

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

February 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 February, 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, Alice Kanayan, Jon Hughson, and John Shipp, residents of the District; Kim Shelnett of Myrtle Cruz, Inc.; Esther Flores of Tax Tech, Inc.; Salim Joubran and 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. There were no public comments. Director Petrick congratulated Jim Reed on becoming a member of the Board of Directors of the Champion Forest Fund Homeowners Association.

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

Director Jones requested that the invoice to Royal Disposal be removed from the Consent Agenda. Upon a motion made by Director Lynch and seconded by Director

DiCioccio, the Board voted unanimously to approve the remaining 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.

ADDITIONAL TAX ASSESSMENT COLLECTION ACTION ITEMS

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

ASSOCIATION OF WATER BOARD DIRECTORS

The Directors next discussed the activities and topics of the Association of Water Board Directors ("AWBD") winter conference. Following review and discussion, the Board concurred to consider the topic of energy conservation during next month's meeting. Director DiCioccio moved to approve reimbursement of eligible expenses and authorize the Directors to attend the AWBD summer conference. Director Lynch seconded the motion, which was approved by unanimous vote.

ADDITIONAL ENGINEERING ACTION ITEMS

Mr. Nabil 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. 2 and Final in the amount of \$7,521.20 for the project.

Mr. Nabil Joubran updated the Board on the design of the District's surface/ground water blending project for Water Plant Nos. 1 and 2. He reported that appropriate documentation has been received from the Texas Commission on Environmental Quality (the "TCEQ"), along with approval of the plans and specifications for the ammonia system design. He noted that the TCEQ previously released escrowed funds to be used for this project. He requested the Board's authorization to advertise for the bidding of the construction of the ammonia injection systems at both of the District's water plants.

Mr. Nabil Joubran reported that the North Harris County Regional Water Authority (the "NHCRWA") has awarded a construction 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 recommended performing an inspection of the tank while it is drained, along with inspections of the District's second ground storage tank and hydro-pneumatic tank in the approximate amount of \$2,500.00.

Following review and discussion, Director DiCioccio moved to approve the engineer's report, including payment of Pay Estimate No. 2 and Final, authorization for

advertisement for bidding of the construction of the ammonia injection systems at the District's water plants, and performance of the tank inspections as presented. Director Lynch seconded the motion, which was approved by unanimous vote.

ADDITIONAL FINANCIAL AND BOOKKEEPING ITEMS

Ms. Shelnutt reviewed three additional checks for payment of the previously presented Pay Estimate No. 2 and Final, two invoices from the Harris County Appraisal District for Tax Certificates for the proposed annexation of property into the District, and reimbursement of Director Petrick for expenses related to the District's Administrative Building. She stated that the checks will be listed on next month's report. She reviewed the invoice received from Royal Disposal and stated that the invoice is for December services. She stated that the fuel surcharge is expected to be removed from the January invoice yet to be received from Royal Disposal. The Board directed Ms. Shelnutt to request a refund for any fuel surcharges which are included on the January invoice from Royal Disposal. Ms. Shelnutt next reviewed updates to expenses related to Hurricane Ike and budget activity. She stated that the Board may want to consider amending the budget at next month's meeting. Following review and discussion, Director Jones moved to approve payment of the three additional checks and the invoice from Royal Disposal as presented. Director Smyth seconded the motion, which was approved by unanimous vote.

ANNUAL DISCLOSURE STATEMENTS

The Board next reviewed the annual disclosure statements of the bookkeeper and Investment Officer. Mr. Pagan stated that the statements are filed annually with the Texas Ethics Commission. Following review and discussion, Director Jones moved to accept the annual disclosure statements of the bookkeeper and Investment Officer, pursuant to the Public Funds Investment Act and the District's Investment Policy, and direct that the disclosure statements be filed appropriately and retained in the District's official. Director Smyth seconded the motion, which was approved by unanimous vote.

FEMA HAZARD MITIGATION GRANT PROGRAM APPLICATIONS

Mr. Gustafson reported on the submission of the Notice of Interest ("NOI") to the Federal Emergency Management Agency ("FEMA") on behalf of the District for application to the Hazard Mitigation Grant Program for assistance for eligible projects.

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 coordination with Mr. Joubran on the plans.

DISTRICT FACILITY OPERATIONS, REPAIR AND MAINTENANCE ITEMS, WATER

ACCOUNTABILITY

Mr. Gustafson reviewed a Final Leak Detection Report from SAMCO, including recommendations for activities for SWWC to undertake to achieve more efficient water use and accountability. A copy of the report is attached. He reported that service orders have been opened for the repair of critical service line leaks. He stated that the cost of the repairs will be compared to the amount of increased water accountability. Following review and discussion, Director DiCioccio moved to approve the report as presented. Director Lynch seconded the motion, which was approved by unanimous vote. The Board requested that Mr. Gustafson determine how much water has been lost due to the identified leaks.

Mr. Gustafson next discussed the damaged motor of Water Well No. 1. He reviewed cost estimates from Burkes Mechanical for the repair of the motor in the amount of \$18,096.00 and for the replacement of the motor in the amount of \$26,865.00. He stated that a motor is currently being rented for the amount of \$10,000.00 for a two month period. Mr. Nabil Joubran reviewed the budget and replacement schedule for the motor per the District's Long-Term Capital Improvement Plan. He recommended replacement of the motor. Following review and discussion, the Board requested that Mr. Nabil Joubran determine whether there is a more energy efficient motor for the replacement and authorized Mr. Gustafson to obtain two additional cost estimates for replacement of the motor.

CUSTOMER CORRESPONDENCE

Director Smyth reported that she requested that Mr. Gustafson determine the amount of time taken by SWWC to respond to customers reporting leaks and the prioritization of customer calls due to Ms. Kanayan's experience with SWWC's customer service.

Ms. Kanayan addressed the Board regarding her experience with SWWC's customer service. Mr. Gustafson stated that customer services miscommunicated with Ms. Kanayan and a work order was placed after site review. He asked for the Board's guidance on whether leaks which are not located on a main line should be repaired during times when overtime fees will be charged or whether such repairs should be delayed until the time when regular fees will be charged. Following discussion, the Board concurred that all reported leak should be responded to and repaired as soon as possible, and that additionally, follow-up with the customer needs to be made when contact information is received.

Mr. Reed addressed the Board and stated that his meter was recently under-read. He stated that his next water bill will be a large amount and noted that this is the second billing error in six months. Mr. Gustafson stated that he will review Mr. Reed's account and average his bills to avoid a high bill. Mr. Gustafson reviewed SWWC's

current meter reading procedures and discussed upcoming changes in SWWC's accounting system and telephone system to better serve customers.

In response to Director Jones' inquiry regarding repair of his meter to specifications, Mr. Gustafson stated that he will review the repair.

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 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 Lynch seconded the motion, which was approved by unanimous vote.

ANALYSIS OF LEGACY GROUP ELECTRICITY SOFTWARE

The Board concurred to table this item pending review of information received from Elisa Kaplan of The Legacy Group.

REQUEST FOR RESOLUTION

Mr. Pagan reported on correspondence received from an attorney representing Regency Center requesting that the District adopt a Resolution Authorizing Application of Regency Center to the TCEQ for a Municipal Setting Designation. He requested that the Board table consideration of this matter until he receives a response to his request for additional information on the matter.

RAVENEUX 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 ABHR coordinated with Tim Green of Coats Rose PC on resolving items included in title research performed on the tract and that there has been frequent contact between them. He stated that the Developers have executed the necessary legal documents and that lienholder consent signatures are outstanding.

Mr. Pagan reported that Nabil Joubran has been coordinating with the Developers' engineer on finalizing trail easement exhibits.

Mr. Pagan 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 a draft of the appraisal of the land is expected next week. He stated that an application should be ready for submission by the March meeting of the Board and the sale of the bonds should be scheduled approximately six months after submission of the application. Following discussion, the Board requested that Mr. Pagan prepare a timeline of the bond application with a checklist for review at next month's meeting. Director Smyth recommended that Mr. Pagan add dates to Mr. Joubran's bond application list for distribution to the Board.

Director Petrick next discussed the requests he has received from some District residents who are concerned about the Developers' plans for the Raveneaux Country Club and the potential for loss in property values due to those plans. He stated that some residents are requesting that the Board forward a letter to the Developers to request that their plans for the club be communicated to the community. Director Smyth suggested that the Champion Forest Fund Homeowners Association forward a letter to the Board of Governors of the Raveneaux Country Club to request maintenance of the abandoned golf course property.

The Board next discussed design and coordination of the West End Trail/18th Hole Project submitted by Clark Condon Associates. Following discussion, the Board concurred to continue to place this project on hold because it will not be included in the bond application.

PUBLIC COMMUNICATIONS

Director Smyth next reported on public communications activities. She invited the Directors to attend the awards presentation for this year's Brill Elementary School science class contest to create a 2009 water conservation calendar for the District at 2:00 p.m. on Tuesday, February 10, 2009.

Director Smyth requested that the Directors review the District's website and forward to her suggested revisions and additions.

Director Smyth stated that brown bag lunches most likely will not be scheduled during the first quarter of this year and that a newsletter is expected to be distributed during the first quarter.

ADMINISTRATIVE BUILDING AND GROUNDS

The Board next discussed repairs and maintenance needed for the administrative building and grounds. Director Petrick reviewed cost estimates for repair of the leaking ceiling, cleaning or repair of the carpet, replacement of lighting and ballasts, and repair of the fence. Following review and discussion, Director Smyth moved to approve the proposal from DSA in the approximate amount of \$3,100.00 for painting of the ceiling in the conference room, two offices, and the exterior of the building, repair of the hardy plank, and replacement of a section of the damaged wrought iron fence, and to approve the proposal from Able Electric in the amount of \$1,500.00 to replace seven ballasts. Director Lynch seconded the motion, which was approved by unanimous vote. The Board authorized Director Petrick to obtain additional cost estimates for carpet replacement and for staining of the doors.

MATTERS RELATED TO NHCRWA

Director Smyth reported on matters related to the NHCRWA. She commended Mr. Nabil Joubran for his efforts which have resulted in the District being one of nine approved projects for surface water conversion out of 60 utility districts.

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 attended the Champions Cove Homeowners Association meeting held on January 20, 2009. He stated that there was general support for the District's park plan. He stated that parking and security concerns related to the plan were discussed.

Ms. Cherne reported that executed contracts have been received from all of the homeowners associations for which the District will pay electricity costs for street lights located within the District.

WATER CONSERVATION

Director Smyth reported that she is attending a Water Conservation Workshop which will include information on new Irrigation Rules adopted by the TCEQ.

Mr. Pagan reported that the District will need to adopt a Water Conservation Plan due to the required connection to NHCRWA. He stated that a form plan will be forwarded to Director Smyth for review and an item will be included on next month's agenda for discussion.

GIS

Director Petrick reported that he and Mr. Gustafson attended a meeting last week to review the District's Geographical Information System Program. He stated that a presentation with a budget and timeline is expected to be completed next month. Following discussion, Director Petrick stated that he will work with Director DiCioccio on review of the proposal.

RENEWAL OF DISTRICT INSURANCE POLICIES

Mr. Pagan reported that the District's insurance policies are due to expire on June 1, 2009. Following discussion, the Board authorized ABHR to request proposals for the District's insurance policies from available providers for review.

MEETING SCHEDULE AND AGENDA

Director Petrick reported on his coordination with Mr. Gustafson regarding development of a consultant review process. Mr. Gustafson stated that he will distribute to the Board a proposed performance review form for review.

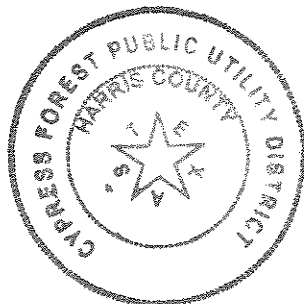
The Board next discussed their meeting schedule and items for inclusion on the agendas. The Board concurred to evaluate the public irrigation rate contained in the District's Rate Order at next month's meeting.

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 the scheduling order approved at the hearing held on January 21, 2009, continues into fall of this year. 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.

(SEAL)



Fred P. Jones
Secretary, Board of Directors

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