

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

December 5, 2006

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

The Board of Directors of Cypress Forest Public Utility District, Harris County, Texas, met in regular session, open to the public, on the 5th day of December, 2006, at the Cypress Forest Public Utility District's Administrative Building, 16215 Champion Forest Drive, Spring, Texas 77379, within the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Michael J. Lynch, Jr.	President
Thomas J. Petrick	Vice President
Deborah L. Jackson	Secretary
William J. Lawrence	Assistant Vice President
Linn Jensen Smyth	Assistant Secretary

all of said Directors were present, thus constituting a quorum.

Also present for all or part of the meeting were the following: Tony Kindred of Raveneaux Country Club; Don Hand of Greenwood Properties, Inc.; Barbara Payne of Payne Communications; Esther Flores of Tax Tech, Inc.; Salim Joubran and Nabil Joubran of Pepe Engineering, Ltd. ("Pepe"); Kim Shelnett of Myrtle Cruz, Inc.; Bob Haas of Aqua Services, L.P. ("Aqua Services"); Steve Robinson of Allen Boone Humphries Robinson LLP ("ABHR"); Justine M. Cherne, Recording Secretary; and persons listed on the attached attendance sheet.

Director Lynch called the meeting to order.

RECEIVE PUBLIC COMMENTS

Director Lynch opened the meeting to receive public comments. Ms. Cox addressed the Board, thanked them for their service, and wished them happy holidays. A copy of Ms. Cox's comment card is attached. No action was taken by the Board.

CONSENT AGENDA:

APPROVE MINUTES

TAX ASSESSOR/COLLECTOR'S REPORT, INCLUDING PAYMENT OF BILLS AND ANY NECESSARY COLLECTION ACTION

BOOKKEEPER'S REPORT, INCLUDING PAYMENT OF BILLS AND REVIEW OF INVESTMENTS AND BUDGET

ENGINEER'S REPORT, INCLUDING LONG-TERM MAINTENANCE PLAN, APPROVAL OF PAY ESTIMATES, TIME EXTENSIONS AND CHANGE ORDERS

OPERATOR'S REPORT

Upon a motion made by Director Lawrence and seconded by Director Petrick, the Board voted unanimously to approve the remaining items on the Consent Agenda, except for Director Jackson who was not present for the vote. Copies of the tax assessor/collector's report, the bookkeeper's report, the engineer's report, including Pay Estimate No. 5 in the amount of \$31,969.63 for rehabilitation of sanitary sewer service lines in Champion Forest, Section One, and the operator's report are attached.

ACTION ITEMS FROM THE CONSENT AGENDA, IF ANY

Ms. Shelnutt reported that a pre-purchase letter from the Texas Commission on Environmental Quality (the "TCEQ") and an executed receipt have been received for the construction of the District's sanitary sewer and storm sewer trunk line facilities to serve a 16-acre tract for the Conservatory Senior Living Development and future development, copies of which are attached. Mr. Robinson stated that per the developer reimbursement audit, \$267,021.22 is owed to Champion Conservatory, Ltd. for payments made for the project. Following review and discussion, Director Smyth moved that the Board approve disbursement of bond proceeds per the developer reimbursement audit. Director Lawrence seconded the motion, which was approved by unanimous vote, except for Director Jackson who was not present for the vote.

ADDITIONAL ACTION ITEMS FROM THE ENGINEER

Mr. N. Joubran next reviewed a proposal in the amount of \$7,500 for phase one field work and analysis of the new Tropical Storm Allison Recovery Project Flood Plain Maps, as previously authorized, and a proposal in the amount of \$22,000 to perform phase two additional services to include the entire District, copies of which are attached. Discussion ensued regarding the new flood plain maps, drainage issues, and the analysis to be performed. Following review and discussion, Director Petrick moved that the Board approve the two proposals as presented. Director Lawrence seconded the motion, which was approved by unanimous vote.

Mr. N. Joubran reported that the tank inspection reports provided by Aqua Services were reviewed. He recommended painting the elevated water storage tank located at water plant no. 1. He additionally recommended conducting more thorough

inspections of the remaining tanks within one year. Following review and discussion, Director Jackson moved that the Board authorize the engineer to prepare specification and bidding documents for painting of the elevated water storage tank. Director Smyth seconded the motion, which was approved by unanimous vote.

Mr. Robinson reported that when Eckerd's was constructed, a water line easement along Louetta Road was never provided to the District because of confusion during the merger of Eckerd's and CVS Pharmacy and the proposed location of the line in the Louetta Road right-of-way. He stated that the North Harris County Regional Water Authority (the "NHCRWA") has obtained an exclusive easement in the location of the District's water line for future installation of pipeline to carry surface water. He stated that the District needs to enter into an easement agreement with the NHCRWA and a landowner, Huffman Builders, to allow Huffman Builders to proceed with the construction of a proposed medical office building to be located next to CVS Pharmacy. He stated that the easement agreement would provide that if the NHCRWA damages the District's water line or if the District's water line needs to be relocated, the NHCRWA would not pay for such damages and the landowner would indemnify the District for any costs associated with the damages or relocation. He stated that because this problem has been created by CVS Pharmacy, an indemnity agreement will need to be obtained from CVS Pharmacy to pay for any costs associated with the damages or relocation. Following discussion, Director Lawrence moved that the Board approve an easement agreement with the NHCRWA and Huffman Builders, CVS Pharmacy, and the other landowners. Director Jackson seconded the motion, which was approved by unanimous vote.

Director Lawrence moved that the Board authorize the engineer to approve the internal easement configuration for the medical office building development to allow Huffman Builders to obtain final approvals from the City of Houston, contingent upon an easement agreement being provided for the 12" water line in Louetta Road. Director Jackson seconded the motion, which was approved by unanimous vote.

Mr. N. Joubran reported on a meeting held with the engineers of the NHCRWA regarding the anticipated plan for surface water supply to the District and financing options. Following review and discussion, Director Smyth moved that the Board authorize the engineer to provide the necessary information per the NHCRWA questionnaire attached to the engineer's report. Director Petrick seconded the motion, which was approved by unanimous vote.

CONDUCT ANNUAL FUND REVIEW

The Board concurred to table this item pending distribution of the Annual Fund Review memorandum by ABHR.

AUTHORIZE CONSULTANTS TO PREPARE ANNUAL REPORT IN ACCORDANCE WITH THE DISTRICT'S CONTINUING DISCLOSURE OF INFORMATION AGREEMENT AND AS REQUIRED BY SEC RULE 15c2-12

Mr. Robinson informed the Board that the District is required to file an Annual Report in accordance with the Continuing Disclosure of Information Agreement and SEC Rule 15c2-12. He stated that certain financial information and operating data is required to be updated annually due to the covenants contained in the bonds issued by the District. After discussion, Director Smyth moved that the Board authorize the consultants to prepare the Annual Report. Director Lawrence seconded the motion, which was approved by unanimous vote.

ADDITIONAL ACTION ITEMS FROM THE OPERATOR

Mr. Haas reviewed with the Board an annual irrigation consumption report. Following review and discussion, the Board requested that Mr. Haas check the accuracy of the calculations for review next month.

Mr. Haas reported that Director Lynch has requested information regarding water consumption over the past year which may require review of archived records.

CONSIDER CUSTOMER CORRESPONDENCE

No customer correspondence was presented.

CONDUCT HEARING ON TERMINATION OF WATER SERVICE

Mr. Haas reported that the customers on the termination list were delinquent by more than 50 days and had been given written notice 10 days prior to this meeting of the opportunity to appear before the Board of Directors to explain, contest or correct the utility service bill and to show reason why the utility service should not be terminated because of nonpayment. He reviewed two accounts and recommended that they be permanently removed from the delinquent list. Following discussion, Director Lawrence moved that since the residents were neither present at the meeting nor had presented any written statement on the matter, the utility service to those residents be terminated in accordance with the District's Rate Order, and the accounts be forwarded to collections, and that the two delinquent accounts be permanently removed from the delinquent list as recommended. Director Smyth seconded the motion, which was approved by unanimous vote.

Mr. Haas reviewed a message for placement on the District's utility bills to notify residents to contact the tax assessor/collector's office if tax bills have not been received for those who do not have escrow accounts. Following review, Director Jackson moved that the Board approve placement of the message as presented. Director Petrick seconded the motion, which was approved by unanimous vote.

AUTHORIZE REPAIR AND MAINTENANCE ITEMS

There were no repair or maintenance items for consideration.

ADOPT AMENDED RATE ORDER

The Board concurred to table this item pending additional review of a financial analysis spreadsheet of expected revenues for various rate increases per user category.

DISCUSS MATTERS RELATED TO NHCRWA

Director Smyth reviewed a report on the December 4, 2006, meeting of the North Harris County Regional Water Authority ("NHCRWA") Board, a copy of which is attached. No action was taken by the Board.

DISCUSS OPERATIONS OF KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT AND JOINT POWERS BOARD MEETING

Director Lynch updated the Board on the operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant and the Joint Powers Board meeting.

The Board next reviewed a Notice of Intent to Sell Wastewater Treatment Capacity from Cy-Champ PUD for the sale of 100,000 gallons per day at \$5.00 per gallon, a copy of which is attached. Following review and discussion, the Board concurred to review the notice during the next 90 days as provided.

DISCUSS MATTERS RELATED TO HOMEOWNERS ASSOCIATION MEETINGS

Director Petrick reported that he will attend the Champion Forest Homeowners Association meeting scheduled to be held on December 6, 2006. No action was taken by the Board.

PROPOSALS FOR WATER REUSE PROJECT FOR LANDSCAPE IRRIGATION

The Board next reviewed a proposal from AEI Engineering, Inc. in an amount not to exceed \$12,500 for engineering services for a proposed effluent reuse plant. Directory Smyth reported that she has spoken with Nancy Blackwell of AEI Engineering, Inc. and the NHCRWA and she recommends execution of the agreement. Mr. Robinson recommended that, because AEI Engineering, Inc. is currently engaged by the Kleinwood Regional Wastewater Treatment Plant, the District execute a reimbursement agreement with the Joint Powers Board for engineering and legal services related to the proposed effluent reuse project. Following discussion, Director Smyth moved that the Board authorize ABHR to draft a reimbursement agreement with the Joint Powers Board for engineering services, in an amount not to exceed \$12,500, and for legal services related to the proposed effluent reuse project, and authorize

execution of such agreement. Director Lawrence seconded the motion, which was approved by unanimous vote.

DISCUSS PROPOSED DEVELOPMENT PROJECT

The Board next discussed a request for utility service and a reimbursement agreement for the proposed development of 67 townhomes on the 7.5 acres of the Raveneaux Country Club tract currently located within the District's boundaries. Mr. Robinson stated that a letter was sent to the attorney representing the proposed development, Tim Green, to re-request the information previously requested by agreement dated August 18, 2006, and to confirm that the amount deposited with the District for the previously proposed annexation of a portion of the Raveneaux Country Club tract will apply to the current proposed development. He reported that Mr. Green, has verbally confirmed that the deposit is for use for the current proposed development. Mr. Kindred stated that he has not provided the requested information to the District. He could not confirm whether the property has been listed for sale but stated that the owners have the right to sell the property and have received offers. Director Jackson noted that the delay in receiving the requested information on the proposed development is puzzling. No action was taken by the Board.

REPORT ON PARK MATTERS

There was no update on park matters.

PUBLIC COMMUNICATIONS

Ms. Payne reviewed with the Board the proposed design, content, and schedule for the District's quarterly newsletter. She next reviewed with the Board proposed updates to the District's website to include more interactivity and additional pages. The Board requested that Ms. Payne work with the District's engineer to provide a better map of the District on the website. Ms. Payne proposed that the Board schedule regular, one-hour lunches to discuss topics of interest with the District's residents. Following review and discussion, Director Smyth moved that the Board authorize Ms. Payne to update the District's website to coordinate with the distribution of the District's newsletter in an amount not to exceed \$1,300. Director Jackson seconded the motion, which was approved by unanimous vote.

TECHNOLOGY: GIS

The Board concurred to table this item.

The Board concurred to table discussions related to the engineer's ongoing analysis to confirm and quantify the potential savings from implementation of one or more items from the proposal for Electric Utility Cost Savings through the

implementation of Supervisory Control and Data Acquisition Systems (“SCADA systems”) presented by Mercer Controls at the May 2006, meeting.

Director Lynch reported that he requested information related to the District’s electricity bills from the District’s bookkeeper. Following discussion, Director Smyth moved that the Board authorize the bookkeeper to provide such information from archives in an amount not to exceed \$100.00. Director Petrick seconded the motion, which was approved by unanimous vote.

DISCUSS ITEMS FOR INCLUSION ON THE NEXT MEETING AGENDA

The Board next discussed items for inclusion on next month’s meeting agenda.

There being no other matters to come before the Board, the meeting was adjourned

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE FOR THE MINUTES OF THE DECEMBER 5, 2006, BOARD MEETING]

Secretary, Board of Directors

(SEAL)

ACTION ITEMS

- Engineer to continue phase one field work and analysis of the new Tropical Storm Allison Recovery Project Flood Plain Maps and perform phase two additional services to include the entire District.
- Engineer to prepare specification and bidding documents for painting of the elevated water storage tank.
- Engineer to provide the necessary information per the NHCRWA questionnaire.
- Consultants to prepare the Annual Report.
- Mr. Haas to check the accuracy of the calculations of the annual irrigation consumption report for review next month.
- Message to be placed on the District's utility bills to notify residents to contact the tax assessor/collector's office if tax bills have not been received for those who do not have escrow accounts.
- The Board to review the Notice of Intent to Sell Wastewater Treatment Capacity during the next 90 days.
- ABHR to draft a reimbursement agreement with the Joint Powers Board for engineering services, in an amount not to exceed \$12,500, and for legal services related to the proposed effluent reuse project.
- Mr. Kindred to provide information on proposed development previously requested by the District by agreement dated August 18, 2006.
- Ms. Payne to work with the District's engineer to provide a better map of the District on the website. Ms. Payne to update the District's website to coordinate with the distribution of the District's newsletter.
- Bookkeeper to provide information related to the District's electricity bills from archives in an amount not to exceed \$100.00.

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