

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
May 16, 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 May 16, 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, except Director Rucker. 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; and Ms. Kathleen Ellison, Mr. Reggie Wilson and Ms. Emerald Lagow 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. **Qualify Directors for new term.** Directors Koehn, Henry and Halloran executed their oaths of office for their new terms as directors of the District and executed their Statements of Elected Officials. Ms. Ellison said all steps had been taken to qualify the directors.

2. **Election of Officers.** The President opened discussion to election of officers. 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 retain the current slate of officers.

3. **Minutes of the meeting April 25, 2014.** The proposed minutes of the meeting of April 25, 2014, 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 April 25, 2014, as presented.

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

5. **Security report and any necessary action regarding Interlocal Agreement for Law Enforcement Services.** Director Henry reviewed with the Board the Security Report for the month of April, a copy of which is attached hereto as Exhibit "B."

Director Henry reported that the Constable Substation is operational. Director Henry reported that the transfer of the T1 line is being arranged.

Director Henry requested that the Board consider funding the purchase of an eight-foot tall door for the new Constable Substation from Silver Creek Construction in the amount of \$775.00. Director Henry reported that he had an itemized receipt from Sergeant Blackledge for \$260.97 and a receipt from Deputy Lance Rogers for \$195.84 for items to prepare the Constable Substation, including paint supplies. The Board discussed obtaining financial contributions from other entities benefiting from the Constable Substation. Director Henry said that Sergeant Blackledge had advised him that other entities had agreed to contribute to the costs.

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 payment of \$775.000 to Silver Creek Construction, \$260.97 to Sergeant Blackledge, and \$195.84 to Deputy Rogers and to seek reimbursement of such costs from the other entities benefiting from the Constable Substation. The Board directed Ms. Austin to get more information on the entities which agreed to contribute from Sergeant Blackledge and to send out invoices.

Ms. Ellison reported that the Harris County Constable Office provided the First Amendment to Agreement for Law Enforcement Services between the District and Harris County, a copy of which is attached hereto as Exhibit "C." 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 First Amendment to Agreement for Law Enforcement Services.

6. **Consider renewal of extra patrol.** Director Henry recommended that the Board authorize an additional six month term for the extra security patrol. The Board discussed the fact that they had not seen the extra security patrol. Director Henry stated that he would discuss visibility with the constables. This item was deferred.

7. **Developers Report and reimbursement issues.** Ms. Stephenson reported that she has not heard back from the restaurant that expressed an interest in a portion of the 3.7 acre lot.

8. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties; including possible landscaping at Cypress Ridge detention pond.** The President reviewed with the Board the letter from Ms. Loughlin requesting Board consideration for the installation of trees and shrubs for the Cypress Mill Park II detention pond to replace the trees and shrubs that have died in the past few years. The President stated that he would obtain a proposal for the installation of trees and shrubs for the Cypress Mill Park II detention pond.

9. **Sydney Harbour Water Plant Expansion, including status of lot, fencing and landscaping proposal/cost estimate.** The President stated that he would contact KGA. No action was taken on this item.

10. **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 "D." Ms. Rushton noted that 98.73% of the District's 2013 taxes had been collected as of April 30, 2014.

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 Tax Assessor-Collector's Report and to authorize the expenditures listed therein.

11. **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 "E."

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

12. **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 reviewed the Disconnection List with the Board.

Mr. Riley reviewed the List of Accounts for Collection with the Board.

Mr. Riley advised the Board that the District is required to distribute the 2013 Drinking Water Quality Report to customers by July 1, 2014. He advised the Board that the template for the report had not changed.

Mr. Riley reported that the diesel engine at Water Plant No. 1 was sold to Harris County Municipal Utility District No. 118.

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, to terminate the delinquent accounts in accordance with the Rate Order, to authorize Eagle Water to transfer the List of Accounts for Collection to the collection company, and to authorize Eagle Water to electronically publish the 2013 Drinking Water Quality Report.

13. **Approve Consumer Confidence Report.** This item was covered under the Operator's Report.

14. **Consider Amended Rate Order (trash rate increase).** The Board discussed whether to increase residents' base sewer rate to cover the full cost of trash collection. Ms. Ellison reported that the District's current sewer charge is based on a cost for trash service of \$12.65 and the actual cost is \$17.05. The Board then discussed adding a 5%

surcharge on the North Harris County Regional Water Authority fee customers pay on billed water to cover the cost of the fee paid by the District on water produced by the District but not billed (due to water loss in the system or use in the District's operations).

Mr. Riley reported that the rate of \$0.60 per 1,000 gallons for water is very close to the production cost and very low in the industry. Ms. Austin noted that the District has an operating reserve equal to eight months of the annual budget. The President reported that it is common for municipal utility districts to have a one year operating reserve.

Upon motion by Director Koehn, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted three to one (with Director Bryant opposing) to approve the Consolidated Rate and Service Order with an increase in the base residential sewer rate from \$29.65 to \$34.65 and an increase in the fee charged on 1,000 gallons of water from 100% to 105% of the current North Harris County Regional Water Authority fee, effective with the next billing cycle. A copy of the Consolidated Rate and Service Order is attached hereto as Exhibit "G."

**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 "H."

Mr. Hirshman reported that Harris County approved the plans for improvements at Water Plant No. 1 and Water Plant No. 2. He reported that the City of Houston is reviewing the plans. 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. 2 plans.

Mr. Hirshman reported that the Wastewater Treatment Plant Improvement plans were submitted to the agencies.

Mr. Hirshman reported that the Bond Application Report for the Series 2014 Bonds in the amount of \$4,000,000 was submitted to the Texas Commission on Environmental Quality ("TCEQ"). Mr. Hirshman reported that DEC is managing questions by the TCEQ reviewer.

Mr. Hirshman reported that DEC coordinated the final publication for the District's Wastewater Treatment Plant Discharge Permit. He reported that the final paperwork will be submitted to the TCEQ.

Mr. Hirshman recommended payment of Pay Estimate No. 1 from Jaho, Inc. in the amount of \$47,376.36 for the utilities construction to serve Cypress Landing East, Sections Six and Ten.

Mr. Hirshman reported on the 20 acre annexation. He reported that DEC is waiting for Brown & Gay Engineers, Inc. to update the utilities in Cypress Landing East in order to prepare the current District map.

Mr. Hirshman reported that Storm Water Solutions provided a proposal to repair the sinkhole at the Cypress Mill Park detention pond in the amount of \$2,900. He reported that Storm Water Solutions expects to repair the sinkhole before the June Board meeting.

Mr. Hirshman reported that DEC reviewed the plans for the commercial development for the last vacant lot at The Shoppes at Fry Road and provided comments to the architect.

The President stated that the District, and not the Homeowners Association, is responsible for mowing of an easement in Cypress Mill Park Section 5. The President stated that he has informed Greenpros of the area to mow.

Mr. Hirshman reported that Tom Hargrove and Bob Boozer requested a meeting to discuss annexation or utility capacity to serve a 43 acre tract. The President asked Mr. Hirshman to review the District's booster pump capacity to see if it needs to be increased.

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 Engineer's Report; to approve payment of Pay Estimate No. 1 from Jaho, Inc. in the amount of \$47,376.36 for the utilities construction to serve Cypress Landing East, Sections Six and Ten; and to approve the Storm Water Solutions proposal to repair the sinkhole at the Cypress Mill Park detention pond in the amount of \$2,900.

**16. Review Policy on Consent to Encroachment within Sydney Harbour Drainage Easement and any necessary action.** Ms. Ellison presented to the Board a proposed letter to the Sydney Harbour Homeowner Association to respond to its question concerning whether the Board wishes it to report instances of pvc pipe being located in the detention/amenity lakes.

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 letter to the Sydney Harbour Homeowner Association, as corrected, and to authorize its execution by the President and delivery to the Homeowner Association. A copy of the letter is attached hereto as Exhibit "I."

**17. Update on Refunding Bonds.** Ms. Ellison reported that the District's Refunding Bonds have not priced.

**18. Annexation agreement for KCS Construction Services 21 acres.** No action was taken on this item.

**19. Effluent Water Use Agreement with Cypress Lakes Management, LLC.** No action was taken on this item.

**20. Review and authorize execution of letter regarding disclosure of Director Information.** Ms. Ellison presented to and reviewed with the Board a letter relating to the disclosure of Director information, a copy of which is attached hereto as Exhibit "J." Ms. Ellison stated that pursuant to Section 552.024 of the Texas Government Code, individual directors may elect to have certain personal information not disclosed to the general public. 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 and authorize

execution of such letter, thereby directing the District's consultants not to disclose the directors' personal information to the general public.

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

22. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on June 20, 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  
June 20, 2014.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

