

MINUTES  
CYPRESS FOREST PUBLIC UTILITY DISTRICT

January 5, 2010

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 5th day of January, 2010, 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: Barbara Payne of Payne Communications; Kim Jackson of the *Houston Chronicle*; 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"); Justine M. Cherne, Recording Secretary; and persons listed on the attached attendance sheets.

Director Petrick called the meeting to order.

PUBLIC COMMENTS

Director Petrick opened the meeting to receive public comments. Meeting attendees addressed the Board to express their opinions regarding the proposed Raveneaux Redevelopment Project and proposed amendments to the Raveneaux Redevelopment Agreement. Copies of the completed Public Comment Cards are attached. Board members and Mr. Pagan explained that a revised, proposed Sixth Amendment to the Raveneaux Redevelopment Agreement with JP Raveneaux Partners LP and Kera Development LP (the "Redevelopment Agreement") was received this morning and the Board has not yet had the opportunity to review and discuss the amendment. Mr. Pagan additionally explained that the District must provide utility service to property within its boundaries if capacity is available.

CONVENE IN EXECUTIVE SESSION, RECONVENE IN OPEN SESSION

The Board convened in executive session at 6:05 p.m. 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 at 6:28 p.m. Mr. Pagan provided a brief summary of the Board's previous rejection of a proposed amendment to the Redevelopment Agreement by JP Raveneaux Partners LP and Kera Development LP (the "Raveneaux Developers") to develop an additional ten acres to be located approximately seventy feet south of Cypresswood Drive and between the current Raveneaux driving range area and approximately an acre and a half from the Mormon church property. He stated that the Board received two versions of a proposed Sixth Amendment to the agreement which was revised and forwarded to the Board this morning. He briefly reviewed provisions of the most recent proposed amendment which included the development of the additional ten acres by removing them from the land sale to the District contemplated in the Redevelopment Agreement in return for a \$650,000 reduction in the land purchase price, a reduction in the number of driveways into Cypresswood Drive for the project, and an extension of a seventy foot landscape/trail buffer along Cypresswood Drive. He stated that the amendment also proposed certain land use restrictions on the ten acres, including restricted use to single-family residences and no more than forty units on the ten acres.

After discussion, each of the Board members expressed their opposition to the proposed amendment to the Redevelopment Agreement and requested that ABHR notify the attorney for the Raveneaux Developers of the Board's decision. Director Petrick noted that the only changes made to the originally executed Redevelopment Agreement per the current five amendments to the Redevelopment Agreement are the extension of two dates related to termination rights due to a lawsuit filed by Kleinwood M.U.D. and the deadline date for purchase of the park property. The Board additionally concurred to reserve the right to meet upon 72 hours notice to consider the termination rights under the Redevelopment Agreement.

In response to a resident's inquiry, Mr. Pagan briefly explained the status of the dismissed federal lawsuit and the current state lawsuit filed by Kleinwood M.U.D. and alleging interference with Kleinwood M.U.D.'s contract rights with the Raveneaux Developers. He stated that the Board and the District's attorneys believe that the claims made in the lawsuits are without merit.

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 AMENDMENT TO INFORMATION FORM

Upon a motion made by Director Lynch and seconded by Director Smyth, the Board voted unanimously to approve the items on the Consent Agenda, and direct that the Amendment to Information Form be filed appropriately and retained in the District's official records. 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, 2009

The Board concurred to table until next month's meeting consideration of the audit for fiscal year ended September 30, 2009.

#### ADDITIONAL TAX ASSESSMENT COLLECTION ACTION ITEMS

There were no additional tax assessment action items. Ms. Flores reported on additional certified value reported within the District.

#### ADDITIONAL FINANCIAL AND BOOKKEEPING ACTION ITEMS

Ms. Shelnutt reviewed two voided checks and seven additional checks for payment, including two checks to replace the two voided checks due to incorrect amounts. She stated that a list of the additional checks will be included on next month's bookkeeper's report. Following review and discussion, Director Lynch moved to approve payment of the additional checks as presented. Director Jones 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 Smyth 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 records. Director Jones seconded the motion, which was approved by unanimous vote.

#### ADDITIONAL ENGINEERING ACTION ITEMS

Mr. Joubran reported that the contractor has completed the installation inside the plant for the District's surface/ground water blending project for water plant nos. 1 and 2. He stated that a satisfactory final inspection took place last month and there are no time extensions or change orders for consideration at this time.

Mr. Joubran and the Board next discussed a date to start delivery of the chloramines-treated ground water to the District's residents, including the estimated dates of delivery of surface water to the District and the interconnected districts by the

North Harris County Regional Water Authority (the "NHCRWA"), and distribution of a notification of the start date for delivery of chloramines-treated ground water to the District's residents. Following discussion, the Board concurred to consider a delivery start date at next month's meeting.

DRAINAGE DITCH MAINTENANCE AND REPAIR

Mr. Joubran reported that a field survey was conducted to identify the extent of the failures at different locations along the banks and bottom of the drainage channel located between Cypresswood Boulevard and Cypress Creek, and at the upstream side of the metal outfall pipe. He stated that a set of drawings and cross sections are being developed, and a proposed plan for the repair and maintenance of the drainage channel will be coordinated with Director DiCioccio for consideration at next month's meeting. He reported that SWWC removed the damaged portion of the metal outfall pipe and Mr. Gustafson stated that the water flow through the pipe has been re-established. Discussion ensued regarding the estimated scope of re-establishment work needed to be performed. Mr. Joubran stated that Sander Engineering, the engineer for Cy-Champ PUD, which owns the sanitary force main and part of the twelve-inch water main that run on either side of the channel, shares the District's concern regarding the channel erosion and is waiting for the Board's decision on any course of action planned.

AUTHORIZE PREPARATION OF EMERGENCY PREPAREDNESS PLAN

Mr. Pagan reported that the Texas Commission on Environmental Quality (the "TCEQ") published their final rules and template for the required preparation of Emergency Preparedness Plans for submittal by March 1, 2010. Following discussion, Director Smyth moved to authorize Pepe Engineering to prepare the Emergency Preparedness Plan in coordination with SWWC for the Board's review prior to the deadline. Director DiCioccio seconded the motion, which was approved by unanimous vote.

AUTHORIZE PREPARATION OF WATER CONSERVATION PLAN

Mr. Pagan stated that, as previously discussed, the NHCRWA requires submission of a District Water Conservation Plan by April 1, 2010. He noted that examples of a basic and a more comprehensive plan were previously distributed for the Board's review. Following review and discussion, Director Jones moved to authorize ABHR to prepare a basic Water Conservation Plan in coordination with SWWC for the Board's review prior to the deadline. Director DiCioccio seconded the motion, which was approved by unanimous vote.

ADDITIONAL DISTRICT FACILITY OPERATIONS ACTION ITEMS

Mr. Gustafson next reported that the operation of the automated flushing valves installed on the District's dead-end waterlines continue to be monitored to evaluate

benefits, installation costs, equipment needs, and maintenance procedures and develop a recommendation on the installation and operation of such valves.

#### CONDUCT HEARING ON TERMINATION OF WATER SERVICE

Mr. Gustafson reported on correspondence with a District resident regarding high water bills. He stated that he informed the resident that there was no basis for a bill adjustment due to test results of 99% accuracy for the old meter which was removed and replaced with a new meter.

The Board next conducted a hearing on the termination of water service. Mr. Gustafson reviewed three accounts requiring additional investigation. 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 Jones 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 three delinquent accounts discussed per Mr. Gustafson's recommendation. Director Lynch seconded the motion, which was approved by unanimous vote. The Board additionally requested a review of accounts over 90 days due for collection effort.

#### CONTRACT WITH SWWC SERVICES, INC.

The Board next considered approval of a contract with SWWC Services, Inc. for operator services. Discussion ensued regarding the large number of charges for repairs to the District's facilities. Director Petrick stated that he has received documents from Mr. Gustafson regarding the repairs and requested approval for him and Director Jones to coordinate their review of the documents to determine the reason for the large number of repairs. Following discussion, the Board authorized Directors Petrick and Jones to coordinate their review of the documents as discussed. The Board concurred to table consideration of the contract with SWWC Services, Inc. pending their review.

Mr. Gustafson additionally reported that an addendum to the District's contract for operator services will be presented for consideration at next month's meeting. He stated that the addendum will include a flat monthly fee for the extra operational costs related to the District's conversion to chloramines disinfection.

#### AMEND RATE ORDER

The Board next discussed the water rates for public irrigation charged to the homeowners associations located within the District. Following review and discussion, Director DiCioccio moved to amend the District's Rate Order to include that each Public

Irrigation User will be charged a water rate of \$1.20 per thousand gallons of actual usage effective March 1, 2010. Director Lynch seconded the motion, which was approved by unanimous vote.

#### RAVENEUX TRACT DEVELOPMENT, AMENDMENT TO AGREEMENT

Mr. Pagan next discussed with the Board the Redevelopment Agreement to clarify the provisions regarding the date of January 15, 2010, by which the District or the Developer may terminate the Agreement due to the Kleinwood M.U.D. litigation and by which all documents required to be signed and delivered by the Developer and its lender at the March 31, 2010, closing are to be received. Following discussion, the Board concurred to schedule a special meeting at 9:00 a.m. on Friday, January 15, 2010, to discuss the status of the Redevelopment Agreement, if necessary.

The Board next discussed placing onto the District's website an official statement regarding the Board's action taken on the proposed Sixth Amendment to the Redevelopment Agreement. Following discussion, the Board authorized ABHR to draft such a statement for comment by the individual Directors prior to placement onto the District's website.

#### PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL NOTICE OF SALE

The Board concurred to table consideration of the preparation of the Preliminary Official Statement and Official Notice of Sale for the District's proposed Bond issue.

#### PUBLIC COMMUNICATIONS

Ms. Payne updated the Board on the District's public communications activities, including the distribution of brochures related to chloramines disinfection and the rising cost of water. She reported that the water conservation calendar from the Brill Elementary School coloring contest is scheduled for distribution next week.

Director Smyth reviewed a proposed letter expressing the Board's support for renovating Klein High School in its current location and expressing opposition to moving the students to another location and using Klein High School for other District purposes. Following review and discussion, the Board authorized forwarding the letter as written to the Board of Trustees of the Klein I.S.D.

Discussion ensued regarding communication distributed by homeowners associations regarding District matters. Director Smyth stated that she asked the homeowners associations to please include on such communications a reference to the District's website and to the District's e-mail distribution registration form.

#### MATTERS RELATED TO NHCRWA

Director Smyth reported on the status of and proposed schedule for surface

water conversion by the NHCRWA.

KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT

There was no discussion on the monthly meeting of the Joint Powers Board, and operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant ("KRWTP").

MATTERS RELATED TO HOMEOWNERS ASSOCIATIONS AND WATER CONSERVATION PILOT PROJECT

There was no additional discussion regarding matters related to homeowners associations and there was no discussion on activities related to the water conservation pilot project.

MEETING SCHEDULE AND AGENDA

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

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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