

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

January 4, 2011

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 4th day of January 2011, 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: Alice Kanayan, Jim Reed, Jackie Kern, Brenda Pennington, and John Shipp, residents of the District; Jeanette Loverdi of the Champion Forest Garden Club; Mark L. Roth, C.P.A. and Mark C. Eyring, C.P.A.; 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"); and Justine M. Cherne, Recording Secretary.

Director Jones called the meeting to order.

PUBLIC COMMENTS

Director Jones opened the meeting to receive public comments. Ms. Pennington addressed the Board to express support for the public communications consultant proposal to be presented by Ms. Kern. A copy of Ms. Pennington's Public Comment Card is attached.

PUBLIC COMMUNICATIONS CONSULTANT PROPOSAL

Ms. Kern reviewed with the Board a proposal to provide public communications services for the District. A copy of the proposal is attached. Following review and discussion, the Board concurred to defer consideration of the proposal pending additional review. Directors Jones and Normand concurred to schedule a meeting with the District's current public communications consultant, Barbara Payne of Payne Communications, to discuss the District's public communications services.

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 December 7, and December 23, 2010, were previously distributed. Upon a motion made by Director Petrick and seconded by Director Normand, the Board voted unanimously to approve the items on the Consent Agenda, except for Director Lynch who was not present for the vote. 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, 2010

Mr. Roth reviewed with the Board the draft audit for fiscal year ended September 30, 2010. The Board and the consultants discussed revisions needed to the audit related to the District's Promissory Note with Encore Bank, N.A. and the proposed purchase of park property per the District's Raveneaux Redevelopment Agreement with JP Raveneaux Partners LP and Kera Development LP. After review and discussion, Director Petrick moved to approve the audit, subject to revisions as discussed, and direct that the finalized audit be filed appropriately and retained in the District's official records. Director Normand 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 DiCioccio 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 Normand seconded the motion, which was approved by unanimous vote.

ADDITIONAL FINANCIAL AND BOOKKEEPING ACTION ITEMS

Ms. Shelnett reviewed two additional checks for payment of miscellaneous administrative expenses and repair of the air conditioning unit for the District's Administrative Building. Mr. Gustafson responded to Board members' questions regarding water plant and chemical expenses. He stated that he will research the issues and forward additional information to the Board. Following review and discussion, Director DiCioccio moved to approve the additional checks as presented. Director

Petrick seconded the motion, which was approved by unanimous vote.

ADDITIONAL TAX ASSESSMENT COLLECTION ACTION ITEMS

Director DiCioccio requested that Ms. Flores ensure that the Harris County Appraisal District's records reflect the correct addresses of the District's facilities.

RECEIVE PRESENTATION ON GREEN WASTE RECYCLING

Director Jones reported on his discussion with representatives of Royal Disposal & Recycle regarding their green waste recycling program. He stated that a presentation on the program will be made next month. Following discussion, the Board requested that Director DiCioccio perform independent research into the program.

ADDITIONAL ENGINEERING ACTION ITEMS, EMERGENCY REPAIR

Mr. Joubran next updated the Board on the emergency repair of a break in the District's twelve-inch main water line located at the bridge crossing Champion Forest Drive being performed by Total Contracting Limited ("TCL"). He reviewed written proposals from TCL in the amount of \$6,750.00 and from SWWC in the amount of \$12,500.00 for replacement of the valve located on the north side of the bridge. Copies of the proposals are attached to the engineer's report. Following discussion, Director Normand moved to approve a change order to the water line repair contract to include the replacement of the broken valve by TCL. Director DiCioccio seconded the motion, which was approved by unanimous vote.

Mr. Joubran reported that a meeting will be held with representatives of the Harris County Permits Office, the Harris County Precinct 4 Road and Bridge Department, the Harris County Engineer's Office, and the Harris County Flood Control District to discuss a comprehensive scope for restoration of the supporting embankment located under the bridge and sidewalk.

Mr. Joubran stated that the water line will be placed back into service after the valve is replaced, allowing the line to be pressure tested, and after conducting two bacteriological tests as per Texas Commission on Environmental Quality requirements.

The Board discussed the District's current emergency water interconnects and whether an additional interconnect should be obtained. Following discussion, the Board concurred that an additional interconnect is not necessary at this time.

The Board discussed whether the backup diesel generator and the corresponding wiring located at water plant no. 2 should be evaluated for possible replacement or upgrade. Mr. Joubran stated that the generator was installed in 1986 and has an expected 30-year life. Following discussion, the Board requested that Mr. Joubran and Mr. Gustafson coordinate to determine the availability of replacement parts for the current generator.

Mr. Joubran updated the Board on the schedule for the proposed repair of the drainage channel located between Cypresswood Boulevard and Cypress Creek.

ADDITIONAL DISTRICT FACILITY OPERATIONS

Mr. Gustafson reported that the cleaning and televising of approximately 9,000 feet of the District's sewer line has been completed and the report and images have been forwarded to Mr. Joubran for review. Mr. Gustafson stated that the report shows that the integrity of the line is not jeopardized and that a large amount of grease is coating the line. He stated that after consideration of Mr. Joubran's evaluation, a review will be performed to determine whether there are any illegal connections to the sewer line. He stated that the Board may want to additionally consider performance of a routine power flushing of the sewer line due to the presence of the grease. Director DiCioccio commended Director Normand for his newsletter article regarding proper disposal of grease.

Mr. Gustafson reviewed the operator's report, including the District's water accountability, and list of top ten residential and commercial usage accounts. He reported that meter accuracy tests and leak inspections are being performed for three accounts with unusually high usage.

Mr. Gustafson reported that the number of customer calls regarding taste and odor issues with the surface water delivered by the District from the North Harris County Regional Water District has significantly decreased. Discussion ensued regarding Directors' receipt of calls from residents who continue to experience taste and odor issues and their locations within three or four areas within the District. Mr. Gustafson stated that he and Mr. Joubran met with a consultant from the North Harris County Regional Water Authority to research and recommend solutions for the areas within the District that continue to experience water quality issues.

Mr. Gustafson reviewed a proposal in the amount of \$3,200.00 for the purchase and installation of an auto-dialer at the District's lift station no. 1 and responded to Board members' questions.

Mr. Gustafson reviewed cost estimates in the amount of \$10.00 per valve for 522 valves for performance of a valve survey, and in the amount of \$25.00 per manhole for 843 manholes for performance of a manhole survey within the District. Following review and discussion, Director Lynch moved to approve the auto-dialer proposal and the performance of the valve survey. Director Normand seconded the motion, which was approved by unanimous vote.

CONDUCT HEARING ON TERMINATION OF WATER SERVICE

The Board 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 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. Director Petrick seconded the motion, which was approved by unanimous vote.

ADOPT AMENDED RATE ORDER

Director Jones reported on his review and analysis of the District's Rate Order and operational expenses, and reviewed his recommendations for proposed increases to the District's water and sewer rates. Following review and discussion, Director Petrick moved to adopt the Amended Rate Order per Director Jones' recommendations, effective as of January 1, 2011. Director Normand seconded the motion, which was approved by majority vote, with Director Lynch abstaining from the vote.

PUBLIC COMMUNICATIONS

Director Normand discussed the District's public communication activities. Following discussion, the Board authorized Director Normand to coordinate with Director Jones and ABHR on an article providing an update on the District's proposed purchase of park property for publication in the Champion Forest Women's Newsletter. The Board concurred to table discussion regarding park matters with the Champion Forest Garden Club until the purchase has been completed.

MATTERS RELATED TO NHCRWA

Director DiCioccio reported that the monthly meeting of the North Harris County Regional Water Authority ("NHCRWA") is scheduled for Monday, January 10, 2011. The Board requested that Mr. DiCioccio communicate to the NHCRWA that complaints regarding the taste and odor of the surface water being delivered by the NHCRWA to the District continue to be received by the District from a number of homes within a particular area. Discussion ensued regarding the cause of the complaints being the result of a chemical reaction in the pipes located within the homes. The Board requested that Mr. Normand forward an article on the matter for publication in the Champion Forest Women's Newsletter, and to include that there have been no test results that indicate that the water delivered by the North Harris County Regional Water Authority or the District is unsafe.

KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT

Director Lynch updated the Board on the December 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. He stated that a tour of the clarifier and generator will be scheduled during the month. Discussion ensued regarding the plant's usefulness as a resource for grey water irrigation.

HOMEOWNERS ASSOCIATION MATTERS

Director Petrick reported on his attendance at last month's meeting of the Champion Forest Maintenance Fund, Inc. (the "HOA"). Director Normand stated that he will attend the Champions Cove Homeowners Association's annual meeting.

RAVENEUX TRACT DEVELOPMENT, PURCHASE OF PARK PROPERTY

Director Jones and Mr. Pagan updated the Board on the December 28, 2010, funding of the bank loan with Encore Bank, N.A. for the purchase of park property per the District's Raveneaux Redevelopment Agreement (the "Agreement") with JP Raveneaux Partners LP and Kera Development LP (the "Developers"), and the status of the Developers' activities related to closing on the real estate transaction.

EXECUTIVE SESSION

The Board convened in executive session at 8:20 p.m. to discuss and consider the acquisition of real property, and the terms and conditions of the closing of the Raveneaux real estate transaction.

RECONVENE IN OPEN SESSION

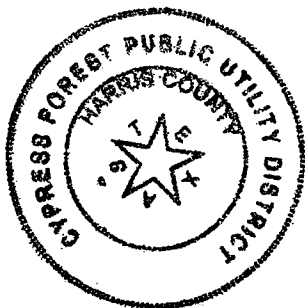
At 8:55 p.m., the Board reconvened in open session. No action was taken by the Board.

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)



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

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