

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

May 6, 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 6th day of May, 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: Maura Mulvehille, Greg DiCioccio, and Jim Reed, residents of the District; Elisa Kaplan of The Legacy Group; 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; Kim Jackson of *The Houston Chronicle*; and Justine M. Cherne, Recording Secretary.

PUBLIC COMMENTS

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

Ms. Cherne reported on corrections to the minutes of the April regular meeting. Director Jones requested that the operator'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 items on the Consent Agenda with the exception of the operator's report. Copies of the tax assessor/collector's report and the engineer's report are attached.

ADDITIONAL ACTION ITEMS FROM THE OPERATOR, CUSTOMER CORRESPONDENCE

The Board next reviewed the operator's report. A copy of the operator's report is attached. Mr. Gustafson reviewed a list of action items.

Mr. Gustafson next discussed options for improving the District's water accountability. He reviewed a proposal in the amount of \$10,950.00 from SAMCO for leak detection services. He next reviewed a chart of costs and revenues for expanding the District's residential meter replacement program and recommended adding to the program meters which reach a reading of 1,900,000. Following review and discussion, the Board concurred to table consideration of the proposal for leak detection services. Director Jones moved to expand the District's residential meter replacement program to include meters which reach a reading of 1,900,000 for the approximate cost of \$3,075.00. Director Petrick seconded the motion, which was approved by unanimous vote.

APPROVE CONSUMER CONFIDENCE REPORT

Mr. Gustafson reminded the Board that a Consumer Confidence Report was presented last month for the Board's review. Following discussion, Director Smyth moved to authorize distribution of the Consumer Confidence Report as presented. Director Petrick seconded the motion, which was approved by unanimous vote.

GROUNDWATER BANK CERTIFICATES SALE

Mr. Gustafson updated the Board on his coordination with Director Jackson on the purchase of Groundwater Bank credits.

SUPERIOR WATER SYSTEM RATING PROCESS

Mr. Gustafson reviewed proposals in the amounts of \$4,840.00 for water plant no. 1 and \$2,910.00 for water plant no. 2 from Shaw Park Services, LLC for painting services. He stated that the services are required for the application to the Texas Commission on Environmental Quality's (the "TCEQ") Superior Water Rating program. He stated that cost estimates for Superior Water Rating signs and poles will be available for consideration at next month's meeting. Following review and discussion, Director Jones moved to accept the proposals from Shaw Park Services, LLC as presented. Director Petrick seconded the motion, which was approved by unanimous vote.

REPAIR AND MAINTENANCE ITEMS

Mr. Gustafson reviewed a Performance Testing Report for water well no. 1.

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 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 Smyth seconded the motion, which was approved by unanimous vote.

FIRE HYDRANT PAINTING

Mr. Gustafson then reviewed a Fire Hydrant Inspection Report and photographs of fire hydrants needing repair. Following review and discussion, Director Jackson moved to approve the repair and painting, and replacement of reflectors for the fire hydrants in the amount of \$22,039.75. Additional discussion ensued regarding the District's budget. Following discussion, Director Lynch seconded the motion, which was approved by unanimous vote.

ADDITIONAL ACTION ITEMS FROM THE OPERATOR

Mr. Gustafson responded to questions from Directors Jones, Petrick, and Smyth regarding invoices, operating procedures, and reports of sewer backups in Champion Forest Section One. Following discussion, Mr. Gustafson stated that he will research and respond to the Directors' questions regarding invoices and sewer backup reports.

ELECTRICITY PROVIDER OPTIONS

Ms. Kaplan next reviewed natural gas prices and explained pricing trends. She stated that The Legacy Group monitors the prices every day.

Ms. Kaplan next reviewed current market pricing for the District's electricity. She said that the lowest quote was provided by Hudson Energy for a five-year term, and was 3.5% more than the quote provided last month. She stated that the District's current electricity contract does not expire until the end of October 2008. She reviewed the option of locking in a heat rate price while the natural gas price was high due to the inverse price relationship between heat rate and natural gas.

Director Lynch reported on his research of electricity providers and suggested that the Board obtain additional quotes from Public Power Pool, H-GAC, and Energy Reliant Solutions. Discussion ensued regarding designating Director Lynch to evaluate electricity provider contracts. Following additional discussion, the Board concurred to consider electricity providers at the September regular meeting and requested that someone from The Legacy Group contact Director Lynch if there is a major change in electricity prices prior to September.

CENTERPOINT ENERGY PROGRAMS

Ms. Kaplan next reported that the contract for CenterPoint Energy's Demand Response Program has been reviewed and revised by Allen Boone Humphries Robinson LLP ("ABHR") and is ready for execution.

PUBLIC COMMUNICATIONS

Ms. Payne next reported on public communications activities. She reviewed a report on the number of hits to the District's website. Discussion ensued regarding the procedures for handling responses to inquiries made to the website by residents. Director Petrick stated that he is reviewing a survey for distribution to the District's residents to determine topics of interest and the optimal schedule for future Brown Bag Lunch meetings.

BOOKKEEPER'S REPORT

The Board next reviewed the bookkeeper's report. Ms. Shelnutt reviewed one additional check for meeting expenses which will be included on next month's bookkeeper's report. Director Lynch requested authorization to attend the TCEQ 2008 Public Drinking Water Conference in Austin, Texas scheduled for August 19 through August 20, 2008. Following review and discussion, Director Jones moved to approve the bookkeeper's report, payment of the checks as presented, and authorize Director Lynch's attendance at the conference. Director Petrick seconded the motion, which was approved by unanimous vote.

Director Jones reviewed graphs he prepared and discussed the amount of water billed and consumed, water revenue and expenses, and the District's budget. Copies of the graphs are attached. He expressed a concern regarding the potential of a budget shortfall.

OMNICAP REPORT

The Board concurred that no action was necessary for the previously distributed arbitrage rebate and yield restriction liability report for the District's Series 2003 Bonds.

ADDITIONAL ACTION ITEMS FROM THE TAX ASSESSOR/COLLECTOR

There were no additional action items from the tax assessor/collector's report.

ADDITIONAL ACTION ITEMS FROM THE ENGINEER

Mr. Joubran next reported on a resident request for removal of a tree. Following review and discussion, the Board authorized Pepe Engineering to survey the property where the tree is located to determine whether the homeowner or the District is the owner.

WATER BLENDING PROJECT PROPOSAL

Director Jones reported that, he and two members of the District's Technical Advisory Committee, Greg DiCioccio and Jim Reed, met with Mr. Joubran to review Pepe Engineering's proposal for engineering design services for the surface/ground water blending project for water plant nos. 1 and 2. He recommended approval of the proposal in an amount not to exceed \$75,000, a copy of which is attached to the engineer's report. He stated that the design of any additional building expansion is not included in the proposal. Mr. Joubran stated that additional building space is not anticipated at this time. Following review and discussion, Director Petrick moved to approve the proposal as presented. Director Smyth seconded the motion, which was approved by unanimous vote.

PRESENTATION ON INSURANCE SERVICES

Mr. Joubran next reported on the review of loss control services provided by the District's insurance company. Following review and discussion, the Board authorized Ms. Cherne to contact the District's insurer to authorize performance of the liability loss and equipment loss control services.

RESOLUTION

The Board next considered adopting a Resolution Authorizing Application to the TCEQ for Approval of Change in Project Scope and Release of Funds from Escrow to use escrowed funds for the high-rise trunk line project for the modifications to the blending systems for both of the District's water plants. Following discussion, Director Petrick moved to approve the resolution. Director Jones seconded the motion, which was approved by unanimous vote.

PARK MATTERS

There was no update on park matters.

RAVENEAUX DEVELOPMENT

The Board next discussed a meeting scheduled for 9:30 a.m. on Thursday, May 8, 2008, to discuss the proposed development of a residential subdivision on a portion of the Raveneaux Country Club tract, Kera Village with developer representatives. Following discussion, the Board concurred that Directors Petrick and Jackson will attend the meeting on behalf of the Board.

WATER CONSERVATION PROGRAM

Director Smyth next reported on activities related to water conservation and maintenance for the esplanades located within the District, and for the District's Administrative Building and grounds. She reviewed proposed educational water conservation projects. Following review and discussion, Director Jones moved to approve \$2,500.00 for the water conservation projects as discussed. Director Jackson seconded the motion, which was approved by unanimous vote.

Director Smyth recommended that the District participate in the Champion Forest Fund, Inc.'s water conservation planting project for Esplanade No. 36 in the amount of \$3,000.00. Following discussion, the Board authorized ABHR to draft an agreement for the project for consideration at next month's meeting.

WATER SMART PROGRAM

Director Jackson recommended that the District discontinue participation in the Water Smart Program based on an analysis of the costs and benefits. The Board concurred with Director Jackson's recommendation.

MATTERS RELATED TO HOMEOWNERS ASSOCIATION MEETINGS,

There was no report on matters related to homeowners association meetings.

MATTERS RELATED TO NHCRWA

Director Smyth reported on matters related to the April and May meetings of the Board of Directors of the North Harris County Regional Water Authority and stated that she will circulate a written report for the May meeting. A copy of Director Smyth's written report for the April meeting is attached.

KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT

Director Lynch reported on the Joint Powers Board meeting and the operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant. A copy of the April Joint Powers Board Meeting Minutes is attached.

MEETING SCHEDULE AND AGENDA

The Board next discussed the meeting schedule and items for inclusion on the agendas of scheduled meetings. Following discussion, the Board concurred to hold a special meeting on Tuesday, May 20, 2008, at 9:00 a.m. to canvass the returns of the Directors Election.

CONVENE IN EXECUTIVE SESSION

The Board did not convene in executive session.

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

[SIGNATURE PAGE FOR THE MINUTES OF THE MAY 6, 2008, BOARD MEETING]

Secretary, Board of Directors

(SEAL)

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