

MINUTES  
CYPRESS FOREST PUBLIC UTILITY DISTRICT

September 1, 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 1st day of September, 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 Petrick, thus constituting a quorum.

Also present for all or part of the meeting were the following: Jim Reed, Ed Laposki, and Eric Shiffler, residents; Kim Shelnett of Myrtle Cruz, Inc.; Aimee Ordeneaux 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 Kristen Hogan, Recording Secretary.

PUBLIC COMMENTS

Director Smyth opened the meeting to receive public comments. Mr. Laposki presented a filter from his water softener that was recently replaced, noting the evidence of rust. He inquired about District's process and requirements for testing water quality. After discussion, the Board directed the operator to perform a water quality test at Mr. Laposki's home.

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

The Board concurred to remove the bookkeeper's and operator's reports from the Consent Agenda for consideration later in the meeting. 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 tax assessor/collector's report and the engineer's report are attached.

#### ADDITIONAL TAX ASSESSMENT COLLECTION ACTION ITEMS

Ms. Ordeneaux stated that she was informed the Harris County Appraisal District certified the 2009 tax rolls, but the data has not yet been released. The Board requested that the information be forwarded to them once received.

#### ADDITIONAL FINANCIAL AND BOOKKEEPING ACTION ITEMS AND BUDGET FOR FISCAL YEAR END SEPTEMBER 30, 2010

Ms. Shelnutt noted that Ms. Ordeneaux presented a check from Kleinwood Municipal Utility District for its percentage of the taxes collected from the Kroger shopping center. In response to questions from the Board, Ms. Shelnutt discussed issues with timing of SWWC's billings, which will be resolved in the next quarter. Ms. Shelnutt then presented the proposed operations budget for the fiscal year ending September 30, 2010. Following review and discussion, Director Jones moved to approve the bookkeeper's report and the checks presented for payment of District bills and adopt the District's budget for the fiscal year ending September 30, 2010. Director DiCioccio seconded the motion, which was approved by unanimous vote.

#### AUTHORIZED DEPOSITORY INSTITUTIONS

The Board next reviewed updates to the District's authorized depository institutions and list of qualified broker/dealers. Following review and discussion, Director DiCioccio moved to approve the Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions as updated. Director Lynch seconded the motion, which was approved by unanimous 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 reviewed and recommended approval of Pay Estimate Nos. 1 and 2 in the amounts of \$8,745.30 and \$69,223.91, respectively. He then reviewed and recommended approval of Change Order No. 1 to correct the total contract amount to \$332,888 and a request for a time extension to add an additional 75 days.

Mr. Joubran reported that, as previously authorized, he has been coordinating with SWWC to compile an inventory of the District's assets for evaluation of the efficiency of the District's operations. He presented the proposed final report for the Board's consideration and noted that revisions provided by Director DiCioccio have been incorporated. He added that, once approved by the Board, he will prepare copies

of the final report for distribution to the Directors and consultants.

Mr. Joubran presented and reviewed a proposal for Pepe Engineering to prepare start-up and action plans for implementation during operation and upon completion of the ammonia injections systems. He reviewed the scope of services and associated hourly fees not to exceed \$12,000. He said the detailed plans would be provided to the operator. In response to questions from the Board, Mr. Gustafson confirmed there will be no additional significant costs associated with the ammonia injections system. In response to a question from Ms. Shelnutt, Mr. Pagan confirmed the cost for preparation of the start-up and action plans may be paid from capital projects funds as an addition to the water plant.

Mr. Joubran then reported on additional engineering items, as indicated in the attached engineer's report.

After review and discussion, Director DiCioccio moved to approve (1) Pay Estimate Nos. 1 and 2, Change Order No. 1, and the time extension for the surface/ground water blending project for water plant nos. 1 and 2, (2) the Asset Inventory Report, and (3) the proposal from Pepe Engineering to prepare start-up and action plans for implementation during operation and upon completion of the ammonia injections systems. Director Jones seconded the motion, which passed unanimously.

#### ADDITIONAL DISTRICT FACILITY OPERATIONS ACTION ITEMS

Mr. Gustafson stated that VISA is no longer participating in the credit card program for payment of water and sewer bills. He said Discover Card is replacing VISA in such program. Director Smyth noted that a message was included on the previous water and sewer bills notifying customers of this change. She asked questions regarding SWWC's process for selecting messages to be included in the monthly water and sewer bills and requested that Mr. Gustafson ensure the messages are chosen based on the time of year and applicability. Director Smyth added that the notice regarding the North Harris County Regional Water Authority ("NHCRWA") fee needs to be corrected and repeated in the next bills. Director Smyth then discussed the current state of the economy and noted that District customers are now responsible for the increased NHCRWA fee in addition to higher water bills based on increased usage from the hot weather and lack of rain. She discussed possible types of relief that could be offered to District customers. Mr. Gustafson discussed SWWC's new accounting system, which provides customer service representatives with specific information about the District when talking to customs. He said SWWC generally offers a payment plan of three months or less for customers who call to request an extension for payment of their water and sewer bill prior to termination of service. Mr. Gustafson said the Board can determine parameters for SWWC to follow when offering payment plans. After discussion, the Board concurred to continue considering each request on a case-by-case basis. The Board concurred no additional action was necessary.

Mr. Shiffler discussed a billing issue and noted that his check was returned and he received a delinquent notice. He presented the check for payment of his bill and Mr. Gustafson said he would ensure the issue is resolved the following day. Mr. Shiffler next discussed recent excavation activity in the front yard of his home, which appeared to be associated with a District repair. He asked the Board for a timeline for restoration of the yard. After discussion, Mr. Gustafson said he will ensure SWWC restores the area soon.

Mr. Gustafson next discussed with the Board the District's water accountability rate and meter replacement program. In response to a question from Director Lynch, Mr. Gustafson said the meter replacement program is ongoing and that commercial meters are calibrated every six months. He said the leak detection testing was recently completed and he is waiting for cost estimates from Juan Alexander for the necessary repairs.

Mr. Gustafson stated that the amendment to the District's operating contract with SWWC is on hold, pending resolution of issues related to the insurance certificate.

After review and discussion, Director Smyth moved to approve the operator's report. Director DiCioccio seconded the motion, which passed unanimously. A copy of the operator's report is attached.

#### CONDUCT HEARING ON TERMINATION OF WATER SERVICE

The Board next conducted a hearing on the termination of water service. Mr. Gustafson 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 Smyth 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 Mr. Shiffler. Director DiCioccio seconded the motion, which was approved by unanimous vote.

#### RAVENEAU TRACT DEVELOPMENT AND BOND APPLICATION NO. 10

Mr. Pagan said he will contact the Texas Commission on Environmental Quality for an update on the District's bond application. The Board requested that ABHR notify the Directors when an update is received. Mr. Pagan noted that the District's engineer prepared the legal description for the "lease tract."

#### STRATEGIC PARTNERSHIP AGREEMENT

Mr. Pagan reported that the District's proposed Strategic Partnership Agreement was sent for translation. He discussed the process for approval of the SPA and said the

Board can hold the two required hearings at its October and November meetings. He added that the City of Houston cannot complete the annexation process until after its election run-off period in December.

#### PUBLIC COMMUNICATIONS AND WATER CONSERVATION PILOT PROJECT

Director Smyth reported on public communications activities. She discussed information she received regarding disposal of grease and said she will review the information with Mr. Gustafson to determine the feasibility and costs associated with grease disposal.

#### MATTERS RELATED TO NHCRWA

Director Smyth said the NHCRWA has not yet met this month.

#### KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT

Director Lynch reported on the September 2009, meeting of the Joint Powers Board, and operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant ("KRWTP"). He noted that he previously forwarded the annual financial report for the KRWTP to the Board. He also discussed a TCEQ lab sampling error that was reported at the meeting.

#### MATTERS RELATED TO HOMEOWNERS ASSOCIATIONS

Director Jones said he had nothing new to report.

#### GEOGRAPHICAL INFORMATION SYSTEM

The Board concurred to schedule a special meeting to discuss this matter once Director Petrick returns.

#### MEETING SCHEDULE AND AGENDA

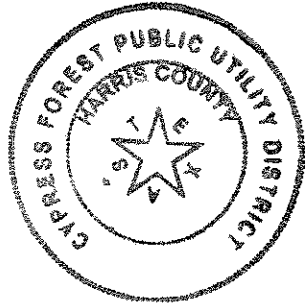
The Board next discussed their meeting schedule and items for inclusion on the agenda.

#### CONVENE IN EXECUTIVE SESSION

The Board concurred it was not necessary to convene in executive session. Mr. Pagan discussed an updated from Mark Jordan on the pending litigation matter and said the deadline to file an appeal for award of attorney's fees has passed. Mr. Pagan added that no hearings have been scheduled.

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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