

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

July 6, 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 6th day of July, 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 Petrick and Lawrence, thus constituting a quorum.

Also present at the meeting were the following: Beth Balog, Ed Best, W. Mike Neumann, Floyd A. Mechler, Jr., residents; Johnnie Smith of Republic Waste Services; Kevin Quisenberry of Sterling Gate Estates, Ltd.; Nabil Joubran of Pepe Engineering, Ltd.; Kim Shelnett 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 presented plaques to Mr. Best, Mr. Neumann and Mr. Mechler for their many years of outstanding service to the District as members of the Board of Directors.

Director Balog called the meeting to order.

APPROVE MINUTES

The Board considered approving the minutes of the District's regular meeting held on June 1, 2004 and special meeting held on May 24, 2004. Following review and

discussion, Director Lynch moved that the Board approve the minutes as submitted. Director Jackson seconded the motion, which was approved by unanimous vote.

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

Mr. Smith presented a request to the Board for consideration of adding a 2.5% fuel surcharge to the District's Garbage Contract with Republic Waste Services, Ltd. ("Republic"), a copy of which is attached. He stated that Republic has experienced a 21% increase in fuel prices. Mr. Robinson reviewed the terms of the Garbage Contract and stated that a price escalation provision is not included. He stated that the contract is a one-year contract including a provision for termination in 60 days during the second year beginning on December 31, 2004. Following review and discussion, the Board requested Mr. Smith to forward a proposal for amending the District's Garbage Contract with Republic to include a formula for calculating costs for review at the next regularly scheduled meeting.

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

A proposal for a public right-of-way beautification project was not presented. Director Balog noted that Director Petrick has been designated the District's representative on the beautification committee consisting of members from the Champion Forest Maintenance Fund, Civic Club, Garden Club, and the District to develop beautification projects. The Board requested Ms. Cherne to distribute a list of the Directors' duties for review and placement onto the District's directory. Director Jackson stated she will attend a meeting of the Board of Directors of the Maintenance Fund scheduled for tomorrow.

RECEIVE ARBITRAGE REBATE ANALYSIS REPORTS FOR THE DISTRICT'S SERIES 1992 AND 1994 BONDS AND AUTHORIZE APPROPRIATE ACTION

The Board next reviewed the arbitrage rebate analysis reports for the District's Series 1992 and 1994 Bonds prepared by BondLogistix, LLC, copies of which are attached. Mr. Robinson reported that the District is obligated to perform such analyses by federal tax law and that the report confirms that the District does not owe any rebates to the federal government. Following review and discussion, Director Jackson moved that the Board accept the reports as presented. Director Lynch seconded the motion which was approved by unanimous vote.

BOOKKEEPER'S REPORT

The Board next received the bookkeeper's report and considered payment of the bills. Ms. Shelnutt presented 33 checks for the Board's approval. She reported that an account has been opened with Texas State Bank. She reported that approval for release

of escrowed funds has been received from the Texas Commission on Environmental Quality and checks have been written to reimburse the developers for interest due as presented in the Developer Reimbursement Audit approved at the March 2, 2004 meeting of the Board. She reviewed a proposed budget for fiscal year ending September 30, 2005. Ms. Shelnuttt then reviewed the fiscal year expenditures for the administrative building. She 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.

Discussion ensued regarding the District's Investment Policy and the Public Funds Investment Act. Following discussion, the Board requested that the District's Investment Officer, Mary Jarmon of Myrtle Cruz, Inc., attend the next regularly scheduled meeting of the Board to discuss the District's Investment Policy and that the policy be distributed to the Directors for review.

Mr. Robinson and Ms. Shelnuttt responded to Directors' questions and discussion ensued regarding the termination provisions contained within consultant contracts and determining the relative value of consultant fees in the marketplace. Mr. Robinson explained that the law concerning engagement of professional services provides that the services be engaged based on qualifications, and that only after a consultant is selected may the fee be negotiated. Following discussion, the Board requested Ms. Shelnuttt to provide rate analyses of districts served by Myrtle Cruz, Inc. Mr. Haas and Mr. Robinson stated they would provide similar information during review of their contracts.

Following review and discussion, Director Jackson 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.

REVIEW THE BOOKKEEPER'S CONTRACT AND AUTHORIZE APPROPRIATE ACTION

The Board concurred to table 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 97.68% of the year 2003 taxes had been collected as of the end of the prior month. He then presented 10 checks for approval and reviewed the delinquent list. After review and discussion, Director Lynch moved that the tax assessor/collector's report be approved and the tax bills be paid. Director Jackson 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 reported that all applications for the release of escrowed funds to pay for the project have been approved. He stated that Insituform Technologies, Inc. was given a Notice to Proceed with the rehabilitation of the sanitary sewer trunk lines effective June 25, 2004. He stated that the contractor is proceeding with the necessary work. He reported that no pay estimates have been submitted for consideration at this time. No action was necessary for this item.

CONSIDER SANITARY SEWER INSPECTION PLAN, INCLUDING REVIEW PROPOSAL FROM SOURCEPOINT

Mr. Joubran reviewed with the Board a proposal for the inspection and televising of 29,140 feet of the sanitary sewer system in Champion Forest Sections 1 and 2 from Source Point Solutions, Inc. in the amount of \$65,826.00, a copy of which is attached. In response to Directors' questions, Mr. Robinson stated that this is a professional service performed for maintenance of the District's facilities which does not require adherence to the competitive bids process as required for construction projects. Mr. Joubran stated that the rate contained in the proposal seems to be in line, if not better than, the market rate. Following review and discussion, Director Lynch moved that the Board approve the proposal from Source Point Solutions, Inc. as presented. Director Jackson seconded the motion, which was approved by unanimous vote.

The Board next discussed notifying the District's residents of the rehabilitation and the inspection and television projects. The Board requested that notification be hand delivered to the residents by the contractor and that a message be placed on the utility bills.

RECEIVE UPDATE ON DESIGN OF WATER, SEWER AND DRAINAGE FACILITIES FOR RAVENEAUX PLACE HIGH RISE 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. 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 for the detention facilities located in Champion Forest, Section 11. He stated that an inspection scheduled with the Harris County Flood Control District ("HCFCD") for June 22, 2004 has been rescheduled to July 8, 2004 due to rainy weather. 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 by CDC Maintenance, Inc. He stated that the project has been delayed due to bad weather conditions and the high level of water within Cypress Creek. No action was necessary for this item.

CONSIDER DEVELOPMENT OF A DISTRICT WEB SITE

The Board next considered development of a District web site. Mr. Robinson noted that links to water district web sites and a sample web site policy were forwarded to the Directors for review. Director Balog reported that he attended a session regarding web sites at the Association of Water Board Directors summer conference. He stated that a member of the Board needs to perform further research on the process for development of a web site. The Board concurred to consider development of a District web site at the next regularly scheduled meeting.

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

Discussion ensued regarding the meetings being attended by Director Jackson and the District's contract with the Champion Forest Maintenance Fund for upgrading the irrigation system for the District's esplanades. Mr. Robinson reported that a request for a copy of the contract was made by Rozann Janek, a resident of the District. Director Balog stated that it was important to determine whether the money paid by the District was for work that was never performed. He noted that the contract provides that the Champion Forest Maintenance Fund is responsible for overseeing and maintaining the irrigation system upgrade project. Director Jackson stated that she will coordinate with the Champion Forest Garden Club to assess the project. Director Balog requested Director Jackson to provide a report on the status of the irrigation system at the next regularly scheduled meeting.

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. He stated that the plant has achieved utility cost savings by reviewing and choosing electricity provider options and suggested that the District do the same. Mr. Haas stated that the District will not be able to achieve the same amount of savings because the District does not use the amount of electricity and does not have as many operational options as the Kleinwood Central Sewage Treatment Plant. He stated that looking at electricity provider options should be reviewed. Director Lynch suggested that the District review bids on a quarterly basis. Following discussion, the Board requested ABH to obtain bids from electricity providers for review at the next regularly scheduled meeting.

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 98.9% and the four-month accountability average was 95.8%. He next reported that 22 termination letters were mailed. He reviewed a Grease Trap Report.

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 who did not pay a deposit to the District. He stated that he has been in contact with Gaybay Builders who has paid one backcharge, is disputing another backcharge, and has not paid a deposit. He stated that the tap is being withheld until the backcharges and deposit are paid. Director Balog requested to be contacted if he needs to be involved in discussions with the homeowners regarding the unauthorized connection.

Mr. Haas reported that a reimbursement check in the amount of \$9,335.17 was received from the insurance company of the driver who hit and damaged the District's fire hydrant.

Mr. Haas distributed an updated phone list. Director Lynch reported on a service call regarding a sewer gas smell and the response time of the return call and serviceman to the site. Following discussion regarding future sanitary sewer repair work and sewer gas smells, the Board requested Mr. Haas to determine how to improve the response time of after hours service calls.

Mr. Haas presented a proposal from John Moore in the amount of \$940 for trimming of trees and shrubbery at the District's water plants. He stated that Mr. Moore is bonded and insured. Following review and discussion, Director Lynch moved that the Board accept the proposal as presented. Director Jackson seconded the motion, which was approved by unanimous vote.

Mr. Haas reported that he was able to accommodate the request for irrigation of the esplanade presented last month to the Board.

Following review and discussion, Director Lynch moved that the Board approve the operator's report. Director Jackson 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 Jackson 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.

APPROVE AMENDED RATE ORDER AND AUTHORIZE APPROPRIATE ACTION

The Board concurred to table this item.

APPROVE AND AUTHORIZE EXECUTION OF ADDENDUM TO EMERGENCY WATER SUPPLY CONTRACT WITH HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 52

Mr. Robinson next reviewed with the Board an Addendum to Emergency Water Supply Contract with Harris County Fresh Water Supply District No. 52 ("District No.

52"). He stated that the addendum contains the changes previously approved by the Board at the December 2, 2003 meeting which include a provision regarding payment of the North Harris County Regional Water Authority ("NHCRWA") pumpage fees and change of address for notice to the offices of ABH. He reviewed an additional provision requested by District No. 52 to allow for payment of water received in cash or in kind pumpage. Following review and discussion, Director Jackson moved that the Board authorize execution of the Addendum to Emergency Water Supply Contract with Harris County Fresh Water Supply District No. 52, a copy of which is attached. Director Lynch 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 last month. He updated the Board on construction projects and stated that a meeting is scheduled for next week. No action was required for this item.

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

Mr. Robinson reviewed with the Board the status of scheduling a meeting with the Champion Forest Maintenance Fund to discuss an agreement for the District's long-term use of the administrative building and address issues such as maintaining access rights for all of the District's homeowners associations, and issues related to maintenance costs for the building. He stated that he and Director Lawrence will coordinate on this item. The Board concurred to table this item.

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. He reviewed a letter response from B&B to the District's request 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 requested authorization to address inaccuracies contained in the letter and to forward a copy of the original invoice submitted by Vinson & Elkins LLP to show that the District had negotiated a reduced fee. Following review and discussion, Director Lynch moved that the Board authorize Mr. Robinson to draft and forward a letter to B&B subject to review by Director Balog. Director Jackson seconded the motion, which was approved by unanimous vote.

AUTHORIZE PREPARATION OF DISTRICT NEWSLETTER

Ms. Cherne distributed copies of the District's 2003 newsletter. The Board concurred to table this item.

CONVENE EXECUTIVE SESSION PURSUANT TO SECTION 551.076 OF THE TEXAS GOVERNMENT CODE TO DELIBERATE THE DEPLOYMENT, OR SPECIFIC OCCASIONS FOR IMPLEMENTATION, OF SECURITY PERSONNEL OR DEVICES

Director Balog moved that the Board convene in executive session pursuant to Section 551.076 of the Texas Government Code to deliberate the deployment, or specific occasions for implementation, of security personnel or devices. Director Lynch seconded the motion, which was approved by unanimous vote.

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

The Board reconvened in open session. Following discussion, Director Lynch moved that the Board authorize 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. Director Jackson seconded the motion, which was approved by unanimous vote.

SUCH OTHER MATTERS

In response to Directors' questions, Mr. Robinson reported on the District's submission of Floyd Mechler's workers compensation claim to the District's insurance company.

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

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE FOR THE MINUTES OF THE JULY 6, 2004 BOARD MEETING]

(SEAL)

Secretary, Board of Directors

ACTION ITEMS

- Mr. Smith to forward a proposal for amending the District's Garbage Contract with Republic to include a formula for calculating costs for review at the next regularly scheduled meeting.
- Ms. Cherne to distribute a list of the Directors' duties for review and placement onto the District's directory.
- The District's Investment Officer, Mary Jarmon of Myrtle Cruz, Inc., to attend the next regularly scheduled meeting of the Board to discuss the District's Investment Policy and the policy be distributed to the Directors for review.
- Ms. Shelnutt to provide rate analyses of districts served by Myrtle Cruz, Inc. Mr. Haas and Mr. Robinson stated they would provide similar information during review of their contracts.
- Source Point Solutions, Inc. to begin inspection and televising of 29,140 feet of the sanitary sewer system in Champion Forest Sections 1 and 2.
- Notification of sanitary sewer projects to be hand delivered to the residents by the contractor and a message to be placed on the utility bills.
- Mr. Robinson coordinating with representative of Eckerd Drug Store to obtain the necessary information for the water line easement.
- Inspection of detention facilities located in Champions Forest, Section 11 scheduled with HCFCFCD for July 8, 2004.
- Director Jackson to provide a report on the status of the irrigation system at the next regularly scheduled meeting.
- ABH to obtain bids from electricity providers for review at the next regularly scheduled meeting.
- Mr. Haas to determine how to improve the response time of after hours service calls.
- John Moore to trim trees and shrubbery at the District's water plants.
- 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. Robinson to draft and forward a letter to B&B subject to review by Director Balog.
- 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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