

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

March 3, 2009

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 3rd day of March, 2009, 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: Jim Reed, resident of the District; John Howell of The GMS Group; Kim Shelnett of Myrtle Cruz, Inc.; Esther Flores of Tax Tech, Inc.; Salim 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.

CONSENT AGENDA:

APPROVE MINUTES

FINANCIAL AND BOOKKEEPING, INCLUDING PAYMENT OF BILLS

TAX ASSESSMENT AND COLLECTION, INCLUDING PAYMENT OF BILLS

ENGINEERING, INCLUDING LONG-TERM MAINTENANCE PLAN

OPERATION OF DISTRICT FACILITIES

Upon a motion made by Director Lynch and seconded by Director DiCioccio, the Board voted unanimously to approve 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.

PUBLIC COMMENTS

Director Petrick opened the meeting to receive public comments. Jim Reed addressed the Board to provide an update on the new members of the Board of Directors of the Champion Forest Fund Homeowners Association ("CFF HOA").

ADDITIONAL TAX ASSESSMENT COLLECTION ACTION ITEMS

Ms. Flores reported that six personal property accounts from year 1998 in the total amount of \$192.00 have been removed from the delinquent tax role per Section 33.05 of the Texas Property Tax Code. She stated that the removal does not prevent collection of the delinquent amounts owed.

Ms. Flores next reviewed a request from a District resident for waiver of penalties and interest. She stated that the resident said that the tax bill payment was mailed on December 28, 2009. Ms. Flores stated that she did not receive the payment and has since received a new check for payment of the account and penalties and interest. Mr. Pagan advised that per the Texas Tax Code, the District does not have the discretion to grant such waivers. He stated that waivers can be granted for errors made by the District's tax assessor/collector or the Harris County Appraisal District. Following discussion, the Board authorized Ms. Flores to forward notification to the resident of the Board's denial of the waiver request per the requirements of state law.

Mr. Pagan next reviewed a Resolution Requesting Appraisal of Property and Certificate of Estimated Appraised Value for use with the District's bond application. Mr. Howell discussed the District's bond application. Following review and discussion, the Board concurred that the resolution and estimate of value was not necessary at this time.

Ms. Flores next responded to Board members' questions regarding tax collections. Following review and discussion, Director Smyth moved to approve the additional tax assessment and collection action items as discussed. Director DiCioccio seconded the motion, which was approved by unanimous vote.

TAX RESOLUTIONS

The Board next considered adopting a Resolution Concerning Tax Collection Procedures. Mr. Pagan reviewed the provisions of the resolution adopted last year which state that the District will not allow the split payment of taxes, will not allow a discount for early payment of taxes, and will mail all tax bills, including those under \$15.00.

The Board next considered adopting a Resolution Concerning Exemptions from Taxation. Mr. Pagan reviewed the provisions of the resolution adopted last year which state that the general homestead, charitable organization, and travel trailer exemptions are rejected, but that a \$125,000.00 homestead exemption will be granted to persons 65 years of age or older or disabled persons. After discussion, Director Smyth moved to adopt the Resolution Concerning Tax Collection Procedures and the Resolution Concerning Exemptions from Taxation without changes to the provisions adopted last year. Director DiCioccio seconded the motion, which was approved by unanimous vote.

ADDITIONAL FINANCIAL AND BOOKKEEPING ITEMS

Ms. Shelnutt reviewed seven additional checks for payment of a per diem to Director Lynch, a past due invoice from ABHR, an invoice to Texas Network, special meeting expenses, an invoice from Clark Condon Associates, and the regular March meeting expenses. She stated that the checks will be listed on next month's report. Following review and discussion, Director Smyth moved to approve payment of the seven additional checks as presented. Director DiCioccio seconded the motion, which was approved by unanimous vote.

Ms. Shelnutt and Director Jones next reviewed a proposed amended budget. Discussion ensued regarding budget line items, including capital improvement projects and the capital projects fund balance. Following discussion, the Board concurred to include a budget line item in the amount of \$7,000 for administrative building refurbishing costs. Additionally, the Board concurred to consider an amended budget next month for capital improvement projects. Director Jones moved to adopt an amended budget for fiscal year end September 30, 2009, as discussed. Director DiCioccio seconded the motion, which was approved by unanimous vote.

Director Petrick stated that he will check whether the District's engineer or operator intends to participate in the 2009 National Hurricane Conference prior to Board consideration of the Directors' attendance at the conference.

APPROVE ANNUAL REPORT AND AUTHORIZE FILING OF SAME

The Board next considered approving the updated financial and operating data in accordance with the Continuing Disclosure Agreement for the Bonds pursuant to SEC Rule 15c2-12. Mr. Pagan stated that the Annual Report must be filed by March 31, 2009. Following discussion, Director Lynch moved to approve the updated financial and operating data and filing of such data, in accordance with the Continuing Disclosure Agreement for the District's Bonds pursuant to SEC Rule 15c2-12. Director Smyth seconded the motion, which was approved by unanimous vote.

ENGAGE OMNICAP GROUP

Mr. Pagan 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. He stated that the District's Series 1995 Bonds are due to mature next month. He recommended approval of a proposal in the amount of \$2,500 submitted by OmniCap Group, LLC, for performance of the analyses. He stated 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 Lynch and seconded by Director Jones, the Board voted unanimously to accept the OmniCap Group, LLC proposal as presented.

ADDITIONAL ENGINEERING ACTION ITEMS

Mr. Joubran updated the Board on advertisement for the construction of the ammonia injection systems for the District's surface/ground water blending project for Water Plant Nos. 1 and 2. He reported that bids will be received and opened on March 13, 2009, and a recommendation for contract award will be presented to the Board at next month's meeting.

Mr. Joubran reported that a notification of the date work is to begin has not yet been received for the North Harris County Regional Water Authority (the "NHCRWA") contract for the installation of the surface water piping and equipment within the District's Water Plant No. 2. He stated that the District's engineer and operator will coordinate with the NHCRWA on the project which requires draining of the District's ground storage tank to allow the contractor to complete the installation of the connection. He stated that a proposal for surveying services for the installation of the surface water line from Cutten Road to the District's Water Plant No. 2 has been forwarded to Dannenbaum Engineering Corporation per request.

Mr. Joubran reported that a survey of the tract of land on which there is a dead tree located west of the Champion Forest, Section 12 fence would need to be conducted to determine whether the tree is located within the District or on District property. The Board authorized survey of the tract of land in the amount of \$500.00.

Mr. Joubran reported that he received a request from Director Lynch to order two sets of four books from the American Water Works Association for Directors Lynch DiCioccio, in the approximate amount of \$320.00: *Distribution System, Water Quality Challenges in the 21st Century: A Strategic Guide* and *Fundamentals and Control of Nitrification in Chloraminated Drinking Water Distribution Systems*. Following discussion, Director Petrick recommended consideration of the book purchase request after receiving Mr. Nabil Joubran's opinion on the benefit of the books to the Board.

HURRICANE IKE, EMERGENCY PLANNING AND COMMUNICATION

Mr. Gustafson updated the Board on the preparation of emergency response plans specific to each of the District's facilities and interconnections, including generator use, and coordination with Mr. Nabil Joubran on the plans. He distributed information regarding a generator rental program from Kohler Rental.

DISTRICT FACILITY OPERATIONS, WATER ACCOUNTABILITY, CUSTOMER CORRESPONDENCE, CONTRACT WITH SWWC SERVICES

Mr. Gustafson next reviewed a Repair and Replacement Analysis report for the District, and discussed water accountability. He stated that there were five more major leaks this year when compared to the same time period as last year. He stated that the dry weather could be the cause of the additional breaks in the water lines.

No customer correspondence was presented.

Mr. Gustafson reported that he is working with Director Petrick on the consultant review process prior to presenting an updated operator's contract.

ADOPT AMENDED RATE ORDER

The Board next discussed the water rates for public irrigation charged to the homeowners associations located within the District. Discussion ensued regarding billing options, the District's cost for producing water, the amount of water used by homeowners associations for public irrigation, public communication and education regarding irrigation, and the District's objectives for recovering the cost of water used by homeowners associations for public irrigation. Director Smyth reported that she is working with the CFF HOA to significantly reduce the amount of water used for irrigation and to reduce irrigation system maintenance costs. Mr. Gustafson noted that the NHCRWA is scheduled to increase its rates to \$2.80 per thousand gallons pumped by the first of next year. Director Petrick stated that he spoke with Mr. Roy Riley of the CFF HOA regarding the Board's goal of recovering the District's cost of water production within five years by doubling the public irrigation water rates each year. Following review and discussion, Director Lynch moved to amend the District's Rate Order to include that each Public Irrigation User will be charged a water rate of \$0.60 per thousand gallons of actual usage effective March 3, 2009. Director Smyth seconded the motion, which was approved by unanimous vote. Mr. Reed noted that the CFF HOA Board is scheduled to meet on Wednesday, March 4, 2009.

REPAIR AND MAINTENANCE ITEMS

Mr. Gustafson next reported that DMD Consultants, Inc. has been hired by Clow Valve Company to evaluate and replace the upper stems of Clow fire hydrants located within the District at no charge due to corrosion issues.

CONDUCT HEARING ON TERMINATION OF WATER SERVICE

The Board next conducted a hearing on the termination of water service. The Board discussed the amount owed by past due accounts. 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 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.

DROUGHT CONTINGENCY PLAN

Mr. Pagan reported that Districts which have previously adopted Drought Contingency Plans are required to adopt revised plans no later than May 1, 2009. He stated that all retail or wholesale public water suppliers are required to provide a copy of the revised plan to the regional water planning group for each region within which the water system operates. He noted that a copy of the District's current Drought Contingency Plan was previously distributed for the Board's review. After review and discussion, the Board concurred to consider adopting an Amended and Restated Drought Contingency Plan at next month's meeting.

AUTHORIZE PREPARATION OF IDENTITY THEFT PREVENTION PROGRAM

Mr. Pagan reported that the Fair and Accurate Credit Transactions Act of 2003 as implemented by Part 681 of Title 16 of the Code of Federal Regulations (the "Rule") requires certain "creditors" with "covered accounts" to prepare, adopt, and implement an Identity Theft Prevention Program to identify, detect and mitigate patterns, practices or specific activities which could indicate identity theft. He stated that because the District maintains "covered accounts" with utility service customers and for other purposes which involve multiple payments or transactions, the District is required to adopt an Identity Theft Prevention Program to detect, prevent and mitigate identity theft in connection with the opening of or any existing covered accounts. Mr. Gustafson stated that SWWC is working with ABHR to develop a proposed program to comply with the Rule. He stated that an Identity Theft Prevention Program is expected for consideration at next month's meeting.

ANALYSIS OF LEGACY GROUP ELECTRICITY SOFTWARE

Director Petrick noted that the engineer's report recommends consideration of subscribing to the Legacy Group's electricity software online access if and when a Supervisory Control and Data Acquisition System ("SCADA") is in place, and after ensuring that the data is compatible with such system.

DEMAND RESPONSE ELECTRICITY PROGRAM RESULTS AND COST SAVINGS

The Board concurred to consider this item at next month's meeting.

REQUIREMENTS UNDER HB 3693 AND FEDERAL TAX INCENTIVES

Director Petrick noted that information from John Elder of the Legacy Group was previously distributed which stated that the federal tax incentives discussed during a seminar at the Association of Water Board Directors winter conference are not applicable to the District. Director Petrick stated that he will contact Mr. Elder regarding implementation of electricity requirements under HB 3693 by the District for discussion at next month's meeting.

REQUEST FOR RESOLUTION

Mr. Pagan reported that he has not received a response to his request for additional information regarding correspondence received from an attorney representing Regency Center requesting that the District adopt a Resolution Authorizing Application of Regency Center to the Texas Commission on Environmental Quality (the "TCEQ") for a Municipal Setting Designation. The Board concurred to remove the matter from next month's agenda.

RAVENEAUX TRACT DEVELOPMENT, WEST END TRAIL/18TH HOLE PROJECT, BOND APPLICATION SCHEDULE

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 reported that lienholder consent signatures on the necessary legal documents are outstanding due to the pending litigation per Tim Green of Coats Rose PC. The Board expressed concern regarding the Developers' lack of performance. Following discussion, the Board authorized Director Petrick to contact the Developers regarding the Board's concerns.

Mr. Pagan reported on the progress of the report being prepared by Fox & Bubela, Inc. for appraisal of the park property. He stated that he expects finalization of the report prior to next month's meeting.

Mr. Pagan next reviewed the procedures and schedule for submission of a bond application to the TCEQ for the acquisition of land for park and recreational facilities and responded to Directors' questions. He stated that an application should be ready for submission prior to next month's meeting of the Board and the sale of the bonds should be scheduled approximately six months after submission of the application. Mr. Howell next reported on the District's bond rating and responded to Director's questions regarding market conditions, bank loan options, and discussed bond application requirements and the District's tax rate. Mr. Pagan noted that the bond application should not be submitted until the lienholder consent documents are executed and the trail easement is received. Following discussion, Director Smyth moved to adopt a Resolution Authorizing Application to the TCEQ for Approval of Project and Bonds, subject to receipt of executed lienholder documents and the trail easement. Director Lynch seconded the motion, which was approved by unanimous vote.

PUBLIC COMMUNICATIONS

There was no discussion on public communications activities.

ADMINISTRATIVE BUILDING AND GROUNDS

There was no additional discussion regarding repairs and maintenance needed for the administrative building and grounds.

MATTERS RELATED TO NHCRWA

Mr. Pagan reported that the District will need to adopt a Water Conservation Plan prior to the required connection to NHCRWA.

KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT

There was no discussion regarding the Joint Powers Board meeting and operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant.

MATTERS RELATED TO HOMEOWNERS ASSOCIATIONS

In response to Director DiCioccio's question, Mr. Pagan stated that the District's funds can be expended for removal of a tree which is not located on the District's property if the tree is a threat to the District's facilities.

WATER CONSERVATION PROGRAM

There was no discussion regarding the Water Conservation Project.

GIS

There was no discussion regarding the District's Geographical Information System Program.

DEVELOPMENT OF CONSULTANT REVIEW PROCESS

There was no additional discussion regarding development of a consultant review process.

MEETING SCHEDULE AND AGENDA

The Board next discussed their meeting schedule and items for inclusion on the agenda.

CONVENE EXECUTIVE SESSION

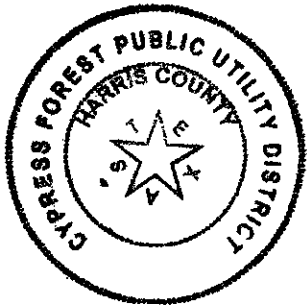
The Board did not convene in executive session pursuant to Sections 551.072, 551.087, and 551.071 of the Texas Government Code to discuss and consider the acquisition of real property, the terms and conditions of an economic development package, and consultation with attorney about pending or contemplated litigation. Mr. Pagan briefly updated the Board on the status of 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. He reported that there is an agreed-upon schedule for Discovery. He stated that Mr. Viada expects a ruling on the District's Motion to Dismiss soon.

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


Secretary, Board of Directors

(SEAL)



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