

MINUTES OF REGULAR MEETING  
OF  
CYPRESS FOREST PUBLIC UTILITY DISTRICT

October 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 October, 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, thus constituting a quorum.

Also present for all or part of the meeting were the following: Greg Pendley of CGP Solutions LLC; Rebecca Marcucci and Elissa Kaplan of The Legacy Group; Greg DiCioccio and James Reed, residents; Mark L. Roth, CPA, and Mark C. Eyring, CPA; 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; and Justine M. Cherne, Recording Secretary.

RECEIVE PUBLIC COMMENTS

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

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 requested that the bookkeeper's report be removed from the Consent Agenda. Upon a motion made by Director Petrick and seconded by Director Jones, the Board voted unanimously to approve the remaining items on the Consent Agenda. Copies of the tax assessor/collector's report, the engineer's report, and the operator's report are attached.

REVIEW AUDITOR PROPOSALS

The Board next received a presentation on a proposal received from Mr. Roth for fiscal year-end auditing services. Following the presentation, the Board discussed all of the auditing proposals previously received. Following review and discussion, Director Jones moved that the Board accept the proposal from Mark L. Roth, CPA. Director Smyth seconded the motion, which was approved by unanimous vote. A copy of the auditor's engagement letter is attached.

PRESENTATION FROM THE LEGACY GROUP

Ms. Marcucci reviewed with the Board current electricity prices and projections, and a Rate Optimization Report, a copy of which is attached. She explained generation and bundled prices. Ms. Kaplan answered Board members' questions regarding fluctuation of TDSP charges based on demand and regulation by the Public Utility Commission. Director Jones requested that he receive weekly updates on market trends. Ms. Marcucci reviewed services provided by the Legacy Group and fees. Following discussion, Director Jones moved that the Board take no action on electricity providers at this time. Director Petrick seconded the motion, which was approved by unanimous vote.

Ms. Marcucci next reviewed reporting services provided by The Legacy Group to comply with the requirements for recording and reporting of electricity, water, and natural gas consumption by a municipal utility district per the newly enacted HB 3693. A copy of a brochure listing the services is attached.

PRESENTATION FROM CGP SOLUTIONS LLC

Mr. Pendley next reviewed the services he provides for the Houston-Galveston Area Council Energy Purchasing Corporation. A copy of a list of services is attached.

He responded to Board members' questions regarding electricity prices, proposal request procedures, and fees.

#### ADDITIONAL ACTION ITEMS FROM THE BOOKKEEPER

The Board next reviewed the bookkeeper's report. Director Smyth asked why funds were deposited into certain accounts. Ms. Shelnutt stated that the maintenance tax receipts are diversified into three accounts per previous Board direction.

Director Lynch reported on the Public Funds Investment Act Seminar for Local Governmental Agencies which he and Director Jones attended on Saturday, September 29, 2007. Following discussion regarding the District's investments, Director Smyth moved that the Board authorize Director Jones to coordinate with the bookkeeper and the investment officer to review the District's investments and provide investment recommendations to the Board. Director Petrick seconded the motion. Additional discussion ensued regarding Director Lynch's participation in the investment review. Following discussion, the motion passed by unanimous vote.

Director Smyth next inquired about charges in the amount of \$75.52 per check no. 2480 for printing. Following review and discussion, the Board concurred to withhold the check pending approval of the business plan project to be discussed later in the meeting.

Director Smyth next inquired about operator invoices containing electrician charges related to activities performed by Roy Riley. Following review and discussion, the Board concurred to approve payment of the invoices.

Mr. Gustafson responded to questions regarding invoices from John Monroe Landscaping & Nursery. Following review and discussion, the Board concurred with Mr. Gustafson's recommendation to revise the schedule for mowing to every two weeks.

In response to Board members' inquiries, Mr. Gustafson stated that he will research the particulars of an invoice in the amount of \$145.00 for reimbursement of the Champion Forest Homeowners Association for repair of an irrigation line broken by Aqua Services and whether the District has been reimbursed.

Ms. Shelnutt reviewed unclaimed property procedures in response to Board members' inquiries.

Mr. Gustafson discussed procedures for billing for repair of the District's and customers' utility lines in response to Board members' inquiries.

Following review and discussion, Director Lynch moved that the Board approve the bookkeeper's report with the exceptions noted. Director Smyth seconded the

motion, which was approved by unanimous vote. A copy of the bookkeeper's report is attached.

ADDITIONAL ACTION ITEMS FROM THE TAX ASSESSOR/COLLECTOR, DISCUSS 2007 TAX RATE, SET PUBLIC HEARING DATE AND AUTHORIZE NOTICE OF PUBLIC HEARING REGARDING ADOPTION OF TAX RATE

Ms. Shelton next reviewed a tax rate analysis for the District's debt service fund, a copy of which is attached. Discussion ensued regarding the District's debt service fund reserve. Ms. Shelton stated that refunding opportunities for the District's outstanding bonds are being monitored and there are no opportunities at this time. After review and discussion, Director Petrick moved that the Board authorize the tax assessor/collector to publish in the *Houston Chronicle* a notice of public hearing to be held at the District's regular meeting scheduled for November 6, 2007, regarding the District's adoption of a proposed tax rate of \$0.30, with \$0.22 allocated to debt service and \$0.08 allocated to maintenance and operations. The motion was seconded by Director Smyth and passed unanimously.

Ms. Flores reported that Mr. Ordeneaux is running for public office and is selling Tax Tech, Inc. to her. She stated that she expects to present a contract for tax assessor/collector services for the Board's consideration before the end of the year. She stated that the only change to the proposed contract will be a change in the name.

ADOPT RESOLUTION NOMINATING A CANDIDATE FOR THE BOARD OF DIRECTORS OF HCAD

Mr. Pagan next reviewed the procedures for the election of directors for the Board of Directors of the Harris County Appraisal District. Following review and discussion, Director Smyth moved that the Board adopt a Resolution Nominating a Candidate for the Board of Directors of Harris County Appraisal District nominating Glenn Peters, a copy of which is attached. Director Jackson seconded the motion, which was approved by unanimous vote.

PUBLIC HEARING REGARDING TAXATION OF TANGIBLE PERSONAL PROPERTY IN TRANSIT

Mr. Pagan explained to the Board that the Texas Legislature amended Tax Code, Tex. Tax Code § 11.253, relating to taxation of Tangible Personal Property in Transit. Director Lynch opened the meeting for a public hearing regarding the taxation of Tangible Personal Property in Transit and upon no comment from the public, the Board concurred to close the public hearing. After review and discussion, Director Jones moved to "opt out" of the exemption, continue to tax Tangible Personal Property in Transit in 2008, and to adopt a Resolution to Tax Tangible Personal Property in Transit.

Director Smyth seconded the motion, which passed by unanimous vote. A copy of the resolution is attached.

#### REVIEW THE FINANCIAL ADVISOR'S CONTRACT

Ms. Shelton next stated that there were no changes proposed to the current financial advisor's contract and that First Southwest Company would like to continue as the District's financial advisor. No action was taken by the Board.

#### CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY AND LIST OF QUALIFIED BROKER/DEALERS

The Board next conducted an annual review of the District's Investment Policy and discussed the District's authorized depository institutions and list of qualified broker/dealers. No changes to the Investment Policy were recommended by the District's consultants. Mr. Pagan reported that the District's bookkeeper provided updates to the institutional names of the District's current authorized depository institutions and list of qualified broker/dealers. Following review and discussion, Director Smyth moved that the Board adopt a Resolution Regarding Annual Review of Investment Policy without amendment to the District's Investment Policy and adopt a Resolution Establishing Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers as presented. Director Petrick seconded the motion, which was approved by unanimous vote after additional discussion. Copies of the resolutions are attached.

#### ADDITIONAL ACTION ITEMS FROM THE ENGINEER

##### EMERGENCY WATER SUPPLY CONTRACT

Mr. Pagan reported that comments regarding the draft Emergency Water Interconnect Agreement were received from Harris County Water Control Improvement District No. 116 ("WCID 116"). He stated that WCID 116 requested that the provision to receive payments in kind for water use be removed from the agreement. Following discussion, Director Jackson moved that the Board approve execution of the agreement as revised. Director Smyth seconded the motion, which was approved by unanimous vote. A copy of the agreement is attached.

##### UPDATE ON HOT WAX AUTO RATE ORDER COMPLIANCE

The Board next discussed non-compliance with the District's Rate Order by the utility connection into the Conoco gas station by the Hot Wax Auto Salon car wash located at 9302-B Louetta Road. Mr. N. Joubran reported that he has not received any of the required documents from the Hot Wax Auto Salon. Mr. Gustafson reported that the car wash is not in operation at this time. He stated that he verbally advised the owner

of the Conoco gas station to not provide water to any business that may move into the empty commercial space.

#### REVIEW ENGINEER'S CONTRACT

Mr. N. Joubran next reviewed a proposed Amendment to Special Services (Revised) Contract for Engineering Consulting Services, a copy of which is attached to the engineer's report. He stated that the proposed modifications to the billing rates in effect since August 2003 are warranted by inflation and the rise in the cost of services. He stated that the analysis of the cost of services was based on the US Labor Department. He reviewed cost savings on recent projects provided by Pepe Engineering through value engineering. He stated that engineering fees have recently increased due to increased involvement in more areas of the District's business and increased District activity. Following review and discussion, Director Jackson moved that the Board approve the proposed amendment. Director Petrick seconded the motion, which was approved by unanimous vote.

#### ADDITIONAL ENGINEERING ITEMS

Mr. N. Joubran reviewed additional engineering items from his report. Following review and discussion, Director Smyth moved that the Board approve the engineer's report. Director Jackson 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 reported that the driveway repair at water plant no. 1 is complete.

#### CONSIDER CUSTOMER CORRESPONDENCE

There was no customer correspondence.

#### ADOPT AMENDED RATE ORDER

The Board next discussed options for billing homeowners associations for water used for public irrigation. Mr. Gustafson reported on a previously distributed analysis of public irrigation billing rates of 10%, 15%, and 20% of actual water usage for irrigation at a cost of \$1.96 per 1,000 gallons, a copy of which is attached. He stated that there is an error in the analysis computation for 2006. He stated that he is working with the homeowners associations to ensure that the meters are being billed to the appropriate homeowners association. He reviewed an updated analysis of the District's cost to produce 1,000 gallons of water.

Discussion ensued regarding billing options, the District's cost for producing water, the amount of water used by homeowners associations for public irrigation, public communication and education regarding irrigation, and the District's objectives for recovering the cost of water used by homeowners associations for public irrigation. Following review and discussion, Director Jones moved that the Board amend the District's Rate Order to include that each Public Irrigation User will be charged a water rate of \$0.30 per thousand gallons of actual usage effective November 1, 2007. Director Smyth seconded the motion, which was approved by unanimous vote. The Board concurred to annually review the water rate for Public Irrigation Users. Following additional discussion, Director Jones moved that the Board: 1) authorize Ms. Payne to draft a letter for ABHR review for forwarding to the presidents of the homeowners associations to notify them of the increased costs and water rates for public irrigation and the Board's intention to raise the water rates to 50% of the District's cost to produce water over the next three years; and 2) authorize Ms. Payne to draft a notice regarding the increased costs and water rates for public irrigation for publication in the Champion Forest Women's Newsletter, on the District's web site, and in the District's utility bills. Director Smyth seconded the motion. Additional discussion ensued regarding communication of the increased costs for producing water to the District's residents. The motion passed by unanimous vote.

Mr. Gustafson reviewed a summary of proposed changes to Section Nine of the District's Rate Order, a copy of which is attached. Following review and discussion, Director Smyth moved that the Board amend the District's Rate Order per the proposed changes. Director Petrick seconded the motion, which was approved by unanimous vote. A copy of the District's Amended Rate Order is attached.

#### AUTHORIZE REPAIR AND MAINTENANCE ITEMS

Mr. Gustafson next reviewed an estimate in the amount of \$21,500 from Neil Technical Services, Inc. to remove and install a new starter at well no. 2. He responded to Board members' questions regarding warranty, repair and replacement history, the status of the starter at water well no. 1, and the reasons why the particular starter model is considered a better model than the model of starter previously installed. Following discussion, the Board requested that Mr. Gustafson provide additional information regarding the current starter and the starter proposed for installation.

Mr. Gustafson reported that the District went on interconnect with Harris County Water Control & Improvement District No. 114 for five hours. The Board concurred to monetarily pay for the water used.

#### 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 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.

Mr. Gustafson next recommended moving fourteen accounts to an uncollectible list for forwarding to a collection agency. Following review and discussion, Director Petrick moved that the Board approve the operator's report and approve moving fourteen accounts to an uncollectible list for forwarding to a collection agency as recommended. Director Jackson seconded the motion, which was approved by unanimous vote.

#### PHASE II MS4 PERMITTING REQUIREMENTS

Mr. Pagan updated the Board on Phase II MS4 Permitting requirements. He reported that on August 13, 2007, the Texas Commission on Environmental Quality ("TCEQ") issued TPDES General Permit TXR040000, which authorizes the discharge of storm water from small "Municipal Separate Storm Sewer Systems" ("MS4s") to surface water in the state. He stated that the TCEQ confirms that districts located within Harris County will be considered as a part of Harris County's MS4 and will be regulated under Harris County's MS4 permit. He stated that no further action under the permit is required for districts located in Harris County.

#### TECHNICAL ADVISORY GROUP REPORT

Director Jones reported that he has not yet forwarded a letter 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.

#### RESIDENTIAL SOLID WASTE COLLECTION PROPOSALS

The Board next reviewed proposals for residential solid waste collection services from Allied Waste Services, Inc., Republic Services, Inc., and Royal Disposal & Recycle, copies of which are attached. Following review and discussion, the Board concurred to hold a special meeting on October 12, 2007, at 9:00 a.m. to receive presentations on the proposals.

#### 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, a copy of which is attached. She stated that the brown bag luncheon regarding emergency preparedness is scheduled for

October 26, 2007, at 11:30 a.m. She reviewed an informational flier and entry form for a proposed contest for fifth grade students attending Brill Elementary School to create a 2008 water conservation calendar for the District, copies of which are attached. She reported that the water conservation coloring books previously approved by the Board are being distributed to second grade students attending Klein Independent School District. Following discussion, Director Jackson moved that the Board approve the proposed calendar contest in an amount not to exceed \$6,500. Director Petrick seconded the motion, which was approved by unanimous vote.

#### REVIEW PUBLIC COMMUNICATIONS CONTRACT

Ms. Payne stated that she is not requesting an increase in fees for the publication communications contract and she will charge for attendance for extraordinary meetings. Following discussion, Director Jackson moved that the Board continue the contract with Payne Communications for communications consulting. Director Smyth seconded the motion, which was approved by unanimous vote.

#### EFFLUENT REUSE PROJECT FOR LANDSCAPE IRRIGATION

Director Smyth reported that Ms. Blackwell has received information and payment from the three utility districts which have agreed to partner with the District on the proposed effluent reuse project for landscape irrigation: Harris County WCID No. 114, Cy-Champ PUD, and Kleinwood MUD. She stated that the project will be discussed with the North Harris Regional Water Authority at the end of November. No action was taken by the Board.

#### REPORT ON PARK MATTERS

Director Petrick updated the Board on park matters. He reported on a meeting held with Harris County Commissioner Eversole and Harris County's Park Supervisor to discuss partnership opportunities with Harris County, a meeting held with the Trail Committee to work on right-of-way acquisition issues, and a meeting held with Harris County's Park Supervisor and a representative of the Raveneaux Country Club to discuss a proposed trail. No action was taken by the Board.

#### RAVENEAX DEVELOPMENT

The Board next discussed the proposed development of 67 townhomes on the 7.5 acres of the Raveneaux Country Club tract currently located within the District's boundaries. Director Jackson reported on a Raveneaux Country Club general membership meeting she attended. She stated that construction is scheduled to start in April. No action was taken by the Board.

## DISCUSS STRATEGIC PARTNERSHIP AGREEMENT

Mr. Pagan reported that the City of Houston (the "City") is unable to enter into a Strategic Partnership Agreement ("SPA") with the District without amending the SPA's between the City and WCID 116 or Harris County Fresh Water Supply District No. 52. He stated that the neighboring districts would likely require that the District pay for the costs of amending their agreements. He stated that given the amount of time required to amend the agreements, the District will be unable to participate in the current round of SPA agreements.

## DEVELOPMENT OF A BUSINESS PLAN

The Board concurred to discuss the development of a business plan at the special meeting scheduled for October 12, 2007, at 9:00 a.m.

## TECHNOLOGY: GIS

Director Petrick reported that a presentation on the Geographical Information System is not ready yet. Mr. Gustafson and Mr. N. Joubran discussed issues with the system that are being addressed by Earth Data Solutions, Inc. No action was taken by the Board.

## DISCUSS DIRECTORS' INITIATIVES

The Board concurred to table this item.

## DISCUSS MATTERS RELATED TO NHCRWA

Director Smyth reported on the North Harris County Regional Water Authority ("NHCRWA") Board meeting held on September 10, 2007. A copy of Director Smyth's written report on the NHCRWA Board meeting is attached. No action was taken by the Board.

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

Director Lynch reported on the Joint Powers Board September 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 Petrick reported on meetings of and activities related to homeowners associations located within the District and irrigation issues. No action was taken by the Board.

DISCUSS WATER WISE PROGRAM

The Board next discussed the District's participation in the Harris-Galveston Subsidence District's "Learning to be Water Wise and Energy Efficient" Program with Brill Elementary School. Following discussion, the Board authorized Director Jackson to coordinate the program in an amount not to exceed \$6,000 and requested that Mr. Gustafson determine the value of the groundwater conservation credits previously received from the program.

DISCUSS ITEMS FOR INCLUSION ON THE NEXT MEETING AGENDA

The Board next discussed items for inclusion on the agenda of the regular November 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 OCTOBER 2, 2007, BOARD MEETING]

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Secretary, Board of Directors

(SEAL)

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