

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
January 18, 2013

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 January 18, 2013, 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. Lynnette Tujague 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; Ms. Stephanie Lee of KGA DeForest Design; 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 December 21, 2012.** The proposed minutes of the meeting of December 21, 2012, previously distributed to the Board, were presented for review and approval.

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 minutes of December 21, 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. He reported that a

resident requested his tax statement. Director Bryant reported that the request was forwarded to Assessments of the Southwest.

Director Bryant reported that a resident paid off his mortgage and wanted to make sure he got the District tax statement in the future. He reported that the request was forwarded to Assessments of the Southwest.

Director Bryant reported that a resident emailed about recycling containers with lids to prevent recycling materials from blowing out of the containers. Director Bryant reported that Best Trash provided a proposal for a 48 gallon recycle cart for approximately \$1.50 per residence per month for a three year contract and approximately \$0.95 per residence per month for a five year contract. It was the consensus of the Board to try out the 48 gallon recycling carts and consider the proposal at the next Board meeting.

Director Bryant reported that a resident requested that future water bills be directed to his tenant. Director Bryant reported that the email was forwarded to Eagle Water.

Director Bryant reported that Mr. Crahan, the Cypress Mill Homeowners Association (“HOA”) representative, emailed regarding a four-inch pipe which requires a cover, at the park on Cascade Bend Lane by the detention pond. Director Bryant reported that the email was forwarded to Eagle Water.

Director Bryant reported that a resident emailed regarding a broken manhole and sidewalk. The President showed the Board a photograph of the manhole and sidewalk at the residence on Bladenboro. He reported that the manhole is for a storm sewer and should be the responsibility of Harris County, but noted that it is a hazard and Harris County may not repair it very promptly. The President further reported that there is a sanitary sewer manhole in the sidewalk on Moss Valley Drive which is a tripping hazard. He said that the sanitary sewer manhole is the District’s responsibility to repair.

Mr. Riley reported that there are two sanitary sewer manholes in the sidewalk on Laurus Estates Lane which need repair. He reported that there is also a sanitary sewer manhole in a driveway on Laurus Estates Lane. Mr. Riley reported that there is a void next to the manhole. Mr. Riley said Eagle Water was investigating the cause of the void.

Director Bryant reported that the drainage outlets in the swale by the District’s park on Cypress Orchard Lane are in need of repair. Mr. Riley reported that he would coordinate repair of the drainage outlets.

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 manhole and sidewalk repairs on Bladenboro, Moss Valley Drive and Laurus Estates Lane, and repair of the drainage outlets in the District’s park on Cypress Orchard Lane.

3. **Recycling containers and any necessary action.** This item was covered under Public Comments.

4. **Security report.** Director Henry presented to and reviewed with the Board the Security Report for the month of December, a copy of which is attached hereto as Exhibit "B." Director Henry reported that traffic citations have increased due to the traffic along Cypresswood Drive to the Houston Outlet Mall.

Director Henry reported that the District's constable space appears not to have a furnace. He reported that an air conditioning/heating repairman will inspect the location to confirm there is no heating function at the constable space. Mr. Hirshman stated that he would review the constable space plans to determine if heating was supposed to be included. He reported that the contractor will be contacted if a furnace was supposed to be installed and the contractor failed to do so.

Director Henry reported that he and the President met with Constable Hickman and his colleagues. He reported that the Constable's Office is not ready to convert the District's constable space to a Harris County Constable Station at this time.

5. **Renew Interlocal Agreement for Law Enforcement Services with Harris County.** Ms. Ellison reviewed with the Board the Interlocal Agreement for Law Enforcement Services between Harris County and the District, a copy of which is attached hereto as Exhibit "C." Ms. Ellison reported that the Interlocal Agreement is for 70% coverage of four deputies and one sergeant.

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 Interlocal Agreement for Law Enforcement Services.

6. **Developers Report and reimbursement issues.** Mr. Janik reported five new homes sales in December in Cypress Landing. He reported that the contractor is paving in Cypress Landing, Section Nine, which is expected to be complete in approximately a month. Mr. Janik reported that the contractor is constructing utilities for Cypress Landing, Section Eight. He reported that Cypress Landing, Sections Six and Ten, remain to be developed.

7. **Report on Homeowners Association matters, and authorization of maintenance on District properties.** The President reported that Harris County received a letter from Westco stating that the contractor would maintain the Mueschke Road median improvements for a six month period. He reported that Harris County requested a letter from the Mueschke Road Cypress Landing Homeowners Association, Inc. stating that it would maintain the Mueschke Road median improvements after the six month period. Mr. Janik stated that he would provide the letter to Harris County.

8. **Update on District parks and authorization of any necessary repairs.** The President presented to and reviewed with the Board a Greenpros proposal for rubber kiddie cushion in the amount of \$11,530.00 for the District's park on Cypress Orchard Lane, a copy of which is attached hereto as Exhibit "D." He reported that Greenpros previously provided a proposal for bark mulch for the park in the amount of \$1,680.00.

Director Bryant reported that the playground equipment company has not returned his call regarding repair and replacement parts. Ms. Lee stated that she would inspect the playground equipment and provide recommendations to the Board.

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 Greenpros proposal for bark mulch in the amount of \$1,680.00 for the District's park on Cypress Orchard Lane.

9. Update on U.S. Highway 290 sound barrier wall and any necessary action. Director Bryant reported that he has not contacted Mr. Staas to request his assistance with communications with the Texas Department of Transportation regarding the installation of a sound barrier wall in the right-of-way along U.S. Highway 290.

10. 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 68% of the District's 2012 taxes had been collected as of December 31, 2012.

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.

11. Adopt Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code. The President recognized Ms. Ellison, who presented to and reviewed with the Board the Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code (the "Resolution"), a copy of which is attached hereto as Exhibit "F." Ms. Ellison reported that the revenue collected by levying this penalty is used to pay the delinquent tax attorney for the services provided 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 adopt the Resolution.

12. Bookkeeper's Report, payment of bills, review investment report and policy, and any necessary changes. The President recognized Ms. Tujague, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "G."

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

13. Adopt budget for fiscal year ending February 28, 2014. This item was deferred.

14. **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 reported that accountability for December was initially 85%. He reported that several factors may be contributing to the decreased accountability, including the Mueschke Road and Skinner Road construction, along with the construction of the interconnect with Harris County Municipal Utility District No. 391 ("MUD 391") and the utilities construction in Cypress Landing. He reported that JAH0 has two fire hydrant meters for the construction it is performing in the District. Mr. Riley reported that the JAH0 meters did not have a lot of water usage on them. Mr. Riley reported that an interconnect with MUD 391 was left open and the District received approximately 1,000,000 gallons of water. He reported that the District will repay the water in kind to MUD 391. Mr. Riley reported that Eagle Water inspected the District to determine potential causes of low accountability. He reported that a service line was discovered leaking into a storm sewer in Cypress Hill Estates. He reported that Eagle Water repaired the service line leak. Mr. Riley reported that Eagle Water estimated the water lost from the leak at 25 gallons per minute which comes to 1,080,000 gallons per month. He reported that Eagle Water has recalculated the District's accountability for the last few months with the addition of the 1,080,000 gallons. Mr. Riley reported that Eagle Water will continue investigating potential causes of the decreased water accountability.

Mr. Riley reported that Terra Renewal, the District's sludge hauler, has a new staff in Houston. He reported that Terra Renewal sent a letter increasing sludge hauling rates. Mr. Riley reported that Terra Renewal increased the rate from \$0.055 per gallon to \$0.065 per gallon and also changed the method of calculating the fuel surcharge. Mr. Riley reported that Magna Flow charges \$0.055 per gallon and does not have a fuel surcharge. He reported that Eagle Water coordinated removal of the District's sludge by Magna Flow in December.

Mr. Riley reviewed the Disconnection List with the Board.

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.

15. **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 all testing was satisfactory and that DEC performed a

final inspection on January 17, 2013. He reported that the contractor addressed all punch-list items from the inspection. Mr. Hirshman reported that only the fire station and CenterPoint Energy will not receive water service when the interconnect is utilized due to a disruption in normal water delivery.

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

Mr. Hirshman reported that DEC is preparing the Wastewater Treatment Plant Improvements plans.

Mr. Hirshman reported on the Huffmeister Road widening project. He reported that Harris County has staked the right-of-way. Mr. Hirshman reported that CenterPoint Energy needs to stake the new location for the electrical pole and then DEC will prepare plans for the water line offset.

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

Mr. Hirshman reported that DEC provided comments on the construction plans for the proposed daycare at the corner of Cypresswood Drive and Cypress Mill Place Boulevard. He reported that DEC is awaiting revised plans addressing the comments.

Mr. Hirshman reported that he has not received plans for the proposed pediatric clinic.

Mr. Hirshman reported receipt of a letter from a subcontractor of C.E. Barker for non-payment of \$24,096.49 for work completed for the Harvest Bible Church. Mr. Hirshman reported that he has contacted C.E. Barker to resolve the issue.

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 Engineer's Report.

16. Replacement of fence at Water Plant #1 and any necessary action. Ms. Lee reported that the contractor is ready to begin work; however, residents are parking in the Water Plant #1 driveway, preventing access. Mr. Riley stated that he could install a No Parking sign on the driveway. It was the consensus of the Board to have the constables warn residents not to park there. Director Henry stated that he would notify Sergeant Blackledge to closely monitor the driveway to prevent resident parking.

17. Mueschke Road beautification, review bids and award contract, and any necessary action. Ms. Lee reported that the trees and irrigation have been installed.

18. Other Consultant Reports. Ms. Ellison reported that the Harris Galveston Subsidence District has delayed the next deadline for conversion to surface water by five years from 2020 to 2025. She stated that this revised schedule may slow the increases in pumpage fees set by North Harris County Regional Water Authority.

19. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on February 15, 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 February 15, 2013.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

