

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

May 3, 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 3rd day of May, 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 Director Petrick, thus constituting a quorum.

Also present at the meeting were the following: Lee Sargent, John Shipp, Wendy Fryfogle, J. J. Minahan, Jr., Mavis Kiefer, Jeannette Loverdi, Kerry LaGrone, Marshall Schoth, Linn Smyth, Donna Cox, and Rozann Janek, residents; Matt May of WCA; Floyd Mechler of AquaSurance; William Walker of Harco Insurance Services; Kimberly Courte of Anco-Wessendorff Insurance; Greg Sonnier of Lawn Escape, Inc.; Salim Joubran and 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"); 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. Copies of the Public Comment Cards are attached.

Lee Sargent of 16023 Mickleham Drive stated that he objects stringently to the arbitrary change in garbage collection companies. He stated that he is satisfied with the services provided by both companies and the collection schedule. He stated that he objects to curbside service. He stated that the current company is not as clean as the former company and that trash is dropped. He stated that the Board should've received input from the property owners prior to changing companies.

Linn Smyth of 9303 Windrush Drive read a statement to the Board, a copy of which is attached.

John Shipp of 16243 Morningbrook asked why notification of the increased North Harris County Regional Water Association (the "NHCRWA") fee from \$0.38 to \$0.64 was not distributed. He stated that he received an explanation from the District's operator regarding the NHCRWA fee but it does not explain how much is billed to the District and how much is passed on to the residents. Director Balog stated that the District is being charged \$0.59 per thousand gallons and the difference of the amount pumped versus the amount billed explains the difference in rates.

Wendy Fryfolgle of 8211 Redchurch stated that she is speaking on behalf of the Garden Club. She stated that she has received comments from neighbors and the community on a daily basis regarding how wonderful the esplanades look. She stated that she has comparison photographs available for distribution by e-mail. She stated that the improvements do make a difference.

Donna Cox of 15915 Harwick stated that she wanted to respectfully address comments made by Directors Lawrence and Balog at last month's meeting. She stated that many residents have come before the Board to express their concerns regarding beautification, home values, and other issues. She stated that there was confusion regarding the ballot distributed by the Board on the garbage collection issue and that a lot was not considered by the Board. She stated that the savings expressed in the ballot was an insult to her and others. She stated that back door service keeps the neighborhood competitive. She stated that the Board did not respectfully consider the opinions of its neighbors.

Jeannette Loverdi of 16210 Crystal Creek Ct. declined to address the Board.

Kerry LaGrone of 16242 Rutley Circle thanked the Board for performing its difficult tasks. He stated that he appreciates the Board's assistance with making the esplanades beautiful. He stated that he remembers when the Maintenance Fund requested the District to take over the garbage collection services ten years ago because the Maintenance Fund was unable to gain approval from the District's residents to raise its fees to \$36.00. He stated that he understands that the Board chose to implement savings in garbage collection services due to budget constraints and that he is fine with taking his trash to the curb. He stated that he will attend tomorrow evening's Maintenance Fund meeting to request that the two organizations work together. He

stated that he is appalled by some of the things going on in the neighborhood. He stated that the homeowners association has voted to cut security because it is unable to obtain funding from the residents.

The Board thanked the public for their comments.

APPROVE MINUTES

The Board next considered approving the minutes of the District's regular meeting held on April 5, 2005. 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.

REVIEW PROPOSALS AND RENEW INSURANCE POLICIES

The Board next considered renewing the District's insurance policies. Insurance agents not making a presentation left the meeting while a presentation was being made.

Mr. Walker reviewed with the Board an insurance proposal from The Municipal League Intergovernmental Risk Pool, a copy of which is attached. He answered questions from Board members.

Ms. Courte next reviewed with the Board an insurance proposal from Anco-Wessendorff Insurance, a copy of which is attached. She answered questions from Board members.

Mr. Mechler next reviewed with the Board an insurance proposal from AquaSurance, LLC, a copy of which is attached. He answered questions from Board members.

Mr. Walker, Ms. Courte and Mr. Mechler left the meeting. The Board discussed the policies including limits of coverage, deductibles and premiums. Mr. Haas and Mr. Pagan answered questions from Board members regarding insurance coverage and governmental immunities. Discussion ensued regarding the past performance of the District's insurance coverage and agent representation. Following review and discussion, Director Lynch moved that the Board accept the proposal from Anco-Wessendorff Insurance in the approximate amount of \$13,141.00. Director Lawrence seconded the motion, which was approved by unanimous vote.

DISCUSS GARBAGE COLLECTION SERVICES AND AUTHORIZE APPROPRIATE ACTION

Mr. May discussed garbage collection services. He discussed the differences in the cost of services for backdoor versus curbside services and discussed the experiences of Cinco Ranch. He stated that both districts have experienced similar scenarios and in both instances, the majority of residents stated that they wanted curbside service in

response to surveys. He stated that it's very tough to please everyone in the community. He stated that Director Lynch requested options for providing backdoor garbage collection services and discussed the proposal forwarded last month for providing such services to a limited number of residents who would like to pay extra for this level of service. He stated that some sort of marker would need to be developed to identify these residents to the driver and crew of the garbage collection trucks. He stated that wear and tear of garbage cans would be an issue because the special equipment necessary for backdoor service can't be carried on trucks providing curbside service. He stated that he does not have a recommendation for how the District would apply the proposal in a fair manner.

Ms. Kiefer stated that the Deed restrictions require backdoor garbage collection service. She stated that the \$70,000.00 savings is not true. She asked why a survey was distributed to the Board after, instead of before, the change in providers.

Director Lawrence stated that none of the Board members knew that backdoor garbage collection service was being provided to the District until reviewing garbage proposals. He stated that a substantial savings was provided by switching to the curbside service. He stated that the District's operator advised the Board that a very small percentage of the residents utilized backdoor collection services. He stated that the decision by the Board to change services was not done flippantly with wanton disregard or disrespect for the residents. He stated that the Board did not expect that the change would create such a response from the residents since the service was not being utilized. He stated that as soon as the Board received comments regarding the change, the survey was distributed to determine whether the District's residents wanted to utilize backdoor collection services. He stated that the survey was not created to befuddle or confuse the residents. He stated that the number of responses received have substantiated the Board's decision. Director Balog noted that the decision to switch providers was not made in one meeting. He stated that the discussion started with the previous provider requesting a surcharge several months prior to the change. He stated that the change in providers was also delayed due to the District's attorney not providing the required 60 days termination notice to the previous provider.

Ms. Fryfogle stated that realtors have addressed the Board and stated that curbside service does make a difference to the property values of the neighborhood. She stated that there is no clubhouse or pool and amenities need to be offered. Director Lawrence noted that two or three realtors have addressed the Board and that others probably could be found who would say that there is no effect on property values. He stated that the Board is elected to govern by the rule of the majority and it is not fair to respond to a request by a few residents.

Ms. Cox stated that the survey did not clarify that the \$70,000.00 savings was for the District as a whole. She stated that the savings is \$4.00 a month for each homeowner and she is concerned that there was confusion regarding the savings. She

stated that people didn't use backdoor service because they did not know it was available. She stated that it is not her intention to request services for a special group of people. She stated that the proposal of providing limited backdoor service was Director Lynch's idea.

Director Lynch stated that he has been working with Mr. May to try to bring harmony to the District. Mr. May stated that he is willing to service the District in any manner that doesn't cause more trouble. He stated that residents often don't use curbside service even when notified. He stated that recent notification of such services in another District did not make a lot of impact.

Director Jackson stated that the place for change is with the Maintenance Fund. She stated that the District would love to give the garbage collection services back to the Maintenance Fund because the residents refuse to pay. Director Lawrence noted that the difference in the cost of backdoor versus curbside service is \$3.40. He stated that the service is provided to the same body of constituents who will not increase the dues to the homeowners association by \$3.00 a month. He stated that if the District changes to backdoor collection services, then everyone who wants curbside service will be angry about the increased cost.

Director Balog noted that the District has enough of its own business and does not need extra work. He noted that the District represents more than Champion Forest.

Ms. Cox suggested that the limited backdoor service not be offered because it will complicate matters. She stated that a forum should be created to discuss both sides of the issue.

Mr. May stated that if the Maintenance Fund wants to take over garbage services, he will honor his quote originally provided to the Board and assign his contract. He stated that his quote for providing backdoor collection services to the entire District does not expire. He suggested distributing another survey when the CPI adjustment is made.

Mr. May reported that he inspected the District on Monday and Thursday of last week and yesterday. He stated that he did not see any cans or trash in the street. He stated that in his opinion, the neighborhood looked good.

Following discussion, Director Jackson moved that the Board continue providing garbage collection services as they are currently provided without change. Director Lynch seconded the motion, which was approved by unanimous vote. The Board requested Director Jackson to draft an article for distribution in the Champion Forest Womens Club newsletter to thank the residents for their input, remind anyone with disabilities to contact WCA for backdoor service, and to notify the residents that another survey regarding garbage collection services will be distributed at the

appropriate time. The Board concurred to discuss the distribution of a survey at its September meeting.

BOOKKEEPER'S REPORT

The Board next received the bookkeeper's report and considered payment of the bills. Ms. Shelnutt presented 31 checks for the Board's approval and reviewed additional checks for payment. She reported that the invoice for Lawn Escape, Inc. for draw numbers one and two for the water conservation project was forwarded to her by Director Petrick. She 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. She next reviewed the investment report as required by the Public Funds Investment Act. Following review and discussion, Director Lawrence 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. Copies of the reports and a list of the checks presented for payment are attached.

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. Pagan noted that no rebate liability is due with respect to the bonds. No Board action was necessary.

RECEIVE PRESENTATION ON ANALYSIS OF EFFICIENCY OF USE OF ELECTRICITY AND AUTHORIZE APPROPRIATE ACTION

There was no presentation. Ms. Cherne reported that the Utility Bill Audit Agreement was ready for execution, a copy of which is 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. Mr. Ordeneaux stated that 96.64% of the year 2004 taxes had been collected as of the end of the prior month. He then presented 9 checks for approval and reviewed the delinquent list. After review and discussion, Director Jackson 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, 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 project is complete and a final inspection of the project by the Texas Commission on Environmental Quality (the "TCEQ") is being scheduled. He presented and recommended approval of Pay Estimate No. 6 and Final in the amount of \$63,081.64 from Insituform Technologies, Inc., subject to TCEQ acceptance, a copy of which is attached. He stated that the District's share of the pay estimate is \$31,130.83. He stated that Louetta North PUD's share is \$16,214.44 and Cy-Champ PUD's share is \$15,736.37. Following review and discussion, Director Lawrence moved that the Board approve Pay Estimate No. 6 and Final as presented, subject to TCEQ acceptance. Director Jackson seconded the motion, which was approved by unanimous vote. The Board requested Ms. Shelnutt to hold the check pending approval from Pepe Engineering, Ltd.

APPROVE PLANS AND SPECIFICATIONS AND AUTHORIZE ADVERTISEMENT FOR BIDS FOR REHABILITATION OF THE SANITARY SEWER LINES IN CHAMPION FOREST SECTIONS 1 AND 2

Mr. Joubran reported that Pepe Engineering, Ltd. forwarded the plans and specifications for the rehabilitation of the sanitary sewer lines in Champion Forest Sections One and Two to ABHR for review and comment. He requested authorization to advertise for bids subject to incorporating any comments received from ABHR and finalizing the plans accordingly. Director Lawrence moved that the Board authorize advertisement for bids subject to finalization of the plans and specifications. 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 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 the plans for the subject utilities will be ready at the June meeting. No Board action was necessary.

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. He stated that a quote from Lawn Escape, Inc. for the additional items was received three and a half weeks after last month's meeting and that the quote contained many discrepancies. He reviewed the discrepancies as contained in the engineer's report. He stated that he received a revised quote at tonight's meeting but has not had time to review the quote. He stated that the quote does not contain a total amount but appears to be under \$25,000.00. Bob Haas stated that boring under the driveway will probably be required for installation of electricity for the fence for an additional cost. Following discussion, the Board concurred to table this item pending further review of the quote by Pepe Engineering, Ltd.

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

DEVELOPER'S REPORT AND AUTHORIZE APPROPRIATE ACTION

No developer's report was presented.

ADOPT RESOLUTION REQUESTING RELEASE OF FUNDS FROM ESCROW, USE OF SURPLUS FUNDS 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.

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 of the Kleinwood Central Sewage Treatment Plant and the Joint Powers Board meeting. He reported that the budget was approved. He requested information on the process of transitioning the ownership interest of the excess sewer capacity from the District to Kleinwood MUD. Ms. Cherne reported that 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, was distributed to the Board prior to the meeting and is ready for execution. A copy of Exhibit B is attached. Director Lynch reported that Mark Brooks suggested revisions to Exhibit B during the Joint Powers Board meeting today which were approved by the Joint Powers Board. Ms. Cherne stated that she has not been notified of the revisions. Following review and discussion, Director Lynch authorized execution of revised Exhibit B to the Letter of Intent upon receipt and subject to review by ABHR. 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 accountability for last month was 92.9% and the four-month accountability average was 91.8%. He reviewed charts of installed and paid tap fees and a grease trap inspection report. He next reported that 11 termination letters were mailed.

Mr. Haas reported on his coordination with Director Petrick, Ms. Janek, and Lawn Escape, Inc. regarding the esplanade irrigation system. He stated that upon approval by the Board, taps and meters will be placed at three locations where there is service but no tap. He stated that Lawn Escape, Inc. is reviewing their system in Sections 9 and 10 to determine why there are service problems.

Mr. Haas reported that a manhole cover became missing and will be replaced tomorrow. He stated that electronic banking and payment through a District web site will be discussed at the June meeting of the Board.

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

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

The Board concurred to table this item.

DISCUSS MATTERS RELATED TO NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

Director Balog reported on the activities of the North Harris County Regional Water Authority (the "NHCRWA"). He updated the Board on construction and easement acquisition activities and stated that NHCRWA sold bonds last month. Discussion ensued regarding the construction of the interconnect from the District to NHCRWA's line and whether distribution of notices regarding the project was necessary. No Board action was necessary.

RECEIVE UPDATE ON DISTRICT WEB SITE, AUTHORIZE EXECUTION OF ENGAGEMENT LETTER WITH PAYNE COMMUNICATIONS, 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. The Board concurred to table this item pending review of the policy.

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

The Board concurred to table this item.

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 AND AUTHORIZE APPROPRIATE ACTION

The Board concurred to table this item.

ADOPT AMENDED RATE ORDER AND AUTHORIZE APPROPRIATE ACTION

The Board concurred to table this item pending receipt of electricity costs for street lighting for all of the homeowners associations located within the District from Director Petrick.

SUCH OTHER MATTERS

Director Balog reported that he received an invoice from Harris County Alarm Detail in the amount of \$75.00 for false alarms experienced at the District's

Administrative Building. He stated that he also received an Alarm System Permit Application and a notice that such a permit is required. Ms. Cherne noted that the invoice becomes delinquent prior to the next meeting of the Board. Following discussion, Director Lynch moved that the Board authorize Ms. Shelnutt to circulate a check to pay the invoice and complete the Alarm System Permit Application subject to review by ABHR. Director Jackson 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 MAY 3, 2005 BOARD MEETING]

(SEAL)

Secretary, Board of Directors

ACTION ITEMS

- Director Jackson to draft an article for distribution in the Champion Forest Womens Club newsletter to thank the residents for their input, remind anyone with disabilities to contact WCA for backdoor service, and to notify the residents that another survey regarding garbage collection services will be distributed at the appropriate time.
- The Board to discuss the distribution of a survey at its September meeting.
- Ms. Shelnutt to hold the check to Insituform pending approval from Pepe Engineering, Ltd.
- Pepe Engineering, Ltd. to advertise for bids for the rehabilitation of the sanitary sewer lines in Champion Forest Sections One and Two subject to finalization of the plans and specifications.
- Pepe Engineering, Ltd. to review revised quote from Lawn Escape, Inc. containing estimates for installation of a sliding gate with key pad and extra depth.
- Revised Exhibit B to the Letter of Intent to be executed subject to review by ABHR.
- Aqua Services to install taps and meters at three irrigation locations where there is service but not tap. Lawn Escape, Inc. to review irrigation system in Sections 9 and 10.
- Ms. Payne to implement the District's web site pursuant to Plan C presented at the District's November 18, 2004, meeting. Board to review web site policy distributed by ABHR.
- Director Petrick to determine the electricity cost for street lighting for all of the homeowners associations located within the District.
- Ms. Shelnutt to circulate a check to pay invoice from Harris County Alarm Detail and complete the Alarm System Permit Application subject to review by ABHR.

LIST OF ATTACHMENTS TO MINUTES

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