

MINUTES  
CYPRESS FOREST PUBLIC UTILITY DISTRICT

March 4, 2008

The Board of Directors (the "Board") of Cypress Forest Public Utility District, Harris County, Texas (the "District"), met in regular session, open to the public, on the 4th day of March, 2008, 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: Don Hand of Greenwood Properties, Inc.; Pat Finley, Harold Wallace, Jim Hughson, Ross Richardson, Greg DiCioccio, and Jim Reed, residents of the District; Rozann Janek and Arthur Riley of Champion Forest Fund, Inc. ("CFF"); Esther Flores of Tax Tech, Inc.; Nabil Joubran of Pepe Engineering, Ltd. ("Pepe Engineering"); Kim Shelnett of Myrtle Cruz, Inc.; Gus Gustafson of Southwest Water Company ("SWWC"); Barbara Payne of Payne Communications; Greer Pagan of Allen Boone Humphries Robinson LLP ("ABHR"); and Justine M. Cherne, Recording Secretary.

PUBLIC COMMENTS

Director Lynch opened the meeting to receive public comments. Mr. Finley addressed the Board and requested credits for his high utility bills for November and December 2007. Mr. Gustafson reviewed the actions undertaken to determine the cause for the high utility bills. He stated that the meter tested as accurate and that there was the possibility of a small leak near the meter box on the private line or a leaking toilet. The Board concurred to consider the request under the operator's report.

MATTERS RELATED TO HOMEOWNERS ASSOCIATION MEETINGS

Director Lynch reminded the Board that letters were previously received from CFF requesting funding from the District for street light electricity expenses for the Champion Forest subdivision. Mr. Hand addressed the Board and discussed limits on CFF's assessments to residents. He requested that the Board consider funding at least a

portion of street light electricity expenses. The Board discussed the street light electricity expenses attributable to each section and possible District funding options. Following discussion, the Board concurred to table discussion until next month's meeting and pending additional information regarding costs and the mechanisms for funding street light electricity expenses. Director Smyth moved to appoint Director Lynch as the District's representative to obtain the additional information. Director Petrick seconded the motion, which was approved by unanimous vote.

#### 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.

#### PUBLIC COMMUNICATIONS

Ms. Payne next reported on public communications activities. She reviewed a report on the number of hits to the District's website and reported on updates made to the site. She reported on the District's contest for students to create 2008 water conservation calendars and stated that the calendars have been distributed to the District's residents. She reported that the project was well received and reviewed correspondence received regarding the project. She next discussed development of the District's newsletter planned for distribution in March. The Board requested that information regarding changes in the garbage and the District's water and sewer rates be included in the newsletter. Ms. Payne next discussed the rain barrel project.

Director Jackson reported that the editor of the Champion Forest Womens Newsletter is requesting biographies and photographs from the Director Candidates for the 2008 Directors Election for submission by March 10, 2008.

The Board next discussed procedures for posting documents onto the District's website and concurred that documents will be posted according to specific direction from the Board. The Board concurred to post the District's response to JP Raveneaux Partners LP's January 28, 2008, Letter of Intent.

## BOOKKEEPER'S REPORT

The Board next reviewed the bookkeeper's report. Ms. Shelnett reviewed three additional checks which will be included on next month's bookkeeper's report. Following review and discussion, Director Smyth moved to approve the bookkeeper's report and payment of the checks as presented. Director Jackson seconded the motion, which was approved by unanimous vote.

## ADDITIONAL ACTION ITEMS FROM THE TAX ASSESSOR/COLLECTOR

Following on the discussion of funding of street light electricity expenses, Ms. Flores next discussed rollback procedures for property tax rates.

### ADOPT RESOLUTION CONCERNING TAX COLLECTION PROCEDURES, ADOPT RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

The Board next considered adopting a Resolution Concerning Tax Collection Procedures. Mr. Pagan 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 will mail all tax bills, including those under \$15.00.

The Board next considered adopting a Resolution Concerning Exemptions from Taxation. Mr. Pagan 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 Jackson moved to adopt the Resolution Concerning Tax Collection Procedures and the Resolution Concerning Exemptions from Taxation without changes to the provisions adopted last year. Director Smyth seconded the motion, which was approved by unanimous vote, except for Director Petrick who was not present for the 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. Pagan stated that the Annual Report must be filed by March 31, 2008. Following discussion, Director Jackson moved to 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 Smyth seconded the motion, which was approved by unanimous vote.

## ADDITIONAL ACTION ITEMS FROM THE ENGINEER

Mr. Joubran reported that the City of Houston requires that the District obtain a water meter easement for the proposed emergency water interconnect with Harris County W.C.I.D. No. 116 as a condition to approving the design plans. He stated that performance of a survey and the required exhibits would cost approximately \$1,500 to \$1,700. He responded to questions from Board members and meeting attendees. Following discussion, Director Jones moved to authorize performance of the survey, if a variance to the requirement cannot be obtained from the City of Houston. Director Smyth seconded the motion, which was approved by unanimous vote.

Mr. Joubran next reported on his conversation with Mr. Rolan of the North Harris County Regional Water Authority (the "NHCRWA") regarding the blending of surface and groundwater and requirements for conversion to chloramines-treated ground water. He stated that the NHCRWA is not planning to dictate the method of conversion to be used by the District. He responded to questions from Board members and meeting attendees. He next requested authorization to initiate the Final Design Phase of the blending systems for both of the District's water plants in anticipation of NHCRWA's mandated conversion to chloramines-treated ground water for blending with the surface water. He requested the Board's approval to bill the engineering fees for design of the project at an hourly rate in an amount not to exceed \$75,000, in place of billing at 10% of the construction costs of the project because of the design work involved relative to the low construction cost. He stated that the proposed billing method is standard for the industry for such smaller-sized projects. He stated that the current opinion of cost of construction is \$230,000. He responded to questions from Board members and meeting attendees. Following discussion, Director Jones moved to forward the proposed billing method, with breakdown information provided by Mr. Joubran, to two engineers included on the District's technical advisory committee to develop a recommendation for consideration at the April regular Board meeting after meeting with Mr. Joubran. Director Smyth seconded the motion, which was approved by unanimous vote.

Mr. Joubran recommended draining the District's water tank to perform an inspection of the rehabilitation project prior to the expiration of the warranty. Following discussion, Director Petrick moved to authorize the inspection. Director Smyth seconded the motion, which was approved by unanimous vote.

## ADDITIONAL ACTION ITEMS FROM THE OPERATOR

Mr. Gustafson reported on new Texas Commission on Environmental Quality ("TCEQ") testing requirements and fees.

Following discussion regarding emergency situations, the Board concurred that Joe B. Allen of ABHR is the District's contact person for the media during emergency situations.

Mr. Gustafson reported that he received an offer to purchase 6,000 of the District's Groundwater Bank B credits for \$1.23 per thousand gallons and 1.6 million of the District's Groundwater Bank A credits for \$1.64 per thousand gallons for a total of \$3,364.00. Following discussion, Director Jackson moved to approve the sale of the District's credits per the stated offer. Director Smyth seconded the motion, which was approved by unanimous vote. Mr. Gustafson stated that he will determine the mechanics of the transfer of the credits and report back to the Board.

#### SUPERIOR WATER SYSTEM RATING PROCESS

Mr. Gustafson reported on the District's application to the TCEQ for a Superior Water Rating.

#### REPAIR AND MAINTENANCE ITEMS

Mr. Gustafson reviewed a notice of scheduled flushing of the District's water lines on March 10 and March 11, 2008, for distribution to the residents.

#### CONDUCT HEARING ON TERMINATION OF WATER SERVICE

The Board next conducted a hearing on the termination of water service. Mr. Gustafson reported that the customers included on the termination list attached to the operator's report 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 declare why the utility service should not be terminated for reason 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, except for Mr. Finley pending Board discussion. Director Petrick seconded the motion, which was approved by unanimous vote.

#### CUSTOMER CORRESPONDENCE

The Board next considered Mr. Finley's request for credits to his high utility bills for November and December 2007. Mr. Gustafson reviewed the actions undertaken to determine the cause for the high utility bills. He stated that the meter tested as accurate and that there was the possibility of a small leak on the private line inside the meter or a leaking toilet. He stated that per the reading, the water flowed through the meter. He stated that a 90-day payment plan was offered to Mr. Finley. Following discussion, Director Petrick moved to abide by the District's policy, deny Mr. Finley's request because the water flowed through the meter, and extend a 90-day payment plan with

waiver of penalties and fees. Director Smyth seconded the motion, which was approved by unanimous vote. The Board requested Mr. Gustafson to report on the amount of waived penalties and fees.

#### EFFLUENT REUSE PROJECT FOR LANDSCAPE IRRIGATION

Director Smyth noted that reports were previously distributed which estimated costs in the approximate amount of \$1.5 million for the proposed effluent reuse project for landscape irrigation. She stated that the NHCRWA has not made any statements regarding incentives for water reuse projects and noted that two area water authorities provide minimal incentives for water reuse projects. She stated that all of the proposed participants in the project have concluded that the project is cost prohibitive and not viable, and recommended that the Board conclude the same. Following discussion, Director Petrick moved to remove the item from the agenda at this time. Director Jones seconded the motion, which was approved by unanimous vote.

#### PARK MATTERS, RAVENEAUX DEVELOPMENT

The Board discussed the special meeting scheduled at 9:00 a.m. on Friday, March 14, 2008, to discuss park matters and the proposed development of a residential subdivision on a portion of the Raveneaux Country Club tract, Kera Village. Director Smyth reported on her attendance at a meeting of the Board of Directors of Kleinwood MUD. She stated that the engineer for Kleinwood MUD reported that there was no new information and that they were proceeding with the purchase of additional sewer capacity. Mr. Pagan responded to questions regarding the possibility of including indemnity provisions in any future negotiated utility agreement with Kleinwood MUD.

#### WATER SMART PROGRAM

Director Jackson reported that she is working on the Water Smart Program.

#### MATTERS RELATED TO NHCRWA

Director Smyth previously distributed a report regarding the March meeting of the Board of Directors of the North Harris County Regional Water Authority, a copy of which is attached.

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

Director Lynch reported on the Joint Powers Board February meeting and the operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant. He reported that at the meeting scheduled for March 5, 2008, the Joint Powers Board plans to select an operating company from the four proposals presented at the February regular meeting.

## ADOPT ORDER CALLING DIRECTORS ELECTION

Mr. Pagan next reviewed the provisions of an Order Calling Directors Election. He stated that early voting is scheduled from 7:00 a.m. to 3:00 p.m. on April 28, 2008 through May 6, 2008, and that regular voting is scheduled from 7:00 a.m. to 7:00 p.m. on May 10, 2008. He stated that early voting and regular voting will be held at the District's Administrative Building. Ms. Cherne reported that Judy Barker and Patti Snear have agreed to serve as election judges. Following review and discussion, Director Jackson moved to adopt the Order Calling Directors Election. Director Smyth seconded the motion, which was approved by unanimous vote. The Board additionally authorized a clerk for each shift to provide additional security for the judges.

## VOTING RIGHTS ACT SUBMISSION LETTER

Mr. Pagan stated that there was no need to submit a Voting Rights Act Submission Letter to the U.S. Department of Justice because there is no "change affecting voting" for this regularly scheduled directors election.

## MEETING SCHEDULE AND AGENDA

The Board next discussed the meeting schedule and items for inclusion on the agendas of scheduled meetings. The Board concurred there will not be a Brown Bag Lunch in February.

## CONVENE EXECUTIVE SESSION

The Board did not convene in executive session pursuant to Section 551.072 and 551.087 of the Texas Government Code to discuss and consider the acquisition of real property and the terms and conditions of an economic development package.

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

[SIGNATURE PAGE FOR THE MINUTES OF THE MARCH 4, 2008, BOARD MEETING]

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Secretary, Board of Directors

(SEAL)

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