

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

July 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 July, 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: Harold Wallace, Brenda Pennington, and Jim Reed, residents of the District; Don Hand of Greenwood Properties, Inc.; Elisa Kaplan of The Legacy Group; Esther Flores of Tax Tech, Inc.; Khalil Abboud of Pepe Engineering, Ltd. ("Pepe Engineering"); Lisa Myers of SouthWest Water Company ("SWWC"); Barbara Payne of Payne Communications; 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 an additional check in the amount of \$800.00 for payment to Schiller Air Conditioning Company, Inc. Upon a motion made by Director Lynch and seconded by Director Smyth, the Board voted unanimously to approve the items on the Consent Agenda, including the additional check. 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 contacts with the District's residents. She reported that the summer newsletter is scheduled for distribution in August. Discussion ensued regarding articles for inclusion in the newsletter.

ADDITIONAL ACTION ITEMS FROM THE BOOKKEEPER

Ms. Cherne reported that Texas State Bank has merged with Compass Bank and soon will only be using the name Compass Bank. She reviewed with the Board a Depository Pledge Agreement and a Letters of Credit Agreement between the District and Compass Bank. She noted that Compass Bank proposes to use Letters of Credit from the Federal Home Loan Bank in Atlanta, Georgia as collateral for the District's deposits. Following review and discussion, Director Smyth moved to approve the Depository Pledge Agreement and the Letters of Credit Agreement with Compass Bank, direct that such documents be given to the bookkeeper to complete and forward to Compass Bank for execution, and direct that such documents, once completed and fully executed, be filed appropriately and retained in the District's official records. Director Jones seconded the motion, which was approved by unanimous vote.

MATERIAL EVENT NOTICE

Ms. Cherne reported that bond insurers MBIA Insurance Corporation ("MBIA") and Ambac Assurance Corporation ("Ambac") have been downgraded by Standard & Poor's from an AAA to an AA rating. She stated that MBIA is the insurer on the District's Series 1995 and 1996 Bonds and Ambac is the insurer on the District's Series 2003 and 2004 Bonds. She stated that the District is required to provide material event notices regarding the downgrade to the State Information Depository which will be prepared and provided by ABHR.

ADDITIONAL ACTION ITEMS FROM THE TAX ASSESSOR/COLLECTOR

Ms. Flores reported that she was told that the amount owed by Kleinwood Municipal Utility is being forwarded to the District.

ELECTRICITY PROVIDER OPTIONS

Ms. Kaplan next reviewed refreshed pricing from electricity providers. She recommended that the District not enter into a new electricity contract at this time because the best quoted price is 20% more than the District's current electricity costs. She stated that gas prices have risen and are affecting electricity costs. She stated that she will forward to the Directors a link for tracking gas prices. She reported that the District's password protected electricity information can be accessed by the Directors at www.legacyenergysolutions.com.

Ms. Kaplan next reviewed TDSP charges included on the District's electricity bills. She stated that the TDSP rates are regulated by the Texas Public Utility Commission and are paid by every electricity customer. She stated that the electricity bills for the Kleinwood Regional Wastewater Plant contain a portion of the TDSP charges as part of the bundled electricity price and is not itemized on the bill. She stated that previous requests for bundled prices for the District were refused because of the District's low electricity load factor.

Director Lynch requested that the Board consider receiving electricity pricing presentations from three electricity brokers at next month's meeting. He stated that the goal is to try to obtain pricing in the amount of \$0.10 per kilowatt hour. Following discussion, the Board concurred to receive ten minutes of presentation from each of the three electricity brokers at next month's meeting.

SCHEDULE TOUR OF DISTRICT FACILITIES

The Board next concurred to schedule a tour of the District's facilities with Mr. Gustafson upon his return from vacation. Director Lynch stated that he will schedule a tour of the Kleinwood Regional Wastewater Plant in coordination with the tour of the District's facilities.

ADDITIONAL ACTION ITEMS FROM THE ENGINEER

There were no additional action items from the engineer.

Discussion ensued regarding the surface/ground water blending project for water plant nos. 1 and 2. Mr. Reed asked why the District is unable to convert to chloramines disinfection prior to the delivery of surface water to the District. Mr. Abboud stated that he will research the question and report back to the Board. Director Smyth noted that the District will be blending chloramines treated well water with chloramines treated surface water and that the Board will continue to update the community as the District moves along the timetable towards conversion. Ms. Payne reported on a presentation regarding chloramines disinfection conversion scheduled by the Texas Commission on Environmental Quality. Ms. Myers stated that six representatives from SWWC will attend the presentation.

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

The Board next discussed a resident's request for removal of a tree located on the District's property. Following discussion, Director Smyth moved to authorize SWWC to solicit bids for removal of the tree, accept the lowest bid amount in an amount not to exceed \$1,800, and proceed with the removal. Director DiCioccio seconded the motion, which was approved by unanimous vote.

Director Jones requested that Mr. Gustafson update the water production graph and determine the reason for the absence of the meter replacement program from the District's budget. Director Jones next reviewed graphs he prepared and discussed the amount of water billed and consumed, water revenue and expenses, and the District's budget. Copies of the graphs are attached. He reported that there has been increased water usage within the District.

GROUNDWATER BANK CERTIFICATES SALE

There was no update on 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. Ms. Myers 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.

TEXAS WATER/WASTEWATER AGENCY RESPONSE NETWORK

Ms. Myers reported that it is the opinion of Mr. Gustafson that the District's participation in the Texas Water/Wastewater Agency Response Network would be

duplicative. She stated that SWWC has a complete disaster response plan in place.

PARK MATTERS

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

RAVENEAUX DEVELOPMENT

The Board next discussed the proposed development of a residential subdivision, Kera Village, on a portion of the Raveneaux Country Club tract. Ms. Smyth reviewed a draft letter to Mr. Bloch and Mr. Jordan of JP/Raveneaux Partners, LP and Kera Development, LP, the developers of the tract. She stated that the letter was written by a group of the District's residents and will be circulated and executed by residents and organizations located within the District. She stated that the residents plan to forward the letter to the developers before the scheduled District committee meeting with them on July 8, 2008. Mr. Hand suggested revisions to the letter. He reported that he is meeting with Mr. Bloch on July 7, 2008, to take him on a tour of the District and the tract.

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. Discussion ensued regarding management of the irrigation for the District's Administrative Building.

MATTERS RELATED TO HOMEOWNERS ASSOCIATIONS

Director Jones reported on his activities to resolve issues related to esplanade irrigation meters.

MATTERS RELATED TO NHCRWA

Director Smyth reported that she will update the Board on next week's scheduled July meeting of the Board of Directors of the North Harris County Regional Water Authority (the "NHCRWA").

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. There were no comments to the proposed services agreement between the Kleinwood Joint Powers Board and SWWC.

MEETING SCHEDULE AND AGENDA

The Board next discussed the meeting schedule and items for inclusion on the agenda of the August 2008, regular meeting. The Board concurred that the current Director consultant assignments were adequate at this time for evaluating consultant performance. The Board concurred to hold a special meeting at 9:00 a.m. on Friday, July 11, 2008, at the District's Administrative Building to discuss the proposed development of a residential subdivision, Kera Village, on a portion of the Raveneaux Country Club tract.

CONVENE IN EXECUTIVE SESSION

The Board did not convene 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.

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

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

Secretary, Board of Directors

(SEAL)

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