

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

November 6, 2007

The Board of Directors (the "Board") of Cypress Forest Public Utility District, Harris County, Texas, met in regular session, open to the public, on the 6th day of November, 2007, at the Cypress Forest Public Utility District's Administrative Building, 16215 Champion Forest Drive, Spring, Texas 77379, inside the boundaries of the District, and the roll was called of the members of the Board:

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

and all of the above were present, thus constituting a quorum.

Also present for all or part of the meeting were the following: Greg DiCioccio and James Reed, residents; Vic Fowler of Kleinwood MUD; Tim Green of Coats, Rose, Yale, Ryman & Lee, PC; Mark Jordan of JP/Raveneaux Partners, LP; Joe Jenkins and Robert Thompson of CH2MHill; Esther Flores of Tax Tech, Inc.; Salim Joubran and Nabil Joubran of Pepe Engineering, Ltd. ("Pepe Engineering"); Kim Shelnett of Myrtle Cruz, Inc.; Gus Gustafson of Aqua Services, L.P. ("Aqua Services"); Barbara Payne of Payne Communications; Greer H. Pagan of Allen Boone Humphries Robinson LLP; Justine M. Cherne, Recording Secretary; and persons listed on the attached attendance sheets.

RAVENEAUX DEVELOPMENT

The Board discussed the proposed development of a residential subdivision on a portion of the Raveneaux Country Club tract. Mr. Green introduced himself and briefly discussed the history of the activities undertaken for the proposed development of the Raveneaux Country Club tract. He stated that the potential annexation of the portion of the tract not currently included in the District and the receipt of utilities for the entire development project from the District were previously explored. He explained that Mr. Jordan entered into an annexation contract with Kleinwood MUD to receive utilities for the portion of the tract not currently included in the District. He stated that Mr. Jordan has received preliminary approval of the plat and plans for the development project. He requested that the Board consider providing water and wastewater capacity to serve approximately 57 connections proposed to be constructed on the approximately 7.5 acres of the tract located within the District. He stated that Mr. Jordan is open to

discussions with the Board regarding the construction of a walking trail on the tract along Cypresswood Drive. He requested that the Board authorize the District's attorneys and engineers to work with Kleinwood MUD's attorneys and engineers on the proposed walking trail.

Mr. Nabil Joubran next reported on Pepe Engineering's review of the request for water and wastewater capacity to serve 57 connections proposed to be constructed on the portion of the tract located within the District. He stated that approximately 7.5 to 9 acres of the Raveneaux Country Club tract is located within the District and that surveyors are working to determine the exact portion of the tract located within the District. He reviewed a map of the District and stated that the portion of the tract was included in the District as part of an annexation of land into the District in 1978. He stated that the District has sufficient capacity to provide the utilities to serve the 57 connections as requested. He stated that an analysis will need to be performed to determine whether the trunk lines located under Cypresswood Drive have the capacity to provide utilities to serve the entire proposed development. Mr. Nabil Joubran recommended that the District approve the request for utility service to serve the proposed 57 connections based upon the District having the available capacity and the District's inability to deny such requests when capacity is available.

Director Petrick stated that the agenda item for the proposed development project for the Raveneaux Country Club tract was included on the agenda to discuss the proposed construction of a walking trail on the tract as an amenity for the District. He reviewed his discussions with Mr. Jordan and other interested parties regarding the proposed construction of a walking trail on the tract. He stated that the proposed trail would be part of a larger trail system connecting larger parks to the west and east of the District. He stated that one of the challenges to constructing the trail is obtaining right-of-way from the landowners and that Raveneaux Country Club owns most of the property where the trail is proposed to be located. He stated that the proposed trail is supported by Harris County and Harris County Flood Control District. He stated that he received verbal support for the proposed trail from Kleinwood MUD. He reported that he will meet tomorrow with the Kleinwood Regional Wastewater Treatment Plant Joint Powers Board to discuss the proposed trail. Director Petrick requested that the Board consider authorizing the District's attorneys and engineers to work with Kleinwood MUD's attorneys and engineers on the proposed walking trail and consider purchasing the proposed right-of-way for the trail at his cost plus carry.

In response to Directors' questions, Mr. Jordan stated that he is not requesting any additional conditions for the right-of-way for the proposed trail other than the proposal that the District purchase it at his cost plus carry. He stated that he is open to the construction of the trail if it is designed correctly, makes sense, and doesn't provide additional liability to the proposed development. Director Petrick stated that he has asked Mr. Jordan to consider the possibility of placing an additional 240 acres of the

tract under conservancy as green space to protect the space from failure of the development.

Mr. Green next requested that the Board consider cooperating with Kleinwood MUD to analyze options for providing utility service to the entire proposed development in an efficient and cost effective manner. He proposed performing an engineering analysis to determine whether the purchase of a portion of the District's capacity in the trunk lines located under Cypresswood Drive by Kleinwood MUD to provide utility service to the entire proposed development is the most efficient option. In addition, he stated that under the current plan, the District's boundary lines run through some of the proposed lots. He proposed performing engineering and legal analyses to determine whether a portion of the tract could be annexed into the District. Mr. Green additionally requested that the District consider reimbursing the development for construction of utilities as the District has done for all previous developments.

Director Lynch next opened the meeting for public comments. Copies of written comments are attached to the minutes. Mr. Jordan responded to questions and comments from the Board and the public regarding property value projections, density of development, concerns regarding flooding and traffic congestion, rumors related to low income housing and extension of a road to FM 1960, possible donation of the right-of-way for the proposed trail, and other concerns and issues related to the proposed development. Following discussion, Mr. Jordan stated that a town hall meeting will be held on Thursday, November 15, 2007, at the Raveneaux Country Club to discuss the residents' concerns related to the proposed development. The Board designated Directors Smyth and Jackson as the District's representatives at the town hall meeting.

RECEIVE PUBLIC COMMENTS

Director Lynch opened the meeting to receive public comments. There were no additional public comments.

CONSENT AGENDA:

APPROVE MINUTES

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

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 engineer's report, and the operator's report are attached.

ADDITIONAL ACTION ITEMS FROM THE ENGINEER

SURFACE-GROUND WATER BLENDING ANALYSIS PRESENTATION

Mr. Nabil Joubran reported that representatives of CH2MHill were present to give a presentation related to the District's infrastructure planning for the mandated conversion to surface water. He stated that the North Harris County Regional Water Authority's ("NHCRWA") current schedule is for the District to begin taking surface water in mid-2009. He stated that the proposed delivery routes have not been determined and that surface water is planned to be delivered by NHCRWA to the District's water plant no. 2. He stated that blending of surface and ground water would occur at both of the District's water plants. He noted that a technical memorandum by CH2MHill regarding Blended Water System Strategy and Scoping for the District was previously distributed and is attached to the engineer's report. He stated that the next steps in the infrastructure planning would be to design and then construct the facilities.

Mr. Jenkins next made a presentation on strategies and operational issues related to surface water disinfection and a plan for preparing for the upcoming conversion. Following review and discussion, the Board authorized Director Smyth to invite Tom Rolen, NHCRWA Engineer Manager, to the January meeting to discuss issues related to the District's infrastructure planning for the mandated conversion to surface water.

APPROVE AUDIT, ADOPT RESOLUTION

The Board concurred to table these items.

BOOKKEEPER'S REPORT

The Board next reviewed the bookkeeper's report. Ms. Shelnutt presented four additional checks for payment. Following review and discussion, Director Lynch moved to approve the bookkeeper's report, payment of the checks, and authorize Directors' attendance at a teleconference associated with disaster preparedness scheduled on November 30, 2007. Director Smyth seconded the motion, which was approved by unanimous vote. A copy of the bookkeeper's report is attached.

REVIEW BOOKKEEPER'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. Discussion ensued regarding the fee for storage of District records. Following review

and discussion, Director Petrick moved to approve the Agreement for Bookkeeping Services as presented. Director Smyth seconded the motion, which was approved by unanimous vote.

ADDITIONAL ACTION ITEMS FROM THE TAX ASSESSOR/COLLECTOR

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

CONDUCT PUBLIC HEARING REGARDING DISTRICT TAX RATE, ADOPT ORDER LEVYING TAXES

Director Lynch opened the public hearing regarding the District tax rate and upon no comment from the public, the Board concurred to close the public hearing. After review and discussion, Director Jackson moved to adopt the Order Levying Taxes for the 2007 tax year, levying a District debt service rate of \$0.22, and a maintenance and operation tax of \$0.08, for a total tax rate of 0.30 per \$100 assessed valuation. Director Petrick seconded the motion, which passed by unanimous vote. The Board confirmed its intention that the 2007 tax levy includes a debt service component for the calendar year ending December 31, 2008, and a maintenance tax component for the fiscal year ending September 30, 2008. A copy of the Order Levying Taxes is attached.

ADDITIONAL ACTION ITEMS FROM THE ENGINEER

UPDATE ON HOT WAX AUTO SALON RATE ORDER COMPLIANCE

Mr. Nabil Joubran reported that the Hot Wax Auto Salon car wash appears to be closed for business.

ADDITIONAL ENGINEERING ITEMS

Mr. Nabil Joubran reviewed additional engineering items from his report. The Board authorized Pepe Engineering to perform field surveying and preparation of construction drawings and specifications for the proposed water interconnection with Harris County Water Control and Improvement District No. 116.

Mr. Nabil Joubran next discussed the request for utility capacity to serve the proposed development of 57 townhomes on the approximately 7.5 acres of the Raveneaux Country Club tract currently located within the District's boundaries. Following discussion, the Board authorized Pepe Engineering to forward the letter granting the request for capacity as presented as an attachment to the engineer's report.

Mr. Nabil Joubran next reviewed discussions with the engineers for Kleinwood MUD regarding use of the District's existing trunk lines located under Cypresswood Drive to provide utilities to serve 500 connections to be constructed on the entire Raveneaux Country Club tract. He stated that the District has available capacity and an

analysis of the trunk lines would need to be performed to determine the feasibility of using the existing trunk lines located under Cypresswood Drive to convey flow. Director Jones reported that Kleinwood MUD designated two Board members, Vic Fowler and Steve Williams, to work as a committee with the Kleinwood MUD engineers on matters related to the development of the Raveneaux Country Club tract. He stated that Kleinwood MUD requests that the District appoint such a committee to work with their committee. Mr. Fowler addressed the Board and stated that the committee's purpose is to gather information and share ideas. Following discussion, the Board designated Directors Jackson and Smyth to serve on such a committee. The Board concurred that all approvals related to committee issues would be made by the entire Board.

Mr. Nabil Joubran reported that inspection of a rusty discharge appearing on the west side of the elevated water storage tank at water plant no. 1 is scheduled for next week with the contractor who previously performed the rehabilitation work completed earlier this year. He stated that this inspection would allow the determination of whether or not the work is still under warranty. Ms. Shelnutt noted that the District has surplus funds from the District's sewer rehabilitation project that may be available for reimbursement of a portion of the cost of the water plant rehabilitation project. Mr. Pagan stated that he will research whether the surplus funds are available for such use.

Following review and discussion, Director Jones moved that the Board approve the engineer's report. Director Smyth seconded the motion, which was approved by unanimous vote.

ADDITIONAL ACTION ITEMS FROM THE OPERATOR

Mr. Gustafson reviewed action items undertaken since the last meeting. He responded to questions regarding work orders.

CONSIDER CUSTOMER CORRESPONDENCE

There was no customer correspondence.

AUTHORIZE REPAIR AND MAINTENANCE ITEMS

There were no additional repair and maintenance items.

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

TECHNICAL ADVISORY GROUP REPORT

Director Jones reported that he has received comments from Board members and is working with Director Smyth on additional comments to the letter approved for forwarding to engineers residing within the District to determine whether the engineers would be interested in participating as an ad hoc advisory group for specific projects. The Board authorized distribution of the letter upon finalization by Director Jones.

RESIDENTIAL SOLID WASTE COLLECTION CONTRACT

The Board next discussed a previously distributed contract with Royal Disposal & Recycle for residential solid waste collection services and Director Jones' verification of references. Following discussion, Director Smyth moved to approve execution of the contract as presented. Director Petrick seconded the motion, which was approved by unanimous vote. A copy of the contract is attached. The Board authorized distribution of communications regarding the new collection services to the District's residents.

PUBLIC COMMUNICATIONS

Ms. Payne next reported on public communications activities. She reviewed a report on the number of hits to the District's web site. She stated that the brown bag luncheon regarding conservation actions is scheduled for November 30, 2007, at 11:30 a.m. She reported that the informational flier and entry form for a proposed contest to create a 2008 water conservation calendar for the District was distributed to fifth grade students attending Brill Elementary School. She stated that the District's quarterly newsletter is scheduled for distribution in January 2008.

EFFLUENT REUSE PROJECT FOR LANDSCAPE IRRIGATION

Director Smyth reported that Ms. Blackwell will give a presentation regarding the proposed effluent reuse project for landscape irrigation at the next meeting of the Kleinwood Regional Wastewater Treatment Plant Joint Powers Board. She stated that Ms. Blackwell is updating the feasibility study with information from the three utility districts which have agreed to partner with the District on the proposed project: Harris County WCID No. 114, Cy-Champ PUD, and Kleinwood MUD. She stated that financial incentives for the proposed project will be discussed with the North Harris Regional Water Authority at the end of November.

REPORT ON PARK MATTERS

Director Petrick updated the Board on park matters. He reported that he will attend the next meeting of the Kleinwood Regional Wastewater Treatment Plant Joint Powers Board to request approval of a recreational easement for the proposed construction of a walking trail on the Raveneaux Country Club tract. He stated that Harris County has included a maintenance budget item in next year's budget for a trail to interface with the District's proposed trail at the southern portion of Meyer Park.

Discussion ensued regarding purchase of right-of-way from the Raveneaux Country Club for the proposed trail and the District's provision of utilities for the portion of the tract located within the District. Mr. Pagan stated that the District is obligated to provide utilities to serve land located within the District. Additional discussion ensued regarding Mr. Green's proposals for cooperating with Kleinwood MUD to analyze options for providing utility services to the entire proposed development in an efficient and cost effective manner. In response to the Board's request to Mr. Pagan to address concerns about the proposed development expressed by Mr. Riley, Mr. Pagan stated that a tract of land does not need to be contiguous with the District's boundaries in order to be annexed by the District. He stated that no one is currently proposing that any district serve another district's customers. He stated that Kleinwood MUD has the right to install utility lines because the transaction is between Kleinwood MUD and the landowner.

DEVELOPMENT OF A BUSINESS PLAN

The Board next discussed clarifications to the action taken at the October 12, 2007, special meeting regarding the development of a business plan for the District and checks in the amount of \$75.06 submitted by Director Lynch for expenses related to the development of the plan. Following discussion, the Board concurred to approve payment of the checks submitted by Director Lynch and that the action taken at the special meeting was to authorize Director Smyth to seek a consultant to assist the Board with defining the Board's goals and development of a written business plan.

TECHNOLOGY: GIS

Director Petrick reported that a presentation on the Geographical Information System should be ready for the January meeting.

DISCUSS DIRECTORS' INITIATIVES

The Board concurred to remove this item from next month's agenda.

DISCUSS MATTERS RELATED TO NHCRWA

Director Smyth reported on a budget workshop held by the Board of Directors of the North Harris County Regional Water Authority (“NHCRWA”).

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

Director Lynch reported on the meeting of the Joint Powers Board and the operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant.

DISCUSS MATTERS RELATED TO HOMEOWNERS ASSOCIATION MEETINGS

Director Petrick reported on meetings of and activities related to homeowners associations located within the District. The Board discussed a letter received from Ross W. Richardson of The Champion Forest Fund, Inc. requesting funding of street light expenses, a copy of which is attached. Director Petrick reported that he verbally informed Mr. Richardson that the District would need to consider funding of street light expenses for all of the homeowners associations located within the District and requested that Mr. Richardson obtain electricity cost information from them to assist the Board with their review of the request.

DISCUSS ITEMS FOR INCLUSION ON THE NEXT MEETING AGENDA

The Board next discussed items for inclusion on the agenda of the regular December 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 NOVEMBER 6, 2007, BOARD MEETING]

Secretary, Board of Directors

(SEAL)

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