

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

August 5, 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 5th day of August, 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:

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, thus constituting a quorum.

Also present for all or part of the meeting were the following: Alice D. Kanayan and Jim Reed, residents of the District; Don Hand of Greenwood Properties, Inc.; Beth Clark of Clark Condon Associates; John Howell of The GMS Group, LLC; 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"); and Justine M. Cherne, Recording Secretary.

PUBLIC COMMENTS

Director Petrick opened the meeting to receive public comments. Ms. Kanayan addressed the Board and requested Board consideration for payment in the amount of \$300.00 a month for the cost of electricity for fifteen street lights installed in Stonegate Park. A copy of her written request is attached. Director Lynch stated that he will coordinate adding Stonegate Park's street light electricity costs to the District's consideration of electricity provider options.

Ms. Kaplan addressed the Board to determine whether the Board members needed hard copies of the presentation she previously distributed by e-mail. Per Board inquiry, she commented that the price of natural gas has recently lowered providing an opportunity for executing a new electricity contract at a lower price.

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 Smyth and seconded by Director DiCioccio, 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.

TERMINATE CONTRACT WITH FIRST SOUTHWEST COMPANY

The Board next considered terminating the District's contract with First Southwest Company for financial advisory services. Discussion ensued regarding authorization for Director Petrick's telephone conversation with Debbie Shelton of First Southwest Company regarding the proposed termination. Board members and consultants noted that authorization for the telephone conversation was provided to Director Petrick at the July 22, 2008, special meeting of the Board. Director Lynch stated that the authorization was not included in the minutes of the special meeting and asked for an explanation of the basis for terminating the contract. Ms. Cherne stated that she mistakenly omitted the Board's action granting the authorization from the minutes of the July 22, 2008, special meeting. Director Lynch moved to delay consideration of terminating the contract with First Southwest Company to discuss the basis for such termination. The motion failed for lack of a second. Director Jones moved to terminate the District's contract with First Southwest Company. Director Smyth seconded the motion, which was approved by majority vote, with Director Lynch opposed.

Following additional discussion regarding the minutes of the July 22, 2008, special meeting, Director Smyth moved to amend the minutes of the July 22, 2008, special meeting to include Board actions of placing items for consideration on the August 5, 2008, meeting agenda to terminate the District's contract with First Southwest Company for financial advisory services and execution of a new contract with John Howell of The GMS Group, L.L.C. for financial advisory services, and granting authorization for Director Petrick's telephone conversation with Debbie Shelton of First Southwest Company regarding the proposed termination. Director DiCioccio seconded the motion, which was approved by unanimous vote.

EXECUTE CONTRACT WITH THE GMS GROUP, LLC

The Board next considered executing a contract with the GMS Group, LLC for financial advisory services. Director Jones noted that a financial advisory services proposal, overview of the company, resumes for Mr. Howell and other employees who may be involved in servicing the District's account, Mr. Howell's current utility district client list, the company's utility related financial placements that were led by Mr. Howell, and a proposed contract were previously distributed to the Board on July 30, 2008. Mr. Howell reviewed a proposal for serving as financial advisor to the District and responded to Board members' questions. Following review and discussion, Director Smyth moved to execute a contract with the GMS Group, LLC for financial advisory services. Director DiCioccio seconded the motion, which was approved by majority vote, with Director Lynch opposed. Director Lynch stated that he did not receive Mr. Howell's credentials prior to the Board meeting.

ADDITIONAL ACTION ITEMS FROM THE BOOKKEEPER

Ms. Shelnutt reviewed two additional checks for payment, which will be included on next month's bookkeeper's report. Following review and discussion, Director Smyth moved to approve payment of the additional checks as presented. Director Lynch seconded the motion, which was approved by unanimous vote. Discussion ensued regarding the distribution of the monthly bookkeeper's report and coordination between Director Smyth and Ms. Shelnutt on reimbursement of rain barrel orders. Additional discussion ensued regarding corrections to the billing graph and the year-to-date budget.

BUDGET FOR FISCAL YEAR END SEPTEMBER 30, 2009

Ms. Shelnutt reviewed with the Board a draft operations budget for fiscal year ending September 30, 2009. She stated that changes discussed during a meeting with Director Jones just prior to the Board meeting are not reflected in the draft budget. Discussion ensued regarding certain line items. Following review and discussion, Ms. Shelnutt stated that she will forward to Director Jones a revised draft budget for distribution to the Board members for review.

ADDITIONAL ACTION ITEMS FROM THE TAX ASSESSOR/COLLECTOR

Ms. Flores reported that \$36,872.78 owed by Kleinwood Municipal Utility was received.

ADDITIONAL ACTION ITEMS FROM THE ENGINEER

Mr. Joubran stated that he is continuing to work on modifications to the District's budget for capital projects for the years 2008 through 2010.

In response to Director DiCioccio's request, Mr. Joubran briefly summarized the District's surface/ground water blending project for water plant nos. 1 and 2, per the written engineer's report, and responded to Board members' questions.

In response to Director DiCioccio's inquiry, Mr. Joubran updated the Board on actions related to the Yuki Chinese Restaurant, per the written engineer's report.

RAVENEAX DEVELOPMENT

Mr. Pagan stated that he would like to update the Board on events related to the proposed development of a residential subdivision, Kera Village, on a portion of the Raveneaux Country Club tract, by JP/Raveneaux Partners, LP and Kera Development, LP (the "Developers") which have occurred since the July 22, 2008, special meeting.

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.

RECONVENE OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING ACQUISITION OF REAL PROPERTY AND THE TERMS AND CONDITIONS OF AN ECONOMIC DEVELOPMENT PACKAGE

The Board reconvened in open session. Director Petrick addressed the meeting attendees to provide an update on events related to the proposed development of a residential subdivision on a portion of the Raveneaux Country Club tract, which have occurred since the July 22, 2008, special meeting. He stated that per Board action on July 22, 2008, the District's consultants began drafting agreements related to the proposed development per the revised Development Agreement Term Sheet (the "Term Sheet"), which incorporated the Developers' July 21, 2008, revisions. He reported that on July 29, 2008, substantial revisions to the Term Sheet were requested by the Developers, which were rejected on July 30, 2008, by the District's committee (consisting of Directors Petrick and Smyth) after a conference call between the District's committee and ABHR.

Director Petrick reported that on August 1, 2008, the Developers requested additional, substantial revisions to the Term Sheet. He stated that after a conference call held the day before the current meeting between the District's committee and ABHR, the committee is ready to withdraw the proposed Term Sheet. Mr. Pagan and Mr. Hand next reported on their subsequent discussions with Mr. Allen regarding the proposed term sheet. Following review and discussion, Director Jones moved to authorize ABHR to draft a development contract for the proposed Raveneaux Country

Club tract development per the Board's guidelines of providing increased public benefit and minimized penalties, in coordination with the District's committee, for distribution to the Board for review and comment. Director Lynch seconded the motion, which was approved by unanimous vote, after additional discussion regarding scheduling a special meeting on either August 14 or August 18, 2008, to consider the proposed development contract.

Mr. Pagan reported that per the Board's action on July 22, 2008, an engagement letter with the Law Office of August E. Shouse for real estate attorney services is ready for execution. Following discussion, Director Smyth moved to authorize execution of the engagement letter as presented. Director DiCioccio seconded the motion, which was approved by unanimous vote, after additional discussion regarding the fees.

PARK MATTERS

Ms. Clark next reviewed her qualifications and a proposal in the amount of \$24,000 for providing a Master Park Plan and a Cypresswood Drive Trail Plan for the District. Discussion ensued regarding the schedule for preparing the plans and the procedures necessary for a park bond election. Following review and discussion, Director Smyth moved to authorize execution of an agreement with Clark Condon Associates for park planning services, subject to attorney review. Director DiCioccio seconded the motion, which was approved by unanimous vote.

Director Petrick reported that Collins and Meyer Parks are scheduled for connection on October 25, 2008.

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

Mr. Gustafson reviewed changes and additions to the monthly operator's report.

Mr. Gustafson reported that he has not received any customer correspondence. Director Lynch reported that he is working with Mr. Gustafson and Pat Finley to resolve Mr. Finley's disputed high water usage. He stated that Mr. Finley will turn off his household and irrigation water at night and read his meter for seven consecutive mornings beginning on August 12, 2008. Director Lynch stated that he will report back on the data gathered from the meter readings and make a recommendation at next month's meeting.

Mr. Gustafson next reported that a second dead tree was discovered on the District's property at the location of the first dead tree scheduled for removal per Board action. He stated that bids were solicited for removal of both trees and reported that Texas Services was the lowest bidder at \$1,800.00. Following discussion, Director Smyth moved to accept the bid from Texas Services, including the additional bid

amount of \$225 for grinding of the stumps, and proceed with the removal. Director DiCioccio seconded the motion, which was approved by unanimous vote.

GROUNDWATER BANK CERTIFICATES

Mr. Gustafson stated that he will coordinate with Director Smyth on the prices for the District's purchase of Groundwater Bank credits.

SUPERIOR WATER SYSTEM RATING PROCESS

There was no update on the District's application for a Superior Water Rating.

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

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

OPERATOR'S CONTRACT

The Board next discussed the District's current procedures for review of the District's consultants and consultant contracts. Following discussion, the Board concurred to remove this item from Ms. Cherne's agenda calendar for the District and to forward to Director Petrick recommendations for a methodology for conducting such reviews for discussion at next month's meeting.

ELECTRICITY PROVIDER OPTIONS

The Board concurred to consider electricity provider options at a later date.

PUBLIC COMMUNICATIONS

Director Smyth next reported on public communications activities. She stated that distribution of the summer newsletter is being delayed to allow for the inclusion of an update on the proposed development of the Raveneaux Country Club tract. She reported that she and Director Petrick are coordinating a communications plan related to a proposed park bond election.

MATTERS RELATED TO NHCRWA

Director Smyth reported that during a budget meeting of the North Harris County Regional Water Authority (the "NHCRWA"), a new surface water rate of \$1.80 per thousand gallons of water in year 2010 was discussed.

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 an update on the lease agreement with SWWC. A copy of the minutes of the July 2008 Joint Powers Board meeting is attached.

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, including potential funding partners for a pilot program on the esplanades.

MATTERS RELATED TO HOMEOWNERS ASSOCIATIONS

Director Jones reported on his activities to resolve issues related to esplanade irrigation. Director Petrick reported that he was contacted regarding a bee nuisance in a tree located on Harris County Flood Control District property. Director DiCioccio stated that he will check on the issue.

DEVELOPMENT OF PUBLIC UTILITY BUSINESS PLAN

Director Lynch asked for comments to his previously distributed e-mail correspondence regarding performance measures and goals for the development of a District Business Plan. Following discussion regarding the amount of activity related to the proposed development of the Raveneaux Country Club tract, the Board concurred to defer discussion regarding a business plan until the September regular meeting.

MEETING SCHEDULE AND AGENDA

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

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

[SIGNATURE PAGE FOR THE MINUTES OF THE AUGUST 5, 2008, BOARD MEETING]

Secretary, Board of Directors

(SEAL)

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