

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

March 2, 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 2nd day of March, 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: 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. 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

Upon a motion made by Director Lynch and seconded by Director DiCioccio, the Board voted unanimously to approve the 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, TAX RESOLUTIONS

The Board next considered adopting a Resolution Concerning Tax Collection Procedures and a Resolution Concerning Exemptions from Taxation. Ms. Flores reviewed the provisions of the Resolution Concerning Tax Collection Procedures adopted last year which state that the District will not allow the split payment of taxes, will not allow a discount for early payment of taxes, and will mail all tax bills, including those under \$15.00. She next reviewed the provisions of the Resolution Concerning Exemptions from Taxation adopted last year which state that the general homestead, charitable organization, and travel trailer exemptions are rejected, but that a \$125,000.00 homestead exemption will be granted to persons 65 years of age or older or disabled persons. Following review and discussion, Director Lynch moved to adopt the resolutions without changes to the provisions adopted last year, and direct that the resolutions be filed appropriately and retained in the District's official records. Director DiCioccio seconded the motion, which was approved by unanimous vote.

Ms. Flores reported on additional tax collections received.

ADDITIONAL FINANCIAL AND BOOKKEEPING ACTION ITEMS

Ms. Shelnutt reviewed two checks for payment of expenses related to the Brill Elementary School Spring into Action event and for payment of the March Board meeting expenses. Following review and discussion, Director Smyth moved to approve payment of the additional checks as presented. Director Lynch seconded the motion, which was approved by unanimous vote.

APPROVE ANNUAL REPORT AND AUTHORIZE FILING OF SAME

The Board next considered approving the updated financial and operating data in accordance with the Continuing Disclosure Agreements for the District's outstanding bond issues and pursuant to SEC Rule 15c2-12. Mr. Pagan stated that the Annual Report must be filed by March 31, 2010. Following review and discussion, Director Smyth moved to approve the updated financial and operating data, and direct that the report be filed appropriately and retained in the District's official records. Director DiCioccio seconded the motion, which was approved by unanimous vote.

ADDITIONAL ENGINEERING ACTION ITEMS, DRAINAGE DITCH MAINTENANCE AND REPAIR

Mr. Joubran stated that the North Harris County Regional Water Authority (the "NHCRWA") has installed approximately 800 feet of the 20-inch surface water delivery line to be connected to the District's water plant and reviewed the routing of the line. He additionally updated the Board on the re-routing of a portion of the line due to the incorrect location of the District's channel depicted on the construction plans. He noted

that Pepe Engineering provided written comments to the plans which stated that the channel did not appear to be located in the correct location. He stated that construction on the south side of Cypresswood Road will begin after the finalization of right-of-way condemnation proceedings.

Mr. Joubran stated that Pepe Engineering continues to coordinate with Director DiCioccio on a proposed plan for the repair and maintenance 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 reported that several options and various repair scenarios were discussed during a field meeting attended by the President of the Board of Directors and the engineer for Cy-Champ P.U.D., Pepe Engineering, and Director DiCioccio. He reminded the Board that Cy-Champ owns the sanitary force main and part of the twelve-inch water main that run on either side of the channel. Mr. Joubran and Director DiCioccio discussed their efforts to identify spot repairs necessary to ensure that the support of the water line is not compromised, while delaying any repairs that are located in areas to be impacted by future construction projects. Mr. Joubran stated that the repairs of three areas of the channel slope where the water line is exposed are estimated to cost a minimum of \$61,300.00 and could cost as much as \$130,000.00 if additional issues are discovered during the repair work. Mr. Pagan stated that the District's Emergency Water Supply Agreement with Cy-Champ P.U.D. includes a 50% sharing ratio of maintenance costs between the districts with a requirement of secured approval for maintenance costs over \$2,000.00. Mr. Joubran stated that he will coordinate with Director DiCioccio to forward a cost estimate for the repair project to the engineer for Cy-Champ P.U.D. for review and approval by the Board of Directors of Cy-Champ P.U.D.

Mr. Joubran reported that, as authorized during last month's Board meeting, a section of the sanitary sewer line which has been experiencing escalated backups was jettied, cleaned, and televised. He stated that a review of the videotapes confirms that there are no defects and a large amount of grease in the line. Discussion ensued regarding the source of the grease and distributing to the District's residents communication regarding proper disposal of grease. Director DiCioccio stated that he will discuss proper grease disposal with his neighbors.

In response to Director Jones' question regarding a payment to the NHCRWA made in January, Ms. Shelnett stated that the NHCRWA has converted from quarterly to monthly billing. Director Jones requested that the operator's report reflect such change.

ADDITIONAL DISTRICT FACILITY OPERATIONS ACTION ITEMS

Mr. Gustafson next reviewed a NHCRWA Water Production and Billing Report that indicates the amount collected by the District and the amount billed by the

NHCRWA on a calendar month basis.

Mr. Gustafson reviewed the water service termination list and reported that SWWC can no longer accept Visa payments for the District's utility bills because Visa changed their fees to a percentage amount in violation of the usury laws of the State of Texas. He reviewed a customer account that was included on the termination list, which has since been paid, due to this change in accepted payment. He stated that the option of paying the District's utility bills with a Discover card has been added. He reported that SWWC is working to add the option of paying on-line for a \$1.00 fee through an agreement with Compass Bank.

Mr. Gustafson next reviewed a list of the top ten residential and commercial usage accounts. Director DiCioccio requested that a specific residential account be checked because he is concerned that his elderly neighbor may have an unknown leak.

Mr. Gustafson reviewed a draft analysis of service orders comparing the number and dollar amount of categorized District facilities repairs during the prior two years. He stated that revisions will be made to the analysis, including the removal of four charges in 2009 which should've been charged to the water plant and the addition of expenses to the meter replacement category. He then reviewed a list of service orders for the month of January 2010 and a comparison of the number of service orders for the month of February for the years 2009 and 2010, and responded to Board members' questions.

Mr. Gustafson reported that delivery of chloramines-treated ground water to the District's residents began today. He stated that he will coordinate with Mr. Joubran and notify the Board on tank draining and flushing requirements.

Mr. Gustafson reviewed a photograph of a tank containing liquid ammonium sulfate and stated that a containment structure is required to be installed around the tank. Following review and discussion, Director Jones moved to authorize the installation of such structure in the amount of \$1,650.00. Discussion ensued regarding removal of a tree located near the fence at the District's water plant no. 2. Director Smyth seconded the motion, which was approved by unanimous vote.

ADDENDUM TO CONTRACT WITH SWWC SERVICES, INC.

Mr. Gustafson next reviewed a worksheet of costs for additional labor and service truck usage for inspecting, testing, and monitoring of the District's chloramines system at the water plants and throughout the distribution system during each day. He requested the Board's consideration of an addendum in the amount of \$3,000.00 per month to the contract with SWWC Services, Inc. for such services. He responded to Board members' questions regarding the procedures for such services. Following review and discussion, Director DiCioccio moved to approve execution of the

addendum to the contract as presented, and direct that the addendum be filed appropriately and retained in the District's official records. Director Lynch seconded the motion, which was approved by unanimous vote. The Board requested that Director DiCioccio plan to accompany the SWWC field employees to observe the procedures for the services and report back to the Board.

CONDUCT HEARING ON TERMINATION OF WATER SERVICE

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

RAVENEUX TRACT DEVELOPMENT, AMENDMENT TO AGREEMENT

Mr. Pagan reported that he communicated the Board's actions taken during the special meeting held on February 15, 2010, related to the Eighth Amendment to the Redevelopment Agreement ("Redevelopment Agreement") to the attorney for JP Raveneux Partners LP and Kera Development LP (the "Developers"). He discussed his conversation with John Cannon of Coats Rose PC regarding requirements under the Redevelopment Agreement, closing procedures, and boundary descriptions for closing documents. He and the Board members discussed the deposit in the amount of \$15,000 required to be received by the District per Section 1.01 of the Redevelopment Agreement. Mr. Petrick reported that he spoke with Mr. Bloch regarding actions required by the Developers by March 15, 2010. The Board concurred to schedule a special meeting at 9:00 a.m. on Friday, March 12, 2010, to discuss the status of the Redevelopment Agreement, if necessary.

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

Director Smyth discussed the District's public communication activities, including updates made to the Champion Civic Club Directory, updates requested to the District's Emergency Preparedness Notebook, updates to the District's web site related to chloramines conversion and the proposed development of the Raveneux

Country Club Tract, and responses to e-mail correspondence received from the District's web site. She discussed the District's participation in the Brill Elementary School Spring into Action event with a table containing information which focuses on water use in the yard. She requested that Mr. Gustafson coordinate re-installation of the chloramines notification signs that have fallen.

Discussion ensued regarding placing an article written by Director Smyth into the Champion Forest Women's Club Newsletter which summarizes the history of the Board's activities related to the proposed development of the Raveneaux Country Club Tract. Following discussion, the Board authorized such letter to be published in the newsletter and placed onto the District's web site.

MATTERS RELATED TO NHCRWA

Director Smyth reported on matters related to the NHCRWA, including the status of and proposed schedule for surface water conversion by the NHCRWA.

KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT

Director Lynch reported on the Joint Powers Board meeting and the operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant, including installation of the generator at less than the estimated cost and development of a capital expenditure schedule. A copy of the meeting minutes is attached.

HOMEOWNERS ASSOCIATIONS, WATER CONSERVATION PILOT PROJECT, GREEN MEDIANS, REPORT ON WATER CONSERVATION PLAN ACTIONS

Director Jones reported on his attendance at the Champion Forest Maintenance Fund, Inc.'s annual meeting.

Director Smyth reported on activities related to the District's Water Conservation Plan, including the water conservation pilot project for the District's esplanades.

Director Petrick next reported on the formation of a board of 14 members created from members of the water districts located along FM 1960, the FM 1960 Green Medians Joint Powers Board (the "FM 1960 Board"). He stated that goal of the FM 1960 Board is to beautify the raised medians that will be installed by the Texas Department of Transportation ("TXDOT") in the center of FM 1960 from I-45 to Mills Rd. He stated that the effort is being coordinated with Green Medians, a committee of the Houston Northwest Chamber of Commerce, as an alternative to the installation of asphalt or concrete medians. He discussed the benefits of such a project to the District's residential and commercial values and growth. He said that \$350,000 to \$600,000 must be raised by April 2010 for the beautification project and requested that the Board consider pledging a donation to the project. He reported on the amount of donations received to-date and stated that Cy-Champ P.U.D. and Kleinwood M.U.D. have

pledged donations to the project. Following discussion, Director Lynch moved to pledge \$10,000.00 to the project, subject to finalization of the project plans and the FM 1960 Board's receipt of a the required amount of pledged funds by the deadline imposed by TXDOT. Director DiCioccio seconded the motion, which was approved by unanimous vote.

RENEWAL OF DISTRICT INSURANCE POLICIES

Mr. Pagan reported that the District's insurance policies are due to expire on June 1, 2010. Following discussion, the Board authorized ABHR to request a renewal proposal from the District's insurance provider for review.

ADOPT ORDER CALLING DIRECTORS ELECTION

Mr. Pagan next reviewed the provisions of an Order Calling Directors Election. He stated that early voting is scheduled from 7:00 a.m. to 3:00 p.m. on April 26, 2010 through May 4, 2010, and that regular voting is scheduled from 7:00 a.m. to 7:00 p.m. on May 8, 2010. He stated that early voting and regular voting will be held at the District's Administrative Building. Ms. Cherne reported that Judy Barker and Jim Shaw have agreed to serve as election judges. Following review and discussion, Director Smyth moved to adopt the Order Calling Directors Election, and direct that the order be filed appropriately and retained in the District's official records. Director Lynch seconded the motion, which was approved by unanimous vote. Director Jones additionally agreed to hold the Ballot Drawing at 9:00 a.m. on Tuesday, March 23, 2010.

VOTING RIGHTS ACT SUBMISSION LETTER

Mr. Pagan next discussed the requirements for the Voting Rights Act Submission Letter to the U.S. Department of Justice. Following review and discussion, Director DiCioccio moved to approve the Voting Rights Act Submission Letter to the U.S. Department of Justice, if necessary. Director Lynch seconded the motion, which was approved by unanimous vote.

MEETING SCHEDULE AND AGENDA

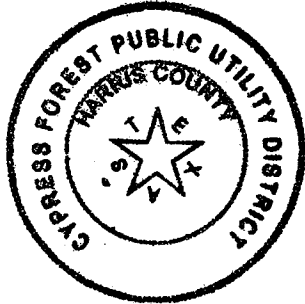
The Board next discussed their meeting schedule and items for inclusion on the next meeting agenda.

CONVENE IN EXECUTIVE SESSION, RECONVENE IN OPEN SESSION

The Board did not convene in executive session.

There being no other matters to come before the Board, the meeting was adjourned.

(SEAL)



Fred P. Jones
Secretary, Board of Directors Director

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