

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

July 6, 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 6th day of July 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:

Fred P. Jones	President
Greg DiCioccio	Vice President
Michael J. Lynch, Jr.	Secretary
Thomas J. Petrick	Assistant Secretary
David Normand	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: John Howell of The GMS Group, L.L.C; Kim Shelnett of Myrtle Cruz, Inc.; Esther Flores of Tax Tech, Inc.; Nabil Joubran of Pepe Engineering, Ltd. ("Pepe Engineering"); Gus Gustafson of SWWC Services, Inc. ("SWWC"); Greer Pagan of Allen Boone Humphries Robinson LLP ("ABHR"); Justine M. Cherne, Recording Secretary; and persons on the attached attendance sheet.

Director Jones called the meeting to order.

PUBLIC COMMENTS

Director Jones opened the meeting for 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

Minutes of the special and regular meetings of the Board of Directors held on May 25, and June 1, 2010, were previously distributed. In response to Director Lynch's question, Mr. Joubran stated that he will distribute the long-term maintenance plan to the Directors. Director Jones requested that the bookkeeper's report be removed from the Consent Agenda. Upon a motion made by Director Petrick 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, the engineer's report, and the operator's report are attached.

RAVENEUX TRACT DEVELOPMENT, WEST END TRAIL/18TH HOLE PROJECT, AMENDMENT TO AGREEMENT, PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL NOTICE OF SALE

The Board next discussed the District's Raveneaux Redevelopment Agreement (the "Agreement") with JP Raveneaux Partners LP and Kera Development LP (the "Developers"), the Ninth Amendment to the Agreement, and related development issues. Mr. Pagan reported that the Ninth Amendment approved at the June 29, 2010, special meeting of the Board, was executed and forwarded to the Developers. He stated that the Developers' attorney said that an executed signature page has not been received from the Developers due to the holiday. He stated that he will be working to finalize the real estate documents and discussed the documents required from the Developers' lenders for the annexation and to close the land purchase.

Mr. Howell next discussed the proposed issuance of bonds to finance the District's purchase of the park property and responded to Board members' questions regarding the bond issuance process, anticipated costs for issuance, the proposed structuring of the bond issue, and current and anticipated bond market conditions. Mr. Howell and Mr. Pagan additionally responded to Board members' questions regarding financing options available to the District for the purchase of the park property. Discussion ensued regarding the District's tax rates, tax exemptions, and water rates, including traditional bank loan financing. Following discussion, the Board concurred to hold a special meeting on Thursday, July 22, 2010, to consider financing options for the District's purchase of the park property. The Board requested that Mr. Howell forward to Directors Jones a list of items related to loan terms which should be discussed with banks by Directors DiCioccio and Normand, and included in written loan term sheets for the Board's consideration during the special meeting.

ADDITIONAL FINANCIAL AND BOOKKEEPING ACTION ITEMS

Mr. Jones stated that he removed the bookkeeper's report from the Consent Agenda to inform the Board that the District's budget will have an increased expense in the approximate amount of \$160,000 due to a change in the billing procedures by the North Harris County Regional Water Authority from quarterly to monthly billing. He stated that he will review the District's financial reports and distribute to the Board an updated projection of revenues and expenditures for the remaining three months of the District's fiscal year.

Mr. Gustafson reported that he has been contacted regarding the possible sale of a portion of the District's Class B Groundwater Conservation credits in the approximate amount of \$146,000.

Ms. Shelnutt next reviewed three additional checks for payment of two meeting expenses and a per diem. She stated that the additional checks will be included on next month's bookkeeper's report. Following review and discussion, Director Petrick moved to approve the additional checks and the bookkeeper's report as presented. Director DiCioccio seconded the motion, which was approved by unanimous vote, except for Director Lynch who was not present for the vote. A copy of the bookkeeper's report is attached.

Discussion ensued regarding the estimated budget for park maintenance and the budget for legal fees related to the proposed development of the Raveneaux Country Club tract and purchase of the park property.

DIRECTOR TASK ASSIGNMENTS

The Board concurred that no additional discussion regarding Director Task Assignments was necessary.

ADDITIONAL TAX ASSESSMENT COLLECTION ACTION ITEMS

Ms. Flores reviewed preliminary assessed valuations received from the Harris County Appraisal District.

AWBD

The Board next discussed the Association of Water Board Directors ("AWBD") conferences. Following review and discussion, Director Petrick moved to approve reimbursement of the eligible expenses for the summer conference and authorize Directors' attendance at the winter conference. Director DiCioccio seconded the motion, which was approved by unanimous vote, except for Director Lynch who was not present for the vote.

UPDATE OF LIST OF BUSINESSES

The Board next considered procedures for updating of the Texas Comptroller's Office list of business located within the limited purpose boundary under the District's Strategic Partnership Agreement with the City of Houston. Following review and discussion, the Board authorized ABHR to obtain a proposal from Avik Bonnerjee of Wheeler & Associates, Inc. for performance of such an update for review at next month's Board meeting.

ADDITIONAL ENGINEERING ACTION ITEMS

Mr. Joubran reported that the owner of Triple Crown Bingo provided appropriate licensing documentation and the plans for the business have been approved by Pepe Engineering and SWWC. He stated that the proposed utility capacity reservation for the business complies with City of Houston standards.

Following review and discussion, Director Normand moved to authorize execution of a utility commitment letter for Triple Crown Bingo. Director Petrick seconded the motion, which was approved by unanimous vote, except for Director Lynch who was not present for the vote.

Mr. Joubran asked for guidance from the Board regarding updating of the District's Capital Improvement Plan. Following discussion, the Board requested that the plan include categorization of all of the District's assets and provide a timeline of anticipated costs.

Mr. Joubran asked for guidance from the Board regarding preparation of the revised legal description for the trail easement. Following discussion, the Board authorized Pepe Engineering to begin preparation of the legal description.

Director Petrick discussed a request from the community that the District ask the Mormon Temple for a 16-foot easement along their sidewalk as part of the District's trail easement. The Board concurred to consider the request after closing on the trail property. Additional discussion ensued regarding maintenance of the trail easement. Director Petrick stated that if the District builds the trail, he believes that Harris County will maintain the trail.

DRAINAGE DITCH MAINTENANCE AND REPAIR

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 stated that he contacted the engineering consultant for the developers of the Raveneaux Country Club tract and that they do not have current development plans related to the channel. He stated that the District will most likely need to assume mowing maintenance responsibilities for the channel.

ADDITIONAL DISTRICT FACILITY OPERATIONS

Mr. Gustafson reviewed two proposals for generator options for the District's lift stations in preparation for the hurricane season. Copies of the proposals are attached to the operator's report. Following review and discussion, Director DiCioccio moved to approve execution of a proposal in the amount of \$500.00 per month through November 30, 2010, with Neil Technical Services, Inc. for rental of a trailer mounted generator. Director Normand seconded the motion, which was approved by unanimous vote, except for Director Lynch who was not present for the vote.

Mr. Gustafson updated the Board on his coordination with Director Jones to develop a database for analyzing the District's expenses related to facilities repair and maintenance during the prior two years, and to track such expenses per the District's

budget items. He stated that there was a dramatic increase in the number of repair incidents this year when compared to last year. A copy of such analysis is attached to the operator's report. Director Jones noted that the analysis indicates that repair and maintenance are approximately 20% higher than last year and that a large portion of the District's increased water distribution costs can be attributed to the fees assessed by the North Harris County Regional Water Authority.

Mr. Gustafson reviewed a cost benefit analysis of revising the District's meter replacement plan to lower the replacement meter read limit from 1,900,000 to 1,500,000 to assist with improving the District's water accountability. A copy of the analysis is attached to the operator's report. Following review and discussion, the Board concurred to consider revising the District's meter replacement plan during next year's budgeting process.

Mr. Gustafson reviewed a fire hydrant inspection report and discussed repair and painting options. A copy of the report is attached to the operator's report. Following review and discussion, the Board authorized Directors DiCioccio and Normand to review the report in coordination with SWWC to provide repair and painting recommendations to the Board.

Mr. Gustafson reported on an overflow incident which occurred at the District's lift station no. 2 due to loss of power caused by a lightning strike.

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 Petrick 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 Normand seconded the motion, which was approved by unanimous vote, except for Director Lynch who was not present for the vote.

Mr. Gustafson reviewed with the Board the list of top ten residential and commercial usage accounts.

PUBLIC COMMUNICATIONS

Director Normand discussed the District's public communication activities, including information regarding water conservation for placement into the Champion Forest Women's Club Newsletter. Director Jones reported that Barbara Payne of Payne Communications has agreed to discontinue monthly billing of the District and will

forward invoices during months when she prepares the District's quarterly newsletter or performs communications services requested by the Board.

MATTERS RELATED TO NHCRWA

The Board discussed matters related to the activities of the North Harris County Regional Water Authority, including anticipated surface water delivery amounts and billing procedures.

KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT

Director Lynch previously distributed minutes and reports on the May and June 2010, Joint Powers Board meetings and the operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant, copies of which are attached.

HOMEOWNERS ASSOCIATION MATTERS

There was no discussion on matters related to homeowners associations.

REPORT ON WATER CONSERVATION PLAN ACTIONS

Director Normand reported that the newsletter will contain an article requesting that the District's residents use 10 gallons less of water each day to assist the District with reaching its water conservation goals. He discussed water conservation brochures that will be distributed within the District's utility bills.

MEETING SCHEDULE AND AGENDA

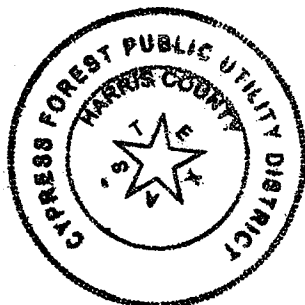
The Board next discussed their meeting schedule and items for inclusion on the next meeting agenda.

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)



Michael J. Lynch, Jr.
Secretary, Board of Directors

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