

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

March 6, 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 6th day of March, 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: Nancy Blackwell of AEI Engineering, Inc.; Fred Jones, Greg DiCioccio, and Jim Reed, residents; Floyd Janek of Champions Cove Homeowners Association; Tony Kindred of Raveneaux Country Club; Debbie Shelton of First Southwest Company; Barbara Payne of Payne Communications; Esther Flores of Tax Tech, Inc.; Salim Joubran and Nabil Joubran of Pepe Engineering, Ltd. ("Pepe"); Kim Shelnut of Myrtle Cruz, Inc.; Bob Haas of Aqua Services, L.P. ("Aqua Services"); Stephen M. Robinson 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 Smyth, the Board voted unanimously to approve the items on the Consent Agenda. Copies of the tax assessor/collector's report, the bookkeeper's report, the engineer's report, and the operator's report are attached.

EFFLUENT REUSE PROJECT FOR LANDSCAPE IRRIGATION

Ms. Blackwell reviewed a draft irrigation reuse project feasibility study for landscape irrigation. The Board concurred to receive a presentation on the study from Ms. Blackwell at a special meeting of the Board to be scheduled at 9:00 a.m. on March 22, 2007.

DISCUSS PROPOSED DEVELOPMENT PROJECT

Mr. Kindred reported that 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 re-filed with the Harris County Flood Control District (the "HCFCD"). He stated that he anticipates that the hydrology report will be approved by the HCFCD. He stated that the master plan for the entire 48.5 development has been submitted to Harris County for plat approval. In response to Mr. Robinson's inquiry regarding when the previously requested information will be submitted to the Board, Mr. Kindred stated that all information will be provided at the same time after approvals have been received.

Mr. Robinson and Mr. N. Joubran responded to an inquiry from a resident regarding the reasons for the District's performance of a flood plain analysis. No action was taken by the Board.

ACTION ITEMS FROM THE TAX ASSESSOR/COLLECTOR, IF ANY

ADOPT RESOLUTION CONCERNING TAX COLLECTION PROCEDURES

The Board next considered adopting a Resolution Concerning Tax Collection Procedures, a copy of which is attached. Mr. Robinson reviewed the provisions of the Resolution adopted last year which state that the District will not allow the split payment of taxes, will not allow a discount for early payment of taxes, and that tax bills, including those under \$15.00, will be mailed. After discussion, Director Petrick moved that the Board adopt the Resolution Concerning Tax Collection Procedures without changes to the provisions adopted last year. Director Smyth seconded the motion, which was approved by unanimous vote.

ADOPT RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

The Board next considered adopting a Resolution Concerning Exemptions from Taxation, a copy of which is attached. Mr. Robinson reviewed the provisions of the Resolution adopted last year which state that the general homestead, charitable organization and travel trailer exemptions are rejected, but that a \$125,000.00 homestead exemption will be granted to persons 65 years of age or older or disabled persons. After discussion, Director Petrick moved that the Board adopt the Resolution Concerning Exemptions from Taxation including a \$125,000 homestead exemption for persons 65 years of age or older or disabled persons, and rejecting the general homestead, charitable organization and travel trailer exemptions. 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 additional invoice for payment of printing services. Following review and discussion, Director Petrick moved that the Board approve the additional invoice. Director Smyth seconded the motion, which was approved by unanimous vote.

APPROVE ANNUAL REPORT AND AUTHORIZE FILING OF SAME

The Board next considered approving the updated financial and operating data in accordance with the Continuing Disclosure Agreement for the District's Series 1995, 1996, 2003, and 2004 Bonds pursuant to SEC Rule 15c2-12. Mr. Robinson stated that the Annual Report must be filed by March 31, 2007, a copy of which is attached. Following discussion, Director Petrick moved that the Board approve the updated financial and operating data and filing of such data, in accordance with the Continuing Disclosure Agreement for the District's Series 1995, 1996, 2003, and 2004 Bonds pursuant to SEC Rule 15c2-12. Director Jackson seconded the motion, which was approved by unanimous vote.

ADDITIONAL ACTION ITEMS FROM THE ENGINEER

Mr. N. Joubran reviewed with the Board Change Order No. 1 in the amount of \$24,975.00, for the rehabilitation of the elevated storage tank at water plant no. 1, a copy of which is attached. He stated that the change order was for replacement of equipment inside the tank. The equipment was not evaluated previously because the tank was in operation when inspected. He asked the Board whether any changes to the lettering contained on the tank will be requested. Following review and discussion, Director Lynch moved that the lettering be painted green. The motion died for lack of a second. Following additional discussion regarding a possible credit, Director Jackson moved that the Board approve the change order as presented, repaint the lettering as currently painted, and repaint only the lettering on the north side of the tank, if a credit or no extra cost for covering the lettering will be incurred. Director Petrick seconded the motion, which was approved by majority vote, with Director Lynch opposed.

REVIEW PROPOSALS AND AWARD CONTRCT FOR UPGRADES FOR WATER PLANT OPERATIONS

The Board concurred to table this item.

ADDITIONAL ACTION ITEMS FROM THE OPERATOR

CONSIDER CUSTOMER CORRESPONDENCE

Mr. Haas reported that a resident located at 8902 Cypresswood had originally requested and paid the fee for a one-inch tap which was installed. The resident now requires installation of a one-and-a-half-inch tap which will require payment of the full tap fee per the District's Rate Order.

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

AUTHORIZE REPAIR AND MAINTENANCE ITEMS

Mr. Haas did not present additional repair and maintenance items for authorization.

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.

ADDITIONAL ACTION ITEMS FROM THE OPERATOR

Mr. Haas reviewed with the Board a Consumer Confidence Report for distribution to the District's residents before the date required by the Texas Commission on Environmental Quality.

Following review and discussion, Director Petrick moved that the Board approve the operator's report, including distribution of the Consumer Confidence Report. Director Jackson seconded the motion, which was approved by unanimous vote.

DISCUSS MATTERS RELATED TO NHCRWA

Director Smyth reported on the North Harris County Regional Water Authority ("NHCRWA") Board meeting held on March 5, 2007. A copy of Director Smyth's written report on the NHCRWA Board meeting is attached. Mr. Haas stated that a representative from Aqua Services' Compliance Department will attend the upcoming NHCRWA workshops on automated pumpage reporting. 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. A copy of the minutes of the meeting is attached. No action was taken by the Board.

DISCUSS MATTERS RELATED TO HOMEOWNERS ASSOCIATION MEETINGS

There was no discussion related to homeowners association meetings.

ADOPT ORDER CALLING BOND ELECTION

Mr. Robinson discussed with the Board the procedures for calling an election.

Mr. N. Joubran next reviewed with the Board 20-Year and 15-Year Capital Improvement Plans, copies of which are attached. He stated that the plans are

developed based on recommended preventative maintenance and the manufacturers' useful life for the various facilities. He reviewed projected costs and projected bond issues for paying the costs. Mr. Robinson asked that a notation be added to the Capital Improvement Plans to reflect that the plans are for planning purposes only and represent the District's currently anticipated capital needs for its utility system. Because of the nature of projected needs, the District cannot predict the actual timing, need or particular projects that will be constructed pursuant to the plans. The District does not represent or warrant that any project will be constructed and reserves the right to construct any project (whether listed or not listed) to provide for the actual needs of the District's utility system.

Board members and Mr. Robinson responded to comments and questions from the public.

Ms. Shelton next reviewed an updated cash flow analysis which was developed using the Capital Improvement Plans. She discussed the amount of bonds that the District could issue without raising the District's current debt service tax rate over the next 15 years and discussed the assumptions used in calculating the amount. Ms. Shelton and Mr. Robinson reviewed bond issuance restrictions placed on the District by the Texas Commission on Environmental Quality which requires a 25% Debt Service Fund reserve and issuance on an as needed basis for specific projects. Mr. Robinson discussed the effect on the District's tax rate of not issuing bonds and funding the proposed capital improvement projects as implemented.

Mr. Robinson next reviewed the provisions of an Order Calling Bond Election, a copy of which is attached. He stated that early voting is scheduled from 7:00 a.m. to 3:00 p.m. April 30, 2007 through May 8, 2007, and that regular voting is scheduled from 7:00 a.m. to 7:00 p.m. on May 12, 2007. He stated that early voting and regular voting will be held at the District's Administrative Building. Director Petrick stated that based on extensive review, he recommends that the Board adopt the 15-Year Capital Improvement Plan. Following review and discussion, Director Petrick moved that the Board adopt the Order Calling Bond Election for the issuance of unlimited tax and revenue bonds of the District in the maximum aggregate original principal amount of \$20,000,000. Director Smyth seconded the motion, which was approved by unanimous vote. Ms. Cherne reported that Patty Snear has agreed to serve as an election judge.

REVIEW AND APPROVE VOTING RIGHTS ACT SUBMISSION LETTER TO THE U.S. DEPARTMENT OF JUSTICE

The Board next reviewed and discussed the Voting Rights Act Submission Letter to the U.S. Department of Justice. Mr. Robinson stated that the letter is being submitted as required to report the Bond Election. Following review and discussion, Director Jackson moved that the Board approve submission of the Voting Rights Act Submission Letter to the U.S. Department of Justice. Director Smyth seconded the motion, which

was approved by unanimous vote. A copy of the Letter is attached.

SET PAY FOR ELECTION OFFICIALS

The Board next discussed setting pay for the election officials for the Bond Election. Following discussion, Director Smyth moved that the Board set the pay for the election officials at \$12.00 per hour. Director Jackson seconded the motion, which was approved by unanimous vote.

AUTHORIZE EXECUTION OF CONTRACT WITH HARRIS COUNTY FOR ELECTRONIC VOTING SYSTEM

Mr. Robinson reported that electronic voting systems are required to conduct elections. He recommended that the District enter into a limited services agreement with Harris County for provision of the electronic voting systems and related training. He stated that the District entered into such a contract last year for the Directors Election. After discussion, Director Smyth moved that the Board authorize execution of the contract subject to final approval by ABHR. Director Petrick seconded the motion, which was approved by unanimous vote.

PUBLIC COMMUNICATIONS

Ms. Payne next reviewed with the Board the District's quarterly newsletter, a copy of which is attached. She reported on activities undertaken to prepare for the District's first brown bag lunch scheduled for Friday, March 23, 2007, at 11:30 p.m. She stated that the topic of the lunch is a presentation on the history and operations of the District.

Director Lynch requested that at the March 22, 2007, special meeting, Ms. Payne provide a presentation on public communications related to the upcoming Bond Election. Mr. Robinson stated that the Board can only educate and provide factual information related to the Bond Election. He stated that all written information regarding the Bond Election must be translated into Spanish and Vietnamese. He stated that the Board cannot spend District funds to support or oppose the Bond Election.

Ms. Payne reviewed the updated website design. The Board requested that she provide a monthly report on the number of hits the website receives. Mr. Robinson noted that any and all information regarding the Bond Election placed onto the website must be translated into Spanish and Vietnamese, including a simple announcement of the date and location of the election. Following review and discussion, Director Smyth moved that the Board designate Director Petrick as the District's spokesperson for responding to questions from the public regarding the Bond Election. Director Jackson seconded the motion, which was approved the by unanimous vote.

REPORT ON PARK MATTERS

There was no update on park matters.

TECHNOLOGY: GIS

Director Petrick updated the Board on the testing of the Geographical Information System and stated that a presentation of section one should be ready for review at the May regular meeting of the Board.

DISCUSS ITEMS FOR INCLUSION ON THE NEXT MEETING AGENDA

The Board next discussed including an item to review a report on the results of the Champion Forest Maintenance Fund's survey on trash collection services. Following discussion, the Board concurred to review the report at the June regular meeting.

The Board next discussed items for inclusion on the March 22, 2007, special meeting agenda. The Board concurred to include items to authorize advertisement for bids for upgrades for water plant operations and discuss public communications, in addition to receiving the presentation on the effluent reuse project for landscape irrigation.

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

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE FOR THE MINUTES OF THE MARCH 6, 2007, BOARD MEETING]

Secretary, Board of Directors

(SEAL)

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