

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

October 7, 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 7th day of October, 2008, at the Cypress Forest Public Utility District 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:

Thomas J. Petrick	President
Linn Jensen Smyth	Vice President
Fred P. Jones	Secretary
Greg DiCioccio	Assistant Secretary
Michael J. Lynch, Jr.	Assistant Vice President

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

Also present for all or part of the meeting were the following: Debbie Sims, Kase Kern, Allison Pennington, and Jim Reed, residents of the District; Charles Gregory of Royal Disposal, Inc.; Brenda Pennington of Pennington Commercial Real Estate, Inc.; Elisa Kaplan of The Legacy Group; Esther Flores of Tax Tech, Inc.; Nabil Joubran of Pepe Engineering, Ltd. ("Pepe Engineering"); Gus Gustafson of SouthWest Water Company ("SWWC"); Greer Pagan of Allen Boone Humphries Robinson LLP ("ABHR"); Justine M. Cherne, Recording Secretary; and persons listed on the attached attendance sheet.

PUBLIC COMMENTS

Director Smyth opened the meeting to receive public comments. The Board received a presentation from three children regarding support for the development of a park.

Ms. Pennington next informed the Board of the formation of a Political Action Group, "Friends of the Cypresswood Promenade," to support the District's Park Bond Election and Operation and Maintenance Tax Election. She stated that focus group and town hall meetings have been scheduled by the group and reported that Barbara Payne of Payne Communications has been hired to assist with communication materials. She reviewed a post card for distribution by the group.

STORM DEBRIS REMOVAL CONTRACTS AND INVOICES

The Board next discussed Royal Disposal Inc.'s role in the storm debris removal process related to the recent hurricane event. The Board members thanked Mr. Gregory for his company's good performance during the process. Mr. Gregory addressed the Board and discussed how he personally addressed residents' complaints. Ms. Sims addressed the Board and stated that the actual debris removal process was performed well. She stated that communication regarding the type of debris to be removed and the schedule for removal was not communicated well by the Board. She stated that the decision to not collect household trash on the Friday after the hurricane was a poor decision. She also noted that there is no link to the District's site on the neighborhood web site. Mr. Gregory explained that the decision to not collect household trash on the Friday after the hurricane was made in consultation with the Board based on the extra amount of trash previously collected and the continued lack of electrical power. The Board thanked Ms. Sims for her comments and stated that they will review the trash collection actions undertaken after the hurricane.

The Board next discussed execution of a contract with CBS Services for storm debris removal related to the recent hurricane event and payment of invoices for the services. Director Lynch stated that the invoices have been distributed for review and recommended payment of the invoices as submitted. Director DiCioccio next summarized the storm debris removal activities undertaken by CBS Services. He stated that CBS Services performed ten days of green and fence storm debris removal and that the debris has been moved to a temporary location at the Raveneaux Country Club site. He stated that he is reviewing options to determine the most cost effective and efficient method for removing the temporary debris pile and briefly reviewed some of the options. Following review and discussion, Director Lynch moved to approve payment of the supplemental invoices from Royal Disposal, Inc. as submitted, upon review and approval by Director Smyth, authorize execution of the contract with CBS Services, and approve payment of the invoices from CBS Services as submitted. Director Jones seconded the motion, which was approved by unanimous vote.

Mr. Pagan next discussed ABHR's submission of initial applications to the Federal Emergency Management Agency ("FEMA") for Public Assistance funds for District expenses related to debris removal, emergency protective services, and any other potentially reimbursable expenses incurred as a result of Hurricane Ike. He stated that it is not yet known whether any expenses incurred by the District will be reimbursable. Discussion ensued regarding expenses related to portable generators and a failed transfer switch. Mr. Gustafson stated that SWWC will contact the District's insurer to determine which expenses are covered through the District's insurance policies.

CONSENT AGENDA:

APPROVE MINUTES

BOOKKEEPER'S REPORT, INCLUDING PAYMENT OF BILLS, 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

Upon a motion made by Director DiCioccio and seconded by Director Lynch, the Board voted unanimously to approve the items on the Consent Agenda. Copies of the bookkeeper's report, tax assessor/collector's report, the engineer's report, and the operator's report are attached.

ADDITIONAL ACTION ITEMS FROM THE BOOKKEEPER

The Board next discussed Directors' attendance at conferences and meetings. Following discussion, Director Smyth moved to approve Director Jones' attendance at the Association of Water Board Directors Fall Seminar and Director Lynch's attendance at the Sustainable Water Resources Symposium. Director Jones seconded the motion, which was approved by unanimous vote.

Ms. Shelnuttt reviewed six additional checks for payment of the following: printing of the newsletter by Precision Printing, removal of storm debris by CBS Services, three reimbursements of meeting expenses to Director Lynch, leasing of voting machines from Stingray Elections, payment of an electricity bill from Direct Energy, and preparation of the Park Plan by Clark Condon & Associates. The amount due for payment to CBS Services was corrected after review and discussion. Discussion ensued regarding how unbudgeted expenses are reflected on the bookkeeper's report. Director Jones stated that he will review the unbudgeted expenses to determine the appropriate line items for the bookkeeper's report. Additional discussion ensued regarding expenses for rain barrels, storm debris removal, and electricity for street lights located within the District. Following discussion, the Board requested that Ms. Shelnuttt reconcile the expenses for the rain barrel project. Director Lynch reported on his activities related to obtaining information on the cost of electricity for street lights located within the District. Ms. Kaplan explained options for contracting for and invoicing of electricity for street lights. Following review and discussion, Director Lynch moved to approve payment of the additional checks as presented. Director DiCioccio seconded the motion, which was approved by unanimous vote.

ADDITIONAL ACTION ITEMS FROM THE TAX ASSESSOR/COLLECTOR

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

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

Director Smyth 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 Jones moved to adopt the Order Levying Taxes for the 2008 tax year, levying a District debt service rate of \$0.20, and a maintenance and operation tax of \$0.104, for a total tax rate of 0.304 per \$100 of assessed valuation. Director Smyth seconded the motion, which passed by unanimous vote. The Board confirmed its intention that the 2008 tax levy includes a debt service component for the calendar year ending December 31, 2009, and a maintenance tax component for the fiscal year ending September 30, 2009.

ELECTRICITY PROVIDER OPTIONS

The Board next discussed electricity provider options for the District's electricity contract due to expire on October 21, 2008. Ms. Kaplan reminded the Board that she previously reviewed indicative pricing for the District's electricity with and without the inclusion of street lights located within the District and that the lowest price at that time was from Constellation Energy for a term of five years. She stated that mostly line charges are included in the invoices for street lights. She reviewed refreshed pricing and estimated electricity costs savings for the District. She reported that the pricing indicates that natural gas prices are continuing to decrease while the cost of credit has dramatically increased. She stated that some electricity providers are not currently providing price quotes for five-year terms and that some electricity providers are not currently providing price quotes for any term. She reported that due to the recent hurricane event, this month's electricity meter readings will be estimated. She noted that peak demand pricing is 30% of the charges included in the invoices for electricity. Following review and discussion, Director Smyth moved to authorize Director Lynch to execute an electricity contract on behalf of the District for a five-year term at a price not to exceed \$0.087 per kilowatt hour. Director Lynch seconded the motion, which was approved by unanimous vote.

ADDITIONAL ACTION ITEMS FROM THE ENGINEER

Mr. Joubran reported on plan approvals and review, and requested authorization to advertise for bids for the construction of an emergency water interconnect with Harris County Water Control Improvement District No. 116 ("WCID 116"). Following discussion, Director Jones moved to authorize advertisement for bids for the construction of an emergency water interconnect with WCID 116. Director DiCioccio

seconded the motion, which was approved by unanimous vote.

Mr. Joubran next reviewed a letter containing cost detail for an estimate of fees in an amount not to exceed \$20,000.00 for surveying services for the Raveneaux Country Club annexation tract. Following review and discussion, Director DiCioccio moved to authorize Pepe Engineering to complete the necessary field work for surveying services and preparation of the boundary survey and legal description for the Raveneaux Country Club annexation tract as presented. Director Smyth seconded the motion, which was approved by unanimous vote.

Mr. Joubran next reported that the design of the District's surface/ground water blending project for water plant nos. 1 and 2 is on schedule.

Mr. Joubran reported on Pepe Engineering's review of and coordination on construction drawings for the design of internal plant instrumentation for the North Harris County Regional Water Authority's (the "NHCRWA") project for delivery of surface water to the District. He also reported on his coordination with ABHR regarding a Right of Entry and Possession document requested by the NHCRWA. Mr. Pagan discussed the document. Following review and discussion, Director DiCioccio moved to authorize execution of the Right of Entry and Possession document. Director Smyth seconded the motion, which was approved by unanimous vote.

Mr. Joubran briefly reviewed additional engineering activities related to the District's Capital Projects budget, a new restaurant, loss control and prevention analysis by the District's insurance company, and hurricane preparedness matters.

RAVENEAX TRACT DEVELOPMENT

Mr. Pagan next noted that copies of correspondence notifying Kleinwood Municipal Utility District and the City of Houston of the withdrawal of the annexation petition previously submitted by JP/Raveneaux Partners, LP and Kera Development, LP (the "Developers") was distributed to the Board. He briefly reviewed procedures for annexing a portion of the Raveneaux Country Club tract into the District per the District's Redevelopment Agreement with the Developers and stated that he anticipates submitting the required documentation to the City of Houston within 30 days. He estimated that the City of Houston would consider consenting to the annexation approximately 60 days after submission of the documentation.

PARK MATTERS

There was no discussion regarding park matters.

ADDITIONAL ACTION ITEMS FROM THE OPERATOR, CUSTOMER CORRESPONDENCE, REPAIR AND MAINTENANCE ITEMS

Mr. Gustafson reported that Ms. Muyskens' utility bill continues to reflect high water usage.

Mr. Gustafson next reported that he is comparing the cost of expanding the number of meters included the District's meter replacement program with the benefit of increased water accountability.

Mr. Gustafson reported that two dead trees were removed as previously approved by the Board. The Board requested that Mr. Gustafson address a downed tree located on the east side of water plant no. 1.

GROUNDWATER BANK CERTIFICATES

Mr. Gustafson next reported that 7,000,000 of Groundwater Bank credits were sold by the District for \$2.00 per thousand gallons of water for a total of \$14,000.00.

SUPERIOR WATER SYSTEM RATING PROCESS

Mr. Gustafson stated that signs indicating the District's Superior Water Rating will be installed in approximately two weeks.

CONDUCT HEARING ON TERMINATION OF WATER SERVICE

The Board next conducted a hearing on the termination of water service. Mr. Gustafson reported on his review of accounts owing more than \$100.00. He 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 Lynch 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.

Following review and discussion, Director Lynch moved to approve the additional action items from the operator's report. Director Smyth seconded the motion, which was approved by unanimous vote.

HURRICANE IKE, EMERGENCY PLANNING AND COMMUNICATION

The Board next commended Mr. Gustafson for the operations of the District's

facilities during the recent hurricane event. Discussion ensued regarding generator options, installation of signs to notify residents when during a boil water event, and coordination with neighborhood groups on the development of an emergency response plan.

PUBLIC COMMUNICATIONS

Director Smyth next reported on public communications activities scheduled to provide information related to the District's Park Bond Election and Operation and Maintenance Tax Election and discussed her communications with District residents regarding the election. The Board received comments and inquiries from Ms. Sims regarding the amount of costs related to the proposed development of a park.

MATTERS RELATED TO NHCRWA

Director Smyth reported on matters related to the October meeting of the Board of Directors of the NHCRWA. The Board requested that notice of the increased NHCRWA well pumpage fee be placed onto the District's web site.

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, including the satisfactory performance of the plant during the recent hurricane event.

MATTERS RELATED TO HOMEOWNERS ASSOCIATIONS

Director Jones reported that he is attending a homeowners association meeting on October 8, 2008.

CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY

The Board next conducted an annual review of the District's Investment Policy. No changes to the Investment Policy were recommended by the District's consultants. Following review and discussion, Director Jones moved that the Board adopt a Resolution Regarding Annual Review of Investment Policy without amendment to the District's Investment Policy. Director Smyth seconded the motion, which was approved by unanimous vote.

MEETING SCHEDULE AND AGENDA

The Board next discussed the meeting schedule and items for inclusion on the agendas, including a townhall meeting scheduled for October 16, 2008, participation in a membership meeting at the Raveneaux Country Club on October 21, 2008, and rescheduling of the regularly scheduled meeting for November 2008, due to a conflict

with Election Day. Following discussion, the Board concurred to reschedule the meeting to November 5, 2008, at the regularly scheduled time and location.

CONVENE EXECUTIVE SESSION

The Board did not convene in executive session pursuant to Sections 551.072, 551.087, and 551.071 of the Texas Government Code to discuss and consider the acquisition of real property, the terms and conditions of an economic development package, and consultation with attorney about pending or contemplated litigation.

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

Secretary, Board of Directors

(SEAL)

LIST OF ATTACHMENTS TO MINUTES

	Minutes <u>Page</u>
Attendance Sheet.....	1
Bookkeeper's Report	3
Tax Assessor/Collector's Report	3
Engineer's Report.....	3
Operator's Report.....	3