

MINUTES  
CYPRESS FOREST PUBLIC UTILITY DISTRICT

January 6, 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 6th day of January, 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; Charles Gregory, Jose Ortiz, and Eric Alvarado of Royal Disposal; Mark L. Roth, C.P.A. and Mark C. Eyring, C.P.A.; 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. Mr. Gregory addressed the Board regarding resident correspondence and contact regarding garbage and yard debris collection. He introduced two haulers who work within the District. He stated that the number of complaints received since Royal Disposal began collecting the District's garbage has been small. He stated that each complaint is taken seriously and addressed. Mr. Ortiz stated that he will begin driving behind the garbage trucks during collection days to monitor collection procedures. He stated that Royal Disposal will do a better job of collecting the District's garbage. He responded to Board members' questions regarding yard debris and two areas of the District which have consistently not received garbage collection. He stated that there may be perceptions that some areas are not being collected due to a full truck leaving the District to unload at the dump and possibly returning to another higher traffic area prior to returning to the previous area. He stated that he and the two haulers will visit the street where yard debris has not been collected during the past three collection dates. In response to Director Jones' question regarding the fuel surcharge, he stated that the surcharge is

expected to be removed by February. He reported that new equipment which uses alternative fuel is being purchased to assist with avoiding future increases in diesel fuel costs. Mr. Gregory additionally reported on a resident's Christmas decorations which were collected with the trash placed in the back door area of the home. He requested that the Board notify the District's residents that non-trash items should not be placed in the backdoor area on collection days.

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 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.

AUDIT FOR FISCAL YEAR END SEPTEMBER 30, 2008

Mr. Roth reviewed with the Board the draft audit for fiscal year ended September 30, 2008. He next reviewed a draft management letter. After review and discussion, Director Jones moved to approve the audit, subject to final review and approval by the consultants, and direct that the finalized audit be filed appropriately and retained in the District's official records. Director Lynch seconded the motion, which was approved by unanimous vote.

ADDITIONAL TAX ASSESSMENT COLLECTION ACTION ITEMS

Ms. Flores responded to Board members' questions regarding assessed value and collections.

ADDITIONAL FINANCIAL AND BOOKKEEPING ITEMS

Ms. Shelnutt reviewed seven additional checks for payment of an October street light invoice for Champion Forest Twelve Homeowners Association, three deposit refunds, an annual audit preparation invoice, January meeting expenses, and expense reimbursement for Director Petrick. Ms. Cherne reported that an executed contract was received from Champion Forest Twelve Homeowners Association. Discussion ensued regarding procedures for paying the electricity invoices for street lights and possible

future adjustment payments. Discussion next ensued regarding the lighting expense chart created by Ms. Shelnett.

Discussion next ensued regarding whether to combine maintenance and general fund bank accounts. Following discussion, the Board concurred to authorize Ms. Shelnett to combine the bank accounts.

Ms. Shelnett next reported that she contacted Sage Telecom regarding their billing cycle change and was unable to obtain a different cycle. She recommended that the Board advance pay the amount of an average invoice to Sage Telecom to avoid late charges. Following discussion, the Board concurred with Ms. Shelnett's recommendation.

The Board next discussed Directors' attendance at the Texas Water 2009 conference scheduled to be held on April 14 through April 19, 2009, in Galveston, Texas. Following review and discussion, Director Lynch moved to approve payment of the seven additional checks as presented and authorize Directors' attendance at the Texas Water 2009 conference. Director Jones seconded the motion, which was approved by unanimous vote.

#### DISCLOSURE STATEMENTS FOR BOOKKEEPER AND INVESTMENT OFFICER

The Board concurred to table this item until next month.

#### ADDITIONAL ENGINEERING ACTION ITEMS

Mr. Joubran updated the Board on the construction of an emergency water interconnect line with Harris County Water Control Improvement District No. 116 ("WCID 116") by D.J. Civil Construction, L.L.C. He recommended approval of Pay Estimate No. 1 in the amount of \$22,366.80 for the project. He next reported on inconsistent communication with the engineer of WCID 116. He stated that the engineer previously requested that Pepe Engineering communicate about the project directly with WCID 116's General Manager. Mr. Joubran stated that later, the Board of Directors of WCID 116 requested that its engineer inspect the project.

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.

Mr. Joubran next reviewed recommended responses to the District's insurance company's Loss Control and Prevention Analysis Report. Following review and discussion, the Board authorized forwarding of the response as presented to the District's insurance company and authorized Director DiCioccio to perform additional research into the use of infrared scanning for electrical inspections.

Following review and discussion, Director DiCioccio moved to approve the engineer's report, including payment of Pay Estimate No. 1 as presented. Director Lynch seconded the motion, which was approved by unanimous vote.

#### FEMA HAZARD MITIGATION GRANT PROGRAM APPLICATIONS

The Board next discussed the procedures for submitting a Notice of Interest ("NOI") to the Federal Emergency Management Agency ("FEMA") for application to the Hazard Mitigation Grant Program to provide assistance for eligible projects. Mr. Pagan stated that the deadline for submission is January 9, 2009. Discussion ensued regarding 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. Following discussion, Director Jones moved to approve submission of the NOI for four generators. Director DiCioccio seconded the motion, which was approved by unanimous vote.

#### 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.

#### DISTRICT FACILITY OPERATIONS, CUSTOMER CORRESPONDENCE, REPAIR AND MAINTENANCE ITEMS, WATER ACCOUNTABILITY

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

Mr. Gustafson reviewed the revised format of the District's water accountability report and the amount of savings estimated to be achieved with increased accountability. He recommended that the District engage SAMCO for the approximate amount of \$10,950 to perform leak detection services for the District's water distribution system. He responded to Board members' questions regarding the procedures for the services. Discussion ensued regarding the need to schedule such services while the irrigation system is active. Following review and discussion, Director DiCioccio moved to authorize Mr. Gustafson to obtain a cost proposal from SAMCO for leak detection services. Director Smyth seconded the motion, which was approved by unanimous vote.

#### 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 two accounts due to resident contact. 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 DiCioccio 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, with the exception of the two accounts being reviewed. Director Smyth seconded the motion, which was approved by unanimous vote.

#### ANALYSIS OF LEGACY GROUP ELECTRICITY SOFTWARE

The Board concurred to table this item pending receipt of information from Elissa Kaplan of The Legacy Group.

#### CONTRACT FOR ELECTRICITY FOR STREET LIGHTS

Ms. Cherne updated the Board on the status of receiving executed contracts for payment of electricity costs for street lights from the homeowners associations (the "HOAs") located within the District. Following discussion, the Board requested that ABHR contact the HOAs with outstanding contracts to obtain execution of the contracts.

#### RAVENEUX TRACT DEVELOPMENT/WEST END TRAIL 18<sup>TH</sup> HOLE PROJECT

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 Coats Rose PC on items included in title research performed on the tract.

Mr. Pagan reported that the proposal from Fox & Bubela, Inc. in the amount of \$5,000 for appraisal of the park property is ready for execution.

The Board next discussed design and coordination of the West End Trail/18<sup>th</sup> Hole Project submitted by Clark Condon Associates. Additional discussion ensued regarding the lack of communication and coordination with the Developers on the project and the annexation. 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. Following discussion, the Board authorized Mr. Pagan to contact the attorney for the Developers to coordinate monthly meetings and an action list for the project and annexation. The Board concurred to delay payment to Clark Condon Associates pending the outcome of such coordination.

## 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.

## SUPPLEMENTAL ENGAGEMENT LETTER

Mr. Pagan next reviewed a supplemental engagement letter for legislative monitoring services. Following review and discussion, the Board concurred that there was no need to receive the legislative monitoring services.

## 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. She stated that she would like the Board to consider holding a special meeting during the week of February 16, 2009, to receive two speakers on the new irrigation rules adopted by the TCEQ. She stated that the Board will then have the information necessary to determine whether changes to the District's Rate Order are necessary. She stated that the information also is related to the water conservation project she has begun for the District's esplanades.

Director Smyth requested that the Directors review the District's website and forward to her suggested revisions and additions within the next couple of weeks.

## ADMINISTRATIVE BUILDING AND GROUNDS

The Board next discussed repairs and maintenance needed for the administrative building and grounds. Following discussion, Director Petrick stated that he will obtain bids for repair of the leaking ceiling, cleaning or repair of the carpet, replacement of lighting and ballasts, and repair of the fence.

## MATTERS RELATED TO NHCRWA

Director Smyth reported on matters related to the North Harris County Regional Water Authority ("NHCRWA"), including participation by the NHCRWA in the Luce Bayou project to provide surface water supply for the year 2040.

## KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT

Director Lynch reported on the Joint Powers Board meeting and operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant.

MATTERS RELATED TO HOMEOWNERS ASSOCIATIONS

Director Jones reported that he is attending the Champions Cove HOA meeting scheduled on January 20, 2009, and the District's park plan is an item for discussion.

BUSINESS PLAN

The Board next discussed development of a District Business Plan.

WATER CONSERVATION

Director Smyth stated that she did not have any additional information regarding the previously discussed water conservation project she has begun for the District's esplanades.

GIS

Director Petrick reported that he is reviewing the District's Geographical Information System Program. He stated that he will report back next month and make a recommendation on whether to hold a special meeting in February to review the system.

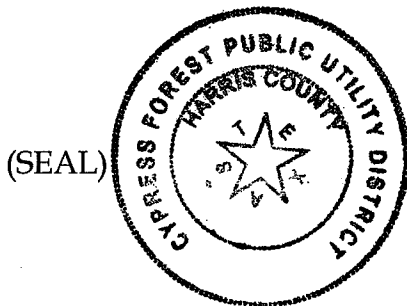
MEETING SCHEDULE AND AGENDA

The Board next discussed their meeting schedule and items for inclusion on the agendas. The Board concurred to consider scheduling a special meeting next month to develop a method for review of the consultants.

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.

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



  
Secretary, Board of Directors

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