

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

May 4, 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 4th day of May, 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:

W. Mike Neumann	President
Roger P. Balog	Vice President
Michael J. Lynch, Jr.	Secretary
Edward L. Best	Assistant Vice President
Floyd A. Mechler, Jr.	Assistant Secretary

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

Also present at the meeting were the following: Harry Peyton of AquaSurance; Dan McDonald of Anco Wessendorff Insurance; Leah Borello of the Champion Forest Maintenance Fund; Linn Smyth and Wendy Fryfogle of the Champion Forest Garden Club ("Garden Club"); Rozann Janek, Cristy Hayes, and Marshall Schoth, residents; Salim Joubran of Pepe Engineering, Ltd.; Kim Shelnett of Myrtle Cruz, Inc.; Aimee 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.

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

Director Neumann invited members of the public to address the Board. Ms. Borello stated that the proposal for the beautification project has expanded after consultation with various residents and organizations within the District. She stated that Ms. Hayes is present to discuss a proposal for the beautification project. Director Neumann explained that the Board will receive the additional proposal, but is unable to act at this time due to the absence of an agenda item.

Ms. Hayes presented to the Board a Conceptual Proposal for a Champion Forest Entrance Enhancement Project, a copy of which is attached. She stated that the proposal included projects for enhancing the monuments, guard houses, and landscaping located at the entrances to Champion Forest. She reviewed the plan outline and stated that the plan can now be implemented due to the sprinkler upgrade recently performed. She noted that the sprinkler system does have some deficiencies that need to be addressed. Director Neumann stated that it is the obligation of the Champion Forest Maintenance Fund ("Maintenance Fund") to address the deficiencies as outlined in the District's contract with the Maintenance Fund. He stated that the Board has agreed to consider a proposal to be presented from the Garden Club which must be considered prior to any other proposals. Members of the Board noted that the District's policy for considering such proposals is that the proposals must be consistent with the District's goal of water conservation. Ms. Hayes stated that the Garden Club was instrumental in developing the plan she presented. Ms. Borello stated that she understood the charge from the Board last month was to communicate with neighborhood groups to develop a consensus on projects to bring to the Board for consideration. Ms. Hayes requested that the proposal presented be considered in conjunction with the Garden Club's proposal. She stated that she will prepare a landscaping plan for the Board's consideration at next month's meeting.

Mr. Robinson stated that the District's primary function is to perform activities related to water, sewer, and drainage. He stated that the Board has limited abilities to perform park improvements using excess water and sewage revenues, but cannot use funds from the capital or debt service accounts. He discussed park designation procedures and stated that the Board has not performed such activities in the past. Mr. Scoth stated that the entrance enhancement project grew from the new law passed for park activities and the desire to develop a project in conjunction with the Board.

Ms. Borello and Ms. Hayes discussed the deficiencies of the sprinkler system. Ms. Borello stated that she is planning to coordinate with the Garden Club, the Maintenance Fund and the contractor to address the deficiencies. Members of the Board noted that the District encompasses other neighborhoods. The Board expressed its willingness to assist with the proposed project if there is a consensus by various groups located within the District.

APPROVE MINUTES

The Board next considered approving the minutes of the District's regular meeting held on April 6, 2004. Ms. Cherne noted that a correction was made to the Tax Assessor/Collector's agenda item to reflect that the District is collecting 2003 taxes and that the correction should be made to the minutes of the Board of Directors' regular meetings held beginning in January through March. Director Best moved that the Board approve the correction to the minutes of the Board of Directors' regular meetings held beginning in January through March. Director Lynch seconded the motion, which

was approved by unanimous vote. After discussion, Director Balog moved that the Board approve the minutes as corrected. Director Best seconded the motion, which was approved by unanimous vote.

RENEW DISTRICT INSURANCE POLICIES

The Board next considered renewing the District's insurance policies. Director Mechler reminded the Board that he is affiliated with AquaSurance, LLC and he will not participate in the discussion regarding the District's insurance policies or vote on the renewal of the policies. Mr. Robinson reported that form policies were received from AquaSurance, LLC and are consistent with past insurance coverage obtained by the District.

Mr. Peyton next reviewed with the Board an insurance proposal from AquaSurance, LLC, a copy of which is attached. He responded to Directors' questions.

Mr. McDonald next reviewed with the Board an insurance proposal from Anco Wessendorff Insurance, a copy of which is attached. He responded to Directors' questions.

Director Mechler, Mr. Peyton and Mr. McDonald left the meeting while the Board discussed the insurance proposals. Discussion ensued regarding limits of coverage, deductibles and premiums. Mr. Robinson stated that ABH did not make a comparison of the policies and that the agents are present to answer the Board's questions and make representations. He stated that the District's current insurance policies with Anco Wessendorff Insurance were extended until June 1, 2004. Following discussion, Director Best moved that the Board accept the proposal from AquaSurance, LLC in the approximate amount of \$14,610. Director Lynch seconded the motion, which was approved by unanimous vote, except for Director Mechler who was not present for the vote.

BOOKKEEPER'S REPORT

The Board next received the bookkeeper's report and considered payment of the bills. Ms. Shelnutt presented 42 checks for the Board's approval. She reviewed a list of invoices received May 1 through May 4, 2004. She presented for execution a resolution for Texas State Bank for the password for wire transfers between accounts. She 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.

In response to Director Mechler's question, Mr. Robinson reported that he was notified by the judge's administrative assistant that the drunk driver who damaged the District's fire hydrant did have insurance. Mr. Haas reported that he is working with the driver's insurance company on the District's claim.

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

DISCUSS CAPITAL IMPROVEMENT ITEMS AND AMEND BUDGET FOR FISCAL YEAR ENDING SEPTEMBER 30 IF APPROPRIATE AND AUTHORIZE APPROPRIATE ACTION

The Board next discussed the budget for fiscal year ending September 30 and anticipated capital expenditures. Mr. Joubran reviewed with the Board a Summary of Yearly Budget Requirements, a copy of which is attached. He stated that he is adding \$100,000 to the budget for inspection and testing of the sanitary sewer system. Mr. Joubran recommended that inspections of the sanitary sewer system be performed in each section of the District, starting with the oldest section. Director Neumann suggested that the inspection include gathering of information for the new GASB-34 accounting rules and identification of every manhole within the District. Following discussion, Director Neumann moved that the Board authorize Mr. Joubran to prepare a sanitary sewer system inspection plan for review at the next regularly scheduled meeting. Director Mechler seconded the motion, which was approved by unanimous vote.

APPROVE EXECUTION OF A DEPOSITORY PLEDGE AGREEMENT WITH TEXAS STATE BANK

Mr. Robinson reported that Texas State Bank is requesting new Depository Pledge Agreements to replace the agreements with Riverway Bank. He stated that Texas State Bank acquired Riverway Bank. Following discussion, Director Mechler moved that the Board approve execution of a Depository Pledge Agreement with Texas State Bank. Director Balog seconded the motion, which was approved by unanimous vote.

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. Ms. Ordeneaux stated that 96.7% of the year 2003 taxes had been collected as of the end of the prior month. She then presented 4 checks for approval and reviewed the delinquent list. Discussion ensued regarding delinquent tax accounts. After review and discussion, Director Balog moved that the tax assessor/collector's report be approved and the tax bills be paid. Director Best seconded the motion, which was approved by unanimous vote.

RECEIVE PROPOSAL FOR PUBLIC RIGHT-OF-WAY BEAUTIFICATION PROJECT

Director Neumann invited members of the public who recently arrived to address the Board. Ms. Fryfogle reported that she is the new president of the Garden Club. She stated that she is forming a committee consisting of members from the Maintenance Fund, Civic Club, Garden Club, and the District to develop beautification projects. Director Balog noted that the projects must be consistent with the District's goal of water conservation. Following discussion, the Board concurred to nominate Director Best as the District's representative on the committee.

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 then 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 the construction contract has been executed by the District and Insituform Technologies, Inc. for the rehabilitation of the sanitary sewer trunk lines. He stated that an application for the release of escrowed funds to pay for the project has been submitted. Ms. Cherne reported that she left detailed inquiries on the status of the application with the Texas Commission on Environmental Quality (the "TCEQ") on three occasions and has not received a response. Mr. Joubran stated that he will contact the TCEQ to obtain a status update. He reported that Cy-Champ PUD and Louetta North PUD are prepared to provide payments for their portions of the cost of the project. He stated that a Notice to Proceed will be issued upon approval of the release of escrowed funds and upon the availability of funds from the participating districts. No action was necessary for this item.

RECEIVE UPDATE ON DESIGN OF WATER, SEWER AND DRAINAGE FACILITIES FOR RAVENEAUX PLACE HIGH RISE CONDOS

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.

AUTHORIZE EXECUTION OF STORM SEWER EASEMENT

The Board concurred to table this item.

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

Mr. Joubran updated the Board on the construction of an extended water line to serve 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. He reported that he will coordinate with Mr. Robinson to obtain the necessary information for the water line easement. No action was necessary for this item.

AUTHORIZE EXECUTION OF WATER LINE EASEMENT

The Board concurred to table this item.

RECEIVE UPDATE ON HCFCD ACCEPTANCE OF DISTRICT FACILITIES

Mr. Joubran reported that a pre-final inspection of the detention facilities located in Champion Forest, Section 11, was held with the Harris County Flood Control District ("HCFCD"). He stated that HCFCD has requested additional items not originally requested. He reported that the items could be given to Rebel Contractors, Inc. as a change order to the contract. Following discussion, Director Best moved that the Board authorize a change order to the contract with Rebel Contractors, Inc. in an amount not to exceed \$25,000, subject to the recommendation of the District's engineer and approval by Director Neumann. Director Mechler seconded the motion, which was approved by unanimous vote.

Mr. Joubran presented and recommended payment of Pay Estimate No. 1 in the amount of \$20,542.50 to Rebel Contractors, Inc., a copy of which is attached. Following review and discussion, Director Mechler moved that the Board approve payment of Pay Estimate No. 1 as presented. Director Best seconded the motion, which was approved by unanimous vote.

Director Neumann discussed the possibility of receiving a proposal from Champions Hydro-Lawn, Inc. for future maintenance of the detention facilities as part of the beautification plan.

RECEIVE UPDATE ON WATER LINE FAILURE AND AUTHORIZE
APPROPRIATE ACTION, INCLUDING EXECUTION OF AGREEMENT WITH
CY-CHAMP PUBLIC UTILITY DISTRICT

Mr. Joubran presented bid proposals and recommended awarding a contract to CDC Maintenance, Inc. in the amount of \$55,484.00 for the repair of a twelve-inch water line and trestle. A copy of the bid tabulation is attached. He stated that Cy-Champ PUD ("Cy-Champ") met on April 30, 2004 and approved the bid proposal. The Board concurred that repair of the water line failure was an emergency. Following review and discussion, the Board concurred that in its judgment, CDC Maintenance, Inc. was a responsible bidder who submitted the lowest and best bid.

Mr. Robinson reviewed with the Board the provisions of an Emergency Water Supply Agreement and Agreement for Use of Trestle with Cy-Champ PUD, copies of which are attached. He stated that the Emergency Water Supply Agreement provides that both districts must agree on repairs and maintenance of the water line exceeding \$2,000 and repair costs are split evenly, provides for temporary use of water on an emergency basis for a fifteen-day period, outlines payment procedures and is in effect for a 20-year term. He stated that the Agreement for Use of Trestle provides an acknowledgement that \$20,000 for the right to use the trestle was previously paid to the District by Cy-Champ, Cy-Champ is solely responsible for repairs to their wastewater line, and that repair costs for the trestle are split evenly between the districts. Mr. Robinson stated that a provision will be added to provide that damage caused to the trestle by Cy-Champ's wastewater line is the sole responsibility of Cy-Champ. Following review and discussion, Director Best moved that the Board approve execution of the Agreement for Use of Trestle, subject to the addition of the provision discussed by Mr. Robinson, and the Emergency Water Supply Agreement with Cy-Champ PUD, and award the contract to CDC Maintenance, Inc. in the amount of \$55,484.00 for the repair of the twelve-inch water line and trestle under the approved agreement. Director Balog seconded the motion, which was approved by unanimous vote, except for Director Mechler who was not present for the vote.

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

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

Director Neumann updated the Board on the operations of the Kleinwood Central Sewage Treatment Plant and the Joint Powers Board meeting. He reported that no violations were reported. He reported on the repair of a small motor. 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. Mr. Haas reported that the one-month accountability for last month was 95.4% and the four-month accountability average was 92.0%. He next reported that 19 termination letters were mailed. He reviewed a Grease Trap Report. Mr. Haas reported that he presented a field report to the homeowners association for Champions Forest, Section 12 and that the meeting went well. Following review and discussion, Director Best moved that the Board approve the operator's report. Director Lynch 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 Best 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 Balog seconded the motion, which was approved by unanimous vote.

APPROVE AND AUTHORIZE DISTRIBUTION OF CONSUMER CONFIDENCE REPORT

Mr. Haas reviewed the District's Consumer Confidence Report and stated that all of the constituents are within the allowable limits. Following review and discussion, Director Best moved that the Board approve and authorize distribution of the Consumer Confidence Report. Director Balog seconded the motion, which was approved by unanimous vote.

REVIEW THE OPERATOR'S CONTRACT

Mr. Haas reviewed with the Board an Amendment to the Schedule of Rates for the District's contract with Aqua Services, a copy of which is attached. Following review and discussion, Director Best moved that the Board accept the amendment. Director Mechler seconded the motion, which was approved by unanimous vote.

DISCUSS MATTERS RELATED TO NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

Directors Balog and Best updated the Board on a meeting held by the North Harris County Regional Water Authority the ("NHCRWA"). Director Balog reported

on easement acquisitions and construction of the water distribution system. Mr. Robinson updated the Board on the activities of the West Harris County Regional Water Authority and the proposed North Fort Bend Regional Water Authority. No action was required for this item.

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

Mr. Robinson reported that Mr. Neumann is 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 addresses issues such as maintaining access rights for all of the District's homeowners associations, and issues related to maintenance costs for the building. The Board concurred to consider this item at a special meeting to be held during the last week of May, 2004.

UPDATE ON AGREEMENT WITH BROWN & BROWN OF TEXAS, INC. REGARDING INSURANCE COVERAGE MATTERS AND AUTHORIZE APPROPRIATE ACTION

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 reported that the costs and expenses incurred in the matter of *Yi-Hsien Lin, Tsai Shiu Lin, and Yi-Chang Lin vs. Cypress Forest P.U.D.*, by Vinson & Elkins L.L.P., Sechrist & McDonald PC, and Pepe Engineering, Ltd. are being tabulated. The Board concurred to consider this item at a special meeting to be held during the last week of May, 2004.

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 MAY 4, 2004 BOARD MEETING]

(SEAL)

Secretary, Board of Directors

ACTION ITEMS

- Ms. Hayes will prepare a landscaping plan for the Board's consideration at next month's meeting.
- Mr. Haas is working with the driver's insurance company on the District's claim for damaged fire hydrant.
- Mr. Joubran to prepare a sanitary sewer system inspection plan for review at the next regularly scheduled meeting.
- Mr. Joubran will contact the TCEQ to obtain a status update on the release of escrowed funds.
- Mr. Joubran will coordinate with Mr. Robinson to obtain the necessary information for the water line easement for Eckerds.
- Mr. Joubran and Director Neumann to review change order for detention facilities.
- Mr. Robinson to add a provision to the Agreement for Use of Trestle to provide that damage caused to the trestle by Cy-Champ's wastewater line is the sole responsibility of Cy-Champ.
- Aqua Services to distribute the Consumer Confidence Report.
- Mr. Neumann is scheduling a meeting with the Champion Forest Maintenance Fund to discuss an agreement for the District's long term use of the administrative building.
- Costs and expenses incurred in the matter of *Yi-Hsien Lin, Tsai Shiu Lin, and Yi-Chang Lin vs. Cypress Forest P.U.D.*, by Vinson & Elkins L.L.P., Sechrist & McDonald PC, and Pepe Engineering, Ltd. are being tabulated.

LIST OF ATTACHMENTS TO MINUTES

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