

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
November 15, 2013

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 Norton Rose Fulbright, 1301 McKinney, Houston, Texas, on November 15, 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, except Director Rucker. 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 and Mr. Chris Oliver of Eagle Water Management, Inc. ("Eagle Water"), operators 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; Ms. Heidi Stephenson of Cymill Partners, developer of land in the District; Ms. Juanita Orsak of Pulte Homes, developer of land in the District; Mr. Mike Feild of Triumph Club Management; Ms. Stephanie Lee of KGA DeForest Design ("KGA"); Mr. Nick Luton of Meritage Homes, developer of land in the District; and Ms. Kathleen Ellison and Ms. Yvette Deitrick of Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, 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 October 18, 2013.** The proposed minutes of the meeting of October 18, 2013, 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 October 18, 2013, as presented.

2. **Public Comments and letters from residents.** Director Bryant reported on emails to the District website. Director Bryant reported that five requests regarding billing were forwarded to Eagle Water.

3. **Security report.** Director Henry reviewed with the Board the Security Report for the month of October, a copy of which is attached hereto as Exhibit "B."

Director Henry reported that Captain Whitten and Chief Deputy Sumner will meet with Harvest Bible Church to sign the contracts for the Constable Substation. He reported that construction will begin November 21, 2013 and take approximately two and a half weeks. Director Henry reported that a request has been submitted for the Harris County Constable to pay for the T1 line at the Constable Substation.

Director Henry reported that Wal-Mart requested increased patrol and access to Constables, and is willing to pay for such service. The Board discussed the request and Director Henry said he would get more information.

4. **Extra Patrol Renewal.** The President recognized Ms. Ellison, who asked the Board if it wanted to renew the Extra Patrol coverage for January 1, 2014 through June 30, 2014, detailed in Exhibit A to the Independent Contractor Agreement, a copy of which is attached hereto as Exhibit "C." She noted that the proposed coverage is the same as the current coverage and will be performed by five deputies.

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 Exhibit A to the Independent Contractor Agreement which extends the extra patrol through June 30, 2014.

5. **Cypress Lakes Golf Course effluent usage.** The Board discussed the recent North Harris County Regional Water Authority Amended Effluent Reuse and Other Alternative Water Use Incentive Program ("Incentive Program"). Mr. Hirshman reported that the District will not reduce its wastewater treatment discharge permit due to the effluent reuse. Mr. Hirshman noted that the Incentive Program is a 20 year commitment to the North Harris County Regional Water Authority. The Board discussed use of effluent for irrigation purposes in the District, and the requirement of new irrigation lines.

Mr. Feild joined the meeting. Director Bryant stated that he would be the contact for the District for the contract negotiations.

6. **Developers Report and reimbursement issues.** Ms. Orsak reported that construction is underway in Cypress Landing, Section Six. She reported that model home construction is underway in Cypress Landing, Section Eight. Ms. Orsak reported that there were 49 sales in Cypress Landing in 2013 to date, and a total of 308 sales for Cypress Landing. She estimated that there are a total of 632 lots in Cypress Landing.

Ms. Stephenson reported that a broker contacted Cymill Partners regarding the commercial tract for a possible dialysis center.

Mr. Luton reported that Brown & Gay Engineers is preparing plans for Cypress Landing Park, Section Four. He reported that Meritage Homes is averaging four homes sales a month, and has a total of 48 sales in 2013 to date.

7. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties.** The President opened discussion to the Texas Department of Transportation ("TXDOT") correspondence regarding the proposed U.S. Highway 290 noise barrier. Mr. Hirshman reported that he again notified TXDOT that there is a lift station on the U.S. Highway 290 feeder road. The Board discussed the omission of a noise barrier behind the commercial tract at U.S.

Highway 290 and Cypress Rosehill Drive, and the vacant commercial tract at 290 and Cypress Mill Estate Drive. 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 authorize F&J to forward the TXDOT correspondence regarding the U.S. Highway 290 noise barrier to the Cypress Mill Homeowner Association ("HOA") and notify the HOA that resident letters are the best way to influence TXDOT.

Ms. Lee presented to and reviewed with the Board Pay Application #1 from Allgreen Associates in the amount of \$19,912.50 for the Wastewater Treatment Plant Improvements, a copy of which is attached hereto as Exhibit "D." Ms. Lee reported that the contractor has completed the project and the three month maintenance period has started.

**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 0.79% of the District's 2013 taxes had been collected as of October 31, 2013.

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.

**9. Bookkeeper's Report, payment of bills, review investment report and policy, review budget, 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." Ms. Austin reported receipt of a Brown & Gay Engineers invoice for the tenth bond issuance. Mr. Hirshman instructed Ms. Austin to give the invoice to Ms. Orsak.

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

**10. 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. He noted that the high usage account on the Disconnection List last month paid the outstanding balance of \$1,043. Mr. Riley stated that the customer's water usage was 105,000 gallons, 114,000 gallons and 20,000 gallons, and stated that the customer probably experienced a leak.

Mr. Riley reported that the booster pump #3 seal failed at Water Plant #2. He reported that the motor windings were burnt and the motor had to be rebuilt, which cost \$11,285.

Mr. Riley reported that Eagle Water had to use special equipment to bore under Hope Shadow Court in Cypress Landing to make taps. He reported that Eagle Water will invoice the District for the extra expenses.

Mr. Riley reported that the Soft Start for a blower at the Wastewater Treatment Plant requires replacement. He reported that new Soft Starts have been installed for the other two blowers at the plant, at an approximate cost of \$5,000 each.

Mr. Riley reported receipt of a Harris County Letter regarding implementation of Drought Contingency Plans, a copy of which is attached hereto as Exhibit "H." Ms. Ellison reported that the Texas Commission on Environmental Quality has been consulted and that having a Drought Contingency Plan in effect appears to meet the requirements of the Harris County letter. Ms. Ellison recommended the District continue to encourage voluntary water conservation by adding water conservation tips to the District's water bills.

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 Operations Report, to terminate the delinquent accounts in accordance with the Rate Order, to approve the Wastewater Treatment Plant booster pump repair in the amount of \$11,285 and the installation of a Soft Start for the Wastewater Treatment Plant blower for an approximate cost of \$5,000.

**11. 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 that DEC is working on the booster pump plans for Water Plant No. 1. He reported that the plans will be submitted to the City of Houston soon.

Mr. Hirshman reported that DEC is preparing the plans for the ground storage tank additions at Water Plant No. 1 and Water Plant No. 2. Mr. Hirshman reported that he attended the City of Houston replat meeting on November 14, 2013, regarding the lot adjacent to Water Plant No. 2 and eight people from Sydney Harbour attended. He reported that the replat was deferred until December 5, 2013. The President asked that Mr. Hirshman and Ms. Lee work together to prepare a plan and cost estimate for 8 foot fencing and/or landscape screening for Water Plant No. 2 to reduce the visibility of the ground storage tanks.

Mr. Hirshman reported that the Wastewater Treatment Plant Improvement plans will be submitted to the Texas Commission on Environmental Quality ("TCEQ") by the end of November.

Mr. Hirshman reported that DEC is preparing the Bond Application Report for the Series 2014 Bonds, in the amount of \$4,000,000. He reported that DEC requires additional invoices from a developer.

Mr. Hirshman reported that DEC has coordinated the English and Spanish Notice publication for the District's Wastewater Treatment Plant Discharge Permit renewal application.

Mr. Hirshman requested authorization for the President to execute the storm water quality permit renewal application for the Cypress Landing East Detention Pond, included in the Engineer's Report.

Mr. Hirshman reported that the Houston Galveston Subsidence District ("HGSD") contacted him regarding the estimated cost for water service to the Fountain of Life Church, next to Harvest Bible Church. Mr. Hirshman reported that he provided the District's Rate Order to HGSD. Ms. Ellison noted that previously the Fountain of Life Church contacted the District regarding water service and the costs of the easements previously purchased from the Fountain of Life Church were included in the water service cost estimate.

Mr. Hirshman recommended payment of Pay Estimate #5 and Final from American Site Builders, LLC in the amount of \$27,905.95 for the utilities construction to serve Cypress Landing East, Sections Eight and Nine, included in the Engineer's Report.

Mr. Hirshman reported that the owner of the 20 acre annexation tract located on Mueschke Road contacted him yesterday to discuss the items required for the proposed annexation. He reported that the owner asked if the District would be willing to accept the detention pond for operation and maintenance. Mr. Hirshman stated that he thought the District already owned the detention pond. The President stated that the District only has an easement for the detention pond, not ownership.

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, to authorize the President to execute the storm water quality permit renewal application for the Cypress Landing East Detention Pond, and to approve payment of Pay Estimate #5 and Final from American Site Builders, LLC, in the amount of \$27,905.95 for the utilities construction to serve Cypress Landing East, Sections Eight and Nine.

12. **Request regarding Sydney Harbour drainage easement.** Ms. Ellison reported that she had been contacted by a resident of Sydney Harbour about a revision to the Sydney Harbour Homeowners Association proposed policy for construction of improvements in the drainage easement, a copy of which is attached hereto as Exhibit "J." The President stated that the flowerbed pavers and landscaping blocks need to be at ground level. 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 reject the proposed revision to the Sydney Harbour Homeowners Association proposed policy for construction of improvements in the drainage easement.

13. **Annexation agreement for KCS Construction Services 21 acres.** This item was deferred.

14. **Order authorizing application for expedited consideration of approval by Texas Commission on Environmental Quality of project and issuance of bonds.** Ms. Ellison presented to and reviewed with the Board the Order Authorizing the Application (the "Order"), and the Application for Expedited Approval by Texas Commission on Environmental Quality of Project and Issuance of Bonds (the "Application"), a copy of which is attached hereto as Exhibit "K."

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 Order and Application.

15. **Renew District Insurance.** The President opened discussion to the HARCO Insurance Services proposal for the period of December 5, 2013 through December 5, 2014, a copy of which is attached hereto as Exhibit "L."

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 HARCO Insurance Services proposal with the same coverage as last year and three year terms for the Consultants' Bond, Directors' Bond and Travel Accident Coverage.

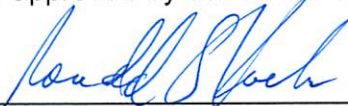
16. **Other Consultant and Director Reports.** No action was taken on this item.

17. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on December 20, 2013, at 11:00 a.m. at the offices of Norton Rose Fulbright, 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  
December 20, 2013.



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President, Board of Directors

ATTEST:



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Secretary, Board of Directors

(DISTRICT SEAL)

