

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

January 2, 2007

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 2nd day of January, 2007, 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 except Director Lawrence, thus constituting a quorum.

Also present for all or part of the meeting were the following: Jim Reed, resident; Greg Sissel of BKD, LLP; Tony Kindred of Raveneaux Country Club; Barbara Payne of Payne Communications; Esther Flores of Tax Tech, Inc.; Khalil Abboud of Pepe Engineering, Ltd. ("Pepe"); Kim Shelnett of Myrtle Cruz, 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. No public comments were made.

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 Petrick and seconded by Director Jackson, the Board voted unanimously to approve the items on the Consent Agenda, except for the minutes which were not ready for consideration. Copies of the tax assessor/collector's report, the bookkeeper's report, the engineer's report, and the operator's report are attached.

APPROVE AUDIT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2006

Mr. Sissel next reviewed with the Board the audit for fiscal year ended September 30, 2006. The Board requested that information regarding additional expenditures and revenues due to North Harris County Regional Water Authority fees be added to the audit. After review and discussion, Director Petrick moved that the Board approve the audit, subject to final review and approval by the consultants. Director Smyth seconded the motion, which was approved by unanimous vote.

ACTION ITEMS FROM THE TAX ASSESSOR/COLLECTOR, IF ANY

Mr. Pagan next reviewed with the Board a Resolution Providing for Additional Penalty for Tax Collection Costs, a copy of which is attached. Following review and discussion, Director Petrick moved that the Board adopt the Resolution Providing for Additional Penalty for Tax Collection Costs as presented. Following discussion regarding penalties and interest, Director Smyth seconded the motion, which was approved by unanimous vote.

ACTION ITEMS FROM THE BOOKKEEPER, IF ANY

Ms. Shelnutt next reviewed with the Board an invoice from BKD, LLP and reported that check no. 2158 had been removed from the bookkeeper's report. Following review and discussion, Director Petrick moved that the Board approve the bookkeeper's additional action items. Director Smyth seconded the motion, which was approved by unanimous vote.

ADDITIONAL ACTION ITEMS FROM THE ENGINEER

Mr. Abboud next reviewed specification and bidding documents for rehabilitation of the elevated water storage tank located at water plant no. 1. Following review and discussion, Director Jackson moved that the Board approve the plans and specifications and authorize the engineer to advertise for the rehabilitation of the elevated water storage tank. Director Petrick seconded the motion, which was approved by unanimous vote.

ADDITIONAL ACTION ITEMS FROM THE OPERATOR

Mr. Haas next reviewed Performance Test Reports for water wells no. 1 and no. 2. Following review and discussion, the Board requested that the engineer review the submergence level of water well no. 1.

Mr. Haas reviewed with the Board information regarding water consumption for commercial, multi-family and irrigation users.

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. Following discussion, Director Petrick 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 Jackson 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.

CONDUCT ANNUAL FUND REVIEW

Mr. Pagan discussed the District's Annual Fund Review. He reported that ABHR's tax counsel has prepared an analysis of the District's debt and capital projects funds in accordance with federal tax regulations. He explained that the analysis would be provided to the bookkeeper and that the debt and capital projects fund will be invested appropriately. No action was taken by the Board.

DISCUSS MATTERS RELATED TO NHCRWA

Director Smyth stated that she will provide a report on the North Harris County Regional Water Authority ("NHCRWA") Board meeting scheduled for next week. Ms. Payne reported that the District will be acknowledged at the meeting for its contribution for the purchase of water conservation coloring books for Klein Independent School District. 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 Joint Powers Board meeting and the operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant.

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. Following review and discussion, the Board concurred to continue to review the notice.

DISCUSS MATTERS RELATED TO HOMEOWNERS ASSOCIATION MEETINGS

Director Petrick reported that he will attend the Champion Forest Homeowners Association meeting scheduled on January 3, 2006. No action was taken by the Board.

PUBLIC COMMUNICATIONS

Ms. Payne reviewed with the Board the proposed design, content, and schedule for the District's quarterly newsletter. She reported that she expects to distribute the newsletter during the first week of February. She next reviewed with the Board proposed updates to the District's website to include more interactivity and additional pages. She discussed presenting a utility district informational topic of interest to the District's residents during a brown bag lunch in February after distribution of the newsletter. No action was taken by the Board.

PROPOSALS FOR WATER REUSE PROJECT FOR LANDSCAPE IRRIGATION

Director Smyth reviewed with the Board a Reuse Irrigation Feasibility Study Update, a copy of which is attached. Mr. Pagan stated that a reimbursement agreement with the Joint Powers Board for engineering and legal services related to the proposed effluent reuse project will be ready for execution at next month's meeting. No action was taken by the Board.

REPORT ON PARK MATTERS

There was no update on park matters.

DISCUSS PROPOSED DEVELOPMENT PROJECT

Mr. Kindred reported that comments on the plans 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 have been received from the Harris County Flood Control District. He stated that responses to the comments are being developed. He stated that he has not provided the information previously requested by the District by agreement dated August 18, 2006. No action was taken by the Board.

TECHNOLOGY: GIS

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 Petrick reported that a test of the Geographical Information System is scheduled for next week and he will update the Board on the system next month.

DISCUSS ITEMS FOR INCLUSION ON THE NEXT MEETING AGENDA

The Board requested that an item to discuss a possible bond election and refunding bond opportunities be included 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 JANUARY 2, 2007, 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 phase two additional services to include the entire District.
- Engineer to advertise for the rehabilitation of the elevated water storage tank.
- Engineer to review the submergence level of water well no. 1.
- Director Smyth to report on NHCRWA Board meeting.
- The Board to continue to review the Notice of Intent to Sell Wastewater Treatment Capacity.
- Ms. Payne to update the District's website to coordinate with the distribution of the District's newsletter.
- 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.
- Director Petrick to update the Board on GIS.

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