

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
July 19, 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 July 19, 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. Cathy Brittain-Drew 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; 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. Robert Moore of First General Realty; Mr. Nick Luton of Meritage Homes, developer of land in the District; Ms. Stephanie Lee of KGA DeForest Design ("KGA"); Sergeant Blackledge; constable for the District; Mr. Daniel Blackledge; Mr. Antonio Flamenco of Insite Architecture, Inc.; Mr. Lee Pham and Ms. Danielle Pham of Visage Salon and Day Spa; Mr. Dennis Brewer, Mr. Stephen Howard and Mr. Don Staas of the Cypress Mill Homeowner Association ("HOA"); Mr. Craig Rathmann of Rathmann & Associates, L.P., the financial advisor for 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 June 14, 2013.** The proposed minutes of the meeting of June 14, 2013, previously distributed to the Board, were presented for review and approval. 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 minutes of June 14, 2013, as presented.

2. **Public Comments and letters from residents.** Mr. Brewer reported that the Texas Department of Transportation ("TXDOT") is requesting property owner input on the

location for the noise abatement barrier to be constructed in connection with the U.S. Highway 290 project. Mr. Brewer reported that TXDOT requires property owner support to consider placing the noise abatement barrier along the back property line of affected residences instead of at the U.S. Highway 290 feeder road curb. He reviewed with the Board the TXDOT property owner survey on the project, a copy of which is attached hereto as Exhibit "B." Mr. Brewer reported that the District owns the property along the back property line of the homes between the lift station and the commercial tract at Cypress-Rosehill Road and that the HOA owns the property west of the lift station. He reported that property owners need to return the survey by July 25, 2013. He reported that the HOA prefers the noise abatement barrier on the back property line of affected residences to eliminate a strip of land between the residential back fences and the noise abatement barrier. Mr. Brewer reported that the HOA is researching whether it can transfer land to the District if the transfer is necessary to allow TXDOT to construct the noise abatement barrier through the Cypress Mill subdivision with no gaps. Mr. Staas reported that the HOA is uncertain of its ability to maintain the noise abatement barrier. Mr. Hirshman reported that there is a pipeline easement on the back lot line of some of the residences in the subdivision. 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 support placement of the noise abatement barrier along the back lot line in the Cypress Mill subdivision instead of at the U.S. Highway 290 feeder road curb.

Director Bryant reported on emails to the District website. He reported that a resident requested refund of a meter tampering fee and reconnection fee. Mr. Riley reported that the resident was charged the meter tampering fee after he reconnected water service to his residence after Eagle Water terminated water service. He reported that Eagle Water removed the water meter upon discovery of the meter tampering. Mr. Riley reported that the resident has received five water termination letters in the last 12 months and has had water service terminated three times. Upon motion by Director Koehn, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to deny the resident request for refund of the meter tampering fee and the reconnection fee.

Director Bryant reported that three requests regarding opening and terminating accounts were forwarded to Eagle Water.

Mr. Riley reported that the irrigation system at the lift station in Cypress Mill Park Section Three, has been turned on and mowing of the area has been arranged.

Ms. Deitrick reported that Mr. Crahan, the HOA representative, asked if the Board wanted to contribute an article to the HOA newsletter. It was the consensus of the Board not to contribute to the HOA newsletter at this time.

### **3. Request for annexation – U.S. Highway 290 and Cypress-Rosehill.**

The President recognized Mr. Flamenco, who reviewed with the Board the plans for construction of the Visage Salon and Day Spa at Cypress Rosehill Road and Kings Court, a copy of which is attached hereto as Exhibit "C." He reported that Mr. Pham owns the tract at Cypress Rosehill Road and Kings Court. Mr. Flamenco reported that the property is deed restricted to residential use but he is attempting to get it replatted for commercial uses. He requested the District annex the tract and provide utility service to the tract if it is replatted. Mr. Flamenco reviewed the development plans for the tract, which include a one story building for a spa and salon, with possibly a café or restaurant. Mr. Flamenco reported that Mr. Hirshman provided preliminary cost estimates for extending utility service to the tract. Mr. Hirshman reported that there is a twelve-inch waterline across Cypress Rosehill Road and that a bore

under Cypress Rosehill Road would be needed to extend the waterline to the tract. The Board discussed the impact of commercial development of the tract on the surrounding area. The President expressed concern about the impact on property values in the District. It was the consensus of the Board that annexation of the tract would not be of benefit to the District or District residents. 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 decline the annexation and utility service request from Mr. Pham.

4. **Request for annexation (40 acres west of Mueschke Road).** No action was taken on this item.

5. **Report on Sydney Harbour drainage easement.** Ms. Ellison reported on her research concerning the 14 foot drainage easement in Sydney Harbour granted on the plats by the developer. She said she discovered that the developer reserved the right to alter the easement in certain circumstances. She said the developer representative, Jennie Trapolino, had suggested that the District coordinate with the homeowners association so that there is one policy applicable to all residents and builders. She said Ms. Trapolino suggested that the District authorize the Architectural Control Committee of the homeowners association to approve structures in the drainage easement, so long as they are at ground level and do not cause water to accumulate at a higher level in a neighbor's yard. It was the consensus of the Board to have F&J draft a policy for the Board's consideration.

6. **Security report.** Sergeant Blackledge reviewed with the Board the Security Report for the month of June, a copy of which is attached hereto as Exhibit "D." He reported that there were two habitation burglaries.

7. **Developers Report and reimbursement issues.** Mr. Luton reported 27 sales and 18 closings in Cypress Park in 2013, which is an increase from 2012 sales.

8. **Report on Homeowners Association matters, and authorization of maintenance on District properties.** Ms. Lee reported that the Wastewater Treatment Plant Landscape Enhancements proposals will be ready for the next Board meeting. She estimated that the project for the berm and irrigation system extension will cost approximately \$25,000.

Mr. Brewer thanked the Board for the sidewalk extension at Cypress Mill Estates retention pond on Grove Estates Lane.

9. **Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination.** The President recognized Ms. Brittain-Drew, 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. Brittain-Drew noted that 99% of the District's 2012 taxes had been collected as of June 30, 2013.

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.

10. **Bookkeeper's Report, payment of bills, review investment report and policy, review budget, 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 "F." Ms. Tujague reported receipt of the SafeSite \$15,000 feasibility

study deposit. Ms. Tujague reported that she did not receive payment by Harvest Bible Church or Harris County. Mr. Hirshman reported that check #9293 to Harris County is for relocation of the District's facilities related to the Harris County Huffmeister Road widening project.

Ms. Tujague reviewed with the Board the Quarterly Investment Report.

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, to authorize payment of the checks listed therein, and to approve the Quarterly Investment Report.

**11. Lone Star Investment Pool Resolution and Investment Agreement.**

Ms. Ellison reviewed with the Board the Lone Star Investment Pool Resolution, a copy of which is attached hereto as Exhibit "G." Ms. Ellison reviewed the proposed changes to the Lone Star Information Statement.

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 Lone Star Investment Pool Resolution.

**12. Approve Department of Information Resources Service Agreement.**

Director Bryant reported that the payment terms for the T1 line to the Constable Work Space have been revised to month to month. 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 Department of Information Resources Service Agreement, a copy of which is attached hereto as Exhibit "H."

**13. Order Adopting and Authorizing Official Notice of Sale and Bid Form, Authorizing Distribution Thereof and of a Preliminary Official Statement and Authorizing Publication of Notice of Sale.** The President recognized Mr. Rathmann, who presented to and reviewed with the Board a draft Preliminary Official Statement ("POS") and Notice of Sale for the proposed sale of the District's Unlimited Tax Bonds, Series 2013, a copy of which is attached hereto as Exhibit "I." Mr. Rathmann reported that the Texas Commission on Environmental Quality ("TCEQ") approved the issuance of \$5,565,000 in bonds. He informed the Board that the POS would be used to market the District's bonds. Mr. Rathmann stated that the Board will receive bids to buy the Bonds on August 22, 2013, at 1:30 p.m. at a special Board meeting.

Ms. Ellison presented to and reviewed with the Board the Order Adopting and Authorizing Official Notice of Sale and Bid Form, Authorizing Distribution Thereof and of a POS and Authorizing Publication of Notice of Sale ("Authorizing Order"), a copy of which is attached hereto as Exhibit "J."

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 POS, the Notice of Sale, and the Authorizing Order.

Mr. Rathmann presented to and reviewed with the Board the Analysis for the Unlimited Tax Bonds, Series 2014, a copy of which is attached hereto as Exhibit "K." He reported that the District's current taxable valuation can support a bond issuance of \$4,000,000. Mr. Hirshman stated that various District projects will be funded from the Series 2014 Bonds

and the remainder of the bond proceeds will be used for developer reimbursement.

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 DEC to prepare the Bond Application Report for the Series 2014 Bonds.

**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 "L." Mr. Riley reported that a new blower at the Wastewater Treatment Plant will cost \$4,200.

Mr. Riley reported that the North Harris County Regional Water Authority ("NHCRWA") has revised its Drought Contingency Plan. The Board discussed revising the District's Drought Contingency Plan to include the NHCRWA's drought triggers. Ms. Ellison stated that she would review the NHCRWA and District Drought Contingency Plans. Mr. Riley stated that the District is prepared for drought conditions and that he does not anticipate any issues at this time.

Mr. Riley reviewed the Disconnection List with the Board.

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 new blower at the Wastewater Treatment Plant in the amount of \$4,200.

**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 "M."

Mr. Hirshman reported that the booster pump plans will be submitted to the governmental agencies the week of August 5, 2013. Mr. Hirshman reported that the Ground Storage Tank additions at Water Plant No. 1 plans will be submitted to the governmental agencies the week of August 5, 2013. He reported that DEC will start with the replatting Lot 11, Block 1, Sydney Harbour Section 2 after the lot purchase is complete. Mr. Hirshman reported that DEC will prepare the plans for the Ground Storage Tank additions at Water Plant No. 2 after the replatting. Mr. Riley stated that the Ground Storage Tank additions have to be complete before the booster pump project begins. The President stated that the Water Plant No. 2 Ground Storage Tank additions are needed before Water Plant No. 1 Ground Storage Tank additions. Ms. Ellison reported that the lot purchase cannot be completed until the seller gets two mortgages on the property released.

Mr. Hirshman reported that the Wastewater Treatment Plant Improvement plans will be submitted to the governmental agencies the week of August 5, 2013.

Mr. Hirshman reported that DEC will prepare the Summary of Costs for the Series 2014 Bonds, utilizing the developer allocation percentage provided by Mr. Rathmann.

Mr. Hirshman reported that the Wastewater Treatment Plant Discharge Permit renewal application for the District will be submitted the first week of August. He requested

Board authorization for the President to execute the permit renewal application upon completion.

Mr. Hirshman reported on the feasibility study for the use of the District's effluent for the Cypress Lakes Golf Club. He reported that the Cypress Lakes Golf Club is funding the testing to determine if it meets TCEQ requirements for use of effluent.

Mr. Hirshman reviewed with the Board the site plan for SafeSite, Inc., included in the Engineer's Report. He reported that DEC cannot prepare a feasibility study for annexation of the 40-acre tract without additional information on the proposed development of the entire tract. Mr. Hirshman reported that he notified SafeSite, Inc. of the requirements to proceed with the feasibility study preparation.

Mr. Hirshman reported that DEC is working with KGA on the Wastewater Treatment Plant landscape enhancements.

Mr. Hirshman reported that Harris County is recommending payment of \$3,200 for Eagle Water's expense for the waterline relocation for the Harris County Huffmeister Road project. Mr. Hirshman reported that he approved the payment offer so the District would at least receive some payment for the project without further delay.

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 Engineer's Report and to authorize the President to execute the Wastewater Treatment Plant Discharge Permit renewal application.

**16. Purchase of lot adjacent to Water Plant No. 2 and any necessary action.** This item was covered under the Engineer's Report.

**17. Report on Association of Water Board Directors Conference.** The directors reported on the seminars they attended. Director Rucker stated that the Legislative Session was interesting and informative.

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

**19. Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on August 22, 2013, at 1:30 p.m. at the offices of Fulbright & Jaworski LLP, 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 22, 2013.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

