

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

September 7, 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 7th day of September 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: Sally Blackhall and Jeanette Loverdi of the Champion Forest Garden Club; Avik Bonnerjee of Wheeler & Associates, Inc.; Auburn Higgins and Bob Watson of NAPCO Chemical Company, 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. Kevin Weido addressed the Board regarding his candidacy for the Board of Trustees of the Klein Independent School District. A copy of Mr. Weido'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 regular and special meetings of the Board of Directors held on August 3, August 10, and August 27, 2010, were previously distributed. Upon a motion

made by Director Petrick and seconded by Director Lynch, 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.

GARDEN CLUB PRESENTATION

Ms. Blackhall and Ms. Smith addressed the Board regarding a proposal to construct a community garden on the portion of the Raveneaux Country Club Tract to be purchased by the District for development of parks and trails. They requested the Board's assistance with the proposed garden. Director Jones noted that the District will not own the tract before December 2010. Following discussion, the Board appointed Director DiCioccio to act as a liaison with the Garden Club on the proposed project.

SALES TAX AND REVENUE TRACKING REPORT

Mr. Bonnerjee reviewed with the Board a Sales Tax and Revenue Tracking Report and stated that the information contained in the report will be tracked on a monthly basis. He reported on his efforts to obtain the sales tax revenue owed to the District under the District's Strategic Partnership Agreement ("SPA") with the City of Houston (the "City"). He stated that he will keep the Board updated on his efforts. In response to Director Petrick's question, Mr. Pagan stated that an amendment to the SPA can be entered into with the City to capture sales tax revenue from the commercial businesses located on the Raveneaux Country Club Tract after the District's annexation of the tract.

DRAINAGE CHANNEL AND PARK MOWING MAINTENANCE PROPOSALS

Director DiCioccio reviewed a summary of four proposals for mowing and maintenance of the approximately two acres comprising the land around the drainage channel located between Cypresswood Boulevard and Cypress Creek, and for mowing of the approximately 20 acres of the Raveneaux Country Club Tract to be purchased by the District for development of parks and trails. A copy of the summary is attached. Following review and discussion, Director DiCioccio moved to accept the proposals from Champions Hydro-Lawn, Inc. ("Champions") for both areas and authorize execution of a contract with Champions, subject to ABHR review. Director Petrick seconded the motion, which was approved by unanimous vote. The Board authorized Director DiCioccio to coordinate the mowing maintenance and to obtain access to the Raveneaux Country Club Tract for mowing prior to the District's anticipated purchase of the tract.

ADDITIONAL TAX ASSESSMENT COLLECTION ACTION ITEMS

Ms. Flores reported that the Harris County Appraisal District ("HCAD") has not yet calculated the amount of refund due to the owner of the Raveneaux Country Club

Tract for excess taxes previously paid to the District due to HCAD error.

ADDITIONAL FINANCIAL AND BOOKKEEPING ACTION ITEMS

Ms. Shelnett reviewed an additional check for meeting expenses. Following review and discussion, Director DiCioccio moved to approve the additional check. Director Petrick seconded the motion, which was approved by unanimous vote.

2010 TAX RATE

Mr. Howell reviewed a tax rate analysis for the District's debt service fund and discussed the District's debt service fund reserve and cash flow. A copy of the analysis is attached. After review and discussion, Director DiCioccio moved to authorize the tax assessor/collector to publish in the *Houston Chronicle* a notice of public hearing to be held at the District's regular meeting scheduled at 4:00 p.m. on October 5, 2010, regarding the District's adoption of a proposed tax rate of \$0.31, with \$0.20 allocated to debt service and \$0.11 allocated to maintenance and operations. Director Lynch seconded the motion, which passed by unanimous vote.

BUDGET FOR FISCAL YEAR END 2011

Director Jones reviewed with the Board revisions made to the proposed draft budget for fiscal year end 2011 and reviewed analyses of projected revenues and expenses. Discussion ensued regarding specific line items. Following review and discussion, Director Lynch moved to adopt the budget as presented. Director Petrick seconded the motion, which was approved by unanimous vote.

CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY

The Board next conducted an annual review of the District's investment policy. No changes to the policy were recommended by the District's consultants. Mr. Pagan reported that the District's authorized depository institutions and list of qualified broker/dealers were updated per the District's bookkeeper. Following review and discussion, Director Petrick moved to adopt a Resolution Regarding Annual Review of Investment Policy without amendment to the District's Investment Policy and the updated Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers per the recommendation of the District's consultants. Director Lynch seconded the motion, which was approved by unanimous vote.

ADDITIONAL ENGINEERING ACTION ITEMS

Mr. Joubran reviewed with the Board changes made to the District's Capital Improvement Plan Yearly Budget Summary for years 2010 through 2025, per coordination with SWWC, and Directors Jones and Lynch. He reported on a revised recommendation for analysis of the District's water system repairs per his coordination with Mr. Gustafson.

Mr. Joubran reported on continued coordination 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 and Director DiCioccio will inspect the drainage channel area to better identify the slope-failure areas after the site is mowed.

Mr. Joubran stated that the rehabilitation of the water tanks will begin after the District's high water use period.

Mr. Joubran responded to Board member's questions related to the detention/retention basins that Harris County is requiring the Chen Brothers Retail Center to construct.

RAVENEUX TRACT DEVELOPMENT, WEST END TRAIL/18TH HOLE PROJECT, AND FINANCING OPTIONS FOR PURCHASE OF PARK PROPERTY

The Board discussed the District's Raveneux Redevelopment Agreement (the "Agreement") with JP Raveneux Partners LP and Kera Development LP (the "Developers"), and related development issues. Mr. Pagan reported that the Developers, the Developers' lienholders, and the District, have met the escrow requirements per the Ninth Amendment to the Agreement.

Mr. Hand addressed the Board and stated that he submitted to the Developers an earnest money contract in the amount of \$11,000,000, subject to the Developers closing per the Agreement or assigning the Agreement to him. He stated that the earnest money contract has expired but has not been accepted or rejected by the Developers. He described the type of development proposed to be built per the earnest money contract, including a new clubhouse with a 36-hole golf course.

Mr. Hand additionally requested that the Board consider obtaining an easement along the sidewalk from the Mormon Church for the park trail. The Board concurred that the easement will be considered after the District's purchase of the park property.

The Board next considered financing options available to the District for the purchase of the park property. Director Normand reviewed with the Board a revised draft term sheet from Amegy Bank of Texas and an analysis of the costs, fees, and benefits of traditional bank loan financing compared to issuing bonds for the purchase of the park property. Copies of the draft term sheet and analysis are attached. Discussion ensued regarding the District's tax rates and water rates, and the timing and amount of loan principal that should be paid on any financing of the park property. The Board discussed the consensus reached at their prior two meetings to restrict the use of the surplus in the District's General Fund due to expected additional start-up and maintenance costs for the future park, and additional costs associated with the delivery of surface water to the residents. It was noted that at the prior meetings, the Board

unanimously agreed that the financing should meet the following criteria: 1) require no increase in the tax rate or fees to pay for the new debt; 2) minimize the risk of future surprises by requiring only fixed rate instruments; 3) maintain sufficient working capital to invest in the refurbishment of the District's infrastructure without the need to request additional bond issuance capacity from the voters; 4) limit the use of excess cash to \$750,000, including cash required to close the gap between the "1% of assessed value limit" and the funds required to close the transaction to purchase the park property; and 5) obtain the most attractive interest rates available that meet the above criteria, including upfront fees. Additional discussion ensued and Mr. Howell responded to Board members' questions regarding restructuring options available for bonds.

Following review and discussion, Director Petrick moved to authorize the District's financial advisor and ABHR to move forward with funding for the District's purchase of the park property that includes the District's issuance of a combination of tax exempt and taxable bonds that contain callable maturities, for a 15-year term, and at the lowest effective interest rates available. Director DiCioccio seconded the motion, which was approved by majority vote, with Director Lynch abstaining from the vote. The Board additionally requested that no capitalized interest be included in the bonds, and that the bonds be structured so that the District's cash outlays are minimal over the first five years and are callable by the seventh year.

APPOINT PAYING AGENT/REGISTRAR

Mr. Pagan recommended that the District appoint Wells Fargo Bank, N.A. as the Paying Agent/Registrar for the District's Series 2010 Bonds. Following discussion, Director Lynch moved to appoint Wells Fargo Bank, N.A. as the Paying Agent/Registrar as recommended. Director Normand seconded the motion, which was approved by majority vote, with Director DiCioccio not present for the vote.

AUTHORIZE FINANCIAL ADVISOR TO BID ON THE BONDS

The Board next considered a Resolution Authorizing Financial Advisor to Bid on the Bonds. After discussion, Director Petrick moved to authorize The GMS Group, L.L.C. to bid on the District's Series 2010 Bonds and adopt the Resolution Authorizing Financial Advisor to Bid on the Bonds. Director Lynch seconded the motion, which was approved by unanimous vote.

PRELIMINARY OFFICIAL STATEMENT, OFFICIAL NOTICE OF SALE, AUTHORIZE ADVERTISEMENT

Mr. Howell reviewed with the Board a draft of the Preliminary Official Statement and a proposed schedule for the sale of the District's Series 2010 Bonds. After review and discussion, Director DiCioccio moved to approve the Preliminary Official Statement, subject to final revisions, the official Notices of Sale for the District's Series 2010 Bonds, authorize advertisement of the sale of the District's Series 2010 Bonds, and

authorize application to rating agencies and insurance companies, subject to receipt of an approval of the District's bond application extension from the Texas Commission on Environmental Quality. Director Petrick seconded the motion, which was approved by unanimous vote.

ADDITIONAL DISTRICT FACILITY OPERATIONS

Mr. Gustafson stated that information related to phosphates and their use in the treatment of water systems was previously distributed to the Board and is attached to the operator's report. He stated that the District has been treating their groundwater with phosphates and needs to change the phosphate blend to prevent corrosion of the District's water distribution pipes due to the delivery of surface water from the North Harris County Regional Water Authority. He reviewed a list of customer calls received regarding taste and odor issues with the District's water.

Mr. Higgins addressed the Board and stated that the pipe corrosion issues experienced by Districts that have converted to surface water are fairly new issues. He explained the corrosion process and resulting water quality issues that occur when pipes that have been distributing groundwater that has been treated with phosphates are then converted to distribute surface water, and responded to Board members' questions. He reviewed a proposal in the amount of \$5,000.00 to install a pump and injection tap at the District's water plant no. 2 to treat the District's water with a blended phosphate as a pipe corrosion preventative treatment. Following review and discussion, Director Lynch moved to approve the proposal as presented. Director Petrick seconded the motion, which was approved by unanimous vote. The Board authorized Director Normand to coordinate with Barbara Payne on posting onto the District's web site information related to the District's efforts during the water conversion transition period and SWWC's phone number for residents' feedback.

Mr. Gustafson reported on the District's water accountability rate and reviewed with the Board a document on Water Accountability Best Practices, a copy of which is attached to the operator's report. Following review and discussion, Director Lynch moved to authorize SAMCO Leak Detection Services to perform leak detection services on the District's water system in an amount not to exceed \$11,000.00. 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.

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 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.

RESIDENTIAL SOLID WASTE CONTRACT

The Board next reviewed its Residential Solid Waste Contract with Royal Disposal and Recycle, LLC that is due to expire on January 31, 2011. Following discussion, the Board concurred that no changes to the contract were necessary at this time.

PUBLIC COMMUNICATIONS

The Board discussed transition of the District's public communication activities from Director Jones to Director Normand. Director Normand stated that he will forward to the Champion Forest Women's Newsletter information regarding the District's upcoming purchase of the park property and the proposed adoption of the District's 2010 tax rate.

MATTERS RELATED TO NHCRWA

There was no additional discussion on matters related to the activities of the North Harris County Regional Water Authority.

KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT

Director Lynch updated the Board on the August 2010, Joint Powers Board meeting and the operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant. A copy of the minutes of the meeting is attached.

HOMEOWNERS ASSOCIATION MATTERS

The minutes of the June 1, 2010, regular meeting of the Board were corrected to reflect the Board's contribution in the amount of \$750.00 to the National Night Out event planned by the Champion Forest Maintenance Fund, Inc. (the "HOA").

Discussion ensued regarding delayed payments to the District from homeowners associations for electricity bills for street lights.

REPORT ON WATER CONSERVATION PLAN ACTIONS

There was no report on actions related to the District's Water Conservation Plan.

MEETING SCHEDULE AND AGENDA

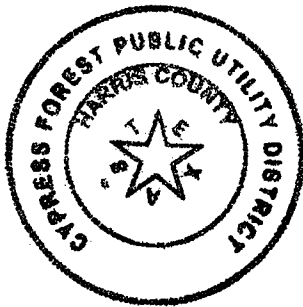
The Board next discussed their meeting schedule and items for inclusion on the next meeting agenda.

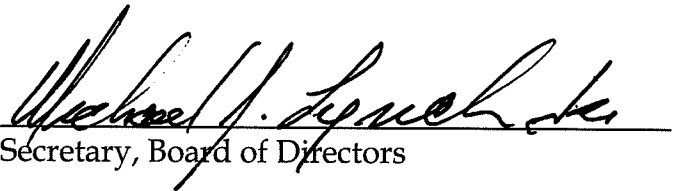
CONVENE IN EXECUTIVE SESSION, RECONVENE IN OPEN SESSION

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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