

MINUTES  
CYPRESS FOREST PUBLIC UTILITY DISTRICT

December 2, 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 2nd day of December, 2008, at the offices of Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Brazos Conference Room, Houston, Texas 77027, outside 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: Ellen Jones and Ruth Lynch, residents of the District; 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"); Joe B. Allen and 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

Ms. Cherne reviewed with the Board revisions to the minutes of the meeting held on November 5, 2008. Upon a motion made by Director Smyth and seconded by Director DiCioccio, the Board voted unanimously to approve the items on the Consent Agenda, including the minutes as revised, except for Director Lynch who was not present for the vote. 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

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

#### ADDITIONAL ACTION ITEMS FROM THE ENGINEER

Mr. Joubran reported that a Notice to Proceed is expected to be issued within the next day to D.J. Civil Construction, L.L.C. for the construction of an emergency water interconnect line with Harris County Water Control Improvement District No. 116 ("WCID 116").

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 from the Texas Commission on Environmental Quality (the "TCEQ") are addressed and the appropriate documentation is received from the TCEQ. He responded to Director DiCioccio's inquiry and stated that the engineer's estimated cost for the project is \$218,000 at 90% of design which is on par with such projects for other utility districts.

#### ADDITIONAL ACTION ITEMS FROM THE BOOKKEEPER

Ms. Shelnett reviewed two additional checks for payment of the Water Wise Brill Elementary School project and for an invoice from Courthouse Specialists for title research for the annexation tract. She stated that the additional checks will be included on next month's bookkeeper's report. Discussion ensued regarding Directors' attendance at the Association of Water Board Directors winter conference. Following review and discussion, Director Smyth moved to approve payment of the additional checks as presented and to approve the Directors' attendance at the Association of Water Board Directors winter conference. Director DiCioccio seconded the motion, which was approved by unanimous vote, except for Director Lynch who was not present for the vote.

#### AMENDMENT TO INFORMATION FORM

Mr. Pagan next reviewed an Amendment to Information Form to add the bonds recently approved by the District's voters. Following review and discussion, Director Jones moved to authorize execution of the Amendment to Information Form. Director

DiCioccio seconded the motion, which was approved by unanimous vote, except for Director Lynch who was not present for the vote.

#### AUTHORIZE CONSULTANTS TO PREPARE ANNUAL REPORT

Mr. Pagan informed the Board that the District is required to file an Annual Report in accordance with the Continuing Disclosure of Information Agreement and SEC Rule 15c2-12. He stated that certain financial information and operating data is required to be updated annually due to the covenants contained in the bonds issued by the District. After discussion, Director Smyth moved to authorize the District's consultants to prepare the Annual Report. Director DiCioccio seconded the motion, which was approved by unanimous vote, except for Director Lynch who was not present for the vote.

#### FEMA HAZARD MITIGATION GRANT PROGRAM APPLICATIONS

Mr. Pagan noted that a memorandum from ABHR regarding the Hazard Mitigation Grant Program established by the Federal Emergency Management Agency ("FEMA") to provide assistance for eligible projects was previously distributed. Mr. Allen reviewed draft legislation regarding emergency generator requirements and recommended that all utility districts submit a Notice of Interest ("NOI") to FEMA for the program by the January 9, 2009, deadline. Mr. Gustafson stated that, upon Board approval, he will coordinate with Mr. Joubran on preparation of the NOI. Discussion ensued regarding the engineering costs to be incurred by the District for analysis and preparation of documents for the program, and whether Harris County will submit NOIs on behalf of the entire county. Additional discussion ensued regarding the District's schedule for facility upgrades in preparation for the next hurricane season, anticipated new legislation regarding emergency generator requirements, and the anticipated timeline for the program. Following discussion, the Board concurred to table discussion of this item until the January regular meeting.

#### HCFC D CHANNEL REPAIR PROJECT

Director DiCioccio reported that he is the Project Manager and the District's contact for the construction of a channel repair project located adjacent to the Champion Forest Villas and Timbertop Condominiums to be performed by the Harris County Flood Control District. He stated that construction will begin in February 2009.

#### STATUS OF STORM DEBRIS REMOVAL AND FEMA ASSISTANCE

Director DiCioccio reported that the project for the removal of storm debris from the District's service area is complete.

## HURRICANE IKE, EMERGENCY PLANNING AND COMMUNICATION

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 he will coordinate with Mr. Joubran on the development of the plans.

Mr. Gustafson next discussed submission of applications to the 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 as of this time, such expenses are estimated at \$29,932. He stated that it is not yet known whether any expenses incurred by the District will be reimbursable. He stated that backup documentation for the expenses will be submitted to FEMA prior to the December 22, 2008, deadline. He noted that SWWC will contact the District's insurer to determine which expenses are covered through the District's insurance policies.

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

Mr. Gustafson reported on the sale of Groundwater Bank credits included on the operator's report.

Director Lynch requested that an item be included on next month's agenda to discuss actions to be undertaken by SWWC to increase the District's water accountability. Director Jones requested that the amount of missing water be included on the monthly operator's report.

## CONDUCT HEARING ON TERMINATION OF WATER SERVICE

Mr. Gustafson reported that due to the timing of the Thanksgiving holiday and the Board's December meeting, no water service termination notices were distributed.

## CONTRACT FOR ELECTRICITY FOR STREET LIGHTS

Director Lynch next discussed a previously distributed chart related to Home Owners Associations' ("HOAs") electricity costs for street lights located within the District. He stated that a District contribution in the amount of 80% of the electricity costs for street lights located within the District corresponds with the amount included in the District's budget for the costs. Following discussion, Director Lynch moved to authorize the District to pay 80% of the electricity costs for street lights located within the District. Director Jones seconded the motion, which was approved by unanimous vote.

The Board next discussed proposed revisions to the previously distributed draft contract with the HOAs located within the District for payment of electricity costs for

street lights and a transmittal letter for the contract. Director Lynch reported that he has asked Elisa Kaplan to attend the January meeting of the Board to recommend invoicing procedures for use by the District to obtain reimbursement from the HOAs for 20% of the electricity costs. Director Petrick requested that a written report on the recommended invoicing procedures be distributed prior to the meeting. Following discussion, Director Smyth moved to authorize execution of the contract with the HOAs located within the District for payment of electricity costs for street lights and distribution of the transmittal letter, subject to Director Smyth's review and comment. Director Lynch seconded the motion, which was approved by unanimous vote.

#### RAVENEAU TRACT DEVELOPMENT

Mr. Pagan 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"). He stated that drafting of the legal documents is proceeding and that ABHR is working with Tim Green of Coast Rose PC on items included in title research performed on the tract. He reported that a meeting between Directors Petrick and Smyth, the Developers, Harris County, and ABHR will be scheduled 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. He stated that, additionally, the Kleinwood Municipal Utility District litigation matter will be discussed during the meeting. Director Jones requested that a change in the redevelopment agreement with the Developers be considered to require maintenance of the abandoned golf course to begin now instead of when the District owns the property in about a year from now.

#### PARK MATTERS

Mr. Pagan recommended obtaining a proposal from Fox & Bubela, Inc. for appraisal of the park property for review at the January meeting. Following discussion, Director Smyth moved to accept a proposal in an amount not to exceed \$5,000 from Fox & Bubela, Inc. for appraisal of the park property. Director DiCioccio seconded the motion, which was approved by unanimous vote.

#### BOND APPLICATION SCHEDULE

Mr. Pagan reviewed the procedures and schedule for submission of a bond application to the TCEQ. He stated that an application should be ready for submission by the February meeting of the Board and sale of the bonds should be scheduled approximately six months after submission of the application. In response to Director Lynch's inquiry regarding submission of an application to the Texas Water Development Board (the "TWDB"), Mr. Allen stated that the TWDB does not have funds available for park development. He recommended that the District apply for grants and funds from the Texas Parks and Wildlife Department and Harris County at

the appropriate time. Following discussion, Director DiCioccio moved to authorize ABHR and Pepe Engineering to prepare a bond application for submission to the TCEQ. Director Smyth seconded the motion, which was approved by unanimous vote.

#### SUPPLEMENTAL ENGAGEMENT LETTER

Mr. Allen and Mr. Pagan next reviewed a supplemental engagement letter for legislative monitoring services. Following review and discussion, the Board concurred to table discussion of this item until the January meeting.

#### PUBLIC COMMUNICATIONS

There was no report on District public communications.

#### MATTERS RELATED TO NHCRWA

There was no report on matters related to the North Harris County Regional Water Authority.

#### KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT

There was no report on the Joint Powers Board meeting and the Kleinwood Regional Wastewater Treatment Plant operations and maintenance.

#### MATTERS RELATED TO HOMEOWNERS ASSOCIATIONS

There was no report on issues related to HOAs.

#### MEETING SCHEDULE AND AGENDA

There was no discussion regarding the meeting schedule and items for inclusion on the agendas.

#### 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, there was no Board action regarding the acquisition of real property, the terms and conditions of an economic development package, or 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>
Bookkeeper's Report .....	2
Tax Assessor/Collector's Report .....	2
Engineer's Report.....	2
Operator's Report.....	2