulte Group would be entitled to reimbursement of 81% of the utility costs based on a 10 to 1 value to cost ratio. Mr. Janik stated that the Pulte Group would like to proceed with the annexation and continue the discussion of reimbursement. Mr. Janik acknowledged that Pulte Group is not assured 100% reimbursement for the 40-acre tract.

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 approve proceeding with annexation of the 40-acre tract owned by Pulte Group, subject to agreeing with Pulte concerning the terms of reimbursement for utilities.

7. **Report on Homeowners Association matters, and authorization of maintenance on District properties.** No action was taken on this item.

8. **Update on District parks and authorization of any necessary repairs.** The President presented to and reviewed with the Board a Greenpros proposal for removal of one large pine tree for \$650.00 and 24 yards of kiddie mulch for the playground area for \$1,680.00, a copy of which is attached hereto as Exhibit "D." 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 approve the Greenpros proposal to remove the one large pine tree for \$650.00 and to defer decision on the kiddie mulch.

Director Bryant reviewed with the Board the photographs of the playground equipment located in the District's park on Cypress Orchard Lane, a copy of which is attached hereto as Exhibit "E." He reported that the playground equipment is approximately 15 years old and in fair condition. Director Bryant reported that some components of the equipment need rehabilitation. Director Bryant reported that he contacted the playground equipment company regarding service and will obtain a cost estimate for replacement parts.

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."

Upon review of the Annexation Deposits, Ms. Austin reported that she will reimburse CenterPoint Energy the remainder of its annexation deposit. Ms. Austin reported that she invoiced Driver Auto for the outstanding annexation balance.

Ms. Austin reported that she provided the Camino Services invoice to MUD 391 along with a request for payment of half the amount. She said she has not received payment.

Ms. Austin reviewed the Quarterly Investment Report, included in the Bookkeeper's Report.

Upon motion by Director Halloran, 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, to authorize payment of the checks listed therein, and to approve the Quarterly Investment Report.

10. **Review Investment Policy.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto (the "Resolution Reviewing the Investment Policy"), a copy of which is attached hereto as Exhibit "G."

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 Resolution Reviewing the Investment Policy and to maintain the current investment policy.

11. **Operator's Report, authorization of maintenance and hearing on delinquent accounts.** Mr. Riley presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "H."

Mr. Riley reviewed the Disconnection List with the Board. He reported that water service termination would occur after January 1, 2013.

Mr. Riley reported that the bearings were replaced in the 3A blower motor at the Wastewater Treatment Plant.

Mr. Riley reported that the game cameras have been installed at the Wastewater Treatment Plant and both Water Plants. He reported that the alarms have not been installed. Mr. Riley reported that NTS is offering a security installation package that includes six door sensors, a siren, a motion detector, strobe light and battery backup for \$1,670 per location. Mr. Riley reported that copper thefts have decreased in the last month. Director Rucker asked if the siren alarm shuts off by itself after a certain time period. Mr. Riley stated that he did not know if the alarm shuts off automatically.

Upon motion by Director Bryant, seconded by Director Rucker, 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, and to approve the NTS security packages for the Wastewater Treatment Plant and both Water Plants for the cost of \$1,670 per facility.

12. Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements, issuance of unlimited tax 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 on the utility service to Harvest Bible Church. He reported that the utility construction is complete. Mr. Hirshman reported that the contractor is addressing punch list items, including replacement of plants and landscaping that died when the irrigation system was shut off.

Mr. Hirshman reported on the construction of the emergency water interconnect with MUD 391. He reported that Clearwater Utilities, Inc. completed construction of the interconnect. Mr. Hirshman reported that testing of the interconnect will be completed after January 2, 2013. Mr. Hirshman recommended approval of payment of Pay Estimate #1 from Clearwater Utilities, Inc. in the amount of \$117,500.75 for construction of the emergency water interconnect with MUD 391.

Mr. Hirshman reported that DEC is preparing the booster pump plans.

Mr. Hirshman reported on the Cypress Mill Place Boulevard repairs. He reported that Harris County has recommended the Commissioners Court approve cancellation of the bond and acceptance of Cypress Mill Place Boulevard into the Harris County maintenance program.

Mr. Hirshman reported that DEC is preparing the Wastewater Treatment Plant Improvements plans. Mr. Hirshman reported that he will ensure the plans are satisfactory to Mr. Riley.

Mr. Hirshman reported that the pre-bid meeting occurred on November 20, 2012 for the utilities construction to serve Cypress Landing East, Sections Eight and Nine.

Mr. Hirshman reported on the Huffmeister Road widening project. He reported that Harris County requested that the District offset a portion of its water line so that a CenterPoint Energy electrical pole can be relocated from the right-of-way. He reported that Harris County is also considering obtaining an easement for the electrical pole from Cypress Ridge Homeowners Association. Mr. Hirshman reported that the cost to offset the water line will be between \$6,500 and \$7,500, plus an additional \$2,500 for engineering expenses. He reported that the proposed Interlocal Agreement is included in the Engineer's Report. Mr. Hirshman reported that the terms will be revised to provide that Harris County will stake the area where the pole will be relocated and that DEC will submit plans for the water line offset to Harris County within five days after the County stakes the relocation site. He reported that Eagle Water will have 21 days after Harris County approves the plans to construct the offset of the water line.

Mr. Hirshman reported that DEC is preparing the bond issuance application.

Mr. Hirshman reported that the resident at 17914 Obelisk Bay Drive has requested the District consent to an encroachment on its easement for construction of a pool and access steps. He reviewed with the Board the sealed engineering plans with accompanying mitigation calculations. Mr. Hirshman noted that he has no way to verify the numbers in the mitigation calculations. It was the consensus of the Board that the sealed engineering plans with mitigation calculations met the District's policy for consenting to encroachments in Sydney Harbour. It was noted that subsequent to last month's meeting, Mr. Laham also provided an engineer's certificate which met the District's policy.

Mr. Hirshman reported receipt of a request for a water availability letter for a proposed daycare at the corner of Cypresswood Drive and Cypress Mill Place Boulevard. He reported that the daycare expects to take care of 250 children with 25 employees. Mr. Hirshman reported that the request is for 9 equivalent single family connections ("ESFC"). He reported that the District has water available for 9 ESFC.

Mr. Hirshman reported that the President executed the storm water quality permit renewal application for the Cypress Landing East detention pond.

Mr. Hirshman reported that a realtor requested service to a tract at 16620 Cypress Rosehill Road. He reported that the estimated construction cost for the utilities to serve the tract is approximately \$250,000.

Mr. Hirshman reported that the Texas Department of Transportation ("TxDOT") plans to install a sound barrier wall in the right-of-way along U.S. Highway 290 as part of the U.S. Highway 290 expansion project. He reported that the sound barrier wall will be approximately 30 to 40 feet from resident backyard fences. Mr. Hirshman reported that sound barrier walls dampen sound better when farther away from residential areas. Director Rucker noted that the sound wall will tower over residents backyards if placed at the back of residents' yards. The President suggested requesting the quiet asphalt pavement for the project to minimize noise. The President asked the most effective way to communicate with TxDOT concerning the location of the sound barrier wall. Mr. Hirshman stated that TxDOT will have public hearings on the project and that the District and the HOA should also send letters to TxDOT. Director Bryant suggested hiring Mr. Staas to represent the District in dealings with TxDOT on the location for the sound barrier installation. The Board requested that Mr. Hirshman provide the TxDOT meeting information regarding the U.S. Highway 290 expansion project. It was the consensus of the Board to authorize Director Bryant to contact Mr. Staas requesting his assistance with communication with TxDOT.

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 Engineer's Report, to approve payment of Pay Estimate #1 from Clearwater Utilities, Inc. in the amount of \$117,500.75 for construction of the emergency water interconnect with MUD 391, to approve the Interlocal Agreement with Harris County for relocation of the water line contingent upon successful negotiation of the terms to the satisfaction of DEC and F&J, to consent to the encroachment for the proposed pool construction at 17914 Obelisk Bay Drive and to authorize

Mr. Hirshman to provide a water availability letter for the proposed daycare at the corner of Cypresswood Drive and Cypress Mill Place Boulevard.

13. **Agreement with Harris County for water line offset.** This item was covered under the Engineer's Report.

14. **Replacement of fence at Water Plant #1 and any necessary action.** Ms. Ellison reviewed the report by KGA Deforest Design, LLC, a copy of which is attached hereto as Exhibit "J." She reported that construction is scheduled to begin January 7, 2013 and that Mr. Riley's contact information has been provided to the contractor.

15. **Mueschke Road beautification, review bids and award contract, and any necessary action.** Mr. Riley reported that Eagle Water installed the meters but did not make the connections.

16. **Other Consultant Reports.** No action was taken on this item.

17. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on January 18, 2013, 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 foregoing minutes were passed and approved by the Board of Directors on January 18, 2013.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

