

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
March 21, 2014

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 March 21, 2014, 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. Rhonda Rushton 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; Mr. Nick Luton of Meritage Homes, developer of land in the District; Mr. Jim Moore of First General Realty; 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 February 21, 2014.** The proposed minutes of the meeting of February 21, 2014, previously distributed to the Board, were presented for review and approval. 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 minutes of February 21, 2014, as presented.

2. **Public Comments and letters from residents.** Director Bryant reported on emails to the District website. Director Bryant reported that five resident requests regarding establishing or terminating water service were forwarded to Eagle Water.

Director Bryant reported that a resident requested information on renting a facility for a baby shower. Director Bryant reported that he directed the resident to the Cypress Mill Homeowner Association.

Director Bryant reported that a District customer requested copies of previous bills for expense purposes, and he forwarded the request to Eagle Water and Ms. Bryant.

Director Bryant reported that Ms. Loughlin requested additional assistance with the tree roots coming up in her backyard from a District tree that was previously removed. The President reported that Greenpros is handling the matter.

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

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. **Any necessary action regarding lease.** Ms. Ellison reported that the landlord for the Constable's space has offered to terminate the lease if the Constable vacates the space in early April and the District agrees to pay the rent through August. The President reported that Lieutenant Blackledge emailed to say that the Constables can be moved out by April 5, 2014. 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 landlord's offer.

5. **Developers Report and reimbursement issues.** Mr. Luton reported 16 sales in Cypress Park in 2014. Mr. Luton reported that the final section in Cypress Park is being developed.

6. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties.** The President reported that the Huffmeister Road construction is complete and suggested the District install landscaping to screen its detention pond. It was the consensus of the Board to research the installation of landscaping to screen the District's detention pond. The President stated that he would contact the Cypress Ridge Homeowners Association to discuss the proposed landscaping and contact KGA Deforest Design for a landscaping proposal.

7. **Sydney Harbour Water Plant Expansion, including status of lot, fencing and landscaping proposal/cost estimate.** The President stated that he would contact KGA Deforest Design regarding the Sydney Harbour Water Plant Fencing and Landscaping proposal.

8. **Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination.** The President recognized Ms. Rushton, who presented to and reviewed with the Board the Tax Assessor-Collector's Report, a copy of which is attached hereto as Exhibit "C." Ms. Rushton noted that 96.63% of the District's 2013 taxes had been collected as of February 28, 2014.

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 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 "D." Ms. Austin reported that the March 1, 2014, debt payment was paid.

Ms. Austin reported that the District's paying agent for its bond issuances, The Bank of New York Mellon Trust Company, N.A., is increasing its paying agent fees from \$500 per bond issuance per year to \$750 per bond issuance per year.

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. Order Declaring Unopposed Candidates Elected to Office. The President recognized Ms. Ellison, who reported that all candidates were unopposed and reviewed with the Board an Order Declaring Unopposed Candidates Elected to Office, a copy of which is attached hereto as Exhibit "E." 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 such Order, thereby canceling the 2014 Directors Election and declaring the unopposed candidates, Directors Koehn, Henry and Halloran, elected to office.

11. Operator's Report, authorization of maintenance and hearing on delinquent accounts. The President recognized Mr. Riley, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "F." Mr. Riley reported that the water accountability percentage was lower. He said this may be because there is a set amount of water loss, which decreases the water accountability percentage when there is low water demand.

Mr. Riley reported that Preventive Services performed the water well tests and that the well testing report was provided to Mr. Hirshman. He reported that the District's water wells are all operating well. Mr. Hirshman said there may be a problem with the pump on the little well. Mr. Riley reported that submergence is good for the water wells and production is consistent.

Mr. Riley reported that there is a water main leak at 18602 Camellia Estates which is nine feet deep and located under a resident's tree. He reported that Eagle Water attempted to access the leak without damaging the tree but could not do so. Mr. Riley reported that Eagle Water will contact the resident to remove the tree.

Mr. Riley reviewed with the Board the letter from Mr. Moore, a copy of which is attached hereto as Exhibit "G." He reported that Mr. Moore contacted Eagle Water about a sanitary sewer line blockage. Mr. Riley reported that Eagle Water investigated the blockage and thought the problem was not on a District line. He reported that Mr. Moore had a plumber clear the blockage for \$714.43. He said Mr. Moore has requested reimbursement from the District because the blockage was not located on a line in his yard. Mr. Riley reported that Mr. Moore's street, Cobblestone Drive, backs up to the sanitary sewer trunk line along Cypresswood Drive; however, the trunk line is 19 feet deep. He reported that the homebuilder connected the sanitary sewer lines to the nearest manhole, not the trunk line. Mr. Riley recommended that the Board reimburse Mr. Moore's expenses and handle any further issues on Cobblestone Drive on a case by case basis. The President requested that Eagle Water direct Source Point Solutions to televise Mr. Moore's sanitary sewer line from the manhole to the house to determine if there are any issues that need to be addressed. 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 approve reimbursement of \$714.43 to Mr. Moore for the sanitary sewer line work.

Mr. Riley reviewed the Disconnection List with 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 Operations Report and to terminate the delinquent accounts in accordance with the Rate Order.

12. **Water Conservation Initiative (Goldwater Project).** Mr. Riley reported that the Association of Water Board Directors ("AWBD") is promoting the Goldwater Water Conservation Project. Ms. Ellison reviewed with the Board the AWBD Memo requesting District authorization for its operator to provide operating data, a copy of which is attached hereto as Exhibit "H." Mr. Riley reported that much of the requested information is provided to the Texas Water Development Board each year. Upon motion by Director Koehn, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously not to participate in the Goldwater Project at this time.

13. **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 the revised plans for improvements at Water Plant No. 1 and Water Plant No. 2 were submitted to the City of Houston and Harris County. He reported that the recordation of the replat of the lot for the additional ground storage tanks at Water Plant No. 2 is contingent upon the approval of the Water Plant No. 1 plans.

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

Mr. Hirshman reported that the Bond Application Report for the Series 2014 Bonds in the amount of \$4,000,000 was submitted to the TCEQ.

Mr. Hirshman reported that DEC expects the District's Wastewater Treatment Plant Discharge Permit shortly. Mr. Hirshman reviewed with the Board the existing wastewater treatment committed capacity for the District, included in the Engineer's Report. Mr. Hirshman stated that the wastewater treatment capacity analysis is based on 230 gallons per day per equivalent single family connection ("ESFC"). He noted that the capacity analysis does not include the proposed 20 acre and 40 acre annexations. Mr. Hirshman reported that the District has sufficient wastewater treatment capacity.

Mr. Hirshman reported that he was contacted regarding potential annexation of 250 acres south of U. S. Highway 290, adjacent to The Shoppes at Fry Road. He reported that if the District annexed the land, the District would most likely incur West Harris County Regional Water Authority fees, in addition to the North Harris County Regional Water Authority fees.

Mr. Hirshman reported that he has not heard from Cypress Lakes Golf Course regarding effluent reuse. Director Bryant reported that he emailed and left a voicemail with Mr. Feild of Cypress Lakes Golf Course and has not received a response.

Mr. Hirshman reported that Brown & Gay Engineers requested Board approval of award of utilities construction to serve Cypress Landing East, Sections Six and Ten, to Jaho, Inc. in the amount of \$656,730.60.

Mr. Hirshman reported that Brown & Gay Engineers requested Board approval of award of utilities construction to serve Cypress Landing Park, Section Four, to Jaho, Inc. in the amount of \$221,750.82.

Mr. Hirshman reported that DEC is waiting on the boundary survey to prepare the District boundary map for the 21 acre annexation, which includes the 17 acre tract for KCS Construction and the 4 acre tract for Ewing Irrigation.

Mr. Hirshman reported that DEC requires an agreement between the District and SafeSite regarding reimbursement to complete the feasibility study. Ms. Ellison reported that she spoke with SafeSite's attorney who told her SafeSite is trying to retain Dannenbaum as its engineer for the project. Mr. Hirshman reported that he provided an engineering proposal to SafeSite and has not heard from them. Ms. Ellison reported that SafeSite needs to know the cost of providing utilities to the 40 acre tract. Mr. Hirshman reported that he has outlined to SafeSite what costs are reimbursable. He reported that there is a District waterline across the street from the tract and that SafeSite will need to construct a lift station for sanitary sewer service which will cost approximately \$50,000 to \$70,000. Mr. Hirshman stated that he would provide his engineering proposal to Ms. Ellison. Mr. Riley noted that SafeSite will want a fire line for its warehouse. Mr. Hirshman stated that he would contact SafeSite.

Mr. Hirshman reported that DEC reviewed the Preventive Services water well testing report. He reported that touch-up coating of the tanks will be performed as part of the improvements at Water Plant No. 1 and Water Plant No. 2.

Mr. Hirshman reported that Storm Water Solutions provided a proposal in the amount of \$2,900 to repair the washout next to the outfall pipe in Cypress Landing East. Mr. Hirshman reported that he instructed Storm Water Solutions to proceed with the repair.

Mr. Hirshman requested authorization for the President to execute the Stormwater Quality Permit Renewal Application for The Shoppes at Fry Road detention pond, included in the Engineer's Report.

The President asked if Mr. Hirshman had prepared the water capacity analysis for the District because Harris County Municipal Utility District No. 391 is requesting 22 ESFC for irrigation of a detention pond on Mueschke Road. Mr. Hirshman said he had not. He discussed the water capacity allocated to the land proposed to be annexed.

Mr. Hirshman reported that the owner of approximately 43 acres north of Cypress Landing Park and west of Cypress Landing East contacted him regarding possible annexation. He reported that there are two houses on the 43 acre tract.

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

Engineer's Report; to approve award of utilities construction to serve Cypress Landing East, Sections Six and Ten, to Jaho, Inc. in the amount of \$656,730.60; to approve award of utilities construction to serve Cypress Landing Park, Section Four, to Jaho, Inc. in the amount of \$221,750.82; and to authorize the President to execute the Stormwater Quality Permit Renewal Application for The Shoppes at Fry Road detention pond.

14. **Annexation agreement for KCS Construction Services 21 acres.** Ms. Ellison asked the Board how it wanted to handle reimbursement of costs in connection with the proposed 21 acre annexation. Ms. Ellison reported receipt of the KCS Construction annexation petitions and reported that the Ewing Irrigation Products annexation petitions are being executed. The President stated that the District will not annex the 21 acre tract until the site plan is finalized. The Board requested that F&J request a formal site plan and clarification on reimbursement expectations from KCS Construction.

15. **Cypress Lakes Golf Course effluent usage.** No action was taken on this item.

16. **Other Consultant and Director Reports.** Ms. Ellison reviewed with the Board the Texas Commission on Environmental Quality Drought Response Letter, a copy of which is attached hereto as Exhibit "J." Mr. Riley reported that Eagle Water has ordered drought signs for Stages 1 and 2 for the District which will direct residents to the Eagle Water website for details on the water restrictions.

17. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on April 25, 2014, 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
April 25, 2014.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

