

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

January 4, 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 4th day of January, 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 Sims, Wendy Fryfogle, Judy Fabian, Pretti Verma, Kamda Verma, and Jack Smyth, residents; Linn Smyth of the Champion Forest Garden Club; Salim Joubran of Pepe Engineering, Ltd.; Kim Shelnuttt of Myrtle Cruz, Inc.; Greg Ordeneaux of Tax Tech, Inc.; Bob Haas of Aqua Services, L.P. ("Aqua Services"); Greg Sonnier of Lawn Escape, Inc.; Steve Robinson 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. Board members answered questions and responded to comments from residents regarding the changes in garbage collection services. The Board stated that the residents concerns will be considered.

APPROVE MINUTES

The Board next considered approving the minutes of the District's special meeting held on November 18, 2004 and regular meeting held on December 7, 2004. Following review and discussion, Director Lawrence moved that the Board approve the minutes as written. 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 30 checks for the Board's approval. She reported that she forwarded the invoices received from Reliant and Constellation for electricity services to the Legacy Group for review. She reviewed the year-to-date budget, Maintenance Fund Recap, and the fiscal year expenditures for the administrative building.

Ms. Shelnutt next reviewed the investment report as required by the Public Funds Investment Act. She reported that she made investments in three additional certificates of deposits instead of the four authorized last month by the Board because TexPool's interest rates were competitive with the rates offered by banking institutions.

Following review and discussion, Director Petrick 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 as exhibits to these minutes.

RECEIVE ARBITRAGE REBATE ANALYSIS REPORT FROM BOND LOGISTIX LLC FOR THE DISTRICT'S SERIES 1994B BONDS

The Board next reviewed an arbitrage rebate analysis report from Bond Logistix LLC for the District's Series 1994B Bonds, a copy of which is attached. Mr. Robinson noted that no rebate liability is due with respect to the bonds and responded to Directors' questions. Following review and discussion, Director Jackson moved that the Board approve the report as presented and authorize payment of the invoice from Bond Logistix LLC. Director Petrick 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 as an exhibit to these minutes. Mr. Ordeneaux stated that 23.71% of the year 2004 taxes had been collected as of the end of the prior month. He then presented 6 checks for approval and reviewed the delinquent list. Mr. Robinson and Mr. Ordeneaux responded to Directors' questions regarding tax collection options.

After review and discussion, Director Lawrence 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.

ENGINEER'S REPORT

The Board next received the engineer's report, a copy of which is attached as an exhibit to these minutes. 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 stated that the sanitary sewer trunk lines have been substantially cured-in-place. He reported that the contractor is proceeding with the rehabilitation of the sanitary sewer manholes. He stated that there were no pay estimates for consideration. He stated that coordination with Director Petrick and the Maintenance Fund has resolved the issue of damage to the irrigation system caused by the contractor and that the contractor has agreed to pay \$1,400 to the Champion Forest Maintenance Fund for repair of the system.

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

Mr. Joubran reported on Pepe Engineering, Ltd.'s evaluation of the inspection and televising of 29,140 feet of the sanitary sewer system in Champion Forest Sections One and Two by Source Point Solutions, Inc. He recommended performing rehabilitation of approximately 30,000 feet of the sanitary sewer lines by cured-in-place pipe relining. He stated that the construction cost for the project is approximately \$750,000.00. He requested authorization to proceed with the preparation of the plans and specifications for the rehabilitation project. He stated that the preparation would take approximately 60 days. He answered questions from Board members regarding the proposed rehabilitation project. In response to Mr. Robinson's inquiry, Mr. Joubran stated that surplus funds are in escrow due to the costs of the sanitary sewer trunk lines rehabilitation project being less than budgeted. Mr. Robinson recommended applying to the Texas Commission on Environmental Quality for use of those funds for the rehabilitation project. Mr. Robinson answered questions and responded to Board members' comments regarding restoration of the easement in connection with the rehabilitation project. Following discussion, Director Lawrence moved that the Board authorize the District's engineer to prepare plans and specifications for rehabilitation of

the sanitary sewer lines in Champion Forest Sections One and Two. Director Lynch seconded the motion, which was approved by unanimous vote.

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 reported that the metes and bounds description for the storm sewer easement has been forwarded to the developer. No Board action was necessary.

RECEIVE UPDATE ON HCFCD ACCEPTANCE OF DISTRICT FACILITIES

Ms. Cherne reported that Mr. Pederson of the Harris County Flood Control District ("HCFCD") told her that the Warranty Deed conveying the detention facilities located in Champion Forest, Section 11 was approved by the Harris County Commissioners Court. She stated Mr. Pederson said that a letter confirming this action has been forwarded to Mr. Joubran. Mr. Joubran stated that he has not yet received the letter. No Board action was necessary.

RECEIVE PROJECTIONS ON ULTIMATE LAND USE, DISCUSS OPERATIONS OF KLEINWOOD CENTRAL SEWAGE TREATMENT PLANT JOINT POWERS BOARD MEETING, DISCUSS SALE OF SURPLUS CAPACITY

Mr. Joubran next reviewed a spreadsheet of the District's Wastewater Capacity Requirements at ultimate development, a copy of which is attached as an exhibit to these minutes. The Board discussed letters received from Kleinwood M.U.D. and Harris County M.U.D. No. 191 requesting the District to consider selling excess capacity in the Kleinwood Central Sewage Treatment Plant (the "Plant"), copies of which are attached as exhibits to these minutes. Director Lynch reviewed a map of the District and surrounding areas and discussed projected future wastewater capacity needs of the members of the Plant. Mr. Robinson reviewed notice provisions of the contract between the members of the Plant and answered Board members' questions. Discussion ensued regarding methodologies for determining the availability of and a reasonable price for available capacity. The Board requested Ms. Shelnett to prepare a summary of the District's costs for the Plant over a one-year period, excluding extraordinary repairs, for the next regularly scheduled meeting. Following discussion, Director Lynch moved that the Board authorize the District's engineer and operator to analyze the availability of excess capacity and to analyze a reasonable price to sell the available capacity, if any. Director Petrick seconded the motion, which was approved by unanimous vote. Mr. Joubran stated that the analysis should be completed by the March regular meeting.

The Board requested Mr. Robinson to respond to the letters received from Kleinwood M.U.D. and Harris County M.U.D. No. 191 to notify them of the Board's actions and the notification provisions of the contract between the members of the Plant.

Following review and discussion, Director Lawrence moved that the Board approve the engineer's report as presented. Director Jackson 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 as an exhibit to these minutes. Mr. Haas reported that the one-month accountability for last month was 96.0% and the four-month accountability average was 93.3%. He reviewed charts of installed and paid tap fees and a grease trap inspection report. He next reported that 28 termination letters were mailed.

Mr. Haas next reported that the quarterly flushing is scheduled to be performed and requested the Board to authorize distribution of a notice for mailing to the District's residents. He stated that the cost is approximately \$1.00 for each notice. He answered questions and responded to comments from Board members. Discussion ensued regarding the estimated cost. Following discussion, Director Lynch moved that the Board authorize distribution of a notice of the quarterly flushing to the District's residents. Director Petrick seconded the motion, which was approved by majority vote with Director Lawrence opposed.

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

CONSIDER PROPOSALS FOR BEAUTIFICATION OF ELEVATED STORAGE TANK SITE AND AUTHORIZE APPROPRIATE ACTION

Ms. Smyth reported that Lawn Escape, Inc. has reviewed the elevated storage tank site and stated that Mr. Sonnier has preliminary proposals for review. She stated that there are several options for the site for which she does not yet have data. Mr. Sonnier reviewed proposals for installation of wrought iron fencing, landscaping, and irrigation, copies of which are attached. He answered questions and responded to comments from Board members regarding the proposals and security. Following review and discussion, Director Lynch moved that the Board authorize Mr. Haas to contact Kimmons & Associates for an assessment of security issues and fencing for the elevated storage tank site for review at the next regularly scheduled meeting. Director Lawrence seconded the motion, which was approved by unanimous vote.

Mr. Sonnier reported on his survey of the medians and damage to the irrigation system. He stated that two water meters are leaking and have been disconnected. He stated that it is imperative to repair sprinkler heads damaged by mowers. He stated he will provide a monthly written report regarding the irrigation system to the Champion Forest Maintenance Fund.

DISCUSS MATTERS RELATED TO NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

Director Balog reported that the North Harris County Regional Water Authority (the "NHCRWA") will meet next Monday. Mr. Robinson reviewed with the Board correspondence received from the NHCRWA, copies of which are attached. He stated that the correspondence provides notice that the NHCRWA is proposing to issue bonds in the approximate amount of \$105,200,000 and is increasing pumpage fees from \$0.34 to \$0.59 per thousand gallons beginning April 1, 2005. Mr. Robinson discussed the District's option to finance its pro-rata share of the bond issue by making a Capital Contribution according to the NHCRWA's procedures. Discussion ensued regarding the fees charged to the District's residents for the pumpage fees paid to the NHCRWA. The Board concurred to consider amending its Rate Order in March with respect to the NHCRWA pumpage fees. Following review and discussion, Director Jackson moved that the Board decline to finance its pro-rata share of the bond issue with a Capital Contribution. Director Petrick seconded the motion, which was approved by unanimous vote.

DISCUSS GUIDELINES FOR A DISTRICT WEB SITE AND AUTHORIZE APPROPRIATE ACTION

Director Lawrence reviewed with the Board guidelines for a District website. The Board concurred to table this item pending the Directors' review of the guidelines.

DISCUSS PREPARATION OF DISTRICT NEWSLETTER

The Board next discussed preparation of the newsletter. Board members made comments and revisions to the text of the newsletter regarding the award of a garbage collection services contract. The Board requested that the notice of the changes in garbage collection services for distribution by WCA in the District's February utility bills mirror the language of the District's newsletter. Director Jackson stated that she will coordinate the placement of a notice of the changes in garbage collection services on the Champion Forest message boards. The Board concurred to approve the newsletter text as revised.

SUCH OTHER MATTERS

Director Petrick reported that Harris County Commissioner Eversoll is planning to schedule a meeting regarding the proposed development of a park within the 462 acres of land being sold by Hewlett-Packard. Following discussion, Director Lynch moved that the Board authorize Director Petrick to attend such meeting on behalf of the District. Director Lawrence seconded the motion, which was approved by unanimous vote.

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

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE FOR THE MINUTES OF THE JANUARY 4, 2005 BOARD MEETING]

(SEAL)

Secretary, Board of Directors

ACTION ITEMS

- District's engineer to prepare plans and specifications for rehabilitation of the sanitary sewer lines in Champion Forest Sections One and Two.
- Ms. Shelnett to prepare a summary of the District's costs for the Plant over a one-year period, excluding extraordinary repairs, for the next regularly scheduled meeting.
- The District's engineer and operator to analyze the availability of excess capacity and to analyze a reasonable price to sell the available capacity, if any.
- Mr. Robinson to respond to the letters received from Kleinwood M.U.D. and Harris County M.U.D. No. 191 to notify them of the Board's actions and the notification provisions of the contract between the members of the Plant.
- Aqua Services to distribute a notice of the quarterly flushing to the District's residents.
- Mr. Haas to contact Kimmons & Associates for an assessment of security issues and fencing for the elevated storage tank site for review at the next regularly scheduled meeting.
- Directors to review website guidelines.
- WCA to provide a notice of the changes in garbage collection services which mirrors the language of the District's newsletter for distribution with the District's February utility bills.
- Director Jackson to coordinate placing a notice of the garbage collection services changes on the Champion Forest message board.
- Director Petrick to attend, on behalf of the District, a meeting regarding the proposed development of a park within the 462 acres of land being sold by Hewlett-Packard.

LIST OF ATTACHMENTS TO MINUTES

| | Minutes |
|--|-------------|
| | <u>Page</u> |
| bookkeeper's and investment reports..... | 2 |
| arbitrage rebate analysis report from Bond Logistix LLC | 2 |
| tax assessor/collector's report..... | 2 |
| engineer's report..... | 3 |
| spreadsheet of the District's Wastewater Capacity Requirements..... | 4 |
| letters received from Kleinwood M.U.D. and Harris County M.U.D. No. 191..... | 4 |
| operator's report..... | 5 |
| termination list | 5 |
| proposals for installation of wrought iron fencing, landscaping and irrigation | 6 |
| correspondence received from the NHCRWA | 6 |