

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
September 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 September 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 Koehn. 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. Alan Hirshman of Dannenbaum Engineering Corp. (“DEC”), engineer for the District; Mr. Jim Moore of First General Realty; Ms. Heidi Stephenson of Cymill Partners, developer of land in the District; Mr. Mark Janik and Mr. Sawyer Blackburn of Pulte Homes, developers of land in the District; Mr. Nick Luton of Meritage Homes, developer of land in the District; Ms. Stephanie Lee of KGA DeForest Design (“KGA”); 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 August 17, 2012.** The proposed minutes of the meeting of August 17, 2012, previously distributed to the Board, were presented for review and approval. Director Henry noted an error in the Security Report.

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 minutes of August 17, 2012, as revised.

2. **Public Comments and letters from residents.** The Vice President recognized Director Bryant, who reported on various emails to the District’s website.

Director Bryant reported that a prior resident emailed to request a credit reference, and the request was forwarded to Eagle Water.

Director Bryant reported that a resident emailed to report that his neighbor had painted a fire hydrant dark green. Mr. Riley reported that Eagle Water painted over the dark green fire hydrant and the resident complained.

Director Bryant reported that a resident emailed to request a receipt for payment of his taxes, and the request was forwarded to Assessments of the Southwest.

Director Bryant reported that Mr. Crahan, the Cypress Mill Homeowners Association (“HOA”) representative, emailed to report a sinkhole. Mr. Riley reported that the sinkhole is the responsibility of Harris County or Harris County Flood Control District.

Director Bryant reported that Mr. Crahan emailed to report graffiti on a concrete outfall at the park. He reported that Director Koehn arranged for Storm Water Solutions to remove or cover the graffiti.

Director Bryant reported that a resident sent a letter requesting reimbursement for rosebushes killed by white flies that infested a District tree between Cypress Stone Lane and Maple Mill, a copy of which is attached hereto as Exhibit “B.” It was the consensus of the Board that it would be inappropriate to reimburse the resident in this situation.

Director Bryant reported that Mr. Crahan emailed to ask if the Board wanted to have the District’s wrought iron fence, on the drainage easement that crosses Timber Cliff Lane by Skinner Road, painted for a cost of \$440 while the HOA has a contractor painting in the area. He reported that the District may reimburse the HOA for the painting if the Board approves the painting. 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 painting of the wrought iron fence, on the drainage easement that crosses Timber Cliff Lane by Skinner Road, for a cost of \$440.

**3. Security report.** Director Henry presented to and reviewed with the Board the Security Report for the month of August, a copy of which is attached hereto as Exhibit “C.”

Director Henry reported that three teenagers were arrested for distributing drugs.

Director Henry reported that 471 tree posts were stolen along the Cypress-Rosehill Road median.

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

**4. Consider the financial advisor’s recommendation for the 2012 tax rate and authorize publication.** This item was deferred.

5. **Amerex Energy Presentation.** No action was taken on this item.

6. **Developers Report and reimbursement issues.** Mr. Janik reported that Pulte Homes had five new homes sales in August in Cypress Landing. He recommended that wood posts be used for the trees to be planted for the Mueschke Road beautification project.

Mr. Luton reported that Cypress Park had 25 net sales for 2012. He reported that bids were opened for water, sanitary sewer and drainage facilities for Cypress Park, Sections Three and Five.

7. **Request for annexation.** The Vice President recognized Mr. Blackburn, who reported that Pulte Homes has a contract to purchase a 40 acre tract north of Cypress Landing. Mr. Blackburn reported that he has provided a \$10,000 deposit to the bookkeeper for Mr. Hirshman to prepare a feasibility study. He requested Board authorization for DEC to prepare a feasibility study of the annexation of the 40 acre tract to the District.

Upon motion by Director Rucker, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to authorize DEC to prepare the feasibility study for the annexation of the 40 acre tract under contract by Pulte Homes.

8. **Mueschke Road beautification, review bids and award contract, and any necessary action.** The Vice President recognized Ms. Lee, who reported that four bids were received on September 20, 2012 for the Mueschke Road Median Landscape Improvements. Ms. Lee presented to and reviewed with the Board the bid tabulation sheet for the Mueschke Road Median Landscape Improvements, a copy of which is attached hereto as Exhibit "D." She recommended award to the low bidder, Westco Grounds Maintenance Co., Inc. ("Westco") in the amount of \$148,452.00.

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 award of the contract to Westco in the amount of \$148,452.00 for the Mueschke Road Median Landscape Improvements. Ms. Lee reported that she will contact Westco regarding the use of wooden posts instead of metal tree posts. Ms. Lee reported that she will prepare the contracts for execution at the Board meeting next month.

9. **Report on Homeowners Association matters, and authorization of maintenance on District properties.** Director Bryant asked why there was a cross on the Cypress-Rosehill Road esplanade. Director Henry reported that the cross was placed to memorialize someone who died in a fatal automobile accident at that location. Director Bryant asked whether the County had approved the cross installation. It was noted that the HOA is supposed to maintain the esplanade. The Board requested that F&J ask Mr. Crahan whether the County has approved the cross installation on the Cypress-Rosehill Road esplanade.

10. **Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination.** The Vice 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 99% of the District's 2011 taxes had been collected as of August 31, 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.

**11. Delinquent Tax Report and any necessary action on delinquent accounts, including water termination.** Ms. Bryant reviewed with the Board the Delinquent Tax Report prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), included in the Tax Assessor-Collector's Report. Ms. Bryant reported that Perdue requests Board direction on whether to send water termination letters to the eleven candidates listed in the Delinquent Tax Report.

Ms. Bryant reported that Mr. and Mrs. Surtain have requested an installment plan of three months and have paid the first installment. Ms. Bryant reported that Perdue recommended transfer of the Alejandro Lozano vehicle account from 2003 through 2005 to the Uncollectible Roll.

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 authorize Perdue to send water termination letters to the Water Termination Letters Candidates in the Delinquent Tax Report, to approve an installment plan for Mr. and Mrs. Surtain, and to authorize Perdue to transfer the Alejandro Lozano vehicle account from 2003 through 2005 to the Uncollectible Roll.

**12. Bookkeeper's Report, payment of bills, review investment report and policy, and any necessary changes.** The Vice 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 three Certificates of Deposit ("CD"), at Compass Bank, Green Bank and Central Bank, will mature prior to the next Board meeting. She reported that Central Bank is offering an interest rate of 0.01% for CDs at this time.

Ms. Austin reported that check #8702 to the Department of Information Services is for the T1 line at the Constable Workspace. She reported that check #8700 to CE Barker, Ltd. in the amount of \$59,894.26 is for the utilities construction to serve Harvest Bible Church. She reported that Harvest Bible Church has a remaining deposit of \$25,988. The Board asked that Mr. Hirshman determine the amount of funds required to complete the project and obtain the additional funds from Harvest Bible Church.

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

Upon motion by Director Rucker, 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.

13. **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 "G."

Mr. Riley reviewed the Disconnection List with the Board.

Mr. Riley reported that Eagle Water has completed all of the fire hydrant painting except in Cypress Park and Cypress Landing.

Mr. Riley reported that there have been widespread copper thefts at utility district facilities. He reported that the thieves are removing the copper wiring from the generator to the auto-transfer switch where there is no voltage if the generator is not operating. He reported that approximately 100 facilities on the north side of Houston have sustained copper thefts with some facilities sustaining repeated thefts. Mr. Riley reported that a task force has been formed, including the Harris County Sheriff's Department and the Department of Public Safety, to work on the issue. He reported that there will be a meeting next week for operators, law enforcement officers and legislators to discuss the issue.

Mr. Riley reported that Neil Technical Services suggested switching from copper to aluminum wiring. Mr. Hirshman reported an electrical engineer was consulted to confirm aluminum wiring would be acceptable and to size the conduit for aluminum wiring. Mr. Riley reported that Neil Technical Services installed aluminum wiring for an approximate cost of \$9,000. He reported that copper wiring would have cost approximately \$18,000. Mr. Riley reported that an insurance claim has been filed for the copper wiring theft and replacement.

Mr. Riley reported that Harvest Bible Church has paid its tap fee and that Eagle Water will install the tap once the water line is pressurized.

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 Operations Report and to terminate the delinquent accounts in accordance with the Rate Order.

14. **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 "H."

Mr. Hirshman reported on the utility service to Harvest Bible Church. Mr. Hirshman recommended payment of Pay Estimate #1 from CE Barker, Ltd. in the amount of \$59,894.26 for the utilities construction to serve Harvest Bible Church. Mr. Janik noted that the contractor needs to restore the Cypress Landing landscaping disturbed by the contractor.

Mr. Hirshman reported on the emergency water interconnect with Harris County Municipal Utility District No. 391 ("MUD 391"). He reported that the City of Houston has approved the interconnect plans contingent upon receipt of the required easements. Mr. Hirshman reported that there is an issue with one of the easements involving a lien. He reported

that the water meter easement from the District has been recorded. Mr. Hirshman reported that DEC will advertise for bids upon receipt of the necessary easements.

Mr. Hirshman reported that DEC is preparing the booster pump plans. He stated that a second opinion regarding replacement of the master control center will be solicited.

Mr. Hirshman reported on the Cypress Chase Boulevard repairs. He reported that the Cypress Chase Boulevard repairs are completed and that Harris County will inspect the repairs next week.

Mr. Hirshman reported on the Wastewater Treatment Plant Improvements. He reported that DEC prepared a cost estimate of \$1,700,000 for the addition of a 400,000 gallons per day sequencing batch reactor ("SBR"), two additional blowers, additional primary and secondary digester units, an additional splitter box and modification of the headworks unit. Mr. Hirshman reported that annexation of the 40 acres proposed by Pulte Homes may require the District to make the Wastewater Treatment Plant Improvements. He suggested F&J review previous annexation agreements to determine if the developers are required to contribute to the construction costs of the Wastewater Treatment Plant expansion.

Mr. Hirshman reported that DEC has issued utility capacity commitment letters for Cypress Landing, Sections Three and Five.

Mr. Hirshman reported that two bids were received on September 14, 2012 to construct the utilities to serve Cypress Landing Park, Sections Three and Five. He reported that the bid tabulation is included in the Engineer's Report. He recommended award to the low bidder, JAHO, Inc. in the amount of \$439,055.55.

Mr. Hirshman reported that DEC provided valuation of the District's facilities for renewal of insurance.

Mr. Hirshman reported that DEC will prepare the feasibility study for the proposed annexation of the 40 acre tract north of Cypress Landing.

Mr. Hirshman reported that a Sydney Harbour resident has requested the District consent to an encroachment on a drainage and detention easement for construction of a swimming pool. He noted that improvements within the easement should maintain the current elevation so drainage is not impeded. Mr. Hirshman noted that there are numerous improvements encroaching on the drainage easement. Ms. Ellison stated that she would review the Sydney Harbour easements to the District.

Mr. Hirshman reported that he is coordinating with Mr. Rathmann, the District's financial advisor, to determine the allocation of bond funding between developers. He reported that the District will have approximately \$13,000,000 of unissued bond authorization remaining following reimbursement to all current developers.

Mr. Hirshman reported on the District's Application for Release of Escrowed Funds. He reported that DEC sent requested information to the Texas Commission on Environmental Quality ("TCEQ") on August 14, 2012. Ms. Ellison reported that she called the

TCEQ and that the TCEQ reports it did not receive the information from DEC in a legible form. Mr. Hirshman reported that DEC will coordinate resolution of the application with the TCEQ by the next Board meeting. He reported that DEC will schedule a meeting with TCEQ to discuss pending issues.

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 Engineer's Report, to approve payment of Pay Estimate #1 from CE Barker, Ltd. in the amount of \$59,894.26 for the utilities construction to serve Harvest Bible Church, and to approve the award to JAHO, Inc. for the utilities construction to serve Cypress Landing Park, Sections Three and Five, in the amount of \$439,055.55.

**15. Review bids and award contract to proceed with replacement of fence at Water Plant #1.** The Vice President recognized Ms. Lee, who reported that one bid was received on September 20, 2012 to replace the Water Plant #1 fence. Ms. Lee presented to and reviewed with the Board the bid tabulation sheet for the Water Plant #1 Fence Renovation, a copy of which is attached hereto as Exhibit "I." She recommended award to Fencecrete America, Inc. in the amount of \$69,467.50.

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 award of the contract to Fencecrete America, Inc. in the amount of \$69,467.50 for the Water Plant #1 Fence Renovation.

**16. Request from Harris County Municipal Utility District No. 391 regarding service to lots partially within Harris County Municipal Utility District No. 391.** Ms. Ellison presented to and reviewed with the Board the Agreement Relating to Service between the District and MUD 391, a copy of which is attached hereto as Exhibit "J." She reported that the Agreement Relating to Service specifies that MUD 391 will provide sanitary sewer service and the District will provide water service to the lots that are partially located in the District and partially within MUD 391. Ms. Ellison reported that neither the District or MUD 391 will charge out-of-district rates, and each district will receive its respective tax revenue from the lots.

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 Agreement Relating to Service.

**17. Other Consultant Reports (Attorney Report).** Director Rucker asked if the installation of security cameras is recommended due to the copper thefts. It was the consensus of the Board to discuss security of facilities at the next Board meeting.

**18. Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on October 19, 2012, 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 October 19, 2012.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

