

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

August 3, 2004

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

The Board of Directors of Cypress Forest Public Utility District, Harris County, Texas, met in regular session, open to the public, on the 3rd day of August, 2004, at the Cypress Forest Public Utility District's Administrative Building, 16215 Champion Forest Drive, Spring, Texas, 77379, within the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Roger P. Balog	President
Michael J. Lynch, Jr.	Vice President
Thomas J. Petrick	Secretary
William J. Lawrence	Assistant Vice President
Deborah L. Jackson	Assistant Secretary

and all of said Directors were present except Directors Jackson and Lawrence, thus constituting a quorum.

Also present at the meeting were the following: Jeanette Loverdi, resident; Maura Mulvehill and Cristy Hayes of the Champion Forest Civic Club; Linn Smyth, and Wendy Fryfogle of the Champion Forest Garden Club; Rod Anthony of the Champion Forest Maintenance Fund; William Noack of Noack Maintenance and Landscaping Company; Curtis Lacy of Republic Waste Services; Salim Joubran of Pepe Engineering, Ltd.; Kim Shelnett and Mary Jarmon of Myrtle Cruz, Inc.; Greg Ordeneaux of Tax Tech, Inc.; Bob Haas of Aqua Services, L.P. ("Aqua Services"); Steve Robinson of Allen Boone Humphries LLP ("ABH"); and Justine M. Cherne, Recording Secretary.

Director Balog called the meeting to order.

APPROVE MINUTES

The Board considered approving the minutes of the District's regular meeting held on July 6, 2004. Following review and discussion, Director Lynch moved that the Board approve the minutes as submitted. Director Petrick seconded the motion, which was approved by unanimous vote.

RECEIVE PROPOSAL FOR PUBLIC RIGHT-OF-WAY BEAUTIFICATION PROJECT AND AUTHORIZE APPROPRIATE ACTION

Ms. Smyth distributed to the Board a Master Plan from the Champion Forest Entrance Enhancement Committee for updating and enhancing all entrances to Champion Forest, the esplanades on Cypresswood, Champion Forest and Champions Drives and any additional areas that offer public access, common space and bring value to all homeowners. She reviewed two proposals for landscaping and irrigation for the four existing planted areas around the monuments and associated drawings. Copies of the Master Plan and proposals are attached. She next presented a proposal from Lawn Escape, Inc. in the amount of \$9,473.39 for the trimming of 93 oak trees located on the esplanades, a copy of which is attached. She responded to Directors' questions regarding whether the committee contained representatives of residents from other subdivisions. She responded to Directors' questions and discussion ensued regarding drought tolerant plants, obtaining contributions from other participants, and future maintenance issues. Mr. Robinson discussed the legal requirements for participation in the development of linear parks by the District. He described the District's budgeting process, the prior irrigation project undertaken by the Board, and procedures for undertaking such projects. Ms. Smyth next responded to Directors' questions and discussion ensued regarding the proposals and maintenance issues. Discussion ensued regarding timing of the proposed project and the District's budgeting process. Following discussion, the Board requested that the Entrance Enhancement Committee solicit comments on the Master Plan from Sterling Gate, Champion Villas, Champions Cove and Windrush subdivisions.

RECEIVE REPORT ON STATUS OF COMMON AREA IRRIGATION SYSTEM UNDER THE AGREEMENT FOR PUBLIC RIGHT-OF-WAY BEAUTIFICATION WITH THE CHAMPION FOREST MAINTENANCE FUND AND AUTHORIZE APPROPRIATE ACTION

Mr. Anthony next reported on the status of the common area irrigation system project previously performed under the Agreement for Public Right-of-Way Beautification with the Champion Forest Maintenance Fund. He stated that the scope of the project was to update the existing irrigation system. He reviewed the irrigation proposal previously submitted for the project, a copy of which is attached, and he and Mr. Noack responded to questions regarding the project. He stated that the project was performed completely and satisfactorily. Discussion ensued regarding the irrigation system and the sanitary sewer rehabilitation project currently underway. Following discussion, the Board requested Mr. Joubnan to monitor whether the irrigation system is being damaged by the sanitary sewer rehabilitation project and to forward a letter to Insituform Technologies, Inc. as notification of its responsibility for repair of any damage to the system. The Board requested that photographs be taken and the irrigation system be inspected after each phase of the project.

Discussion ensued regarding procedures for moving forward with a new water conservation project. In response to Directors' questions, Mr. Robinson suggested the following actions: (1) presentations of the Master Plan to other neighborhoods and the Champion Forest Maintenance Fund, (2) determine who is going to maintain the facilities and ensure the cost is budgeted, (3) determine which option(s) the Board will finance and include in the District's budget; and (4) enter into a similar agreement as entered into previously with the Champion Forest Maintenance Fund. Director Balog stated that the monuments should be included in the proposal. Following discussion, Director Lynch moved that the Board designate Director Petrick to provide interface with the Champion Forest Maintenance Fund and the combined committee and provide a recommendation to the Board. Director Petrick seconded the motion, which was approved by unanimous vote.

CONSIDER REQUEST FROM REPUBLIC WASTE SERVICES FOR 2.5% FUEL SURCHARGE AND AMENDED CONTRACT AND AUTHORIZE APPROPRIATE ACTION

Mr. Lacy next discussed with the Board a proposed amended contract with Republic Waste Services ("Republic") for garbage services. Discussion ensued regarding Republic's request for adding a 2.5% fuel surcharge to the contract. Mr. Lacy stated that Mr. Robinson noted that the proposed amendment does not contain a formula for calculating costs as requested by the Board. Discussion ensued regarding developing a formula, determining the price of fuel, and the term of the contract. Following discussion, the Board concurred that a contract with a longer term would be preferable to lock in rates. Mr. Lacy stated that he will prepare an amended contract for review at the next regularly scheduled meeting.

DISCUSS ARBITRAGE REBATE ANALYSIS FOR THE DISTRICT'S SERIES 1994B BONDS AND AUTHORIZE APPROPRIATE ACTION

The Board next discussed performance of an arbitrage rebate analysis for the District's Series 1994B Bonds. Mr. Robinson reported that the District is obligated to perform such an analysis by federal tax law every five years and upon maturity. He noted that the bonds will mature on April 1, 2005. He stated that requesting a proposal for performing both calculations may be more economical. Mr. Robinson noted that Bond Logistix, L.L.C. had previously performed calculations for the District's bonds and had performed satisfactorily. Following review and discussion, the Board authorized ABH to obtain a proposal from Bond Logistix, L.L.C. for performance of the ten-year and maturity arbitrage rebate analyses of the District's Series 1994B Bonds.

BOOKKEEPER'S REPORT

Ms. Jarmon and Mr. Robinson discussed with the Board the role and requirements of the District's Investment Officer. They responded to Directors' questions and discussion ensued regarding investment options. The Board requested

the bookkeeper and engineer to provide an investment plan for the District's escrowed and operating funds. Discussion ensued regarding whether the Board needs a liaison to the Investment Officer. Following discussion, the Board concurred that a liaison was unnecessary because the District's investment report is presented each month.

The Board next received the bookkeeper's report and considered payment of the bills. Ms. Shelnutt presented 36 checks for the Board's approval. Following discussion, the Board concurred that the pay estimate for repair of the twelve-inch water line would be paid from the maintenance tax fund. Ms. Shelnutt reviewed the year-to-date budget and the fiscal year expenditures for the administrative building. Mr. Robinson and Mr. Joubran responded to Directors' questions and discussion ensued regarding the legal and engineering fees and the budget comparison. Ms. Shelnutt next reviewed the investment report as required by the Public Funds Investment Act. Copies of the reports and a list of the checks presented for payment are attached.

Following review and discussion, Director Petrick moved that the Board approve the bookkeeper's report and authorize payment of the bills. Director Lynch seconded the motion, which was approved by unanimous vote.

DISCUSS BUDGET FOR FISCAL YEAR ENDING SEPTEMBER 30, 2005, AND AUTHORIZE APPROPRIATE ACTION

Ms. Shelnutt reviewed with the Board a draft budget for fiscal year ending September 30, 2005. Discussion ensued regarding particular line items and changes in formatting. No action was required for this item.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board next received the tax assessor/collector's report and considered payment of the tax bills. Copies of the report and a list of the checks presented for payment are attached. Mr. Ordeneaux stated that 98.63% of the year 2003 taxes had been collected as of the end of the prior month. He then presented 4 checks for approval and reviewed the delinquent list. After review and discussion, Director Petrick moved that the tax assessor/collector's report be approved and the tax bills be paid. Director Lynch seconded the motion, which was approved by unanimous vote.

REVIEW THE BOOKKEEPER'S CONTRACT AND AUTHORIZE APPROPRIATE ACTION

Ms. Shelnutt distributed a comparison of bookkeeping fees for Districts served by Myrtle Cruz, Inc. with tap connections comparable to the District's number of tap connections. She stated that the fees are not based on the number of tap connections. She reviewed a proposed amended contract including an increase of three percent in the current base fee in the amount of \$30.75 a month and an increase of \$20.00 in the monthly office expense. She reported that the monthly office expense was reviewed

and is close to a breakeven amount. Following review and discussion, Director Lynch moved that the Board approve the Agreement for Bookkeeping Services as submitted, a copy of which is attached. Director Petrick seconded the motion, which was approved by unanimous vote.

ENGINEER'S REPORT

The Board next received the engineer's report, a copy of which is attached. Mr. Joubran updated the Board generally on construction projects within the District and reviewed with the Board the items more particularly described hereafter.

DISCUSS MAINTENANCE PLAN, APPROVE PAY ESTIMATES, CHANGE ORDERS AND TIME EXTENSIONS FOR REHABILITATION OF SANITARY SEWER TRUNK LINES

Mr. Joubran updated the Board on the rehabilitation of the sanitary sewer trunk lines. He presented and recommended for approval Pay Estimate No. 1 in the amount of \$331,131.78 payable to Insituform Technologies, Inc., a copy of which is attached. He stated that the District's share of the pay estimate is \$143,490.66.

RECEIVE UPDATE ON SANITARY SEWER INSPECTION BY SOURCE POINT SOLUTIONS, INC.

Mr. Joubran updated the Board on the inspection and televising of 29,140 feet of the sanitary sewer system in Champion Forest Sections 1 and 2 by Source Point Solutions, Inc. He stated that the evaluation should be completed in October 2004.

The Board next reviewed a Sewer Inspection Notice to the District's residents, a copy of which is attached. The Board approved the notice as presented.

Discussion ensued regarding whether a Global Positioning Satellite system should be incorporated with the District's ongoing projects. Mr. Haas stated that an evaluation of such a system will be done upon completion of the valve and manhole survey.

RECEIVE UPDATE ON DESIGN OF WATER, SEWER AND DRAINAGE FACILITIES FOR RAVENEAUX PLACE HIGHRISE CONDOS, AUTHORIZE EXECUTION OF STORM SEWER EASEMENT

Mr. Joubran updated the Board on the design of utilities to serve the Chateaux Raveneaux Condominiums. He reported that the design of the project is progressing and that the cost of the project was included in Bond Application No. 9. He stated that water line and sanitary sewer easements will be needed for the facilities. He stated that discussions with Tony Kindred have been held to obtain a storm sewer easement along the southern boundary line of the condominiums. He recommended moving the line

and requesting an easement from Mr. Greenwood if an easement isn't obtained by next month. No action was necessary for this item.

APPROVE FINAL PAY ESTIMATE, CERTIFICATE OF COMPLETION AND ACCEPTANCE FOR CONSTRUCTION OF WATER LINE TO SERVE ECKERD DRUG STORE, AUTHORIZE EXECUTION OF WATER LINE EASEMENT

Mr. Joubran updated the Board on the extended water line serving the Eckerd Drug Store located at the southwest corner of Champions Forest Drive and Louetta Road. He reported that a final review of the facilities was performed with the TCEQ but that there were no pay estimates for consideration at this time. He stated that a water line easement is needed because the water line had to be constructed outside of the right-of-way due to construction constraints. Mr. Robinson reported that he is coordinating with a representative of Eckerd Drug Store to obtain the necessary information for the water line easement. No action was necessary for this item.

RECEIVE UPDATE ON HCFCD ACCEPTANCE OF DISTRICT FACILITIES

Mr. Joubran reported that Rebel Contractors, Inc. has completed the necessary repairs of the detention facilities located in Champion Forest, Section 11. He stated that an inspection was held with the Harris County Flood Control District ("HCFCD") on July 8, 2004. He reported that surveying is being performed to prepare As-Built drawings for conveyance documents. No action was necessary for this item.

APPROVE PAY ESTIMATES, CHANGE ORDERS AND TIME EXTENSIONS FOR REPAIR OF 12" WATER LINE AND TRESTLE

Mr. Joubran updated the Board on the repair of a twelve-inch water line and trestle. He presented and recommended payment of Pay Estimate No. 1 in the amount of \$52,519.10 payable to CDC Maintenance, Inc., a copy of which is attached. He stated that Cy-Champ Public Utility District will reimburse the District for its portion of the costs in the amount of \$23,431.30.

Following review and discussion, Director Lynch moved that the Board approve the engineer's report as presented, including the pay estimates presented for the rehabilitation of the sanitary sewer trunk lines and for the repair of the twelve-inch water line and trestle. Director Petrick seconded the motion, which was approved by unanimous vote.

UPDATE ON AGREEMENT WITH BROWN & BROWN OF TEXAS, INC. REGARDING INSURANCE COVERAGE MATTERS

Mr. Robinson next updated the Board on the status of a proposed agreement with Brown & Brown of Texas, Inc. ("B&B") regarding insurance coverage matters for payment of the costs and expenses incurred by the District's consultants in the matter of

Yi-Hsien Lin, Tsai Shiu Lin, and Yi-Chang Lin vs. Cypress Forest P.U.D. He stated that a response from B&B is expected by the August 15, 2004 and will be distributed to the Board for review.

Mr. Robinson reported that a request for copies of certain of the District's records was made by Wayne Dolcefino under the Texas Public Information Act. He stated that Ms. Shelnut's office has compiled the documents for review in response to the request.

REVIEW ENGINEER'S CONTRACT AND AUTHORIZE APPROPRIATE ACTION

Mr. Joubran reviewed with the Board the fees charged under the District's contract with Pepe Engineering, Ltd. for engineering services. He compared the fees with fees charged to Harris County and the City of Houston. He requested the Board to renew the engineer's contract without any amendments. Following review and discussion, Director Lynch moved that the Board approve renewal of the engineer's contract without amendments as presented. Director Petrick seconded the motion, which was approved by unanimous vote.

CONSIDER DEVELOPMENT OF A DISTRICT WEB SITE

The Board concurred to table this item.

DISCUSS OPERATIONS OF KLEINWOOD CENTRAL SEWAGE TREATMENT PLANT JOINT POWERS BOARD MEETING

Director Lynch reported on the operations of the Kleinwood Central Sewage Treatment Plant and the Joint Powers Board meeting. He stated that modernization projects are being pursued to achieve more efficient operation of the plant. Ms. Shelnut noted that an invoice was included in the bookkeeper's report for a capital project. Director Lynch stated that the plant has achieved utility cost savings by reviewing and choosing electricity provider options and suggested that the District do the same. No action was required for this item.

OPERATOR'S REPORT

Mr. Haas reviewed the written maintenance and operations report, builder back charges, and invoices with the Board. A copy of the operator's report is attached. He reported that the one-month accountability for last month was 93.4% and the four-month accountability average was 94.9%. He next reported that 25 termination letters were mailed.

Mr. Haas updated the Board on a meter pulled for an unauthorized connection to the District's water system for a home being constructed by Gaybay Builders. He reported that Gaybay Builders has paid the outstanding back charges and deposit. Discussion ensued regarding the procedures for builder backcharges and deposits.

Mr. Haas reviewed a Drought Monitoring chart and discussion ensued regarding the District's Drought Contingency Plan. He next reviewed a Grease Trap Report.

Following review and discussion, Director Lynch moved that the Board approve the operator's report. Director Petrick seconded the motion, which was approved by unanimous vote.

CONDUCT HEARING ON TERMINATION OF WATER SERVICE

Mr. Haas reported that the customers on the attached termination list 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 correct the utility service bill and to show reason why the utility service should not be terminated because 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.

REVIEW AND CONSIDER AMENDMENT TO THE DROUGHT CONTINGENCY PLAN AND AUTHORIZE APPROPRIATE ACTION

The Board next conducted a five-year review of the District's Drought Contingency Plan. Mr. Haas and Mr. Joubran reported that there are no recommended changes to the plan. Following review and discussion, Director Lynch moved that the Board adopt a Resolution Regarding Review of Drought Contingency Plan stating that the District's current plan dated December 7, 1999 shall remain in effect until modified by action of the Board, a copy of which is attached. Director Petrick seconded the motion, which was approved by unanimous vote.

APPROVE AMENDED RATE ORDER AND AUTHORIZE APPROPRIATE ACTION

The Board concurred to table this item.

CONSIDER ELECTRICITY PROVIDER OPTIONS AND AUTHORIZE APPROPRIATE ACTION

The Board next considered electricity provider options and discussed aggregate providers and brokers. Following discussion, Director Lynch moved that that the Board authorize ABH to request The Legacy Group to begin a review of the District's electricity needs to provide electricity provider options for review. Director Petrick seconded the motion, which was approved by unanimous vote.

DISCUSS MATTERS RELATED TO NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

Director Balog reported on a meeting of the North Harris County Regional Water Authority the ("NHCRWA") held the prior week. He updated the Board on construction projects. No action was required for this item.

DISCUSS AMENDMENT TO LEASE AGREEMENT WITH CHAMPION FOREST FUND, INC.

The Board concurred to table this item.

AUTHORIZE PREPARATION OF DISTRICT NEWSLETTER

The Board next discussed preparation of the newsletter. Director Lynch stated that articles on the rehabilitation of the sanitary sewer system and the District's high water accountability should be included in the newsletter. Following discussion, Director Lynch moved that the Board authorize ABH to prepare the District's newsletter in coordination with the District's consultants. Director Petrick seconded the motion, which was approved by unanimous vote.

CONVENE EXECUTIVE SESSION, RECONVENE OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING THE DEPLOYMENT, OR SPECIFIC OCCASIONS FOR IMPLEMENTATION, OF SECURITY PERSONNEL OR DEVICES

The Board concurred that an executive session was not necessary.

SUCH OTHER MATTERS

There being no other matters to come before the Board, the meeting was adjourned.

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE FOR THE MINUTES OF THE AUGUST 3, 2004 BOARD MEETING]

Secretary, Board of Directors

(SEAL)

ACTION ITEMS

- The Entrance Enhancement Committee to solicit comments on the Master Plan from Sterling Gate, Champion Villas, Champions Cove and Windrush subdivisions.
- Mr. Joubran to monitor whether the irrigation system is being damaged by the sanitary sewer rehabilitation project and to forward a letter to Insituform Technologies, Inc. as notification of its responsibility for repair of any damage to the system. The Board requested that photographs be taken and the irrigation system be inspected after each phase of the project.
- Mr. Robinson suggested the following actions: (1) presentations of the Master Plan to other neighborhoods and the Champion Forest Maintenance Fund, (2) determine who is going to maintain the facilities and ensure the cost is budgeted, (3) determine which option(s) the Board will finance and include in the District's budget; and (4) enter into a similar agreement as entered into previously with the Champion Forest Maintenance Fund.
- Director Petrick to provide interface with the Champion Forest Maintenance Fund and the combined committee and provide a recommendation to the Board.
- Mr. Lacy stated that he will prepare an amended contract for garbage services for review at the next regularly scheduled meeting.
- ABH to obtain a proposal from Bond Logistix, L.L.C. for performance of the ten-year and maturity arbitrage rebate analyses for the District's Series 1994B Bonds.
- The bookkeeper and engineer to provide an investment plan for the District's escrowed and operating funds.
- Response from B&B is expected by the August 15, 2004 and will be distributed to the Board for review.
- ABH to request The Legacy Group to begin a review of the District's electricity needs to provide electricity provider options for review.
- ABH to prepare the District's newsletter in coordination with the District's consultants.
- Mr. Robinson coordinating with representative of Eckerd Drug Store to obtain the necessary information for the water line easement.

- Mr. Robinson and Director Lawrence to coordinate on scheduling a meeting with the Champion Forest Maintenance Fund to discuss an agreement for the District’s long-term use of the administrative building.
- Mr. Joubran to review the recommendations contained in the Vulnerability Assessment Report prepared by Kimmons & Associates, Inc. to create a prioritized list of the recommendations with corresponding estimated costs.

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