

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

May 1, 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 1st day of May, 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, thus constituting a quorum.

Also present for all or part of the meeting were the following: Kim Jackson, of *The Houston Chronicle*; Elisa Kaplan of Legacy Energy Solutions; Floyd Mechler and Harry Peyton of AquaSurance, LLC; Kimberly Courte of The Essential Group; William Walker of Harco Insurance Services; Debbie Donahue, Maura Moulville, Narda Martin, Fred Jones, Greg DiCioccio, and Jim Reed, residents; Greg Ordeneaux of Tax Tech, Inc.; Salim Joubran, Nabil Joubran, Maroune Ghabache, and Khalil Abboud of Pepe Engineering, Ltd. ("Pepe"); Kim Shelnuttt of Myrtle Cruz, Inc.; Gus Gustafson of Aqua Services, L.P. ("Aqua Services"); Barbara Payne of Payne Communications; Stephen M. Robinson of Allen Boone Humphries Robinson LLP ("ABHR"); and Justine M. Cherne, Recording Secretary.

RECEIVE PUBLIC COMMENTS

Director Lynch opened the meeting to receive public comments. Ms. Martin addressed the Board to thank them for distribution of the District's informational flier. A copy of the public 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 Petrick and seconded by Director Lynch, 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, including Pay Estimate No. 2 in the amount of \$75,060.00 payable to M.K. Painting, Inc. for rehabilitation of the elevated storage tank at water plant no. 1, and the operator's report are attached.

DISCUSS BOND ELECTION

Mr. Robinson discussed with the Board the election procedures. He noted that the Board adopted an Order Calling Bond Election at the March meeting. No action was taken by the Board

PUBLIC COMMUNICATIONS

Director Smyth reported that a postcard directing residents to the District's website was distributed today. Ms. Payne reviewed the number of hits to the District's website per month for the months of January through April 2007. She noted that the number of hits spiked after distribution of the District's newsletter. She reported that the website contains a form for completion by those who want to receive e-mail notifications when the agenda has been posted to the District's website. She stated that the next newsletter is scheduled for distribution in June. No action was taken by the Board.

EFFLUENT REUSE PROJECT FOR LANDSCAPE IRRIGATION

Director Smyth reported that Ms. Blackwell has received a check from Kleinwood Municipal Utility District and Memorial Northwest, Harris County Water Control Improvement District for participation in the feasibility study in the proposed irrigation reuse project for landscape irrigation. She stated that there have been positive indications from other possible partners in the project. She reported that efforts to

obtain financing for the project from the North Harris County Regional Water Authority (the "NHCRWA") are ongoing. No action was taken by the Board.

DISCUSS PROPOSED DEVELOPMENT PROJECT

There was no additional information regarding 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 no additional information has been submitted to the Board.

Mr. Gustafson reported on efforts undertaken to assess options for quickly filling the pool at the Raveneaux Country Club in time for the Raveneaux Swim Team's time trials. He stated that area pools have also been contacted to determine whether the Swim Team can be accommodated. Discussion ensued regarding procedures, payment, and liabilities. Mr. Gustafson stated that he will update the Board when he has additional information.

ADDITIONAL ACTION ITEMS FROM THE TAX ASSESSOR/COLLECTOR, IF ANY

There were no additional items from the tax assessor/collector.

ADDITIONAL ACTION ITEMS FROM THE BOOKKEEPER, IF ANY

Ms. Shelnett next reviewed with the Board seven additional checks for approval. Following review and discussion, Director Smyth moved that the Board approve the additional checks. Director Petrick seconded the motion, which was approved by unanimous vote.

Ms. Kaplan next reviewed reports on the District's electricity accounts, copies of which are attached. She first reviewed an analysis of savings with the District's current provider, Direct Energy, compared to Reliant Energy's Price to Beat. She stated that the District has saved \$88,982.86 over the past 20 months with an average monthly savings of \$7,415.24, which represents a savings in the amount of 23% percent. Ms. Kaplan next reviewed demand calculations and costs for individual electricity accounts. Discussion ensued regarding electricity transmission and distribution charges for water well no. 1. There was no action by the Board.

ADDITIONAL ACTION ITEMS FROM THE ENGINEER

FINAL REPORT ON ANALYSIS OF FLOOD PLAIN MAPS

The Board concurred to table this item.

EMERGENCY WATER SUPPLY CONTRACT

Mr. N. Joubran next reported that during repair of a water line on Champion Forest Drive, water services were shut off for Champion Forest Sections 11 and 12. He reviewed possible interconnect points with neighboring utility districts and actions being undertaken to evaluate the possible interconnects. Mr. Robinson presented an overview of issues for consideration for emergency water agreements. Mr. Joubran stated that he will provide interconnect options for the Board's consideration at next month's meeting.

ADDITIONAL ACTION ITEMS FROM THE ENGINEER

Mr. N. Joubran next made a presentation on Rehabilitation of Sanitary Sewer Systems, a copy of which is attached. He reviewed the reasons for performing sanitary sewer rehabilitation, including an economic analysis and asset management practices. He reviewed how the rehabilitation is performed. He reviewed the post-audit for the District's sanitary sewer system rehabilitation project for Champion Forest, Section One, including photographs from the video survey of the lines and an economic analysis of performing a lining rehabilitation compared to performing emergency repairs. He stated that the District paid \$489,366.00 for the rehabilitation of Section One and that performing emergency repairs over the next 20 years would cost \$2,816,000. He stated that installation of the lining extended the life of the lines by 50 years. He stated that the engineer's field oversight of the project provided a 25% savings through field work changes. Mr. N. Joubran responded to questions from members of the public. No action was taken by the Board.

REVIEW PROPOSALS AND RENEW INSURANCE POLICIES

The Board next considered renewing the District's insurance policies. Insurance agents not making a presentation left the meeting while a presentation was being made.

Ms. Courte reviewed with the Board an insurance proposal from The Essential Group, a copy of which is attached. She answered questions from Board members.

Mr. Walker reviewed with the Board an insurance proposal from The Municipal League Intergovernmental Risk Pool, a copy of which is attached. He answered questions from Board members.

Mr. Mechler next reviewed with the Board an insurance proposal from AquaSurance, LLC, a copy of which is attached. He answered questions from Board members.

Mr. Walker, Ms. Courte, and Mr. Mechler left the meeting. The Board discussed the policies including limits of coverage, deductibles and premiums. Mr. Robinson answered questions from Board members regarding insurance coverage and

governmental immunities. Following review and discussion, Director Lawrence moved that the Board accept the proposal from The Essential Group in the approximate amount of \$12,000.00. Director Petrick seconded the motion, which was approved by unanimous vote.

ADDITIONAL ACTION ITEMS FROM THE OPERATOR

Mr. Gustafson recommended that the District pay Harris County W.C.I.D. No. 114 for the use of 6,500,000 gallons of water under the Emergency Water Supply Contract, instead of returning the water due to water quality concerns. The Board concurred to consider his recommendation at next month's meeting.

Mr. Gustafson reported that a sample of the discharge from the Hot Wax Auto Salon located at 9302-B Louetta Road contained a high amount of grease. He stated that the car wash is illegally connected into the Conoco gas station which has been notified of the illegal connection. He stated that the owner of the Hot Wax Auto Salon has been told to contact the District's engineer to begin the process to obtain utility service under the District's Rate Order. He stated that a recommendation will be made to the Board based upon any action undertaken by the car wash to obtain proper service.

CONSIDER CUSTOMER CORRESPONDENCE

No customer correspondence was presented.

CONDUCT HEARING ON TERMINATION OF WATER SERVICE

Mr. Gustafson 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. Discussion ensued regarding the delinquent accounts for the Champions Cove Homeowners Association. 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 with the exception of the Champions Cove Homeowners Association. Director Smyth seconded the motion, which was approved by unanimous vote.

AUTHORIZE REPAIR AND MAINTENANCE ITEMS

Mr. Joubran next reported on his review of the performance data for the District's water well no. 2 pump. He stated that he and the operator concur that the results do not indicate an emergency situation. He recommended that the pump be removed after the high water use months for evaluation. The Board concurred to consider evaluation of the pump in September.

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 reported that the North Harris County Regional Water Authority ("NHCRWA") Board meeting is scheduled for next week.

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

Director Lynch reported that the Joint Powers Board meeting is scheduled for tomorrow.

DISCUSS MATTERS RELATED TO HOMEOWNERS ASSOCIATION MEETINGS

Director Petrick reported on meetings of the Champion Forest Maintenance Fund and the Champion Forest Villas. No action was taken by the Board.

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 is scheduled for review at the May special meeting of the Board. Director Lynch recommended that the District purchase electronic equipment for use during presentations. Following discussion, the Board authorized Ms. Payne to obtain cost estimates for converting the District's meetings to paperless meetings.

DISCUSS STRATEGIC PARTNERSHIP AGREEMENT

The Board concurred to table this item.

DISCUSS DIRECTOR APPOINTMENT PROCESS

The Board next discussed a Director appointment process to replace Director Lawrence whose resignation is effective after the June 5, 2007, Board meeting. Following discussion, the Board concurred that each Board member will submit a maximum of three candidate resumes to Ms. Cherne by May 29, 2007, for distribution to the Board. The Board concurred to consider the candidate resumes at the June 5, 2007,

meeting and appoint a Director. The Board concurred that the newly appointed Director will be scheduled to take office at the July regular meeting.

REORGANIZE THE BOARD, AUTHORIZE FILING OF THE DISTRICT REGISTRATION FORM

The Board next discussed reorganization. Following discussion, Director Lawrence moved that the Directors' current offices and assignments remain as they are until the next Directors Election, and that the newly appointed Director assume the office and assignments held by Director Lawrence. Director Jackson seconded the motion, which was approved by majority vote, with Director Smyth opposed.

DISCUSS ITEMS FOR INCLUSION ON THE NEXT MEETING AGENDA

The Board next discussed items for inclusion on the agendas of the special meeting to be held on May 22, 2007 and the regular June meeting.

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

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE FOR THE MINUTES OF THE MAY 1, 2007, BOARD MEETING]

Secretary, Board of Directors

(SEAL)

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