

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

August 1, 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 1st day of August, 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 at the meeting were the following: Scott J. Winters of the Church of Jesus Christ of Latter-Day Saints; Donna Cox and Jim Reed, residents; William R. Franks of Earth Data Solutions, Inc.; Salim Joubran and Nabil Joubran of Pepe Engineering, Ltd. ("Pepe"); Debbie Shelton of First Southwest Company; Kim Shelnett of Myrtle Cruz, Inc.; Esther Flores of Tax Tech, Inc.; Bob Haas of Aqua Services, L.P. ("Aqua Services"); Greer H. Pagan of Allen Boone Humphries Robinson LLP ("ABHR"); and Justine M. Cherne, Recording Secretary.

Director Lynch called the meeting to order.

RECEIVE PUBLIC COMMENTS

Director Lynch opened the meeting to receive public comments. Ms. Cox addressed the Board to request information regarding per diems received by the Directors, comment on the Consent Agenda, and provide scheduling and polling suggestions regarding garbage collection services. A copy of Ms. Cox's list of suggestions 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

ENGINEER'S REPORT, INCLUDING APPROVAL OF PAY ESTIMATES, TIME EXTENSIONS AND CHANGE ORDERS

OPERATOR'S REPORT

The Board concurred to pull two checks payable to the Harris-Galveston Coastal Subsidence District for additional discussion. Upon a motion made by Director Lawrence and seconded by Director Smyth, the Board voted unanimously to approve the remaining items on the Consent Agenda. Copies of the tax assessor/collector's report, the bookkeeper's and investment reports, the engineer's report, including Pay Estimate No. 2 payable to C.E. Barker, Ltd. and a three-day time extension request for construction of sanitary and storm sewer facilities to serve a 16-acre tract, and the operator's report are attached.

ACTION ITEMS FROM THE CONSENT AGENDA, IF ANY

Mr. Haas reviewed the two checks payable to the Harris-Galveston Coastal Subsidence District pulled from the Consent Agenda. He stated that the permit amount is based on estimated pumpage and the amendment amount is for additional actual pumpage. Following review and discussion, Director Lawrence moved that the Board approve the two checks payable to the Harris-Galveston Coastal Subsidence District as presented. Director Petrick seconded the motion, which was approved by unanimous vote.

Ms. Flores reported that the Harris County Appraisal District is not expected to certify values until September.

DISCUSS LONG-TERM MAINTENANCE PLAN, REPORT FROM FINANCIAL ADVISOR, AND AUTHORIZE APPROPRIATE ACTION

Mr. S. Joubran reminded the Board that last month, he reviewed a Summary of Yearly Budget Requirements for the 20-Year Maintenance Plan. Ms. Shelton reminded the Board that at the May meeting, she reviewed a draft projected cash flow analysis illustrating the projected amount of bonds that could be issued by the District beginning in 2010 over a 15-year period and the estimated costs of capital improvements projects over the time period. No action was taken by the Board.

DISCUSS POTENTIAL BOND ELECTION

The Board next discussed calling a bond election to meet the budget requirements of the 20-Year Maintenance Plan. Mr. Pagan stated that the deadline to call an election is August 29, 2006, and that the Board may want to consider including a proposal for a development project and potential annexation of a portion of the Raveneaux Country Club tract that is expected to be submitted to the Board. Following review and discussion, Director Lawrence moved that the Board table calling a potential bond election until additional information regarding a proposal for a development project and potential annexation of a portion of the Raveneaux Country Club tract is received. Director Petrick seconded the motion, which was approved by unanimous vote, except for Director Jackson who was not present for the vote.

REVIEW ENGINEER'S CONTRACT AND AUTHORIZE APPROPRIATE ACTION

The Board next considered reviewing the engineer's contract. Following discussion, Director Lawrence moved that the Board table consideration of the engineer's contract until the February meeting. Director Smyth seconded the motion, which was approved by unanimous vote.

PROPOSAL FOR SCADA

Mr. N. Joubran distributed to the Board a report of Pepe's evaluation of the proposal for Electric Utility Cost Savings through the implementation of Supervisory Control and Data Acquisition Systems ("SCADA systems") presented at the May meeting by Mercer Controls. He stated that the evaluation was forwarded to Mr. Mercer. Following discussion, Director Petrick moved that the Board table consideration of the evaluation until Mr. Mercer has the opportunity to respond. Director Lawrence seconded the motion, which was approved by unanimous vote. A copy of the evaluation is attached. Ms. Shelnuttt has not received an invoice from Mr. Mercer for his services to-date.

AUTHORIZE EXECUTION OF AGREEMENT WITH EARTH DATA SOLUTIONS, INC. FOR GIS

Mr. Pagan next reported that he has been working with Earth Data Solutions, Inc. to finalize the contract for implementation of a Geographical Information System ("GIS"). He stated that he will suggest a few unsubstantial changes to finalize the contract. He noted that upon termination of the contract after 36 months, the rights to the intellectual property and the interactive nature of the product terminates unless a license for the software is purchased or the contract is renewed. Following discussion, Director Lynch moved that the Board authorize execution of the contract, subject to final attorney review and approval. Director Petrick seconded the motion, which was approved by majority vote, with Director Jackson opposed.

DISCUSS BUDGET FOR FISCAL YEAR ENDING SEPTEMBER 30, 2007

Ms. Shelnutt next reviewed a draft budget for fiscal year ending September 30, 2007. Following review and discussion, Director Lawrence moved that the Board table consideration of the budget. Director Petrick seconded the motion, which was approved by unanimous vote.

ADDITIONAL ACTION ITEMS FROM THE OPERATOR

Mr. Haas distributed a chart comparing the District's water and sewer rates with nearby districts, a copy of which is attached.

CONSIDER CUSTOMER CORRESPONDENCE

Mr. Haas reported there was no customer correspondence for consideration.

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. Following discussion, Director Smyth 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. Director Jackson seconded the motion, which was approved by unanimous vote.

AUTHORIZE REPAIR AND MAINTENANCE ITEMS

Mr. Haas reminded the Board that during the facilities tour held on June 27, 2006, he discussed the need to repair the chlorinator systems. He reviewed options for repairing or replacing the systems. Following review and discussion, Director Lawrence moved that the Board approve the proposals for installation of two new chlorinator systems for the cost of \$2,746.00 each. Director Petrick seconded the motion, which was approved by unanimous vote.

Mr. Haas next discussed a valve failure that occurred while replacing the meter located at the Timbertop apartment complex. He reported that Champion Forest Sections 11 and 12 were without water for approximately four to six hours. Director Petrick reported that he attended The Villas homeowners' association board meeting to discuss the incident and that the meeting went well. Mr. Haas stated that he does not expect any additional complications with the meter replacement project.

DISCUSS MATTERS RELATED TO NHCRWA

Director Smyth reported on the meeting of the North Harris County Regional Water Authority ("NHCRWA") held on July 6, 2006. Copies of Director Smyth's NHCRWA report and NHCRWA correspondence regarding a fee increase from \$0.59 to \$0.84 per 1,000 gallons pumped are attached. Discussion ensued regarding the amount pumped versus the amount billed by the District. Following review and discussion, the Board concurred to consider amending the District's Rate Order at the September meeting to include a separate charge equal to the amount assessed by the NHCRWA to the District plus 10% for each 1,000 gallons of water delivered to such user in a billing cycle.

DISCUSS OPERATIONS OF KLEINWOOD CENTRAL SEWAGE TREATMENT PLANT JOINT POWERS BOARD MEETING

Director Lynch updated the Board on the operations and maintenance of the Kleinwood Central Sewage Treatment Plant (the "Plant") and the Joint Powers Board meeting. He reported on Raveneaux Country Club's proposed installation of a grey water system for its proposed development and the proposed effluent reuse agreement. No action was taken by the Board.

DISCUSS MATTERS RELATED TO HOMEOWNERS ASSOCIATION MEETINGS

Director Petrick reported that Director Lynch attended a meeting of the Champion Forest Maintenance Fund held in July. Director Petrick reported on his meeting with The Villas homeowners' association. No action was taken by the Board.

REPORT ON PARK MATTERS

Director Petrick had no update on activities, on behalf of the District and in coordination with the HP Park Alliance, regarding the proposed development of a public park within the 462 acres of property proposed to be developed by Kickerillo Company.

PUBLIC COMMUNICATIONS

Director Smyth suggested that the Board solicit a proposal for preparation of the District's annual newsletter from Barbara Payne of Payne Communications. The Board authorized ABHR to solicit the proposal.

Director Smyth read e-mail correspondence from Jim Reed, a resident of the District, regarding the District's meeting schedule. Following review and discussion, Director Lawrence moved that the Board continue to hold monthly meetings on the first Tuesday of each month and change the meeting time from 6:30 p.m. to 5:30 p.m. Director Petrick seconded the motion, which was approved by unanimous vote.

The Board authorized Director Smyth to include items in the Champions Women's Newsletter and on the District's web site regarding a hazardous waste event and hurricane preparedness. The Board authorized Director Jackson to forward to Aqua Services notices for inclusion on the District's utility bills regarding checking the web site for resident news and fees charged by the NHCRWA.

PER DIEM POLICY

The Board next discussed the District's per diem policy. Discussion ensued regarding Board members' attendance at non-District meetings and submission of per diem requests. Director Lynch reported on his attendance at a meeting of the Champion Forest Maintenance Fund held in July to discuss garbage collection issues and activities being undertaken by the homeowners' association to obtain unanimous adoption of back door collection service by the residents at the residents' expense. Mr. Pagan briefly reviewed the law related to payment of per diems and stated that the Board members are able to approve or not approve per diems as they are submitted for Board approval at the monthly meetings. Director Lynch reviewed per diems previously approved by the Board: Director Petrick, homeowners' association meetings, Director Smyth, NHCRWA meetings, Director Jackson, newsletter article preparation, and Director Lynch, Joint Powers Board meetings. Director Smyth noted that written reports of the meetings attended by the Directors should be distributed to the Board. Ms. Shelnett stated that she will distribute the completed expense form and issue a separate check for each per diem request.

DISCUSS ITEMS FOR INCLUSION ON THE NEXT MEETING AGENDA

The Board concurred to hold a special meeting on August 9, 2006, at either 9:00 a.m. or 3:00 p.m. to receive a proposal for a development project and discuss potential annexation of a portion of the Raveneaux Country Club tract.

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

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE FOR THE MINUTES OF THE AUGUST 1, 2006, BOARD MEETING]

Secretary, Board of Directors

(SEAL)

ACTION ITEMS

- Execution of contract authorized with Earth Data Solutions, Inc. for GIS implementation subject to final attorney review and approval.
- Two new chlorinator systems to be installed.
- ABHR to solicit the proposal from Barbara Payne for preparation of annual newsletter.
- Monthly meeting time changed from 6:30 p.m. to 5:30 p.m.
- Director Smyth to include items in the Champions Women's Newsletter and on the District's web site regarding a hazardous waste event and hurricane preparedness. Director Jackson to forward to Aqua Services notices for inclusion on the District's utility bills regarding checking the web site for resident news and fees charged by the NHCRWA
- Ms. Shelnutt to distribute completed expense form and issue separate checks for each per diem request.
- Special meeting scheduled on August 9, 2006, at either 9:00 a.m. or 3:00 p.m. to receive a proposal for development project and discuss potential annexation of a portion of the Raveneaux Country Club tract.

ONGOING

- Director workshop to be scheduled for September.
- Director Petrick working on the construction of a proposed trail within the District. Director Petrick working on behalf of the District and in coordination with the HP Park Alliance on the proposed development of a public park within the 462 acres of property proposed to be developed by Kickerillo Company.

LIST OF ATTACHMENTS TO MINUTES

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