

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

June 7, 2005

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 7th day of June, 2005, 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 Balog and Jackson, thus constituting a quorum.

Also present at the meeting were the following: Ruth Lynch, Debbie Phillips and Donna Cox, residents; Cristy Hayes, Arthur Roy Riley and Rozann Janek of the Champion Forest Fund; Don Hand of Greenwood Properties, Inc.; Salim Joubran and Nabil Joubran of Pepe Engineering, Ltd.; Kim Shelnett of Myrtle Cruz, Inc.; Esther Flores of Tax Tech, Inc.; Bob Haas and Jalene Palmer of Aqua Services, L.P. ("Aqua Services"); Greer H. Pagan of Allen Boone Humphries Robinson LLP ("ABHR"); and Justine M. Cherne, Recording Secretary.

Director Lynch called the meeting to order.

RECEIVE PUBLIC COMMENTS

Director Lynch opened the meeting to receive public comments. Copies of the Public Comment Cards are attached.

Donna Cox of 15915 Harwick thanked the Board for its welcoming words and stated that she appreciates all that the Board has done. She stated that she also appreciates Aqua Services' assistance with what she thought was a leaking fire hydrant

but it was actually a leak in her irrigation system. She offered any assistance the Board may need with notifying the residents about the upcoming garbage services survey. She suggested that the District's meetings be announced on the Champion Forest Civic Club's marquis. The Board authorized Director Petrick to coordinate with the Champion Forest Civic Club to schedule the placement of announcements of the District's meetings onto the marquis.

The Board thanked the public for their comments.

DEVELOPER'S REPORT AND AUTHORIZE APPROPRIATE ACTION

Mr. Hand next introduced himself to the meeting attendees. He reviewed renderings of the proposed Chateaux Raveneaux Condominiums, copies of which are attached. He reviewed a list of proposed amenities and the phased development plan. He stated that the proposed development is anticipated to sell for approximately \$250 to \$280 million. He next discussed the proposed development of a 200-unit, luxury senior citizens residence and other development projects within the area. He answered questions from Board members regarding development projects. No Board action was necessary.

APPROVE MINUTES

The Board next considered approving the minutes of the District's regular meeting held on May 3, 2005. Following review and discussion, Director Lawrence moved that the Board approve the minutes as written. Director Petrick seconded the motion, which was approved by unanimous vote.

RECEIVE UPDATE ON PUBLIC WATER CONSERVATION PROJECT AND CONSIDER OPTIONS FOR PARTICIPATION WITH CHAMPION FOREST FUND IN PROJECTS FOR CIVIC IMPROVEMENT AND BEAUTIFICATION OF PUBLIC AREAS WITHIN THE DISTRICT; CONSIDER ELECTRICITY COSTS FOR STREET LIGHTING, DISTRIBUTION OF SURVEY, AND AUTHORIZE APPROPRIATE ACTION

Director Petrick and Ms. Janek next updated the Board on Phase II of the public water conservation project. Ms. Janek stated that additional planting was needed and the electrician was approximately 65% complete with his portion of the project. Discussion ensued regarding whether the \$5,577.00 remaining from the \$50,000.00 originally estimated and placed in the District's budget for the project could be used for additional public water conservation projects. Ms. Janek and Ms. Hayes stated that there are additional projects to which the money could be applied. Mr. Hand requested the Board to consider paying the costs for street lighting.

Mr. Riley next introduced himself as the Treasurer of the Champion Forest Fund (the "Fund"). He reviewed the financial status of the Fund. He stated that the Fund lost \$31,067.00 in 2004 and is expected to lose another \$30,000.00 this year. He stated

that most of the Funds' expenses are contractually fixed and reviewed the Fund's budgeted and non-budgeted expenses. He stated that the Fund has negotiated a revised contract with the Harris County Constable Precinct 4 office for patrol services for a \$20,000.00 reduction. He stated that the outstanding assessment fees total approximately \$31,000.00. Ms. Hayes stated that more aggressive actions are being taken to try to collect the outstanding assessment fees. Mr. Riley stated that the Fund has a reserve of approximately \$356,117.00 which is projected to decrease to \$310,000.00 by the end of the year. He stated that the Fund would like to keep a reserve equal to the Fund's annual revenue.

In response to Director Lawrence's inquiry regarding the Fund's plans for changing the deed restrictions and the Fund's fee assessment, Ms. Hayes reviewed a document outlining the Fund's goals, challenges, actions taken, planned actions, and proposed projects to be undertaken if additional funds are raised. A copy of the document is attached. She stated that security is the Fund's biggest expense and security options are being researched. Discussion ensued regarding proposed assessment options. Additional discussion ensued regarding the street lighting costs for homeowners associations located within the District and the cost per household for street lighting and security. Ms. Janek stated that the Fund paid approximately \$76,400.00 for street lighting costs for Champion Forest Sections One through Ten. Mr. Pagan reviewed the statutory provision providing for payment of street lighting costs by utility districts. Following discussion, the Board requested the Fund to prepare a proposal for additional public water conservation projects to which the \$5,577.00 remaining from the \$50,000.00 originally estimated and placed in the District's budget could be applied. The Board additionally requested the Fund's assistance in obtaining the total amount of annual electricity costs for street lighting for all of the homeowners associations located within the District.

RECEIVE REPORT ON SIX-MONTH INTERVAL AUDIT ANALYSIS OF ELECTRICITY AND AUTHORIZE APPROPRIATE ACTION

Mr. Padron next reviewed with the Board an Interval Audit Report, a copy of which is attached. He stated that the audit covers the period of January through May 2005, and that the District has saved approximately \$2,883.90. He stated that the bills submitted by Constellation NewEnergy were found to be accurate. He answered questions from Board members. Director Lynch requested that the electricity rates for Reliant Energy and Constellation NewEnergy be distributed to the Board.

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 and reviewed additional checks for payment. In response to Director Lawrence's inquiry regarding the District's insurance coverage, Ms. Cherne stated that she received written confirmation from Anco-Wessendorff Insurance ("Anco") that the new policies would

be effective as of the expiration date of the old policies and that Anco is aware that payment will be received after the effective date due to the District's meeting schedule. Ms. Shelnuttt reviewed the year-to-date budget, Maintenance Fund Recap, and the fiscal year expenditures for the administrative building. She responded to questions from Board members regarding the difference between the District's budgeted and actual revenue. Director Lawrence suggested that the District's revenue should be based on historical trends. Director Petrick stated that he will review and discuss with Seaback Maintenance, Inc. the additional items included on the invoice submitted for the administrative building's lawn maintenance.

Ms. Shelnuttt next reviewed the investment report as required by the Public Funds Investment Act. She reported that three Certificates of Deposit are due to mature this month and reviewed interest rates offered by various banks. The Board authorized Ms. Shelnuttt to reinvest the Certificates of Deposit for a term of 180 days at the highest interest rate she is able to obtain. Following review and discussion, Director Lawrence moved that the Board approve the bookkeeper's report and authorize payment of the bills. Director Petrick seconded the motion, which was approved by unanimous vote. Copies of the reports and a list of the checks presented for payment are attached.

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. Flores stated that 97.03% of the year 2004 taxes had been collected as of the end of the prior month. She then presented 7 checks for approval and reviewed the delinquent list. She reported that the preliminary numbers for assessed value may be available next month. After review and discussion, Director Lawrence moved that the Board approve the tax assessor/collector's report and payment of the tax bills. Director Petrick seconded the motion, which was approved by unanimous vote.

AUTHORIZE DELINQUENT TAX ATTORNEY TO PROCEED WITH THE COLLECTION OF DELINQUENT TAXES

Ms. Flores reported that letters have been mailed to delinquent tax accounts as notification of the 20% penalty to be added to accounts which remain delinquent on July 1, 2004. Following discussion, Director Lawrence moved that the Board authorize the delinquent tax attorney to proceed with the collection of delinquent taxes. 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, UPDATE ON REHABILITATION OF
SANITARY SEWER TRUNK LINES

Mr. Joubran updated the Board on the rehabilitation of the sanitary sewer trunk lines. He stated that the project is complete and a final inspection of the project by the Texas Commission on Environmental Quality (the "TCEQ") is being scheduled before releasing payment for Pay Estimate No. 6 and Final from Insituform Technologies, Inc. No Board action was necessary.

REVIEW PROPOSALS AND AWARD CONTRACT FOR REHABILITATION OF
THE SANITARY SEWER LINES IN CHAMPION FOREST SECTIONS 1 AND 2

Mr. Joubran reported that Pepe Engineering, Ltd. has started advertisement for bids for the rehabilitation of the sanitary sewer lines in Champion Forest Sections One and Two in the *Houston Chronicle*. He stated bids will be received prior to the July regular meeting of the Board. No Board action was necessary.

APPROVE PLANS AND SPECIFICATONS AND AUTHORIZE
ADVERTISEMENT FOR BIDS FOR CONSTRUCTION OF WATER, SEWER
AND DRAINAGE FACILITIES FOR RAVENEAUX PLACE HIGHRISE
CONDOS, AUTHORIZE EXECUTION OF STORM SEWER EASEMENTS

Mr. Joubran updated the Board on the design of utilities to serve the Chateaux Raveneaux Condominiums. He reported that the cost of the project was included in Bond Application No. 9. He stated that the storm sewer easements for the facilities are ready for execution. He stated that the plans for the subject utilities are expected to be ready at the July meeting.

RECEIVE UPDATE ON INSTALLATION OF FENCE AT THE ELEVATED
STORAGE TANK SITE AND AUTHORIZE APPROPRIATE ACTION

Mr. Joubran next reminded the Board that a contract for the installation of wrought iron fencing at the elevated storage tank site was awarded to Lawn Escape, Inc. to include the unit price for fencing with additional depth and replacement of the swinging gate with a sliding gate and keypad in an amount not to exceed \$25,000, subject to review of the contract by ABHR, review of the specifications by Pepe Engineering, Ltd. and approval by Director Balog. Mr. Joubran noted that the revised quote reviewed last month contained many discrepancies which were reviewed with the Board. He stated that Lawn Escape, Inc. was again requested to provide a quote that complied with the specifications. He stated that a revised quote from Lawn Escape, Inc. for the additional items was received yesterday. He stated that the revised quote is formatted differently than the previous quotes and that the scope of work included is unclear. He stated that the height of the fence and galvanized steel are not included in writing on the quote. He stated that a previous proposal received from Lawn Escape, Inc. contained an additional cost for galvanized steel which would cause the total cost

of the current quote to exceed \$25,000 if added. Following review and discussion, Director Lynch moved that the Board authorize Mr. Joubran to notify Lawn Escape, Inc. that the Board is rejecting the quotes provided by Lawn Escape, Inc. because they do not conform to the specifications of the project and to proceed with awarding the project to the second lowest bidder, provided that the quote is less than \$25,000 and in compliance with the specifications of the project. Director Petrick seconded the motion, which was approved by unanimous vote.

ADDITIONAL ENGINEERING ITEMS

Mr. Joubran reviewed actions related to the proposed development of approximately 300 units of condominiums on the Raveneaux Golf Course and a retirement complex on a 5.229-acre tract located adjacent to the proposed Chateaux Raveneaux Condominiums. Mr. Joubran stated that the District has sufficient capacity to serve the proposed developments.

Following review and discussion, Director Lawrence moved that the Board approve the engineer's report as presented and authorize execution of the storm sewer easements. Director Petrick seconded the motion, which was approved by unanimous vote.

ADOPT RESOLUTION REQUESTING RELEASE OF FUNDS FROM ESCROW AND CHANGE IN PROJECT SCOPE FOR REHABILITATION OF THE SANITARY SEWER LINES IN CHAMPION FOREST SECTIONS 1 AND 2

The Board concurred to table this item pending award of a contract for the rehabilitation of the sanitary sewer lines in Champion Forest Sections 1 and 2.

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 90.4% and the four-month accountability average was 91.7%. He reviewed charts of installed and paid tap fees and a grease trap inspection report. He next reported that 49 termination letters were mailed.

Mr. Haas reported on his coordination with Director Petrick, Ms. Janek, and Lawn Escape, Inc. on the esplanade irrigation system. He stated that all taps and meters have been installed.

Mr. Riley reported that there appears to be a sinkhole in a driveway located over the District's sanitary sewer line. Mr. Haas requested Mr. Riley to forward the address of the sinkhole location for review by Aqua Services.

Following review and discussion, Director Lawrence moved that the Board approve the operator's report as presented. 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, with the exception of one account that was paid today, 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 Lawrence 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 with the exception of the account that was paid today. Director Petrick seconded the motion, which was approved by unanimous vote.

CONSIDER CUSTOMER PAYMENT OPTIONS, ADOPT RESOLUTION APPROVING ADDITIONAL PAYMENT SERVICES FOR DISTRICT CUSTOMERS AND AMENDED RATE ORDER AND AUTHORIZE APPROPRIATE ACTION

Ms. Palmer next reviewed new customer payment options that Aqua Services will be able to provide through Texas State Bank. A list of enhanced payment services is attached. She stated that if the District chooses to participate, the District's customers will be able to pay their utility bills at all major grocery stores, on-line through their bank, by credit card on the internet, or with a check by telephone. She stated that the payment options will be implemented within ten working days, except for the grocery store option, which will not be implemented until all of the participating utility districts have executed the related documents. She reviewed transaction fees to be paid by the customers which currently range from \$0 to \$3.95 above the amount owed to the District and may be subject to increase. She stated that there is currently a maximum of \$100.00 per transaction and that bills over \$100.00 may be paid in multiple increments. She stated that the District would incur a one-time fee of \$100.00 to start the services and is potentially subject to a \$250.00 termination fee if the agreement is ended prior to its three year term.

Mr. Pagan reported that ABHR reviewed and approved the final form of the Texas State Bank contracts and related documents. He stated that if the Board elects to approve the additional payment services, a resolution authorizing the execution of the contracts and related documents will need to be adopted and the following amendments to the District's Amended Rate Order will be necessary: a provision that the District residents may be charged a separate "convenience" fee for payments made via certain electronic means that is separate from the amount owed to the District; a provision that residents will be subject to a return item fee for any item returned by a

financial institution; and a provision that use of payment options may be restricted in the case of delinquent accounts.

Discussion ensued regarding methods for notifying the District's residents of the new payment options. Mr. Haas stated that he would include a notice in the District's utility bills without charge. The Board requested Ms. Hayes to include a notification in the Fund's newsletter.

Following review and discussion, Director Petrick moved that the Board adopt a Resolution Approving Additional Payment Services for District Customers as presented, and adopt an Amended Rate Order to include the amendments related to the additional payment options. Director Lawrence seconded the motion which was approved by unanimous vote. Copies of the Resolution and Amended Rate Order are attached.

CONSIDER FIRE HYDRANT INSPECTION REPORT AND AUTHORIZE ANY NECESSARY ACTION

The Board concurred to table this item.

REVIEW OF BUDGET ITEM FOR SECURITY AND AUTHORIZE ANY NECESSARY ACTION

Ms. Cherne next reported that during a review of invoices paid by the District for security services in connection with an application for a security alarm permit, it was determined that monthly payments in the amount of \$285.00 is being made to the Fund for security services. Ms. Shelnuttt reviewed the monthly payment amounts as contained in the District's budget from 1981 to the present. The Board concurred to evaluate the monthly payment amount and authorized ABHR to draft a security services agreement with the Fund for consideration at the next regularly scheduled meeting.

REVIEW OUTLINE OF PROCEDURES FOR REQUESTING PROPOSALS FOR OPERATOR'S CONTRACT

The Board next reviewed an outline of procedures for requesting proposals for the operator's contract. Following review and discussion, the Board appointed Directors Petrick and Lynch to provide a recommendation of procedures for requesting proposals for the operator's contract at the next regularly scheduled meeting of the Board.

DISCUSS MATTERS RELATED TO NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The Board concurred to table this item.

DISCUSS OPERATIONS OF KLEINWOOD CENTRAL SEWAGE TREATMENT PLANT JOINT POWERS BOARD MEETING, DISCUSS SALE OF SURPLUS CAPACITY AND AUTHORIZE ANY NECESSARY ACTION

Director Lynch reported on the operations and maintenance of the Kleinwood Central Sewage Treatment Plant and the Joint Powers Board meeting. He reported that the budget was approved. Ms. Cherne reported that a revised Exhibit B to the Letter of Intent, Third Amendment to the Agreement Providing for the Ownership, Operation, Maintenance and Expansion of the Kleinwood Regional Wastewater Treatment Facilities and the Creation of the Kleinwood Joint Powers Board, will be distributed for execution. She stated that execution of the revised document was authorized last month. No Board action was necessary.

RECEIVE UPDATE ON DISTRICT WEB SITE, ADOPT WEB SITE POLICY AND AUTHORIZE APPROPRIATE ACTION

Director Lawrence noted that a web site policy has been distributed by ABHR for review by the Board. Following review and discussion, Director Lynch moved that the Board adopt the web site policy as written and appoint Directors Lawrence and Jackson to the web site committee. Director Petrick seconded the motion, which was approved by unanimous vote. A copy of the Resolution Adopting Website Posting Policy for the District is attached.

RECEIVE REPORT FROM DIRECTOR PETRICK ON PARK MATTERS AND AUTHORIZE APPROPRIATE ACTION

Director Petrick next reported on his activities on behalf of the District and in coordination with a loose alliance of concerned groups and citizens in the proposed development of a public park within the 462 acres of property being sold by Hewlett-Packard ("HP"). He reported that Kickerillo Companies donated 40 acres of water and 35 acres of land for a total of 75 acres for park facilities. He reviewed seven conditions related to the donation and stated that he and the other participants signed a Memorandum of Understanding. Director Petrick stated that under the Memorandum of Understanding, Harris County is required to begin the trails within one to two years and is responsible for their maintenance. He stated that the donation has not been made in writing and it is unknown how much wetlands mitigation Kickerillo Companies will be required to do. Mr. Pagan noted that ABHR represents Kickerillo Companies. Director Petrick discussed Kickerillo Companies' proposed development plans for the HP property. He stated that he and the other participants will work together and with Harris County on development of the park. He stated that activities are on hold until Kickerillo Companies closes on the HP property. He stated that Linn Smyth has worked hard on this project. He anticipated that the Board will not begin to review the statements of qualifications received from park designers until September. The Board authorized ABHR to contact the park designers to provide a status update on the Board's anticipated review date.

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 JUNE 7, 2005 BOARD MEETING]

(SEAL)

Secretary, Board of Directors

ACTION ITEMS

- Director Petrick to coordinate with the Champion Forest Civic Club to schedule the placement of announcements of the District's meetings onto the marquis.
- The Champion Forest Fund to prepare a proposal for additional public water conservation projects to which the \$5,577.00 remaining from the \$50,000.00 originally estimated and placed in the District's budget could be applied.
- The Fund to assist with obtaining the total amount of annual electricity costs for street lighting for all of the homeowners associations located within the District.
- Mr. Padron to distribute to the Board the electricity rates for Reliant Energy and Constellation NewEnergy.
- Director Petrick will review and discuss with Seaback Maintenance, Inc. the additional items included on the invoice submitted for the administrative building's lawn maintenance.
- Ms. Shelnett to reinvest three Certificates of Deposit for a term of 180 days at the highest interest rate she is able to obtain.
- The delinquent tax attorney is to proceed with the collection of delinquent taxes.
- Pepe Engineering, Ltd. to notify Lawn Escape, Inc. that the Board is rejecting the quotes provided by Lawn Escape, Inc. because they do not conform to the specifications of the project and to proceed with awarding the project to the second lowest bidder, provided that the quote is less than \$25,000 and in compliance with the specifications of the project.
- Mr. Riley to forward the address of the sinkhole location for review by Aqua Services.
- Mr. Haas to include a notice of new customer payment options in the District's utility bills without charge. Ms. Hayes to include a notification in the Fund's newsletter.
- ABHR to draft a security services agreement with the Fund for consideration at the next regularly scheduled meeting.
- Directors Petrick and Lynch to provide a recommendation of procedures for requesting proposals for the operator's contract at the next regularly scheduled meeting.
- Revised Exhibit B to the Letter of Intent to be distributed for execution.
- ABHR to contact the park designers to provide a status update on the Board's anticipated review date.

LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
Public Comment Cards	1
renderings of the proposed Chateaux Raveneaux Condominiums	2
list of proposed amenities	2
document outlining the Fund's goals,	3
Interval Audit Report	3
bookkeeper's and investment reports	3
tax assessor/collector's report	4
engineer's report	4
operator's report	6
termination list	7
list of enhanced payment services	7
Amended Rate Order	8
Resolution Adopting Website Posting Policy	9