

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

April 1, 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 1st day of April, 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 thus constituting a quorum.

Also present for all or part of the meeting were the following: Martin Kanayan, Jim Hughson, Greg DiCioccio, and Jim Reed, residents of the District; Arthur Riley of Champion Forest Fund, Inc. ("CFF"); Elisa Kaplan of The Legacy Group; Steve Williams of Kleinwood MUD; 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*; Greer Pagan of Allen Boone Humphries Robinson LLP ("ABHR"); and Justine M. Cherne, Recording Secretary.

PUBLIC COMMENTS

Director Lynch opened the meeting to receive public comments. There were no public comments.

MATTERS RELATED TO HOMEOWNERS ASSOCIATION MEETINGS,
CENTERPOINT ENERGY EFFICIENCY INCENTIVES PROGRAMS

The Board next discussed CFF's request for funding from the District for street light electricity expenses for the Champion Forest subdivision. Ms. Kaplan reviewed a summary of her research of the electricity expenses for the street lights, a copy of which is attached. She reported that there are currently 528 street lights within the District with an associated annual cost of \$118,044.70. She stated that the Stonegate Court Homeowners Association has no street lights at this time. She reviewed five accounts for electricity which are not for street lights. She stated that a review of alternative

pricing for the street lights indicates that it is more cost effective for CFF to remain with their current provider. The lowest quote received for the services would result in a 9% increase to the cost of service. She also reviewed her research regarding the option of switching the street lights to solar power.

Ms. Kaplan next reviewed current market pricing for the District's electricity. She said that Hudson Energy provided the lowest quote of \$0.0947 per kilowatt hour for a five-year term. She stated that the District's current rate is \$0.0903 per kilowatt hour. Following review and discussion, the Board concurred to consider electricity providers at the next regular meeting.

Ms. Kaplan next reviewed CenterPoint Energy's Demand Response Program. She stated that the program includes costs of approximately \$1,000 for the installation and maintenance of an IDR meter and a commitment of a scheduled curtailment of power for one hour in June, and 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 CenterPoint Energy's payment to the District for participation in the program is estimated to be approximately \$8,000. She stated that the deadline to apply for the program is May 1, 2008. Following discussion, Director Jackson moved to approve the District's participation in the program. Director Petrick seconded the motion, which was approved by unanimous vote.

Ms. Kaplan next reviewed CenterPoint Energy's Energy Efficiency Program. She stated that any effort made by the District to reduce kilowatt usage, including the repair of leaking pipes, would qualify for the program and would result in payments due to the corresponding energy savings. She stated that the deadline to apply for participation in the 2008 Energy Efficiency Program is in August 2008. Following discussion, the Board requested that Ms. Kaplan forward the information on the program to Mr. Gustafson and Mr. Joubran for review.

The Board additionally discussed possible methods and sources for funding of street light expenses within the District, and the process for determining the District's budget and tax levy. Following discussion regarding the District's budget and tax rate, Director Petrick moved to state the District's intent to fund the street light expenses within the District beginning October 1, 2008. Director Smyth seconded the motion, which was approved by majority vote, with Director Jackson opposed.

Director Lynch reported that he and Director Jones are active participants in the Neighborhood Watch Program.

Director Lynch requested that Director Smyth participate in the CFF water conservation planting project for Esplanade No. 36. Director Smyth stated that she will discuss a comprehensive water conservation plan under an item located later on the agenda. Mr. Riley discussed the CFF project which he stated includes the installation of

two drip irrigation devices on Esplanade No. 36. He stated that the plans for the project were approved by the Champion Forest Garden Club, which has contributed \$2,000 to the project. He stated that the project is estimated to cost \$10,000 and cannot begin without full funding. Mr. Riley additionally discussed CFF's budget.

CONSENT AGENDA:

APPROVE MINUTES

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 Jackson and seconded by Director Jones, the Board voted unanimously to approve the items on the Consent Agenda. Copies of the 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 website, a copy of which is attached, and reported on updates made to the site. She reported that the North Harris County Regional Water Authority donated water conservation materials for distribution at the Champion Forest Women's Club luncheon. She next reported that the District's newsletter was distributed and requested approval of an invoice in an amount not to exceed \$3,200 to Precision Printing for printing costs. Following discussion, the Board authorized Director Smyth to review and approve the invoice.

Mr. Pagan responded to questions from Director Jones regarding the distribution of election information in the manner such election information is distributed by the Klein Independent School District.

Following Mr. Kanayan's comments regarding the District's public communication efforts, the Board requested that the District's website address be provided on the District's utility bills.

BOOKKEEPER'S REPORT

The Board next reviewed the bookkeeper's report. Ms. Shelnett reviewed nine additional checks which will be included on next month's bookkeeper's report. Following review and discussion, Director Petrick moved to approve the bookkeeper's report and payment of the checks as presented. Director Smyth 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.

ADDITIONAL ACTION ITEMS FROM THE ENGINEER

There were no additional action items from the engineer's report.

ADDITIONAL ACTION ITEMS FROM THE OPERATOR, CUSTOMER CORRESPONDENCE

Mr. Gustafson reviewed builder backcharges and the termination list. He reported that Mr. Finley, who is disputing his water bill per correspondence received from Mr. Finley's attorney, forwarded a check for a small amount and is included on the termination list. Following review and discussion, the Board concurred to adhere to the termination policies contained in the District's Rate Order after giving Mr. Finley ten days notice, and authorized ABHR to forward a letter to Mr. Finley's attorney to request full payment of the account within ten days.

APPROVE CONSUMER CONFIDENCE REPORT

Mr. Gustafson distributed a Consumer Confidence Report for the Board's review and consideration at next month's meeting.

GROUNDWATER BANK CERTIFICATES SALE POLICY

Mr. Gustafson reported that he received an offer to purchase 1,900,000 of the District's Groundwater Bank B credits for \$1.38 per thousand gallons for a total of \$2,622.00. He stated that the purchase offers generally have a deadline date connected to the seller's permit renewal date and requested that the Board appoint a Director who can approve future purchase offers. He stated that the District has 148,664,000 credits available for sale. He stated that the life spans are 40 years for A credits and 20 years for B credits and reviewed disincentive fees. Following discussion, Director Smyth moved to authorize the sale of 1,900,000 credits per the offer and to appoint Director Jackson as the District's representative for approving future purchase offers. Director Jackson seconded the motion, which was approved by unanimous vote. Director Jackson and Mr. Gustafson will obtain additional information regarding the market share and pricing for the certificates.

SUPERIOR WATER SYSTEM RATING PROCESS

Mr. Gustafson reported on the Texas Commission on Environmental Quality's (the "TCEQ") inspection of the District's facility per the application to the TCEQ for a Superior Water Rating. He stated that cost estimates for cosmetic painting of the wells

will be presented for the Board's consideration at next month's meeting per the TCEQ's requirement for such painting.

REPAIR AND MAINTENANCE ITEMS

No additional repair or maintenance items were presented.

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 Petrick 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, except for Mr. Finley per earlier Board action. Director Smyth seconded the motion, which was approved by unanimous vote.

Following discussion, Director Petrick moved to approve the operator's report as presented. Director Smyth seconded the motion, which was approved by unanimous vote.

PARK MATTERS

Director Petrick updated the Board on Harris County's activities to connect and expand Collins and Meyer Parks. Mr. DiCioccio reported on a Harris County Flood Control's stream repair project.

RAVENEAX DEVELOPMENT

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

WATER SMART PROGRAM

Director Jackson reported that the Water Smart Program application is ready for submission.

MATTERS RELATED TO NHCRWA

Director Smyth reported that the April meeting of the Board of Directors of the North Harris County Regional Water Authority is scheduled for next week.

KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT

Director Lynch reported on the Joint Powers Board March meeting and the operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant. A copy of the meeting minutes is attached. He reported that a tour of the plant is scheduled after next week's meeting of the Joint Powers Board.

RENEWAL OF INSURANCE POLICIES

The Board next reviewed a renewal proposal received from The Essential Group. Following review and discussion, Director Petrick moved to accept the renewal proposal in the amount of \$11,973.00. Director Jones seconded the motion, which was approved by unanimous vote.

COMMUNITY PLAQUE DISPLAY

Director Smyth discussed the Champion Forest in Bloom's commemorative tree planting program. She requested authorization to display the plaque which lists the donors and receivers of commemorative trees within the District's Administrative Building. Following discussion, Director Smyth moved to authorize the display of the plaque within the District's Administrative Building. Director Jackson seconded the motion, which was approved by unanimous vote.

WATER CONSERVATION DEMONSTRATION PROGRAM

Director Smyth next reviewed a proposed comprehensive water conservation program for spaces (esplanades and the admin. bldg. and grounds) and for programs, an outline of which is attached. She noted that utility districts with 3,300 connections are currently mandated to have such a program in place. Following review and discussion, the Board authorized Director Smyth to develop a comprehensive water conservation program as outlined and designated Director Smyth as the District's representative to work with other community groups on such plan, including review of the CFF water conservation planting project and for development of a recommendation regarding the District's participation in the project.

MEETING SCHEDULE AND AGENDA

The Board next discussed distributing a survey to the District's residents to determine topics of interest and the optimal schedule for future Brown Bag Lunch meetings. Following discussion, the Board authorized Ms. Payne to develop such a survey for distribution within the District's utility bills.

The Board next discussed the meeting schedule and items for inclusion on the agendas of scheduled meetings. Following discussion, the Board concurred to hold a special meeting on Friday, April 11, 2008, at 9:00 a.m. to receive a presentation of the

District's Geographical Information System. The Board concurred to discuss the procedure for releasing escrow funds for use to pay for costs for the ground/surface water blending project.

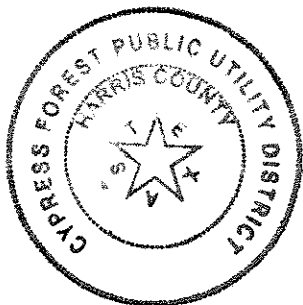
CONVENE IN EXECUTIVE SESSION

The Board did not convene in executive session.

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

[SIGNATURE PAGE FOR THE MINUTES OF THE APRIL 1, 2008, BOARD MEETING]

(SEAL)



Deborah S. Jackson
Secretary, Board of Directors

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