

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

November 7, 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 7th day of November, 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: Roy Riley of the Champion Forest Maintenance Fund, Inc.; Tony Kindred of Raveneaux Country Club; Don Hand of Greenwood Properties, Inc.; Barbara Payne of Payne Communications; 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. Members of the public addressed the Board regarding the proposed development of the Raveneaux Golf Club tract. Copies of the comment cards are attached. Following discussion, Director Lawrence moved that the Board authorize ABHR to draft a brief informational document regarding municipal utility districts to include information regarding annexation, reimbursement, issuance of bonds, and maintenance and operation of the

water and wastewater systems, for placement onto the District's website after review and approval by the Board. Discussion ensued regarding the information to be included in the document. Director Smyth seconded the motion, which was approved by unanimous vote. The Board requested that the informational document be distributed to the Directors for review prior to next month's meeting.

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 APPROVAL OF PAY ESTIMATES, TIME EXTENSIONS AND CHANGE ORDERS

OPERATOR'S REPORT

Ms. Cherne reported that a typographical error was corrected in the minutes of the Board of Directors meeting held on October 3, 2006. Director Petrick requested that the bookkeeper's report be removed from the Consent Agenda. Upon a motion made by Director Lawrence and seconded by Director Jackson, the Board voted unanimously to approve the remaining items on the Consent Agenda. Copies of the tax assessor/collector's report, the engineer's report, including Change Order No. 1 in the amount of \$2,576.00 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

The Board next considered the bookkeeper's report. Ms. Shelnett reviewed additional invoices for legal fees, Courthouse Specialists, and Director expense reimbursement. Director Petrick requested that Ms. Shelnett determine whether there is a typographical error contained in the Budget of Actual Revenues and Expenditures for fiscal year ending September 30, 2007. Ms. Shelnett stated that page four of the bookkeeper's report reflects that checks for disbursement of bond proceeds owed to Champion Conservatory, Ltd. for payments made 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 are being held pending receipt of a pre-purchase letter from the Texas Commission on Environmental Quality (the "TCEQ") and an executed receipt. Following review and discussion, Director Jackson moved that the Board approve the bookkeeper's report. Director Smyth seconded the motion, which was approved by unanimous vote. Copies of the bookkeeper's and investment reports are attached.

In response to Director Petrick's inquiry, Mr. N. Joubran stated that no additional reports of flooding have been received.

REVIEW BOOKEEPER'S CONTRACT

Ms. Shelnutt next reviewed an Agreement for Bookkeeping Services, a copy of which is attached. She requested the Board's consideration of changes contained in Exhibit "A" to the agreement, including annual review and adjustment for the published Consumer Price Index and increased base and office expenses fees. She stated that there were no changes to the body of contract which was reviewed last year by ABHR. Following review and discussion, Director Jackson moved that the Board approve the Agreement for Bookkeeping Services as presented. Director Smyth 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.

ADDITIONAL ACTION ITEMS FROM THE OPERATOR

CONSIDER CUSTOMER CORRESPONDENCE

No customer correspondence was presented.

AUTHORIZE REPAIR AND MAINTENANCE ITEMS

Mr. Haas updated the Board on the relocation of a fire hydrant as approved last month.

Mr. Haas next reviewed inspection reports for the District's elevated, ground storage, and hydro-pneumatic tanks. He stated that one of the reports indicates that repair of corrosion above the water line on the interior and chalking on the exterior of the elevated tank will need to be performed within the next 12 months. Discussion ensued regarding the procedures for repair of the elevated tank. Mr. S. Joubran stated that the inspection reports will be reviewed by Pepe to verify the findings and provide any necessary repair recommendations.

Mr. Haas reported that inspection of the District's fire hydrants will be performed to determine whether any hydrants manufactured between 1999 and 2003 are experiencing corrosive action in the stems due to a notice of corrosive action issues received from American Flow Control. He stated that the cost of the inspection and any necessary repair due to such corrosive action will be paid by the manufacturer of the material causing the corrosion.

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 Jackson 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 as recommended. Director Petrick seconded the motion, which was approved by unanimous vote.

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.

REVIEW THE ENGINEER'S CONTRACT

Mr. N. Joubran stated that there were no changes proposed to the current engineer's contract and that Pepe would like to continue as the District's engineer. He noted that the contract is terminable within 30 days per the District's policy for consultant contracts. After discussion, Director Petrick moved that the Board continue its contract with Pepe as the District's engineer without amendment. Director Smyth seconded the motion, which was approved by unanimous vote.

REVIEW ATTORNEY'S CONTRACT

Mr. Robinson stated that there were no changes proposed to the current attorney's contract and that ABHR would like to continue as the District's attorney. He reviewed with the Board the discounted rates for legal fees charged to the District. Following review and discussion, Director Jackson moved that the Board continue to engage ABHR under the current contract without amendment. Director Lawrence seconded the motion, which was approved by unanimous vote.

DISCUSS MATTERS RELATED TO NHCRWA

Director Smyth distributed a report on the November 6, 2006, meeting of the North Harris County Regional Water Authority ("NHCRWA") Board, a copy of which is attached. She briefly reviewed regulations requiring the District to convert to surface water use and reported on monthly construction, easement acquisition, and water conservation activities. She updated the Board on discussions regarding the proposed location of the District's connection to surface water pipes in 2010. She encouraged review of the NHCRWA's website. No action was taken by the Board.

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

Director Lynch next updated the Board on the operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant and the Joint Powers Board meeting. He reported that there have been no excursions at the plant and that the plant is operating at 42% of available capacity. He stated that the Joint Powers Board approved replacement of the plant's roof which is the only outstanding item from the five-year capital improvement plan for the plant. He discussed plant operations during heavy rain events. No action was taken by the Board.

DISCUSS MATTERS RELATED TO HOMEOWNERS ASSOCIATION MEETINGS

The Board concurred to table this item.

PROPOSALS FOR WATER REUSE PROJECT FOR LANDSCAPE IRRIGATION

The Board concurred to table this item.

DISCUSS PROPOSED DEVELOPMENT PROJECT

Director Jackson and Mr. Robinson updated the Board on the proposed development project for a portion of the Raveneaux Country Club tract. Director Jackson stated that Kleinwood MUD is moving forward with the proposed annexation of the portion of the tract not located within the District's boundaries and that the Board members of Kleinwood MUD have indicated that they do not want to communicate or discuss the annexation with Board members of the District. She stated that documents have not been received in response to the District's outstanding request related to 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 reported that the attorney representing the proposed development, Tim Green, has verbally confirmed that the amount deposited with the District for the previously proposed annexation of the tract will apply to the current proposed development of 67 townhomes on the 7.5 acres of the Raveneaux Country Club tract currently located within the District's boundaries. He stated that written confirmation is expected from Tim Green. He stated that the agreement executed by Kleinwood MUD and the developers, which was previously distributed to the Board, is a standard agreement that states that Kleinwood MUD will proceed with annexation of the tract if a petition is received from the developers within two years. He stated that it appears that Kleinwood MUD believes there is sufficient water capacity and approximately 50% of wastewater capacity to serve the development. He stated that Kleinwood MUD would be obligated to provide all of the water and wastewater capacity needed to serve the development if the tract is annexed by Kleinwood MUD.

Director Lynch stated that Kleinwood MUD has announced a desire to purchase and Cy-Champ PUD is planning to sell wastewater capacity from the Kleinwood Regional Wastewater Treatment Plant. He stated that Cy-Champ PUD must provide a notice of intent to sell wastewater treatment capacity to all of the members of the plant 90 days prior to a proposed sale to allow the members to make an offer to purchase such capacity.

No action was taken by the Board.

REPORT ON PARK MATTERS

Director Petrick provided a brief update on park matters.

PUBLIC COMMUNICATIONS

Directors Smyth and Jackson requested that the Board consider District sponsorship in the amount of \$6,300.00 for purchase of water conservation coloring books for Klein Independent School District. Ms. Payne described District sponsorship opportunities for the NHCRWA's water conservation programs. The Board discussed the District's accumulated groundwater credits from current participation in the Water Wise Program for fifth graders attending Brill Elementary School. Following review and discussion, Director Jackson moved that the Board approve sponsorship in the amount of \$6,300.00 for purchase of water conservation coloring books for Klein Independent School District. Director Lawrence seconded the motion, which was approved by unanimous vote.

TECHNOLOGY: GIS AND SCADA

Director Petrick commended Mr. Haas and the District's engineers on their cooperation with Earth Data Solutions, Inc. in the development of a Geographical Information System ("GIS"). He stated that a beta of the system may be available within 60 days.

The Board concurred to table discussions related to Pepe'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 at the May meeting by Mercer Controls.

DISCUSS WATER SMART PROGRAM AND CONSERVATION ACTIVITIES

Director Lynch reported that he will attend the Fort Bend Water Reuse Conference on November 9, 2006.

Ms. Payne reported that the Brill Elementary School Water Wise Program is scheduled for April, 2007.

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 NOVEMBER 7, 2006, BOARD MEETING]

Secretary, Board of Directors

(SEAL)

ACTION ITEMS

- ABHR to draft a brief informational document regarding municipal utility districts to include information regarding annexation, reimbursement, issuance of bonds, and maintenance and operation of the water and wastewater systems, for placement onto the District's website after review and approval by the Board. The informational document to be distributed to the Directors for review prior to next month's meeting..
- Ms. Shelnett to determine whether there is a typographical error contained in the Budget of Actual Revenues and Expenditures for fiscal year ending September 30, 2007.
- Pepe to review the tank inspection reports to verify the findings and provide any necessary repair recommendations.
- Inspection of the District's fire hydrants will be performed to determine whether any hydrants manufactured between 1999 and 2003 are experiencing corrosive action in the stems.
- Director Lynch reported that he will attend the Fort Bend Water Reuse Conference on November 9, 2006.
- Ms. Payne reported that the Brill Elementary School Water Wise Program is scheduled for April, 2007.

LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
attendance sheet	1
comment cards	1
tax assessor/collector's report	2
operator's report.....	2
bookkeeper's and investment reports.....	2
Agreement for Bookkeeping Services	3
NHCRWA report	4