

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
July 27, 2012

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 special session, open to the public, at the offices of Fulbright & Jaworski L.L.P. at 1301 McKinney, Houston, Texas, on July 27, 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. 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 of Pulte Homes, developer of land in the District; Mr. Nick Luton of Meritage Homes, developer of land in 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 June 15, 2012.** The proposed minutes of the meeting of June 15, 2012, 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 June 15, 2012, as presented.

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

Director Bryant reported that two residents emailed to terminate water service, and the emails were forwarded to Eagle Water.

Director Bryant reported that a resident emailed to request a receipt for payment of the District taxes, and the email was forwarded to the tax assessor.

Director Bryant reported that Mr. Crahan, the Cypress Mill Homeowners Association ("HOA") representative, emailed to report sprinklers failing to turn off at the Cypress Mill Park detention pond. The President reported that Greenpros has fixed the sprinklers and is inspecting the irrigation system.

Director Bryant reported that Mr. Crahan emailed to ask the District to repair a sunken sidewalk adjacent to a manhole. He reported that Eagle Water repaired the sidewalk.

Director Bryant reported that Mr. Crahan has asked that the fire hydrants in the District be repainted.

Director Bryant reported that a resident emailed regarding a manhole that does not appear to drain. He reported that Eagle Water inspected the manhole.

Director Bryant reported that Mr. Crahan emailed regarding dead trees and shrubs on the berm by the Wastewater Treatment Plant. The President reported that he contacted KGA Deforest Design for a cost estimate for repair of the irrigation system on the berm by the Wastewater Treatment Plant.

Director Bryant reported that a resident emailed regarding a water leak at a vacant house. He reported that Eagle Water repaired the leak.

Director Bryant reported that Mr. Crahan emailed to ask the Board to consider mosquito treatment for the detention ponds. The President reported that Cypress Creek Pest Control was preparing a proposal for treatment of the Cypress Mill, Cypress Landing, Cypress Landing Park and Cypress Ridge detention ponds. Ms. Deitrick reported that Cypress Creek Pest Control has three options for mosquito treatment: pellets, truck fogging or all-terrain vehicle fogging. It was the consensus of the Board that all-terrain vehicle fogging would be desirable. The Board asked that the other detention ponds which the District is required to maintain be added to the proposal. 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 President to review and approve the proposal from Cypress Creek Pest Control for mosquito treatment.

3. **Security report and renewal of extra patrol.** Director Henry presented to and reviewed with the Board the Security Report for the month of June, a copy of which is attached hereto as Exhibit "B." He reported that thefts of wheels and tires are occurring again. Director Henry noted that unlocked vehicle burglaries are occurring at the Wal-Mart store.

Director Henry reported that Sergeant Blackledge notified him that the circuit breaker at the constable workspace was being tripped by turning on the lights. He reported that Sergeant Blackledge contacted an electrician to investigate the problem. Director Henry

reported that the electrician charged \$925 for replacement of the electrical ballasts. He reported that Sergeant Blackledge paid the electrician and requested the Board approve reimbursement of \$925 to Sergeant Blackledge for the electrician costs.

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 Security Report and to approve reimbursement of \$925 to Sergeant Blackledge for the electrician costs.

4. **Developers Report and reimbursement issues.** Mr. Janik reported that Pulte Homes had eight new homes sales in June. He reported that a new fifty foot product model home will open in October.

Mr. Luton reported that Cypress Park is averaging approximately three new homes sales per month. He reported that Harris County is reviewing the plans for Cypress Park, Sections Three and Five, and the sections may be ready for home construction in early spring 2013.

5. **Mueschke Road beautification, Agreement for development and maintenance of Mueschke Road median landscape enhancements, and any necessary action.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Agreement for Development and Maintenance of Mueschke Road Median Landscape Enhancements ("Mueschke Road Agreement"), a copy of which is attached hereto as Exhibit "C." Ms. Ellison noted that the Mueschke Road Agreement specifies that the District will charge the Cypress Landing Park Community Association, Inc. and the Mueschke Road Cypress Landing Homeowners Association, Inc. one-half the irrigation water rate.

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 Mueschke Road Agreement.

The President reported that KGA Deforest Design is proceeding with agency plan approval of the Mueschke Road median landscape enhancements.

6. **Report on Homeowners Association matters, and authorization of maintenance on District properties.** The President presented to and reviewed with the Board two Storm Water Solutions proposals for cleaning out the detention pond behind Walgreen's: semiannual maintenance for an annual fee of \$3,050.00 or monthly maintenance for an annual fee of \$2,700.00, copies of which are attached hereto as Exhibit "D."

Upon motion by Director Henry, seconded by Director Rucker, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Storm Water Solutions proposal for monthly maintenance for an annual fee of \$2,700.00.

7. **Discuss fire hydrant painting and any necessary action.** Mr. Riley reported that Eagle Water inspects one-third of the District's fire hydrants every year. He reported that Eagle Water employees perform fire hydrant painting as time permits. Director Henry noted that the fire hydrants need painting. Director Rucker suggested that Eagle Water

retain a subcontractor to paint the fire hydrants to avoid overtaxing Eagle Water's resources. Mr. Riley recommended sandblasting of the fire hydrants to remove the several layers of old paint. He reported that the fire department does not care what color the fire hydrants are painted. Mr. Hirshman estimated that there are 350 fire hydrants in the District. It was the consensus of the Board to direct Mr. Riley to obtain subcontracting proposals for painting of the District's fire hydrants for the Board's consideration.

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 99% of the District's 2011 taxes had been collected as of June 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.

9. Resolution Authorizing Request for Certificate of Estimated Assessed Valuation. 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 "F." Ms. Ellison reported that Mr. Rathmann requested an estimated assessed valuation for use in connection with the upcoming bond issuance.

Upon motion by Director Henry, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Authorizing Resolution.

10. 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 "G." Ms. Austin reported that the District's next debt payment is due September 1, 2012.

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.

11. Approve Continuing Disclosure Report and Authorize Filing. The President recognized Ms. Ellison, who presented to and reviewed with the Board the Resolution of the Board of Directors of the District Approving Continuing Disclosure Materials and the Annual Report on Financial Information and Operating Data ("Continuing Disclosure Report"), a copy of which is attached hereto as Exhibit "H." Ms. Ellison reported that the Continuing Disclosure Report is an annual requirement which updates bondholders on the status of the District and includes the audit. She reported that Ms. Amy Lewis from Rathmann & Associates prepared the Continuing Disclosure Report and F&J reviewed it.

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 Continuing Disclosure Report and authorize its filing.

12. Operator's Report, authorization of maintenance and hearing on delinquent accounts. The President recognized Mr. Riley, who reported that the relocation of the digester basin pumps is complete.

Mr. Riley presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "I."

Mr. Riley reported that water accountability for June was 97%.

Mr. Riley reported that on July 5th and 6th the air supply valves in one of the Wastewater Treatment Plant aeration basins stopped working due to a controller issue. He reported that NTS repaired the controller for a cost of approximately \$4,700. Mr. Riley reported that having only one functioning aeration basin at the Wastewater Treatment Plant significantly hinders proper treatment. He requested that the Board consider adding a third basin and new digester.

Mr. Riley reviewed the Disconnection List with the Board.

Upon motion by Director Henry, 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 authorize DEC to prepare a cost estimate for Wastewater Treatment Plant Capital Improvements.

13. Approve Settlement Agreement with Texas Commission on Environmental Quality. The Board reviewed the proposed Agreed Order from the Texas Commission on Environmental Quality ("TCEQ") for the violations at the Wastewater Treatment Plant, 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 proposed Agreed Order and to authorize payment of the penalty in the amount of \$2,196.00 to the TCEQ.

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 "K."

Mr. Hirshman reported on the utility service to Harvest Bible Church. He reported that the City of Houston required another easement which has been recorded. Mr. Hirshman stated that plan approval is expected within the next week.

Mr. Hirshman reported on the exterior pumps for the digester basins at the Wastewater Treatment Plant. He reported that the digester basin pump relocation is complete. Mr. Hirshman recommended Board approval of Pay Estimate #2 to B-5 Construction Co. Inc. in the amount of \$33,818.40 for the digester basin pump relocation. He presented to and requested Board authorization of Change Order #1 for the addition of gate valves on the tee at the new pumps in the amount of \$2,316.00.

Mr. Hirshman reported on the emergency water interconnect with Harris County Municipal Utility District No. 391 ("MUD 391"). He reported that DEC will submit the interconnect plans to the City of Houston. Mr. Hirshman reported that R.G. Miller will prepare the easement documents for the interconnect.

Mr. Hirshman reported that two developers contacted him regarding utility service to tracts near the District, one tract is forty acres north of Cypress Landing East on Mueschke Road and another tract is three lots in the Sasher Lane subdivision. Mr. Hirshman reported that he informed the developers that the District would have to consent to annexation to provide utility service. He noted that the property would have to be platted for utility service.

Mr. Hirshman reported that DEC is preparing the booster pump plans. He reported that the cost estimate is between \$150,000 and \$175,000. Mr. Hirshman reported that an electrical engineer consultant has recommended replacement of the master control center at Water Plant #1, which would cost approximately \$350,000. He stated that a second opinion regarding replacement of the master control center will be solicited. Mr. Riley stated that the master control center is very old and the mercury switches are obsolete.

Mr. Hirshman reported on the Cypress Chase Boulevard repairs. He reported that the contractor has begun repairs on Cypress Chase Boulevard. Mr. Hirshman reported that approval is still being sought for certain repairs in the vicinity of Exxon's pipeline crossing Cypress Chase Boulevard. He reported that Harris County stated it will not enforce a ninety day period for the punch list items and will only inspect the punch list items.

Mr. Hirshman reported that he is coordinating with Mr. Rathmann, the District's financial advisor, regarding the amount of the next bond issuance.

Mr. Janik asked for an update on the District's Application for Release of Escrowed Funds and if it could be on the Engineer's Report in the future. Ms. Ellison stated that she would contact the TCEQ regarding the Application for Release of Escrowed Funds.

Upon motion by Director Henry, 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 Pay Estimate #2 to B-5 Construction Co. Inc. in the amount of \$33,818.40 for the digester basin pump relocation; and to approve Change Order #1 for the addition of gate valves on the tee at the new pumps in the amount of \$2,316.00 for the digester basin pump relocation.

15. Approve Imported Water Fee Waiver Letter from West Harris County Regional Water Authority. Ms. Ellison presented to and reviewed with the Board the

Imported Water Fee Waiver Letter from the West Harris County Regional Water Authority (“Water Fee Wavier”), a copy of which is attached hereto as Exhibit “L.”

Upon motion by Director Henry, seconded by Director Rucker, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Water Fee Waiver.

16. **Take necessary action to proceed with replacement of fence at Water Plant #1.** The President reported receipt of one additional signed Maintenance Area Agreement from District residents living adjacent to Water Plant #1. He reported that KGA Deforest Design stated that the new Water Plant fence can be constructed adjacent to any resident fences remaining in place..

17. **Request from Harris County Municipal Utility District No. 391 regarding service to lots partially within Harris County Municipal Utility District No. 391.** Ms. Ellison reported that Harris County Municipal Utility District No. 391 (“MUD 391”) has suggested the District receive all utility district tax revenues from the lots that are partially located in the District and partially within MUD 391 in return for charging in-District water rates.

Upon motion by Director Bryant, second by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to authorize F&J to proceed with preparation of the necessary agreement to provide utility service to the three lots partially located in the District and partially located within MUD 391 on the basis suggested by MUD 391.

18. **Lakes of Rosehill Homeowners Association request to share security.** Ms. Ellison reported that she has contacted the Harris County Attorney’s Office to discuss changing the District’s contract with the Constable to include the Lakes of Rosehill HOA. She said she would report to the Board at the next meeting.

19. **Other Consultant Reports (Attorney Report).** No action was taken on this item.

20. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on August 17, 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 August 17, 2012.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

