

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

July 7, 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 7th day of July, 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 except Director Smyth, thus constituting a quorum.

Also present for all or part of the meeting were the following: Alice Kanayan and Jim Reed, residents; 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. There were no public comments.

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

Ms. Shelnett noted that check no. 3557 in the amount of \$10,000.00 was drafted for payment of a deposit to Cy-Champ Public Utility District ("Cy-Champ") for preparation of an amendment to Cy-Champ's Strategic Partnership Agreement ("SPA") with the City of Houston (the "City"), which would allow the District to enter into an SPA with the City. The Board concurred to remove the check from the Consent Agenda for consideration later in the meeting. Upon a motion made by Director Jones and seconded by Director Lynch, 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

Ms. Flores reported that per new legislation, she will need to provide credit card payment services by September 1, 2009. She requested that an item be placed on next month's agenda to approve and execute any documents necessary to implement the services.

Discussion ensued regarding a comparison of the District's preliminary assessed values from the same time period as this year's values.

ADDITIONAL FINANCIAL AND BOOKKEEPING ITEMS

Ms. Shelnuttt reviewed two additional checks for payment of meeting expenses and for payment of miscellaneous District Administrative expenses to Director Petrick. She stated that the additional checks will be included on next month's report. Following review and discussion, Director DiCioccio moved to approve the additional checks as presented. Director Jones seconded the motion, which was approved by unanimous vote, except for Director Lynch who was not present for the vote.

STRATEGIC PARTNERSHIP AGREEMENT

The Board next discussed correspondence previously distributed by Director Lynch regarding Cy-Champ's approval of proceeding with an amendment to their SPA with the City pending the receipt of a deposit from the District in the amount of \$10,000 for expenses related to the amendment. Cy-Champ's SPA with the City must be amended in order for the District to enter into the SPA with the City. Mr. Pagan briefly reviewed provisions of and procedures for such agreements. Discussion ensued regarding the areas within the District which would be included within the limited purpose annexation under the SPA. Following discussion, Director Jones moved to authorize the District's consultants to perform the actions necessary to begin the process of entering into an SPA with the City and to hold the deposit for Cy-Champ until the SPA amendment process begins. Director DiCioccio seconded the motion, which was approved by unanimous vote, except for Director Lynch who was not present for the vote.

ASSOCIATION OF WATER BOARD DIRECTORS

Director DiCioccio reported that he reviewed generator costs during the Association of Water Board Directors ("AWBD") summer conference and that there may be opportunities in the future to obtain a generator for a lower price than the generator rental agreement that the District entered into with Neil Technical Services Corporation. He suggested reviewing generator costs in six months after expiration of the agreement.

Director Lynch read aloud the District's Travel Reimbursement Guidelines and requested consideration for reimbursement of a third per diem for the AWBD summer conference. The Board discussed the District's policies for reimbursement of eligible expenses for the AWBD conferences and the previously authorized number of per diems. Following discussion, Director Lynch moved to approve reimbursement of eligible expenses, including a third per diem. Director DiCioccio seconded the motion, which did not pass.

ADDITIONAL ENGINEERING ACTION ITEMS

Mr. Joubran updated the Board on the District's surface/ground water blending project for Water Plant Nos. 1 and 2. He reported that there were no time extensions or pay estimates for consideration at this time. Mr. Joubran responded to Board members' questions regarding the schedule for construction of the line to connect to the District's water plant and compliance issues for such connection.

Mr. Joubran reported that, as authorized last month, he has been coordinating with Director DiCioccio on the preparation of an asset inventory document for evaluation of the efficiency of the District's operations. He stated that the document is expected to be reviewed with the Board at next month's regularly scheduled meeting.

Discussion ensued regarding budgeting for the District's anticipated expenditures for its share of maintenance and capital improvement projects for the Kleinwood Regional Wastewater Treatment Plant. Mr. Joubran stated that he has begun coordinating with the engineer of the plant to obtain such expenditure information.

DISTRICT FACILITY OPERATIONS, REPAIR AND MAINTENANCE ITEMS

Mr. Gustafson reported that he is monitoring the District's wells and well interconnections closely to determine whether there is a need to implement the District's Drought Contingency Plan and will keep the Board updated.

Mr. Gustafson next reviewed a customer request for a variance to the District's Rate Order for an additional sewer tap for construction of a garage bathroom. Discussion ensued regarding the District's sewer fee. Following discussion, Director DiCioccio moved to approve the variance request. Director Lynch seconded the motion, which was approved by unanimous vote.

Mr. Gustafson reported that Director Smyth is following up with the Texas Water Development Board (the "TWDB") on leak detection service options. He stated that he believes that the TWDB will loan leak detection equipment to utility districts, which then hire an operator to perform the services.

CONDUCT HEARING ON TERMINATION OF WATER SERVICE

The Board next conducted a hearing on the termination of water service. Mr. Gustafson stated that two accounts are being researched for unusual water consumption activity. He reported that the remaining 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 researched. Director Lynch seconded the motion, which was approved by unanimous vote.

RAVENEUX TRACT DEVELOPMENT, WEST END TRAIL/18TH HOLE PROJECT, SECOND AMENDMENT TO AGREEMENT

Mr. Pagan next reviewed with the Board correspondence from Coats Rose LP which requests approval of a Second Amendment to the Raveneaux Redevelopment Agreement with JP Raveneaux Partners LP and Kera Development LP (the "Developers"). He stated that the proposed amendment extends the date by which the District or the Developer may terminate the agreement because of litigation from July 2, 2009, per the First Amendment to the agreement, to October 31, 2009. Following discussion, Director DiCioccio moved to approve the Second Amendment to the Agreement. Director Lynch seconded the motion, which was approved by unanimous vote.

Discussion ensued regarding performance requirements for the Developer under the Raveneaux Redevelopment Agreement with JP Raveneaux Partners LP and Kera Development LP (the "Agreement"). Following discussion, Director Petrick requested that the Developers either submit the executed lienholders consent document or the deposit required under the Agreement.

Additional discussion ensued regarding the status of the Kleinwood litigation. Following discussion, the Board requested that Mr. Pagan request an updated schedule from Mr. Viada and a summary of depositions taken, if any.

Mr. Pagan next reported that a proposed description of the trail easement was received from the Developers' engineer, E. Benton Schmaltz, P.E of Brown & Gay Engineers, Inc. Mr. Pagan and Mr. Joubran said that the proposed description is not consistent with the Agreement. Following review and discussion, the Board concurred that the metes and bounds description of the trail easement needs to be consistent with the Agreement.

Director Lynch requested that the Board consider seeking analyses from two additional financial advisors on financing options for funding of the District's purchase of the park property. Mr. Pagan briefly reviewed the financing options available to the District under state law and the Board noted that Mr. Howell has previously reviewed such options with the Board. Following discussion, the Board authorized Director Lynch to forward alternate financing options to Director Petrick for consideration for placement onto a future meeting agenda.

BOND APPLICATION

Mr. Pagan updated the Board on the District's application for the issuance of bonds for the acquisition of land for park and recreational facilities submitted to the Texas Commission on Environmental Quality (the "TCEQ") on April 6, 2009. He reported that he will respond to correspondence received from the TCEQ which requests an explanation of how the District will benefit from the purchase of the park property. He stated that the response will outline the qualitative and quantitative benefits of the purchase.

REPORT ON LEGISLATION AFFECTING WATER DISTRICTS

Mr. Pagan reviewed the ABHR legislative report with the Board.

ARBITRAGE REBATE STUDY

The Board reviewed a previously distributed arbitrage rebate report prepared by OmniCap Group LLC reflecting that no rebate amount is owed to the Internal Revenue Service on the District's Series 1995 and 2003 Bonds.

PUBLIC COMMUNICATIONS

Director Petrick reported on public communications activities, including positive responses received from the District's distribution of the newsletter and the emergency preparedness card.

MATTERS RELATED TO NHCRWA

Director DiCioccio reported on his attendance at the July 2009 meeting of the North Harris County Regional Water Authority.

KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT

Director Lynch reported on the July meeting of the Joint Powers Board, and operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant (the "KRWTP"). Discussion ensued regarding e-mail correspondence previously distributed by Director Lynch regarding the District's electricity consumption reporting

requirements to the State Energy Conservation Office for the KRWTP. Following discussion, the Board authorized Mr. Pagan to research such reporting requirements.

MATTERS RELATED TO HOMEOWNERS ASSOCIATIONS

In response to e-mail correspondence from Champion Forest Eleven Homeowners Association, Inc. ("Section 11") regarding payment procedures for street light electricity invoices, the Board concurred that Section 11 will directly pay the invoices and the District will reimburse Section 11 for 80% of Section 11's electricity costs for street lights in accordance with District policies.

GEOGRAPHICAL INFORMATION SYSTEM

Discussion ensued regarding scheduling of a presentation on the District's Geographical Information System. Following discussion, the Board concurred to schedule a special meeting at 9:00 a.m. on July 17, 2009, at the District's Administrative Building to receive the presentation.

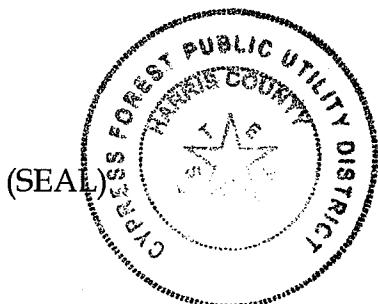
MEETING SCHEDULE AND AGENDA

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

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.



Fred P. Jones
Secretary, Board of Directors

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