

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

December 6, 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 6th day of December, 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, thus constituting a quorum.

Also present at the meeting were the following: Debbie Gable and Donna Cox, residents; Linn Smyth of the Champion Forest Garden Club; Nabil Joubran and Salim Joubran of Pepe Engineering, Ltd.; Kim Shelnett of Myrtle Cruz, Inc.; Esther Flores of Tax Tech, Inc.; Bob Haas of Aqua Services, L.P. ("Aqua Services"); Greer H. Pagan of Allen Boone Humphries Robinson LLP ("ABHR"); and Justine M. Cherne, Recording Secretary.

Director Balog called the meeting to order.

RECEIVE PUBLIC COMMENTS

Director Balog opened the meeting to receive public comments. The Board received public comments from Donna Cox regarding garbage collection, the garbage survey distributed by the Board, and she requested that the minutes reflect that copies of letters from Elizabeth Stewart and Merlene Cain, residents, regarding lost surveys were being presented to the Board. Copies of the public comment cards and correspondence are attached. No Board action was taken.

APPROVE MINUTES

The Board next considered approving the minutes of the District's regular meeting held on November 1, 2005. Following review and discussion, Director Petrick moved that the Board approve the minutes as written. Director Lynch seconded the motion, which was approved by unanimous vote except for Director Lawrence who was not present for the vote.

ADOPT RESOLUTION VOTING FOR DIRECTOR IN THE BOARD OF DIRECTORS ELECTION FOR HARRIS COUNTY APPRAISAL DISTRICT

The Board next reviewed the Election Ballot for the Harris County Appraisal District Board of Directors election, a copy of which is attached. Following review and discussion, Director Petrick moved that the Board adopt a Resolution Voting for Director for Board of Directors Election for Harris County Appraisal District and cast the District's vote in favor of Glenn E. Peters. Director Lawrence seconded the motion, which was approved by unanimous vote. A copy of the Resolution is attached.

BOOKKEEPER'S REPORT

The Board next received the bookkeeper's report and considered payment of the bills. Ms. Shelnett reviewed the written report and presented checks for the Board's approval. She reviewed the year-to-date budget, Maintenance Fund Recap, and the fiscal year expenditures for the administrative building. She next reviewed the investment report as required by the Public Funds Investment Act.

Discussion ensued regarding the District's electricity contract and the regulated fees contained on the District's electricity bills. Ms. Cherne noted that a summary of the District's contract with Direct Energy was distributed by Mr. Robinson prior to the meeting. Mr. Pagan noted that the current electricity charges included on the bookkeeper's report were incurred under the prior electricity contract. Ms. Shelnett reported that the first electricity bills from Direct Energy were just received and are not included on the report. Following review and discussion, Director Lynch moved that the Board authorize Director Lawrence to prepare a spreadsheet identifying issues and questions to be addressed by The Legacy Group for review by the Directors at the January regular meeting. Director Jackson seconded the motion, which was approved by unanimous vote.

Following review and discussion, Director Lynch moved that the Board approve the bookkeeper's report and authorize payment of the bills. Director Jackson 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 reported that 0.25% for the year 2005 taxes have been collected as of the end of the prior month. She then presented 4 checks for approval and reviewed the delinquent list. After review and discussion, Director Lawrence moved that the Board approve the tax assessor/collector's report and payment of the tax bills. Director Lynch 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, RECEIVE UPDATE ON EVALUATION OF THE DISTRICT'S SANITARY SEWER LINES

Mr. Joubran noted that as part of the maintenance plan, the rehabilitation of the sanitary sewer trunk lines is complete and bids were received for the rehabilitation of sanitary sewer lines to serve Champion Forest Sections 1 and 2. He reported that the 20-Year Maintenance Plan is being revised and includes the rehabilitation of the sanitary sewer system as a major component. He stated that the sanitary sewer system consists of 25 to 30 year-old ABS Composite Truss pipes which are past their life expectancy as per pipe suppliers. He stated that the engineer's initial recommendation was to evaluate and consider rehabilitation of the sanitary system over the next ten years. He reported that SourcePoint Solutions, Inc. has been given Notice to Proceed with partial evaluation of approximately 40% of the sewer system in Champion Forest Sections 3 through 9. He stated that SourcePoint Solutions, Inc. has completed the inspection of the lines selected within Sections 3 through 9 and the reports are being evaluated. He recommended payment of an invoice from SourcePoint Solutions, Inc. for the work completed in Section 5. He stated that the evaluation is scheduled to be finished by the end of this year and that the work is currently ahead of schedule.

RECEIVE UPDATE ON PLANS AND SPECIFICATONS FOR CONSTRUCTION OF WATER, SEWER AND DRAINAGE FACILITIES FOR RAVENEAUX PLACE HIGHRISE CONDOS AND CONSERVATORY SENIOR LIVING DEVELOPMENT

Mr. Joubran updated the Board on the design of utilities to serve the Chateaux Raveneaux Condominiums included in Bond Application No. 9. No Board action was taken.

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

Mr. Joubran reported that the replacement gate located in front of the Southwestern Bell building has been installed. He recommended payment of a final invoice in the amount of \$2,490.00 from Dow Fence and Supply Company.

ADDITIONAL ENGINEERING ITEMS

Mr. Joubran reported on coordination efforts with Alexander Engineering, Inc. on the North Harris County Regional Water Authority water alignment design project.

Mr. Joubran recommended approving a request for utilities from DMac Construction, Inc. on behalf of Chen Brothers LLP to serve a 3.421-acre tract located on the southeast side of Louetta Road and Champions Drive. He recommended that the District agree to reserve 7,460 gallons per day of water supply and 5,840 gallons per day of sewage treatment capacity to serve a proposed professional and retail use development on the tract. He stated that the District has capacity available to serve the tract.

Following review and discussion, Director Petrick moved that the Board approve the engineer's report as presented including approval of the invoices as presented and execution of a utility commitment letter agreement with Chen Brothers LLP as recommended. Director Lawrence seconded the motion, which was approved by unanimous vote.

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 water production accountability for last month was 94.1 and the four-month accountability average was 93.9%. He next reported that 40 termination letters were mailed. Following review and discussion, Director Lynch 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 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 Lynch 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 Petrick seconded the motion, which was approved by unanimous vote.

AUTHORIZE CONSULTANTS TO PREPARE ANNUAL REPORT IN ACCORDANCE WITH THE DISTRICT'S CONTINUING DISCLOSURE OF INFORMATION AGREEMENT AND AS REQUIRED BY SEC RULE 15c2-12

Mr. Pagan informed the Board that the District is required to file an Annual Report in accordance with the Continuing Disclosure of Information Agreement and SEC Rule 15c2-12. He stated that certain financial information and operating data is required to be updated annually due to the covenants contained in the bonds issued by the District. After discussion, Director Lynch moved that the Board authorize the consultants to prepare the Annual Report. Director Jackson seconded the motion, which was approved by unanimous vote.

DISCUSS CONFLICT OF INTEREST DISCLOSURE

Mr. Pagan next reviewed with the Board new legislation enacting Chapter 176 of the Texas Government Code, which requires directors and consultants to disclose certain conflicts of interest. He reviewed with the Board the forms adopted by the Texas Ethics Commission for making disclosures under Chapter 176 and noted that the forms are required to be filed with the records administrator for the District beginning January 1, 2006, and will need to be filed thereafter within seven days of a disclosable conflict arising. He explained that failure to make a disclosure required under Chapter 176 is a Class C misdemeanor. He encouraged the Board to contact ABHR if assistance is needed in determining whether a conflict requires disclosure or in making a required disclosure. The Board authorized ABHR to maintain a list of the District's Board members and make that list available to the public and to contractors who may be required to file a questionnaire under Chapter 176. The Board also amended the District's Ethics Policy to require disclosure under Chapter 176 of the Texas Government Code.

UPDATE ON DISTRIBUTION OF SURVEY REGARDING GARBAGE SERVICES

The Board next reviewed a chart summarizing the responses to the District's garbage services survey, a copy of which is attached. Following review and discussion, Director Jackson moved that the Board continue with the current curbside garbage collection services based on the majority responses received from the survey. Director Balog seconded the motion. Additional discussion ensued regarding the survey results and collection options. Following discussion, the motion was approved by unanimous vote. The Board requested ABHR to contact WCA to determine on which day garbage will be collected during Christmas.

RECEIVE PROPOSAL FOR PROPOSED DEVELOPMENT PROJECT; ANNEXATION

Mr. Pagan reported that Mr. Robinson has been in contact with Mr. Kindred's attorney and has not received a written proposal for development of land currently included in the Raveneaux Country Club tract. No Board action was taken.

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

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE FOR THE MINUTES OF THE DECEMBER 6, 2005, BOARD MEETING]

(SEAL)

Secretary, Board of Directors

ACTION ITEMS

- Director Lawrence to prepare a spreadsheet identifying issues and questions to be addressed by The Legacy Group for review by the Directors at the January regular meeting.
- The consultants to prepare the Annual Report.
- ABHR to contact WCA to determine on which day garbage will be collected during Christmas.
- Mr. Keplinger to prepare a proposal for SCADA for an initial assessment of the District's facilities and preparation of recommendations in coordination with the District's engineer and operator for review at the January regular meeting of the Board. ABHR to obtain proposals for SCADA systems for review at the January regular meeting of the Board.
- ABHR to obtain proposals from the District's insurance provider for increased bond amounts for the consultants for review at the January regular meeting of the Board.
- Ms. Shelton to discuss additional services which can be provided by First Southwest Company at the January regular meeting of the Board.
- SourcePoint Solutions, Inc. proceeding with partial evaluation of approximately 40% of the sewer system in Champion Forest Sections 3 through 9 to be finished by the end of this year and Pepe Engineering, Ltd. evaluating reports.
- Pepe Engineering, Ltd. to coordinate with contractor to ensure replacement of the gate located in front of the Southwestern Bell building is completed as soon as possible.
- Mr. Haas to obtain a proposal for natural gas conversion for review at the January regular meeting of the Board. Mr. Robinson requested Mr. Haas to determine whether there is a natural gas supply available to the District that is not part of the residential supply.
- ABHR to forward a request for proposals to the list of operating companies previously discussed for response by January 15, 2005, to include a statement of the operating company's experience with integrating work orders with GIS and a copy of the operating company's annual financial report. Ms. Cherne to redistribute the list of operating companies to the Board by e-mail correspondence.

- Director Petrick working on the construction of a proposed trail within the District. Director Petrick working 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”).
- Mr. Robinson and Directors Jackson and Balog to meet with Mr. Kindred to discuss a written proposal for development of land on Raveneaux Country Club tract. Board members attending any meetings to provide written reports to the Board.

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