

Some important facts....

- ◆ **Every day, the Cypress Forest Utility District delivers 630,000 gallons of water to its customers:**
 - ~ 531,000 gallons to single family residences
 - ~ 61,000 gallons to commercial customers
 - ~ 19,000 gallons for irrigation, and
 - ~ 20,000 gallons for builders/misc.
- ◆ **The District currently has two water wells, an elevated storage tank, two ground storage tanks, booster pumps, related water/wastewater lines and pipes, emergency generators, stormwater drainage facilities, and has an interest in a regional wastewater treatment plant.**
- ◆ **The District has consistently earned the Superior Public Water System rating from the State of Texas since 1989.**

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Cypress Forest
PUBLIC UTILITY DISTRICT

Some important facts
about your Utility District...



What do you know about the Cypress Forest Public Utility District?

Probably the most important thing to know is that this governmental entity provides quality potable water and sewage treatment for residences and businesses within its service area. The District was created in 1971 by the 62nd Texas Legislature, and it is governed by a five member Board of Directors elected by voters in the District. The Board is assisted by a team of experienced consultants that provide legal, engineering, financial, and operations services.

Utility districts are subject to ongoing supervision by the Texas Commission on Environmental Quality (TCEQ) and must comply with the laws contained in the Texas Water Code. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities, and to provide such facilities and services to the customers of the District. The District has owned an individual interest in the Kleinwood Regional Sewage Treatment Plant since 1992, and serves as a member of the Kleinwood Joint Powers Board.

What do our water services cost, and how do we pay for them?

The Board issues a "Rate Order" -- a set of rules which specify the method, terms and conditions of water supply and sewage treatment services and what they will cost. (In addition to the cost for water and sewer on the customer's bill, the District also includes an "NHCRWA Pumpage Fee" amount which is paid to the North Harris County Regional Water Authority to cover the cost of system-wide capital conversion expenditures related to the mandated conversion to surface water beginning in 2010.) In addition to the revenue from the water/sewer service, taxes are used to finance, operate, and maintain water systems, and are paid by all property owners within the District.

The tax rate for the Cypress Forest PUD has two components: Debt Service and Maintenance. The Debt Service tax pays for principal and interest on Bonds issued to finance the District's capital projects. The Maintenance Tax pays for maintenance of the District's operations and facilities. The District's 2006 tax rate is \$0.30 per \$100 of assessed value -- \$0.25 for debt service and \$0.05 for maintenance. The \$0.30/\$100 assessed valuation -- which has remained the same for the past eight years -- is among the lowest utility district tax rates in the area.



What are Municipal Bonds and what do they have to do with me?

Public Utility Districts are authorized under Texas law to issue Bonds to finance improvements to the existing water supply and sanitary sewer systems; to construct new water, sewer, and drainage facilities; and to pay the costs of issuing the bonds. Before bonds can be issued, however, the District must obtain approval from the TCEQ, which is charged with reviewing the technical and economic feasibility of each project to be financed by bonds. It is important for voters to learn the facts about the issuance of bonds in order to make an informed decision -- since bonds are paid from taxes, it is necessary to obtain voter approval of a bond sale.

The Cypress Forest Public Utility District has taken a conservative approach to the sale of bonds, and has only done so: 1) When it is necessary to fund a particular project and no other funds were available to pay for it, and 2) Until there has been sufficient growth of taxable values in the area to ensure a tax increase would not be necessary. When District facilities and/or equipment need updating, improving or replacing because of obsolescence, breakdown or new regulatory requirements, the Board has committed to issuing bonds when debt service tax rate increases may be avoided. The issuance of bonds alone, it is important to point out, will *not* trigger an increase in customers' water bills.

How does the Board know when a Bond Sale is necessary?

Part of the responsibility of the District's Board of Directors is to assure that all the District's facilities and equipment function at maximum efficiency and capacity. This means that they must be maintained and serviced in a timely and expert way to achieve and extend the 'life' for which the facilities were designed and constructed. Now that the community itself is more than 30 years old, many of the District's critical system components have exceeded the manufacturer's recommended periods of useful life and should be replaced.

The District has paid off much of its bonded indebtedness in recent years, and bond debt service payments will begin declining in 2010. This gives the District much-needed flexibility in financing future improvements and new facilities through bonds without debt service tax rate increases. The District's excellent financial condition and its enhanced credit rating of AAA from Standard and Poor's on its last two bond issues, will make it possible to obtain lower interest rates on its bonds -- again assuring the District's ability to hold the line on taxes.

The District's Capital Improvement 15-Year Plan, developed to guide the Board on estimated future costs through 2022, indicates that six sections of the wastewater collection system -- more than 30 years old -- should be replaced, as well as facilities at both water plants, drinking water distribution system, sewer collection system, and the installation of a surface water line to serve conversion requirements within our District by 2010. While a substantial number of projects must be undertaken, not all of the bonds would be issued at the same time, but are sized to pay for projects over a 15-year period as they are needed. All of the District's systems/equipment/facilities are inspected and tested routinely, and replacements are undertaken only when necessary.

