

MINUTES  
CYPRESS FOREST PUBLIC UTILITY DISTRICT

February 1, 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 1st day of February 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, Debbie Donahue, Ben Moore, Jenny Moore, Gene B. McGraw, Bob Jackson, Harold Wallace, Ramona Scarlett, Linda Gaylord, and Tom Gaylord, residents of the District; Colette Lange, resident of Reid Road M.U.D.; Chris Freeman, General Manager of the Raveneaux Country Club; Don Hand of Greenwood Properties, Inc.; Kim Shelnett of Myrtle Cruz, Inc.; Esther Flores of Tax Tech, Inc.; Nabil Joubran and Sabrina Li 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. Mr. McGraw addressed the Board to request that the issues of water quality be solved by the Board immediately. Ms. Lange addressed the Board and stated that she is in attendance to learn about the District's experiences with conversion to surface water. Ms. Scarlett addressed the Board to discuss her concerns regarding the ongoing water quality issues experienced in her neighborhood. Additional meeting attendees expressed their concern regarding water quality issues.

Mr. Gustafson reported on the efforts undertaken by the Board and SWWC to find a solution to the color, taste, and odor issues with the surface water being delivered by the North Harris County Regional Water Authority ("NHCRWA") to the District and reported on the flushing, testing, treatment, and customer communications

performed to address the issues. He stated that there have been no test results that indicate that the water delivered by the NHCRWA or the District is unsafe. He stated that the phosphate blend being injected into the District's water system appears to be addressing the issues for approximately 92% of the District. He noted that complaints regarding the color, taste, and odor of the surface water being delivered by the NHCRWA to other utility districts have dramatically decreased. He stated that the results of tests performed on the water inside and outside of homes within the District that are experiencing water quality issues have indicated that there are no iron issues with the water being delivered to the homes, and that the iron found in the water inside of the homes is the result of a chemical reaction in the galvanized pipes located within the homes. He explained that the test results have been shared with a consultant from the NHCRWA to research and recommend solutions for the areas within the District that continue to experience water quality issues. Mr. Gustafson and Board members stated that they consider the residents' concerns a serious matter and are continuing to actively work to determine the cause of the issues and find a solution. Director Petrick noted that he is one of the residents experiencing water quality issues.

Copies of completed Public Comment Cards are 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 meeting of the Board of Directors held on January 4, 2011, were previously distributed. Director Jones requested that the engineer's report be removed from the Consent Agenda. Upon a motion made by Director Lynch and seconded by Director Petrick, the Board voted unanimously to approve the remaining items on the Consent Agenda. Copies of the bookkeeper's report, tax assessor/collector's report, and the operator's report are attached.

ADDITIONAL FINANCIAL AND BOOKKEEPING ACTION ITEMS

Mr. Hand requested that the Board pay an invoice in the amount of \$538.13 for additional surveying to include a tree survey for the 16-foot trail easement proposed to be located along the portion of Cypresswood Drive fronting the Mormon Church property. Following review and discussion, Director Lynch moved to approve payment of the invoice. Director Petrick seconded the motion, which was approved by majority vote, with Director Jones opposed.

Ms. Shelnutt reviewed three additional checks for payment of an invoice for the emergency repair of a break in the District's twelve-inch main water line, an additional

per diem, and reimbursement of a misdirected tax payment. 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 payment of the checks as presented. Director Lynch seconded the motion, which was approved by unanimous vote.

#### ADDITIONAL TAX ASSESSMENT COLLECTION ACTION ITEMS

There were no additional tax assessment collection action items.

#### ENGINEERING ACTION ITEMS, EMERGENCY REPAIR

Mr. Joubran reported that he continues to coordinate with the regulatory agencies on the proposed repair of the drainage channel located between Cypresswood Boulevard and Cypress Creek. He stated that progress on the project has been slowed because of emergency repairs at the Champion Forest Bridge and the increased time sensitivity for rehabilitation of the District's ground storage tanks.

Mr. Joubran reminded the Board that an inspection of the District's ground storage tanks at water plant no. 2 conducted in April 2009 indicated that there was not an urgent need for performance of maintenance at that time. He stated that the Board authorized Pepe Engineering to begin the preparation of bid documents for rehabilitation of the ground storage tanks to occur after the District's high water use period at the end of last year. He stated that the preparation of the bid documents was delayed because of the emergency repair of a break in the District's twelve-inch main water line located at the bridge crossing Champion Forest Drive. He reported that, due to nearly two years elapsing since the previous inspection, a visual in-service inspection of the tanks was recently performed to assist with the preparation of the bid documents. He stated that the recent inspection indicates that the rehabilitation of the tanks should be performed as soon as possible to prevent costly replacement of the corroded rafters on top of the tanks. He stated that, based on a preliminary scope for the project, the construction cost is estimated in the amount of \$460,000. He stated that if rehabilitation is delayed, the rafters may need to be replaced at an additional cost of \$150,000 per tank. He reviewed the rehabilitation work to be performed and proposed schedule, and recommended that the work be performed without delay. He responded to Board members' questions regarding the amount and the scope of work and stated that the tanks have not been drained and inspected since April 2009. Discussion ensued regarding the District's budget. Following review and discussion, Director Petrick moved to authorize Pepe Engineering to prepare the bid documents for the rehabilitation of the tanks located at water plant no. 2 in an amount not to exceed \$45,000. Director Normand seconded the motion, which was approved by unanimous vote. The Board authorized Director Petrick to coordinate with the District's financial advisor on the District's budget.

Mr. Joubran reported on the performance of an evaluation of replacing or

upgrading the District's current backup diesel generator located at water plant no. 2. He stated that the District's generator currently has 370 run-hours and is not near the end of its useful life per industry standard. He stated that the major component that might need replacement in the future is the generator end, with an estimated cost of \$40,000. He stated that, based on preliminary research, a new generator with similar specifications would cost between \$100,000 and 150,000, and a similar used generator is available in the market for approximately \$25,000. He noted that parts continue to be available for the generator and therefore, it is not necessary to replace the generator at this time. Mr. Gustafson recommended that a full load test be performed on the generator in April 2011. Following discussion, the Board authorized performance of the load test as recommended.

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 stated that TCL has completed the installation of the water line and the new valve north of the bridge. He reported that the interconnect with W.C.I.D. No. 116 has been closed and the District has been supplying water to the southern portion of the District for approximately three weeks. He recommended approval of TCL's Pay Estimate No. 1 for the project in the amount of \$77,175.00. He additionally recommended approval of Change Order No. 2 in the amount of \$2,000.00 for chlorination of the new water line prior to operation as required by the Texas Commission on Environmental Quality (the "TCEQ"). Following review and discussion, Director Normand moved to approve the pay estimate and change order as presented. Director DiCioccio seconded the motion, which was approved by unanimous vote. The Board concurred to use surplus capital projects funds to pay for the cost of this project.

Mr. Joubran reported on a meeting with NHCRWA's project manager, operator, and consultant staff held during site visits of the District's water plants to work on determining the cause and solution to the color, taste, and odor issues with the surface water being delivered by the NHCRWA to the District.

Mr. Joubran reported that Pepe Engineering and SWWC conducted a one-year warranty inspection of the chloramination systems of the District's water plants with the contractor. He stated that completion of a punch list of items is expected to be finalized by the contractor in time for requesting release of the contractor's bond at the March Board meeting.

Mr. Joubran reported that, after review of the televised inspection reports of the sewer lines, Pepe Engineering could not identify an apparent cause of the recurring sewer backups experienced in Champion Forest Section One. He stated that no illegal connections or defects were found and there was a lot of grease coating the lines. He recommended that the Board consider quarterly jetting of the subject sanitary sewer lines to minimize the chance of future sewer backups. Following discussion, the Board requested that Mr. Gustafson provide a proposal for quarterly jetting of the subject

sanitary sewer lines at next month's meeting.

Following review and discussion, Director DiCioccio moved to approve the engineer's report as presented. Director Normand seconded the motion, which was approved by unanimous vote. A copy of the engineer's report is attached.

#### ADDITIONAL DISTRICT FACILITY OPERATIONS

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 inspections performed for two accounts with unusually high usage found leaks which have been identified and reported to the homeowners.

Mr. Gustafson reported that the budget for chemical expenses for the District's water plants has been analyzed and will be corrected to allocate the expenses between the two water plants.

Mr. Gustafson reported that the auto-dialer has been installed at the District's lift station no. 1.

Mr. Gustafson reviewed a valve survey report for the District. He recommended performance of the first of three repair phases in the amount of \$129,580.00, performed per a monthly budget determined by the Board. The Board concurred to review the phase one repairs for discussion at next month's meeting.

Mr. Gustafson reported on his efforts to coordinate with Pepe Engineering and the NHCRWA's project manager, operator, and consultant staff, and experts in water quality issues to find a solution to the color, taste, and odor issues with the surface water being delivered by the NHCRWA to the District. Director Jones requested that Mr. Gustafson request NHCRWA's consultant staff to attend next month's meeting of the Board. Director DiCioccio requested that Mr. Gustafson ask his field personnel about the color of the water at the District's fire hydrants and to request an opinion from the experts whether corrosion present in the distribution system's ductile iron pipe crossings and other metal appurtenances, such as metal valves and fire hydrants, contribute to the coloration issues occurring in the District's water.

#### 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 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 Lynch seconded the motion, which was approved by unanimous vote.

#### MATTERS RELATED TO NHCRWA

There was no additional discussion on matters related to the North Harris County Regional Water Authority ("NHCRWA").

#### KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT

Director Lynch updated the Board on the operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant. Discussion ensued regarding whether the Raveneaux Country Club will use effluent from the plant for irrigation in the future.

#### HOMEOWNERS ASSOCIATION MATTERS

Director Petrick reported on his attendance at last month's meeting of the Champion Forest Maintenance Fund, Inc. (the "CF HOA"), and Director Normand reported on his attendance at last month's meeting of the Champions Villas Homeowners Association and the annual meeting Champions Cove Homeowners Association. Director Jones reported that the annual meeting of the CF HOA is scheduled for tomorrow night.

#### PUBLIC COMMUNICATIONS

The Board discussed the District's public communications. Director Jones stated that the CF HOA will provide use of their mailing list to the District if requested. The Board authorized Director Lynch to forward a notice for placement onto the District's utility bills to encourage residents to register their email addresses with the District's website.

#### RAVENEAX TRACT DEVELOPMENT, PURCHASE OF PARK PROPERTY

Director Jones and Mr. Pagan updated the Board on the status of closing on 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"). Mr. Pagan reported that JP Raveneaux Partners LP's lender has requested execution of a corollary document to the lease under the Agreement which allows the lender to assume the lessee's rights if JP Raveneaux Partners LP defaults on their loan. Following discussion, Director DiCioccio moved to authorize an extension of the Agreement through Tuesday, February 8, 2011, and execution of associated agreements. Director Lynch seconded the motion, which was approved by unanimous vote.

EXECUTIVE SESSION

The Board did not convene in executive session.

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 P. Lynch, Sr.*  
Secretary, Board of Directors

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