

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

August 3, 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 3rd day of August 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:

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| 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: Avik Bonnerjee of Wheeler & Associates, Inc.; 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 sheets.

Director Jones called the meeting to order.

PUBLIC COMMENTS

Director Jones opened the meeting for public comments. Gerry Hickman addressed the Board regarding maintenance of the Raveneaux Country Club tract and finalization of the proposed development project. A copy of Mr. Hickman's Public Comment Card is attached.

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 June 16, June 23, June 29, July 6, and July 22, 2010, were previously distributed. Upon a motion made by Director Lynch and seconded by Director Petrick, 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 FINANCIAL AND BOOKKEEPING ACTION ITEMS

Ms. Shelnutt requested approval to re-issue the May 2010 payment to Royal Disposal and Recycle for residential waste collection services, subject to verification that the check has not cleared the District's bank accounts. Following review and discussion, Director Petrick moved to authorize voiding the original check and re-issuing a check as requested, subject to verification. Director Lynch seconded the motion, which was approved by unanimous vote.

SALES TAX AND REVENUE TRACKING PROPOSAL

The Board next considered procedures for updating 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. Mr. Bonnerjee reviewed with the Board a Sales Tax Audit Proposal in the amount of \$3,300.00 for the first year and in the amount of \$850.00 for each subsequent updated report. Following review and discussion, Director Petrick moved to authorize execution of the proposal for the initial year and two updated reports annually thereafter. Director Lynch seconded the motion, which was approved by unanimous vote.

ADDITIONAL ENGINEERING ACTION ITEMS

Mr. Joubran reviewed with the Board an updated District Capital Improvement Plan Yearly Budget Summary for years 2010 through 2025. Discussion ensued regarding previous analyses of capital improvement projects and repairs performed for the District's water and sewer system, and ongoing repair costs for the District's water system. Following discussion, the Board requested that Mr. Joubran and Mr. Gustafson coordinate to determine a revised recommendation for analysis of the District's water system repairs. Director Lynch moved to authorize Pepe Engineering to prepare the plans and specifications for two projects identified in year 2010, repair of the drainage ditch and rehabilitation of the water tanks. Director Petrick seconded the motion, which was approved by unanimous vote.

DRAINAGE DITCH MAINTENANCE AND REPAIR

Mr. Joubran's report states 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.

ADDITIONAL TAX ASSESSMENT COLLECTION ACTION ITEMS

Ms. Flores reported that the Harris County Appraisal District ("HCAD") erroneously included all 270 acres of the Raveneaux Country Club Tract onto the District's tax rolls beginning in 2007 and the excess taxes have been paid to the District by the tract's owner. She stated that HCAD reviewed deed records and will correct the rolls to include only 74 acres of the tract that are included within the District's boundaries. She estimated that a refund in an amount of \$30,000 to \$45,000 may be paid to the tract's owner. She stated that the revised estimated preliminary assessed valuation for the District is \$580,000,000. Following discussion, the Board requested that Mr. Joubran review and verify the amount of acres of the Raveneaux Country Club tract that should be included within the District's boundaries.

ADDITIONAL DISTRICT FACILITY OPERATIONS

Mr. Gustafson responded to Board members' questions regarding the District's water accountability rate and automatic flushing procedures. He stated that a leak detection test of the District's water lines could be performed to determine whether repairs are necessary that would increase accountability. Following discussion, the Board requested that Mr. Gustafson review water accountability rates for other districts and determine what the rates are for tightly managed water systems.

Mr. Gustafson stated that the District's water accountability could be improved by revising the District's meter replacement plan to lower the replacement meter read limit from 1,900,000 to 1,500,000. Following discussion, Director Lynch moved to revise the meter replacement plan to lower the replacement meter read limit to 1,750,000, in the amount of \$10,000.00 per month for four months. Additional discussion ensued regarding the cost of the plan versus the additional revenue received by increased accountability. Director DiCioccio seconded the motion, which was approved by unanimous vote.

Mr. Gustafson reviewed a fire hydrant inspection report that was distributed last month and discussed painting options. A copy of the report is attached to the operator's report. Director Normand stated that he will review the report in coordination with SWWC to provide painting recommendations to the Board. Following review and discussion, Director DiCioccio moved to authorize repair of the hydrants in the amount of \$11,380.00 and replacement of the reflectors in the amount of \$2,817.50 per the inspection report. Director Normand seconded the motion, which was approved by unanimous vote.

The Board next reviewed and discussed the list of top ten residential and commercial usage accounts. Following discussion, the Board requested that Mr. Gustafson determine the total water usage for the Champion Forest Maintenance Fund.

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 and per neighborhood section.

CONDUCT HEARING ON TERMINATION OF WATER SERVICE

The Board next conducted a hearing on the termination of water service. Mr. Gustafson stated that one account is being researched for unusual water consumption activity. 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 Lynch 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 one account being researched. Director Petrick seconded the motion, which was approved by unanimous vote.

BUDGET FOR FISCAL YEAR END 2011

Director DiCioccio reviewed with the Board the results of his research of the costs of mowing maintenance of the approximately two acres comprising the land around the drainage channel located between Cypresswood Boulevard and Cypress Creek, and the approximately 15 acres of the Raveneaux Redevelopment Tract to be acquired by the District. He estimated that annual mowing maintenance is \$4,000 for the drainage channel tract and \$36,000 for the Raveneaux Redevelopment Tract.

Director Jones reviewed with the Board a proposed draft budget for fiscal year end 2011 and reviewed analyses of projected revenues and expenses. Discussion ensued regarding specific line items.

PUBLIC COMMUNICATIONS

The Board discussed the District's public communication activities, including water conservation brochures for placement into the District's utility bills, and the District's budget for the annual water conservation activities related to the calendar contest and coloring books.

MATTERS RELATED TO NHCRWA

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

KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT

Director Lynch updated the Board on the July 2010, Joint Powers Board meeting and the operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant.

HOMEOWNERS ASSOCIATION MATTERS

Director Petrick reported on his attendance at a meeting of The Villas Homeowners Association.

REPORT ON WATER CONSERVATION PLAN ACTIONS, WATER WISE AGREEMENT

The Board reviewed an Interlocal Agreement with the Harris-Galveston Subsidence District for sponsorship of students' participation in the Water Wise Program at Brill Elementary School. Following review and discussion, Director DiCioccio moved to authorize execution of the agreement as presented. Director Petrick seconded the motion, which was approved by unanimous vote.

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

The Board discussed the District's Raveneux Redevelopment Agreement (the "Agreement") with JP Raveneux Partners LP and Kera Development LP (the "Developers"), the Ninth Amendment to the Agreement, and related development issues. Mr. Pagan updated the Board on the status of the Developers meeting the escrow requirements per the Ninth Amendment. He stated that he expects that the Developers will place the required real estate transaction documents into escrow by the end of the week. He discussed the documents required from the Developers' lenders for the annexation and to close the land purchase, and discussed procedures for the escrow and closing transactions, and providing out-of-district utility service to the tract. Discussion ensued regarding the amount of time taken to close the transaction.

Mr. Howell reviewed with the Board an evaluation of loan term sheets received from Encore Bank, Amegy Bank, and Wells Fargo Bank, and the proposed issuance of bonds to finance the District's purchase of the park property. 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 at 7:00 p.m. on Tuesday, August 10, 2010, to consider financing options for the District's purchase of the park property.

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)




Secretary, Board of Directors

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