

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

July 5, 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 5th day of July, 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 Lawrence, thus constituting a quorum.

Also present at the meeting were the following: Maura Mulvehill and Wendy Fryfogle, residents; Salim Joubran and Nabil Joubran of Pepe Engineering, Ltd.; Kim Shelnutt of Myrtle Cruz, Inc.; Esther Flores of Tax Tech, Inc.; Bob Haas of Aqua Services, L.P. ("Aqua Services"); 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. He received a written public comment from Marla Coles of 9703 Stockport, a copy of which is attached. The Board thanked the public for its comments.

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

Director Petrick reported that Phase II of the public water conservation project was complete and that he recommends payment of the final invoice. He noted that there is a balance in the amount of \$5,577.00 out of the \$50,000.00 originally estimated and placed in the District's budget for the project which could be used for additional public water conservation projects. No Board action was necessary.

CONSIDER ELECTRICITY COSTS FOR STREET LIGHTING, DISTRIBUTION OF SURVEY, AND AUTHORIZE APPROPRIATE ACTION

The Board concurred to table this item.

AUTHORIZE EXECUTION OF SECURITY SERVICES AGREEMENT AND AUTHORIZE ANY NECESSARY ACTION

Mr. Robinson next recommended that if the Board plans to continue to submit monthly payments to the Champion Forest Fund (the "Fund") for security services, the District should enter into a Security Services Agreement. He reviewed a draft Security Services Agreement and answered questions from Board members. The Board requested that the agreement include a provision whereby the Fund will provide a monthly report of the monitoring activities, including reports of any criminal or mischievous activities occurring at the District's facilities. Discussion ensued regarding the amount paid for the services and the value of the services received. The Board authorized ABHR to determine the amount paid by other districts for direct contracts with Constables for security services and Director Petrick to evaluate the value of the services received.

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 Lynch moved that the Board approve the minutes as written. Director Petrick 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 checks for the Board's approval and reviewed additional checks for payment. Ms. Shelnutt and Mr. Robinson answered Director Lynch's questions regarding investment of the District's funds. Mr. Robinson reviewed requirements of the Public Funds Investment Act. Ms. Shelnutt stated that she will distribute information regarding Myrtle Cruz, Inc.'s insurance by e-mail to the

Directors. Ms. Shelnutt reviewed the year-to-date budget, Maintenance Fund Recap, and the fiscal year expenditures for the administrative building. She stated that she will circulate a draft of the budget for fiscal year ending September 30, 2006, prior to the next meeting of the Board.

Ms. Shelnutt next reviewed the investment report as required by the Public Funds Investment Act. She reported that one Certificate of Deposit held in the District's Debt Service Fund is due to mature this month and reviewed interest rates offered by various banks. The Board authorized Ms. Shelnutt to reinvest the Certificate of Deposit for a term of 180 days at the highest interest rate she is able to obtain. Following review and discussion, Director Jackson 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.

DISCUSS PREPARATORY ACTIONS RELATED TO THE DISTRICT'S ANNUAL BUDGET AND AUTHORIZE ANY NECESSARY ACTION

The Board next discussed proposed preparatory actions related to the District's annual budget process and the format of the District's current budget and bookkeeper's report. Ms. Shelnutt stated that she will circulate a proposed budget in a seasonal format for fiscal year ending September 30, 2006. Director Lynch requested copies of the consultants' budget projections.

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 97.45% 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 assessed value is \$540,696,339 and answered questions from Board members. After review and discussion, Director Lynch 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.

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 reported on efforts to schedule a final inspection of the project by the Texas Commission on Environmental Quality (the "TCEQ") before releasing payment for Pay Estimate No. 6 and Final to Insituform Technologies, Inc. He stated that after several contacts with the local TCEQ office, Ken Brosch agreed to authorize the District, through its engineer, to conduct the final inspection and report to the results to the TCEQ. Mr. Joubran and Mr. Robinson answered questions from the Board members regarding the inspection process. 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 next reviewed bids for the rehabilitation of the sanitary sewer lines in Champion Forest Sections One and Two. He presented two bids for Section One and three bids for Section Two. Copies of the bid tabulations are attached. He stated that the apparent low bidders are Insituform Technologies, Inc. for Section One in the amount of \$982,371.00 and Repipe Texas, Inc. in the amount of \$457,023.00 for Section 2. He stated that the bids and the bidders' qualifications need to be evaluated before an award recommendation can be made. Mr. Joubran noted that the bids were approximately 40% more than the engineer's estimate for the project. Mr. Robinson stated that an evaluation of financing options for the project will be made by the District's consultants and that a recommendation will be presented at next month's meeting. Ms. Shelnett noted that the bookkeeper's report designates \$345,852 of escrowed funds for the project, and contains a surplus fund balance of \$303,000 and uncommitted maintenance fund revenue in the amount of \$832,587.96. Mr. Joubran answered questions from Board members regarding the repairs and performance of the contract with two contractors versus one contractor. Mr. Haas noted that sewer stoppages are being experienced in the lines and that the crown of the pipe has disintegrated. Mr. Joubran stated that there are videotapes of the lines available for review. 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

Mr. Joubran updated the Board on the design of utilities to serve the Chateaux Raveneaux Condominiums. He noted that the cost of the project was included in Bond Application No. 9. He stated that the proposed luxury senior citizens residence will share some of its facilities with the condominiums. He stated that the plans for the subject utilities will be finalized upon receiving all of the necessary utility and drainage information for the related facilities. He stated that the subdivision plat has been submitted to the City of Houston and that there will be a master meter. 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 previously awarded to Lawn Escape, Inc. was rescinded last month and awarded to the second lowest bidder, Dow Fence & Supply Co. He stated that the revised quote and the contract documents were reviewed by the engineers and Mr. Robinson. He stated that Dow Fence & Supply Co. is scheduled to begin the project on Thursday and to complete the project in ten days. No Board action was necessary for this item.

CONSIDER REQUEST FOR UTILITY ALLOCATION COMMITMENT

Mr. Joubran requested the Board's authorization to update the sanitary sewer utility allocation and commitment in the District to incorporate the sale of surplus capacity and information on proposed new development.

ADDITIONAL ENGINEERING ITEMS

Mr. Joubran reviewed activities 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.

Discussion ensued regarding the revised Federal Insurance Rate Maps.

Following review and discussion, Director Petrick moved that the Board approve the engineer's report as presented and authorize the engineers to update the sanitary sewer utility allocation and commitment. Director Jackson 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.

DISCUSS IMPLEMENTATION OF A GIS FOR THE DISTRICT'S FACILITIES

Director Lynch stated that he would like to begin discussion on the implementation of a Geographic Information System ("GIS") for the District's facilities. He stated that he would like a presentation on the benefits and implementation of such a system in October or November. Discussion ensued regarding integration of the operator's software systems with GIS, the City of Houston's system and information necessary to implement such a system. Following, discussion, the Board authorized the

operator and engineer to coordinate with Director Lynch on gathering information and scheduling a Board presentation.

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 92.7% and the four-month accountability average was 92.1%. He reviewed charts of installed and paid tap fees and a grease trap inspection report. He next reported that 29 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. Director Petrick commended Mr. Haas for his rapid response to addressing the matter.

Following review and discussion, Director Jackson 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 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 with the exception of the account that was paid today. Director Petrick seconded the motion, which was approved by unanimous vote.

CONSIDER FIRE HYDRANT INSPECTION REPORT

Director Jackson reported that she reviewed the repairs listed on the Fire Hydrant Inspection Report and that the repairs are valid. Following discussion, Director Jackson moved that the Board authorize the fire hydrant repairs as recommended. Director Petrick 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"). No Board action was necessary.

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

The Board next discussed the web site as distributed prior to the meeting by Ms. Payne. Director Balog was unable to fully download the web site onto his laptop computer. Board members stated that they were able to view the site prior to the meeting and that they were generally pleased with the site. The Board requested that the web site committee continue to coordinate with Ms. Payne and authorized ABHR to forward the following comments on the web site to Ms. Payne: 1. the map is not readable; 2. the flashes or something makes the web site slow for modem users and the Board would like the site to be accessible for modem users; and 3. the Constable should be listed under a links button because they are employed by the homeowners association.

RECEIVE REPORT FROM DIRECTOR PETRICK ON PARK MATTERS

Director Petrick reported that there is no update on construction of a proposed trail within the District.

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 the Memorandum of Understanding executed by the alliance in connection with Kickerillo Companies' donation of 40 acres of water and 35 acres of land for a total of 75 acres for park facilities was presented to Harris County. 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 Commissioner Eversole is favorable to accepting the donation. He reported that Linn Smyth will contact the owners of the property located adjacent to the proposed park between Chasemore and the railroad tracks. No Board action was necessary.

DISCUSS TOWN HALL MEETINGS AND AUTHORIZE APPROPRIATE ACTION

Director Lynch next noted that a letter regarding a Champion Forest Community Involvement Day event scheduled for July 23, 2005, at Brill Elementary School was distributed to the Board prior to the meeting. He requested authorization to distribute informational material from the District's newsletter at the Community Day Event. Following review and discussion, Director Petrick moved that the Board authorize Directors Lynch and Petrick to participate in the event, distribute information material and receive per diems for the event and town hall meetings. Director Lynch seconded the motion, which was approved by unanimous vote.

AUTHORIZE PREPARATION OF DISTRICT NEWSLETTER

Ms. Cherne discussed the District's procedures for preparing the annual District newsletter. Following discussion, Director Jackson moved that the Board authorize preparation of the District newsletter. Director Petrick seconded the motion, which was approved by unanimous vote. Ms. Cherne requested that articles for inclusion in the newsletter be submitted prior to the September meeting of the Board.

SUCH OTHER MATTERS

Mr. Robinson reported that Ms. Shelton continues to monitor the District's opportunities for refunding of its outstanding bond issues and that there are no good opportunities at this time.

The Board authorized Director Jackson to prepare the Water Smart Application for year 2006.

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

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE FOR THE MINUTES OF THE JULY 5, 2005 BOARD MEETING]

(SEAL)

Secretary, Board of Directors

ACTION ITEMS

- [Last month] 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.
- [Last month] 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.
- ABHR to determine the amount paid by other districts for direct contracts with Constables for security services and Director Petrick to evaluate the value of the services received.
- Ms. Shelnutt to distribute information regarding Myrtle Cruz, Inc.'s insurance by e-mail to the Directors.
- Ms. Shelnutt to reinvest the Certificate of Deposit from the Debt Service Fund for a term of 180 days at the highest interest rate she is able to obtain.
- Ms. Shelnutt to circulate a proposed budget in a seasonal format for fiscal year ending September 30, 2006. Copies of budget projections to be forwarded by consultants to Director Lynch.
- Pepe Engineering, Ltd. to conduct the final inspection of the sanitary sewer trunk line rehabilitation project and report to the results to the TCEQ.
- Pepe Engineering, Ltd. to evaluate the bids and the bidders' qualifications before an award recommendation can be made for rehabilitation project for sanitary sewer lines in Sections 1 and 2. Evaluation of financing options for the project will be made by the District's consultants and a recommendation will be presented at next month's meeting.
- Pepe Engineering, Ltd. to finalize the plans for the utilities for the Chateaux Raveneaux Condos and luxury senior citizens residence upon receiving all of the necessary utility and drainage information for the related facilities.
- Pepe Engineering, Ltd. to update the sanitary sewer utility allocation and commitment in the District to incorporate the sale of surplus capacity and information on proposed new development.
- Operator and engineer to coordinate with Director Lynch on gathering information and scheduling a Board presentation on GIS system implementation.
- Fire hydrant repairs authorized as recommended.

- Web site committee to continue to coordinate with Ms. Payne and ABHR to forward Board's comments on web site to Ms. Payne.
- [Last Month] Directors Petrick and Lynch to provide a recommendation of procedures for requesting proposals for the operator's contract at the next regularly scheduled meeting.
- Directors Lynch and Petrick to participate in the Champion Forest Community Involvement Day event, distribute information material and receive per diems for the event and town hall meetings.
- Preparation of annual newsletter to begin and articles for inclusion to be submitted prior to the September meeting of the Board.
- Ms. Shelton to monitor refunding opportunities.
- Director Jackson to prepare 2006 Water Smart application.

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