

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

August 7, 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 7th day of August, 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
Linn Jensen Smyth	Assistant Secretary
Fred P. Jones	Assistant Vice President

all of said Directors were present except Director Jackson, thus constituting a quorum.

Also present for all or part of the meeting were the following: John Shipp, Roy Riley, Ross Richardson, Greg Blaxe, Paula Andersen, Narda Martin, Greg DiCioccio, and James Reed, residents; Don Hand of Greenwood Properties, Inc.; Greg Sissel of BKD, LLP; Keith Bynum and Jason Grein of Hot Wax Car Salon; Timothy Green of Coats, Rose, Yale, Ryman & Lee, PC; Esther Flores of Tax Tech, Inc.; Salim Joubran and Nabil Joubran of Pepe Engineering, Ltd. ("Pepe Engineering"); Kim Shelnutt of Myrtle Cruz, Inc.; Gus Gustafson of Aqua Services, L.P. ("Aqua Services"); Barbara Payne of Payne Communications; Greer Pagan of Allen Boone Humphries Robinson LLP ("ABHR"); and Kristen Hogan, Recording Secretary.

RECEIVE PUBLIC COMMENTS

Director Lynch opened the meeting to receive public comments. There were no public comments. The Board next discussed correspondence received from Robert Jackson, a copy of which is attached. Director Jones stated that Mr. Jackson is out of town and therefore unable to attend the meeting.

CONSENT AGENDA:

APPROVE MINUTES

BOOKKEEPER'S REPORT, INCLUDING PAYMENT OF BILLS AND REVIEW OF INVESTMENTS AND BUDGET

TAX ASSESSOR/COLLECTOR'S REPORT, INCLUDING PAYMENT OF BILLS AND ANY NECESSARY COLLECTION ACTION

ENGINEER'S REPORT, INCLUDING LONG-TERM MAINTENANCE PLAN

OPERATOR'S REPORT

Director Smyth presented corrections to the minutes of the previous meeting. Upon a motion made by Director Petrick and seconded by Director Smyth, the Board voted unanimously to approve the items on the Consent Agenda, including approval of the minutes as corrected. Copies of the bookkeeper's report, the tax assessor/collector's report, the engineer's report, and the operator's report are attached.

ADDITIONAL ACTION ITEMS FROM THE BOOKKEEPER, DISCUSS BUDGET

Ms. Shelnutt next reviewed with the Board four additional checks for expense reimbursement and meeting expenses. Director Lynch suggested that the Directors attend the Public Funds Investment Act Seminar for Local Governmental Agencies scheduled on Saturday, September 29, 2007. Following review and discussion, Director Smyth moved that the Board approve the additional checks and authorize attendance at seminar. Director Petrick seconded the motion, which was approved by unanimous vote.

Ms. Shelnutt reviewed with the Board a draft operations budget for fiscal year ending September 20, 2008. The Board reviewed the budget and discussed a correction. Following review and discussion, Director Petrick moved that the Board approve the budget with the noted correction. Director Smyth seconded the motion, which passed unanimously.

LEGISLATIVE UPDATE

Mr. Pagan distributed a Legislative Update prepared by ABHR, a copy of which is attached. He reviewed legislation passed in the 2007 legislative session affecting water districts. He next reviewed a memorandum from ABHR regarding House Bill 3693, a copy of which is attached. In response to a question from Director Petrick, Mr. Pagan stated that House Bill 3693 requires all electricity usage to be reported. Director Smyth discussed additional bills of interest that were passed during the 2007 legislative session. Director Jones asked if the District had a process in place to track legislation affecting water districts and to pursue action determined necessary regarding future legislation. Mr. Pagan stated that ABHR will continue to apprise the Board of issues

affecting water districts when ABHR becomes informed of any such issues. He stated that the Board should inform ABHR of any issues they wish to pursue. Director Jones discussed the need for the Board to be informed of contemplated legislation timely in order to take any action determined necessary. After review and discussion, the Board concurred for the bookkeeper to begin noting the District's metered amount of electricity consumed and the aggregate costs for such services in the monthly bookkeeper's reports, pursuant to House Bill 3693.

CONDUCT ANNUAL FUND REVIEW

The Board concurred to table this item.

ADDITIONAL ACTION ITEMS FROM THE TAX ASSESSOR/COLLECTOR

Ms. Flores reported that the Harris County Appraisal District indicated certified taxable values may be available by the end of August, but will most likely not be available until the beginning of September.

ADDITIONAL ACTION ITEMS FROM THE ENGINEER

EMERGENCY WATER SUPPLY CONTRACT

Mr. Pagan presented a proposed Emergency Water Interconnect Agreement with Harris County Water Control Improvement District No. 116 ("WCID 116") and reviewed the proposed provisions. Following discussion, the Board concurred to table approval of the agreement, pending Board review. The Board concurred for ABHR to forward the draft agreement to WCID 116 for consideration.

UPDATE ON HOT WAX AUTO RATE ORDER COMPLIANCE

Mr. N. Joubran updated the Board on the actions undertaken regarding the utility connection into the Conoco gas station by the Hot Wax Auto Salon located at 9302-B Louetta Road. He discussed items the prior owner agreed to address for compliance with the District's Rate Order. Mr. Bynum stated that the grease trap and plans proposed by the prior owner did not meet the District's requirements. He discussed the plans they recommend to ensure compliance and Mr. Grein reviewed specifications for such plans. Mr. N. Joubran said they also need to provide a layout of the proposed plans for connection to the water main and transfer of sewage. After discussion, the Board concurred to extend the original deadline for compliance with the District's Rate Order, based on the owner's continuing efforts to reach compliance. The Board concurred prior to the completion of the required grease trap installation, the owner should not wash engines as previously agreed. The Board directed the operator to continue monitoring the discharge from the facility. The Board concurred approval should be received from the District's engineer by next month's meeting and the grease traps must be installed prior to the November meeting. Mr. Grein stated that he will

provide the requested plumbing layout to the District's engineer in the next two weeks. After discussion, Director Smyth moved that the Board authorize the engineer to review and approve the plans and notify the operator to bill the owner for the associated tap fees, and to authorize the operator to sample the discharge from the facility to ensure compliance with the District's Rate Order. Director Petrick seconded the motion, which passed unanimously.

ADDITIONAL ENGINEERING ITEMS

Mr. N. Joubran discussed a sink hole outside the District, but adjacent to homeowner fences in Champions Villa next to the access road to Harris County Fresh Water Supply District No. 52's wastewater treatment plant. He stated that the Harris County Flood Control District ("HCFCD") is scheduled to complete the necessary repair in the next two weeks and will then complete the associated capital repair at a future date. Mr. Gustafson stated that he will provide the HCFCD with additional pictures of the area.

Mr. N. Joubran stated that there is graffiti on the slope paving on the east side of the channel north of Herts Road. He stated that he contacted Harris County and the HCFCD, but both entities indicated it was not their responsibility to remove the graffiti from the slope paving and that local civic groups should remove the graffiti. Director Petrick stated that the graffiti does not appear to be gang-related. He said the adjacent resident attempted to power wash the area, but was unable to remove the graffiti. Mr. Grein discussed a cleaning solution that will remove graffiti and stated that he would work with the District's operator to remove the graffiti. After discussion, the Board concurred for Mr. Grein to contact Director Petrick with the estimated cost to remove the graffiti for Director Petrick to consider approving and authorizing Mr. Grein and Mr. Gustafson to proceed with removal. The Board directed ABHR to add an item to the September agenda to receive an update on the graffiti removal.

Mr. N. Joubran reported that the capacitor was installed at Water Plant No. 1 and the final inspection was conducted in the presence of the District's operator and engineer and the contractor. He stated that the installation was performed in conformance with the specifications and the tests conducted by the contractor evidences a change in the Power Factor readings from 0.87 without the capacitor to 0.99 with the capacitor activated. In response to a question from Director Smyth, Mr. N. Joubran stated that the Power Factor readings are measurements of efficiency and are not percentages.

ADDITIONAL ACTION ITEMS FROM THE OPERATOR

Mr. Gustafson reviewed action items undertaken since the last meeting. A copy of a list of action items is attached.

CONSIDER CUSTOMER CORRESPONDENCE

Mr. Gustafson discussed a complaint received from a District resident regarding a low area with standing water and tall grass behind his fence at Water Plant No. 1. He stated that the area has been drained and will be mowed on Friday.

REVIEW OPERATOR'S CONTRACT

Mr. Gustafson presented a request for approval of a rate increase of 9.1% for the operator's contract, effective October 1, 2007. He next presented an Addendum to Contract Increase Letter explaining the reasons for changing the rates for various services from a time and materials basis to a flat fee. Copies of the request and addendum are attached. Director Jones asked if Aqua Services has programs in place to determine ways to reduce costs with increased efficiency. Mr. Gustafson responded that Aqua Services tries to find ways to increase efficiency despite costs that cannot be controlled, such as fuel. He reported that as Aqua Services merges with ECO Resources, Inc. as part of Southwest Water Company, regional offices will be established and staffed appropriately to improve efficiency based on proximity to districts it operates. After review and discussion, Director Petrick moved that the Board approve the requested rate increase. Director Lynch seconded the motion, which passed unanimously.

AUTHORIZE REPAIR AND MAINTENANCE ITEMS

Mr. Gustafson reviewed a proposal from American Parking Control in the amount of \$3,120 to re-pave the asphalt driveway Water Plant No. 1. A copy of the proposal is attached. He stated that the work could be completed in two weeks, if authorized by the Board. After review and discussion, Director Petrick moved that the Board approve the proposal from American Parking Control to re-pave the driveway. Director Jones seconded the motion, which passed unanimously.

Mr. Gustafson next reviewed a report on the status of the District's Meter Replacement Program, a copy of which is attached. He noted that, of the 1,923 residential and irrigation meters within the District, 795 meters are registering between 1,000,000 and 2,000,000 gallons and 94 meters are registering over 2,000,000 gallons. Mr. Gustafson recommended that the Board authorize Aqua Services to take the following action: (1) randomly sample 20 meters for effectiveness registering between 1,000,000 and 2,000,000 gallons for a cost of \$20.00 per meter; (2) conduct an analysis of the feasibility of replacing the meters; and (3) replace one-third of the 94 meters registering over 2,000,000 gallons each month for the next three months for a total cost of approximately \$8,000. After review and discussion, Director Jones moved that the Board authorize Aqua Services to take the recommended action to sample meters, analyze the feasibility of replacing the meters, and replace the 94 meters over the next three months. Director Petrick seconded the motion, which passed unanimously.

ADOPT AMENDED RATE ORDER

Mr. Gustafson reviewed a summary of options for billing homeowners associations for water used for irrigation, based on his review of billing methods used by other districts. A copy of the summary is attached. After review and discussion, the Board concurred to review the summary and consider adopting an Amended Rate Order at next month's meeting to adjust the method used for irrigation billing.

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. 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, with the exception of the Champions Cove Homeowners Association account. Director Petrick seconded the motion, which was approved by unanimous vote.

NEW SAS 112 AUDITING STANDARDS, AUDITOR PROPOSALS

Mr. Sissel reviewed a letter to the Board regarding new SAS 112 auditing standards related to management letters and material weaknesses. A copy of the letter is attached. The Board discussed the impact of SAS 112 and options for consideration in response to such new auditing standards.

The Board next considered soliciting proposals for auditing services. After discussion, the Board directed ABHR to solicit proposals from the companies requested by Director Lynch in correspondence previously sent to the District's legal assistant.

DISCUSS CREATION OF TECHNICAL ADVISORY GROUP

The Board discussed correspondence from Jim Reed regarding creating a technical advisory group of professional engineers who live within the District, a copy of which is attached. Director Petrick stated that he thought the creation of such group would be beneficial to the District and that the Board should appoint a Director to coordinate with the advisory group on District matters. The Board concurred the purpose of the group will be to provide recommendations for the Board's consideration. After discussion, Director Jones volunteered to be the District's liaison with the advisory group to report on discussions, ideas, and recommendations of the group to the Board. Upon a motion made by Director Petrick and seconded by Director Lynch, the Board voted unanimously to appoint Director Jones as the District's representative to coordinate with the technical advisory group.

PUBLIC COMMUNICATIONS

Ms. Payne next reported on the number of hits to the District's web site for the months of July through the beginning of August 2007.

Mr. Pagan discussed the requirement for the District to report electricity, water, and natural gas consumption and aggregate costs for such services on its website, pursuant to House Bill 3693. After discussion, the Board directed the bookkeeper to provide the required information to Ms. Payne to include on the District's website.

Ms. Payne discussed the District's communications strategic plan. The Board concurred to table this item until Director Jackson is present.

Ms. Payne reviewed a revised newsletter and stated that the newsletter is scheduled to print in the next week and be mailed within two weeks. After discussion, the Board concurred for Ms. Payne to work with Mr. Gustafson to coordinate the mailing. Ms. Payne stated that the brown bag luncheon has been confirmed for September 14, 2007, at the District's administrative building. She stated that the Vice President of the NHCRWA will give a presentation on surface water conversion. She stated that an announcement regarding the luncheon will be included on the back of the newsletter.

RAVENEAUX INITIATIVE

Mr. Green presented a preliminary plat showing the plans for development of the Raveneaux Country Club tract and stated that his client, Mark Jordan, indicated that the preliminary plat had been approved. He stated that Mr. Jordan is aware that the District hired Murr Incorporated ("Murr") to prepare a potential plan for parks and trails throughout the tract. In response to questions from the Board, Mr. Green stated that he is unsure if a plat approval form was received and that he does not know the reason for the requirement to purchase an easement from Harris County. Mr. Green said he will send additional copies of the preliminary plat to ABHR to distribute to the Board. In response to a question from Director Petrick, Mr. Green stated that he anticipates Mr. Jordan will address the Board to request utility service for the development soon.

REPORT ON PARK MATTERS

Director Petrick updated the Board on park matters. He reported on a meeting he attended with Murr to receive a presentation regarding a Park Plan for the development of a trail on the Raveneaux Country Club tract to connect Meyer Park to the Kickerillo Company development at Harris County Municipal Utility District No. 468. Director Petrick recommended scheduling a special meeting for the other Directors to receive a presentation from Murr and consider approving the Park Plan and calling a Parks Bond Election to be held November 6, 2007. Following review and discussion,

the Board concurred to schedule a special meeting at 9:00 a.m. on Friday, August 31, 2007. The Board indicated that Ms. Payne, Mr. Pagan, and the Murr representative should attend the special meeting.

DISCUSS STRATEGIC PARTNERSHIP AGREEMENT

Mr. Pagan stated that the City of Houston is beginning to work on the Strategic Partnership Agreement ("SPA") with the District for consideration later this year. He discussed the requirement to hold public hearings regarding approval of the SPA and stated that ABHR will work with Ms. Payne at the appropriate time to coordinate public communication regarding the hearings.

TECHNOLOGY: GIS

The Board concurred to receive a presentation on the Geographical Information System at the September regular meeting.

DISCUSS MATTERS RELATED TO NHCRWA

Director Smyth reported on the NHCRWA Board meeting held on August 6, 2007. A copy of Director Smyth's written report on the NHCRWA Board meeting is attached. Director Smyth reported on discussions regarding House Bill 3674, which provides that homeowners associations are now subject to the Open Meetings and Public Information Acts. 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 July meeting and the operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant. A copy of the minutes of the Joint Powers Board meeting is attached. No action was taken by the Board.

DISCUSS MATTERS RELATED TO HOMEOWNERS ASSOCIATION MEETINGS

Director Lynch reported on discussions with the Presidents of the homeowners associations (the "Associations") regarding the possibility of scheduling a meeting at 9:00 a.m. on August 14, 2007, at the District's administration building to review the plans for development of the Raveneaux Country Club tract. He said the proposed meeting would not be a District meeting, but would be for the developer to provide information about the development plans to the Associations to share with their communities. Discussion ensued regarding whether to post an agenda for the Board to attend the meeting. The Board discussed the perception associated with coordinating and/or attending the meeting and concurred the District does not want to be mistakenly perceived as endorsing the development plans. The Board concurred if the

developer wants to meet with the Associations, the developer should contact them to schedule a meeting at Raveneaux Country Club. The Board also concurred the preliminary plat presented by Mr. Green should not be distributed until it is confirmed the plat is final.

After discussion, Director Lynch stated that he would notify the Directors if he is notified of any meetings between the Associations and the developer. No action was taken by the Board.

DISCUSS ITEMS FOR INCLUSION ON THE NEXT MEETING AGENDA

The Board next discussed items for inclusion on the agenda of the regular September 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 AUGUST 7, 2007, BOARD MEETING]

Secretary, Board of Directors

(SEAL)

LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
Correspondence	1
Bookkeeper’s Report.....	2
Tax Assessor/Collector’s Report.....	2
Engineer’s Report.....	2
Operator’s Report.....	2
Legislative Update.....	2
House Bill 3693 Memorandum	2
Action Items List	4
Request for Rate Increase for Operator’s Contract and Addendum to Contract Increase Letter	5
Proposal from American Parking Control	5
Report on the status of the Meter Replacement Program.....	5
Methods for Billing H.O.A. Sprinklers	6
Letter from BKD.....	6
Jim Reed Correspondence	6
NHCRWA Board meeting report	8
Minutes of the Joint Powers Board Meeting.....	8