

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

August 4, 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 4th day of August, 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: Robert J. Brengel of Reid Road Municipal Utility District No. 1; Mark Roth, CPA; 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

EXECUTION OF DISTRICT REGISTRATION FORM

Upon a motion made by Director DiCioccio and seconded by Director Smyth, the Board voted unanimously to approve the items on the Consent Agenda, except for Director Lynch who was not present for the vote. Copies of the bookkeeper's report,

tax assessor/collector's report, the engineer's report, and the operator's report are attached.

ADDITIONAL FINANCIAL AND BOOKKEEPING ACTION ITEMS

Ms. Shelnutt reviewed three additional checks for payment of quarterly regional water fees, per diems for Director DiCioccio, and the re-issue of an unprocessed check previously forwarded to Harris County WCID No. 114 for water use in 2007. She stated that the additional checks will be included on next month's report. Following review and discussion, Director Smyth moved to approve the additional checks as presented. Director DiCioccio seconded the motion, which was approved by unanimous vote, except for Director Lynch who was not present for the vote.

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 reported that, as previously authorized, he has been coordinating with SWWC on the preparation of an asset inventory document for evaluation of the efficiency of the District's operations. He stated that a draft report has been forwarded to Director DiCioccio for review. He stated that the final document is expected to be completed prior to next month's regularly scheduled meeting.

In response to Director Jones' inquiry, Mr. Joubran reported on issues regarding a stolen backflow preventer at a medical office complex located on Louetta Road.

ADDITIONAL TAX ASSESSMENT COLLECTION ACTION ITEMS

Ms. Flores reported that per new legislation, she will need to provide credit card payment services to the District's tax payers by September 1, 2009. She stated that the documents necessary to implement the services are being negotiated with Global Payments Direct, Inc. and reviewed by ABHR. In response to Board members' questions, she stated that users of the service will pay a 3% convenience fee. She said that state law limits the convenience fee to 5%. She additionally stated that a one-time set-up fee for the service has not yet been determined. Following discussion, Director Smyth moved to approve implementation of the credit card payment services, subject to review of the contract by ABHR. Director Jones seconded the motion, which was approved by unanimous vote, except for Director Lynch who was not present for the vote.

ENGAGE AUDITOR TO CONDUCT AUDIT

Mr. Roth next reviewed with the Board an engagement letter in the amount of \$9,500.00 for each of the fiscal years ending September 30, 2009 and 2010. He stated that

the price is a 6% increase over the previous two-year engagement. Following review and discussion, Director Jones moved to authorize execution of the engagement letter as presented, subject to review by ABHR. Director DiCioccio seconded the motion, which was approved by unanimous vote, except for Director Lynch who was not present for the vote.

DISTRICT FACILITY OPERATIONS, REPAIR AND MAINTENANCE ACTION ITEMS

Mr. Gustafson noted that an updated operations report was distributed due to errors found by Director Jones. He stated that he is working with Director Jones to ensure that future reports are accurate.

Mr. Gustafson next discussed with the Board the District's water accountability rate and monitoring of the District's wells and emergency interconnects. Discussion ensued regarding the District's new billing format. Following discussion, the Board authorized SWWC to highlight the North Harris County Regional Water Authority fee included on the District's bills.

Mr. Gustafson reported that the Texas Water Development Board (the "TWDB") will loan leak detection equipment to the District and Juan Alexander will perform the leak detection services using the equipment.

Mr. Gustafson next reviewed an equipment book compiled in coordination with Mr. Joubran. He stated that the book covers the history of the maintenance performed on the District's equipment beginning in year 2003 and will be updated monthly. Discussion ensued regarding the increase in the number of repairs performed within the District. Mr. Gustafson stated that he believes that the shifting of ground due to drought-like weather conditions has caused the increase. He stated that he will additionally research the repairs to determine whether there are any other factors causing the increase.

CONDUCT HEARING ON TERMINATION OF WATER SERVICE

The Board next conducted a hearing on the termination of water service. 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. Director Lynch seconded the motion, which was approved by unanimous vote.

RAVENEUX TRACT DEVELOPMENT, WEST END TRAIL/18TH HOLE PROJECT,
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. He reported that a response to correspondence received from the TCEQ which requested an explanation of how the District will benefit from the purchase of the leased property has been sent. He stated that he will follow-up with TCEQ staff and will keep the Board apprised of any developments.

Mr. Pagan next discussed with the Board some of the actions necessary for closing of the real estate transaction to purchase of the land for park and recreational facilities. Following review and discussion, Director Smyth moved to authorize Pepe Engineering to survey the portion of the tract which will be subject to a lease in an amount not to exceed \$5,000.00. Director Lynch seconded the motion, which was approved by unanimous vote.

Mr. Pagan next updated the Board on performance by JP Raveneaux Partners LP and Kera Development LP (the "Developers") under the Raveneaux Redevelopment Agreement. He stated that one lienholders consent document has been received and that he has requested a metes and bounds description of the trail easement which is consistent with the agreement.

STRATEGIC PARTNERSHIP AGREEMENT

Mr. Pagan reported that notice of the beginning stages of the Strategic Partnership Agreement ("SPA") process was received from the City of Houston (the "City"). He stated that the District's deposit check was forwarded to Cy-Champ PUD for expenses related to amendment of their current SPA to allow the District to enter into an SPA with the City. Mr. Pagan briefly reviewed provisions of and procedures for such agreements, including preparation of a description of the areas within the District which would be included within the limited purpose annexation under the SPA and the holding of public hearings.

PUBLIC COMMUNICATIONS, WATER CONSERVATION PILOT PROJECT

Director Smyth reported on public communications activities, including positive responses received from the District's distribution of the newsletter and the emergency preparedness card. She stated that probable topics for the next series of brown bag lunches would be drought and water conservation issues

Director Smyth additionally reported on water conservation projects and activities, including the development of project ideas for District sponsorship, the progress of the water conservation project for the District's esplanades through coordination with the Champion Forest Maintenance Fund, the Champion Forest

Garden Club, and companies who have donated equipment and labor, and the Garden Club's desire to plant wildflowers on the District's park property once purchased.

MATTERS RELATED TO NHCRWA

Director Smyth reported that a proposed increase in fees to the amounts of \$2.30 to \$2.35 per thousand gallons of water pumped was discussed at the August 2009, meeting of the North Harris County Regional Water Authority.

KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT

Director Lynch reported on the August 2009, meeting of the Joint Powers Board, and operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant (the "KRWTP"). Mr. Joubran stated that he has been in contact with the engineer of the KRWTP to obtain estimated repair and maintenance costs for use in the District's budget.

MATTERS RELATED TO HOMEOWNERS ASSOCIATIONS

No additional matters related to homeowners associations were discussed.

GEOGRAPHICAL INFORMATION SYSTEM

Director Petrick reported that he requested proposals from companies to implement the District's Geographical Information System ("GIS"). He recommended receiving presentations from Michael Baker & Associates and HDR, Inc. and asked the Board members to develop a list of priorities, objectives, and uses for the District's GIS system to discuss with the presenters. Following discussion, the Board concurred to schedule a special meeting at 9:30 a.m. on August 28, 2009, at the District's Administrative Building to receive the presentations.

MEETING SCHEDULE AND AGENDA

The Board next discussed their meeting schedule and items for inclusion on the agenda. The Board concurred to additionally include an item on the agenda for the August 28, 2009, special meeting to discuss the draft budget for fiscal year ending September 30, 2010.

CONVENE IN EXECUTIVE SESSION, RECONVENE IN OPEN SESSION

The Board convened 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.

The Board reconvened in open session. Following discussion, Director DiCioccio moved to authorize proceeding with the recommended attorney action in the Kleinwood litigation matter as discussed. Director Lynch seconded the motion, which was approved by unanimous vote.

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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