

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

November 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 November, 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, thus constituting a quorum.

Also present for all or part of the meeting were the following: Leroy Ross, Sheila Ross, Jim Hughson, Alice Kanayan, Jack Smyth, and Jim Reed, residents of the District; Kim Jackson of the *Houston Chronicle*; Wade Martinez of CBS Services; Ramon G. Viada III of Viada & Strayer; Elisa Kaplan of The Legacy Group; Kim Shelnett of Myrtle Cruz, Inc.; 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. There were no public comments.

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 Lynch and seconded by Director Smyth, 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 TAX ASSESSOR/COLLECTOR

Ms. Flores distributed to the Board courtesy copies of their tax bills. She reviewed a proposed message for inclusion onto the District's utility bills to notify residents who don't escrow their taxes to contact Tax Tech, Inc. if their tax bills were not received. Following review, the Board concurred to place the message onto the District's utility bills as presented. Ms. Flores next reviewed the most recently adjusted certified assessed value for the District and stated that the value will continue to be adjusted by the Harris County Appraisal District as protests are settled. She then reviewed an additional check in the amount of \$93.64 for postage costs which will be included on next month's tax assessor/collector's report. Following review and discussion, Director Jones moved to approve the additional check as presented. Director Smyth seconded the motion, which was approved by unanimous vote.

ENGAGE OMNICAP GROUP LLC

Ms. Cherne reported that an arbitrage rebate and yield restriction analysis must be performed every five years and at maturity for all of the District's outstanding bonds. She stated that it is time for review of the District's Series 2003 and 2004 Bonds. She recommended approval of a proposal in the amount of \$2,500 to \$5,000 for each bond issue, submitted by OmniCap Group, LLC, for performance of the analyses. She reported that ABHR's tax attorney has researched the companies which provide such analyses and has determined that OmniCap Group, LLC provides the appropriate services per the law for the best price. Upon a motion made by Director Smyth and seconded by Director Lynch, the Board voted unanimously to accept the OmniCap Group, LLC proposal, a copy of which is attached.

ADDITIONAL ACTION ITEMS FROM THE ENGINEER

Mr. Joubran reported that six bids, ranging in the amounts of \$29,888.00 to \$52,250.00, were received for the construction of an emergency water interconnect line with Harris County Water Control Improvement District No. 116 ("WCID 116"). He recommended awarding the contract in the amount of \$29,888.00 to the low bidder, D.J. Civil Construction, L.L.C. He noted that the engineer's estimate for construction of the project was \$32,200.00 and the engineering cost is a percentage of the construction cost. He stated that the contract includes a construction period of 30 days for the project and he estimated that the actual construction period will be approximately two weeks. Following review and discussion, the Board concurred with the engineer's recommendation that D.J. Civil Construction, L.L.C. was a responsible bidder whose

bid would result in the best and most economical completion of the project. Director DiCioccio moved to award the contract for the construction of an emergency water interconnect with WCID 116 to D.J. Civil Construction, L.L.C. Director Smyth seconded the motion, which was approved by unanimous vote.

Mr. Joubran requested that the Board table consideration of the design of the District's surface/ground water blending project for water plant nos. 1 and 2 until comments are received from the Texas Commission on Environmental Quality (the "TCEQ"). He stated that he expects to receive the comments by the end of the week. He reported that the project design is on schedule.

In response to Director Lynch's inquiry, Mr. Joubran reported on the questionnaire from and the inspection by the District's insurer as part of the Loss Control and Prevention Analysis. He stated that a report is forthcoming from the District's insurer as a result of the analysis.

ADDITIONAL ACTION ITEMS FROM THE BOOKKEEPER

Ms. Shelnett reviewed seven additional checks for payment of the following: per diems for Directors Smyth and DiCioccio, reimbursement of meeting expenses to Director Lynch, payment of the three election officials, and an invoice from CBS Services for debris removal. She stated that the additional checks 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 DiCioccio seconded the motion, which was approved by unanimous vote.

STORM DEBRIS REMOVAL CONTRACT

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 had been moved to a temporary location at the Raveneaux Country Club site. He stated that this Phase I portion of the debris removal has been completed and has been paid for by the District per a contract approved at last month's meeting.

Director DiCioccio next reported that the temporary debris pile was subsequently relocated to the curb by CBS Services and removed by Harris County's contractors. He noted that the invoice in the amount of \$3,600.00 for the relocation of the temporary debris pile was previously approved under the bookkeeper's report. He recommended approval of a contract with CBS Services for relocation of the temporary debris pile. Discussion ensued regarding what to do with the remaining debris piles scattered throughout the District. Director DiCioccio stated that he will forward the addresses to Harris County to determine whether Harris County will remove the piles, or alternately, he will contact Royal Disposal to remove the piles. Following review and

discussion, Director Lynch moved to authorize execution of the contract with CBS Services for relocation of the temporary debris pile. Director Jones seconded the motion, which was approved by unanimous vote. The Board additionally concurred that notification of Harris County's completion of storm debris pile removal should be placed onto the District's web site.

Ms. Cherne next reviewed a memorandum from ABHR regarding coordination with SWWC on the second phase of the 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.

HURRICANE IKE, EMERGENCY PLANNING AND COMMUNICATION

Mr. Gustafson next reviewed with the Board wording for proposed boil water notice signs. He stated that an initial cost estimate in the amount of \$50.00 was received for construction of permanent signs and stated that he expects the price may be less if ordered in bulk. He asked the Board to consider the number of permanent boil water signs that may be needed for the District.

Mr. Gustafson reported that there has been much discussion regarding proposed legislation related to requiring working generators for all utility districts. He stated that approximately 94% of the districts affected by Hurricane Ike had generators, 24% of which either broke down or ran out of diesel fuel. He stated that he and Mr. Joubran are coordinating to determine what types of changes may be needed for the District's generators, including exercise schedules. Mr. Joubran commented that the District's generators need to be reviewed and a priority list developed. He noted that the generator for water well no. 1 was designed and installed in 1977. He stated that the generator for water well no. 2 was designed and installed in 1985 and may be a higher priority. He stated that the lift station may minimally need quick connections installed.

Mr. Gustafson stated that emergency response plans, which are specific to each of the District's facilities, are being developed for placement into each of the facilities. He stated that communication from SWWC to the District's residents and research of communication options during an emergency event are being researched.

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

Mr. Gustafson reviewed an action item list. He responded to Director Lynch's inquiry regarding irrigation meters and accountability and stated that he will research and forward the information.

Mr. Gustafson stated that he recommends no changes to the District's current Rate Order in response to increased pumpage fees to be charged to the District by the

North Harris County Regional Water Authority (the "NHCRWA") commencing January 1, 2009. He reviewed a proposed notice of the increased charge passed onto the District's residents to be placed into the District's utility bills. Following review and discussion, the Board concurred with placement of the notice into the District's utility bills and onto the District's web site as presented. Director Smyth reported on NHCRWA's development of a brochure regarding the cost of water scheduled for distribution by member districts in December for only the cost of postage.

Mr. Gustafson additionally reported on the installation of an automatic transfer switch and theft of backflow preventer devices.

GROUNDWATER BANK CERTIFICATES

Mr. Gustafson discussed with the Board reflection of the sale of Groundwater Bank credits on the operator's report.

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

CONVENE EXECUTIVE SESSION

The Board next 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 IN OPEN SESSION

The Board reconvened in open session. Following review and discussion, Director Lynch moved to appoint Director Petrick as the District's representative to

interact with the District's attorneys on court filings in the matter entitled *Kleinwood Municipal Utility District v. Cypress Forest Public Utility District, et al.*, cause number 4:08-CV-3071, in the United States District Court for the Southern District of Texas. Director Jones seconded the matter, which was approved by unanimous vote.

ELECTRICITY COSTS FOR STREET LIGHTS

Ms. Kaplan reported that the District's electricity meters have been transferred to Constellation Energy. She reviewed a spreadsheet of street light meters which have been transferred to Constellation Energy and stated that there are five to seven outstanding street light meters that will be transferred.

Ms. Kaplan next gave a presentation on software available through Legacy Energy that provides reports for use in analyzing energy use efficiency. Discussion ensued regarding the reports and data and the performance of efficiency analyses. Following discussion, the Board requested that Mr. Joubran and Mr. Gustafson review and report on the software at the January regular meeting.

Director Lynch next discussed previously distributed charts related to street light electricity costs and his responses to questions regarding the charts previously asked by Director Smyth. Discussion ensued regarding the electricity cost for street lights located within the District, options for paying for the cost, and developing a policy of providing funding for street light electricity costs using a ratio of the number households per street light. Following review and discussion, Director Jones moved to authorize ABHR to draft contracts with the Home Owners Associations ("HOAs") located within the District to include the following: (i) the District will make monthly payments of the entire electricity costs for street lights and the HOAs will be invoiced quarterly by the District to reimburse the District for 20% of the electricity costs; (ii) the District will discontinue paying for an HOA's street light electricity costs if the reimbursement payment by the HOA is delinquent; and (iii) a policy to pay for street light electricity costs only for HOAs that contain no fewer than 3.75 households per streetlight. Discussion ensued regarding Ms. Shelnut's coordination with Ms. Kaplan on the quarterly invoices. Following discussion, Director Smyth seconded the motion, which was approved by unanimous vote.

RAVENEUX TRACT DEVELOPMENT

Ms. Cherne reported on the status of the procedures for annexing a portion of the Raveneaux Country Club tract into the District per the District's Redevelopment Agreement with JP/Raveneaux Partners, LP and Kera Development, LP (the "Developers"). She stated that legal descriptions of the annexation tract are being developed by the District's engineer and documents are being drafted by ABHR. Mr. Joubran estimated that the legal descriptions will be completed within a week. Director Petrick requested that ABHR submit a proposed budget for the annexation.

Director Smyth next discussed with the Board correspondence received from Mark Jordon of JP/Raveneaux Partners, LP and Kera Development, LP, requesting a meeting to discuss options for the design of the District's trail in relation to the 18th hole of the golf course due to club members' concerns. Following discussion, the Board concurred that Directors Petrick and Smyth would participate in any meetings with the developers, Harris County, and ABHR regarding proposed options for the 18th hole of the golf course.

PARK MATTERS

Director Smyth noted that the District has a master park and trail plan.

PUBLIC COMMUNICATIONS

Director Smyth next reported on public communications activities, including this year's Brill Elementary School science class contest to create a 2009 water conservation calendar for the District.

MATTERS RELATED TO NHCRWA

Director Smyth reported on matters related to the November meeting of the Board of Directors of the NHCRWA, including communication of the NHCRWA's pumpage rate increase, construction projects, and budget. She reported that she plans to attend a seminar regarding new TCEQ irrigation rules to assist with reducing water use on the District's esplanades.

KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT

Director Lynch reported on the Joint Powers Board meeting and the Kleinwood Regional Wastewater Treatment Plant operations and maintenance, including operating exceptions and ten days of electricity outage experienced by the plant during the recent hurricane event.

MATTERS RELATED TO HOMEOWNERS ASSOCIATIONS

Director Jones reported on issues related to HOAs, including compliments forwarded to the District for trash and debris removal during the recent hurricane event, improving communication between the District and the HOAs, and the irrigation project for Esplanade No. 36.

MEETING SCHEDULE AND AGENDA

The Board next discussed the meeting schedule and items for inclusion on the agendas, including scheduling a date to canvass the returns and declare the results of

park bond election and operation and maintenance tax election, and rescheduling of the regularly scheduled meeting for December 2008. Following discussion, the Board concurred to canvass the election at 4:30 p.m. on November 13, 2008, at the District's regular meeting location and to reschedule the regular December meeting to 4:30 at the offices of ABHR on the regularly scheduled date of December 2, 2008.

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

Secretary, Board of Directors

(SEAL)

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