

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

June 3, 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 3rd day of June, 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, except Director Jackson, thus constituting a quorum.

Also present for all or part of the meeting were the following: Greg DiCioccio, Director elect; Jim Hughson, Brenda Pennington, 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*; Joe B. Allen of Allen Boone Humphries Robinson LLP; and Justine M. Cherne, Recording Secretary.

PUBLIC COMMENTS

Director Lynch opened the meeting to receive public comments. Mr. Reed addressed the Board to request approval of an article he wrote for publication in the Champion Forest Women's newsletter regarding the District's negotiations with JP Raveneaux Partners, LP on the proposed development of a residential subdivision on a portion of the Raveneaux Country Club tract.

CONVENE EXECUTIVE SESSION

The Board convened 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.

APPROVE CERTIFICATE OF ELECTION, DIRECTORS' SWORN STATEMENTS, BONDS AND OATHS OF OFFICE

The Board reconvened in open session and considered approving a Certificate of Election and the executed Sworn Statements, Official Bonds, and Oaths of Office of the newly elected Directors. Mr. Allen reviewed the Certificate of Election which states that Gregory DiCioccio, Tom Petrick, and Fred Jones have been elected to the Board of Directors of the District, each for a four-year term beginning June 3, 2008 and expiring May 12, 2012, or until their successors have been duly elected or appointed and have qualified. Following review and discussion, Director Smyth moved to approve the Certificate of Election, and the executed Sworn Statements, Bonds, and Oaths of Office. Director Petrick seconded the motion, which was approved by unanimous vote.

AUTHORIZE APPROPRIATE ACTION REGARDING ACQUISITION OF REAL PROPERTY, THE TERMS AND CONDITIONS OF AN ECONOMIC DEVELOPMENT PACKAGE, AND PENDING OR CONTEMPLATED LITIGATION

Mr. Allen addressed the meeting attendees and stated that the Board has been in negotiations over the past several months with JP Raveneaux Partners, LP regarding the proposed development of a residential subdivision, Kera Village, on a portion of the Raveneaux Country Club tract. He stated that several offers and counteroffers have been made and he briefly reviewed proposed Terms for Development discussed by the Board during executive session. He stated that the terms will be revised to clarify a couple of points as discussed during the Board's executive session. Following review and discussion, Director Smyth moved to: 1) approve the Terms for Development, as revised; 2) authorize ABHR to forward the revised Terms for Development to JP Raveneaux Partners, LP and to the District's web site; and 3) designate Directors Petrick and Smyth as members of a committee to negotiate with JP Raveneaux Partners, LP on terms for the proposed development of a residential subdivision on a portion of the Raveneaux Country Club tract. Director Jones seconded the motion, which was approved by unanimous vote. A copy of the Terms for Development, as revised, are attached.

The Board next discussed Mr. Reed's request for approval of an article he wrote for publication in the Champion Forest Women's newsletter regarding the District's negotiations with JP Raveneaux Partners, LP on the proposed development. The Board requested that Mr. Reed allow them to use his article as a basis to publish a District article on the matter due to updates anticipated prior to the publication deadline.

REORGANIZE THE BOARD, ELECT OFFICERS, AND AUTHORIZE EXECUTION OF DISTRICT REGISTRATION FORM

The Board next discussed reorganizing the Board and electing officers. Director Lynch moved to elect Director Petrick as President, Director Jones as Vice President,

Director Lynch as Assistant Vice President, Director DiCioccio as Assistant Secretary, and Director Smyth as Secretary. Following review and discussion, the motion failed for lack of a second. Following additional discussion, Director Petrick moved to elect Director Petrick as President, Director Smyth as Vice President, Director Jones as Secretary, Director Lynch as Assistant Vice President, and Director DiCioccio as Assistant Secretary. Director Jones seconded the motion, which was approved by unanimous vote.

Mr. Petrick next reviewed additional task assignments for the Board members. Following discussion, the Board concurred with the following task assignments: Director DiCioccio was assigned to work with the engineering group and on all District drainage issues; Director Smyth was assigned to continue to work with the North Harris County Regional Water Authority and all District water issues, including the sale of the District's Groundwater Bank Certificates; Director Lynch was assigned to continue to work with the Kleinwood Regional Wastewater Treatment Plant Joint Powers Board, all District sewer issues, and the District's electricity service; Director Jones was assigned to coordinate community and homeowners association matters, and to continue to work on District finances and budgeting; and Director Petrick was assigned to continue to work with matters related to parks, recreation, and technology.

Following review and discussion, Director Smyth moved to authorize filing of the District Registration Form with the Texas Commission on Environmental Quality (the "TCEQ") to reflect the new Director terms and changes in the officers of the Board. Director Jones seconded the motion, which was approved by unanimous vote.

DISCUSS OPEN MEETINGS ACT TRAINING REQUIREMENTS

Ms. Cherne next reported that legislation passed during the 79th Regular Session of the Texas Legislature requires each elected or appointed public official to complete a course of training of not less than one and not more than two hours regarding the responsibilities of the governmental body and its members under the Texas Open Meetings Act, Chapter 5512, Government Code. She noted that newly elected or appointed directors must complete the requisite training within 90 days of taking the oath of office. She stated that the Texas Attorney General provides the requisite training on its web site or by a DVD at no charge.

CONFLICT OF INTEREST DISCLOSURE

Ms. Cherne next reviewed with the Board Chapter 176 of the Texas Government Code, which requires directors and consultants to disclose certain conflicts of interest. She reviewed with the Board the forms adopted by the Texas Ethics Commission for making disclosures under Chapter 176 and noted that the forms are required to be filed with the records administrator for the District within seven days of a disclosable conflict arising. She explained that failure to make a disclosure required under Chapter

176 is a Class C misdemeanor. She encouraged the Board to contact ABHR if assistance is needed in determining whether a conflict requires disclosure or in making a required disclosure.

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

Ms. Shelnutt reviewed updates to the bookkeeper's report. Upon a motion made by Director Lynch and seconded by Director Jones, the Board voted unanimously to approve the items on the Consent Agenda with the exceptions noted. Copies of the bookkeeper's report, 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 web site and reported on residents' requests for disposal of household toxic waste. She stated that the District's web site now has the capability to launch a password protected area where the Directors and Board members could access District documents in preparation for monthly meetings. She noted that Director Petrick is the District's media spokesperson per the District's communication policy. She reported that Director Smyth is a representative on the Houston Gulf Coast Irrigation Council.

ADDITIONAL ACTION ITEMS FROM THE ENGINEER

Mr. Joubran next updated the Board on the survey performed per Board action in response to a resident's request for removal of a tree. He reviewed an exhibit showing that a tree located in the backyard of 16110 Salmon Lane is located on property owned by the District and within a CenterPoint Easement.

In response to Board inquiry, Mr. Joubran discussed the timetable for the surface/ground water blending project for water plant nos. 1 and 2. He stated that preliminary plans will be forwarded to the Technical Advisory Group for review and he anticipates that the project will be advertised for bid in October 2008.

Mr. Joubran recommended approval of an allocation of 350 gallons per day of water and sewage treatment capacity to serve a 6,000 square foot retail auto repair shop located at north Cypresswood, 800 feet east of the intersection on Champion Forest. Following review and discussion, Director Lynch moved to authorize execution of a utility commitment letter for such allocation. Director Smyth seconded the motion, which was approved by unanimous vote. A copy of the utility commitment letter is attached.

LIABILITY AND LOSS EQUIPMENT CONTROL SERVICES

Mr. Joubran reported that the District's insurance provider advised that insurance experts will be assigned to the District and will be contacting the District's operator and engineer to coordinate performance of the liability loss and equipment loss control services.

ADDITIONAL ACTION ITEMS FROM THE BOOKKEEPER

Ms. Shelnutt reviewed a voided and a re-issued check, and three additional checks, which will be included on next month's bookkeeper's report. She then reviewed a proposed amendment to the District's budget, including the cost for rehabilitation of fire hydrants. Director Jones reviewed graphs he prepared and discussed the amount of water billed and consumed, water revenue and expenses, and the District's budget. Following review and discussion, Director Lynch moved to approve the additional action items from the bookkeeper's report, including the amended budget. Director DiCioccio seconded the motion, which was approved by unanimous vote.

ADDITIONAL ACTION ITEMS FROM THE TAX ASSESSOR/COLLECTOR

Ms. Flores reviewed with the Board a list of ten personal property accounts which have been delinquent for more than ten years and the law requiring removal of such accounts from the delinquent tax roll. Following review and discussion, Director Smyth moved to authorize removal of the accounts from the delinquent tax roll as required by law, and to authorize the delinquent tax attorney to proceed with the collection of delinquent taxes for year 2007. Director Lynch seconded the motion, which was approved by unanimous vote. A list of the removed accounts is attached.

CENTERPOINT ENERGY DEMAND RESPONSE LOAD MANAGEMENT PROGRAM

Ms. Kaplan next reported that the District is successfully enrolled into CenterPoint Energy's Demand Response Program as of June 1, 2008. She stated that there will be a scheduled curtailment of power for one hour in June. She reminded the Board that the program requires a commitment by the District to curtail power, when requested, for up to four hours between the months of June and September for a

maximum number of four times between 1:00 p.m. and 7:00 p.m. She stated that the request will be made when electricity grid conditions warrant.

Ms. Kaplan next reported that all of CenterPoint Energy's 2008 Energy Efficiency Programs are currently fully subscribed. She stated that if the District plans to perform any energy conservation measures in year 2009, including repair of leaking pipes, an application should be prepared during the fall of year 2008 for CenterPoint Energy's 2009 calendar year programs. In response to Board inquiry, she stated that the incentive offered for participation in the year 2008 programs was \$.06 per kilowatt hour saved, with a required 20 kilowatt hour reduction in demand.

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

Mr. Gustafson reviewed a list of action items and the status of the repair and painting of, and the replacement of reflectors on, the District's fire hydrants.

The Board next discussed a resident's request for removal of a tree located on the District's property per the engineer's report. Following discussion, the Board requested that Mr. Gustafson obtain cost estimates for removal of the tree.

Director Petrick requested that Board members review the operator's report prior to the monthly Board meetings and contact Mr. Gustafson with any questions regarding submitted invoices.

GROUNDWATER BANK CERTIFICATES SALE

Mr. Gustafson updated the Board on the District's purchase of Groundwater Bank credits.

SUPERIOR WATER SYSTEM RATING PROCESS

Mr. Gustafson stated that painting of water plant no. 1 and water plant no. 2 is expected to be completed by the end of the week per the TCEQ's requirement for the District's application for a Superior Water Rating. He stated that cost estimates for signs and poles have been forwarded to Directors Lynch and Petrick and will be installed upon approval of the District's application.

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 DiCioccio 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 Lynch seconded the motion, which was approved by unanimous vote.

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

TEXAS WATER/WASTEWATER AGENCY RESPONSE NETWORK

The Board next discussed correspondence from the TCEQ regarding participation in the Texas Water/Wastewater Agency Response Network. Mr. Gustafson reported that SWWC has a complete disaster response plan in place. Following discussion, the Board requested that Mr. Gustafson review the TCEQ network and report on whether the District would receive additional benefit from participation in the network.

PARK MATTERS

There was no additional discussion regarding Harris County's activities to connect and expand Collins and Meyer Parks, or other park matters.

RAVENEAUX DEVELOPMENT

There was no additional discussion regarding the proposed development of a residential subdivision, Kera Village, on a portion of the Raveneaux Country Club tract.

BUSINESS PLAN, STRATEGIC PLANNING

Mr. Jones reported on his discussions with the proposed consultant to assist the Board with defining the Board's goals and development of a written business plan, Bill Proctor. He stated that Mr. Proctor has not previously provided such assistance. Director Jones recommended that the Board hold workshops to develop goals .

WATER CONSERVATION PROGRAM

Director Smyth next reported on activities related to water conservation for spaces (esplanades and the admin. bldg. and grounds) and water conservation programs. She reported that the Agreement for Public Water Conservation Project for the District's participation in the Champion Forest Fund, Inc. ("CFF") water conservation planting project for Esplanade No. 36 is ready for execution. Following discussion, Director Lynch moved to approve execution of the agreement. Director

DiCioccio seconded the motion, which was approved by unanimous vote. A copy of the agreement is attached.

MATTERS RELATED TO HOMEOWNERS ASSOCIATION MEETINGS

Director Lynch requested that the Board consider canceling the District's landscape maintenance contract and move management of the landscaping to the CFF. Following discussion, the Board concurred that no change to the District's landscape maintenance contract was necessary at this time.

MATTERS RELATED TO NHCRWA

Director Smyth reported on matters related to the June meeting of the Board of Directors of the North Harris County Regional Water Authority (the "NHCRWA") and stated that she will circulate a written report. The Board reviewed a Notice of Financing received from the NHCRWA. Following review and discussion, the Board concurred not to participate in the financing of the NHCRWA's next bond issue by making capital contributions.

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 meeting minutes is attached. He reported that the Joint Powers Board has hired Mark Roth as the plant's auditor.

MEETING SCHEDULE AND AGENDA

The Board next discussed the meeting schedule and items for inclusion on the agenda of the July 2008, regular meeting.

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

[SIGNATURE PAGE FOR THE MINUTES OF THE JUNE 3, 2008, BOARD MEETING]

Secretary, Board of Directors

(SEAL)

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