

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

October 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 October, 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: John Sharp of the Champion Forest Civic Club, Scott Winters of the Houston Texas Temple; Kyle Bertrand and Scott Fair of CLR; Tony Kindred of Raveneaux Country Club; Ronald Kasik, Donna Cox, Perry Baycroft, Charles Sheppard and Ruth Lynch, residents; Rozann Janek of the Champion Forest Fund; Linn Smyth of the Champion Forest Garden Club; Teresa Pinyon and John Elder, III, of The Legacy Group; Salim Joubran and Nabil 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"); 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. The Board received public comments from Charles Sheppard, Donna Cox, Tony Kindred, Perry Baycroft and Ronald Kasik regarding garbage and recycling collection, items for inclusion on the District's web site, ownership of the golf course tract and the condition

of vacant homes. Copies of the public comment cards are attached. No Board action was necessary.

RECEIVE PRESENTATION FROM CLR, INC.

Mr. Fair and Mr. Scott made a presentation to the Board regarding Geographic Information Systems. Discussion ensued regarding the presentation. No Board action was taken.

RECEIVE REPORT FROM THE LEGACY GROUP ON ELECTRICITY COSTS, RECEIVE PROPOSAL FROM RELIANT ENERGY SERVICES

Mr. Elder reviewed the District's electricity contract and the services provided by The Legacy Group. He stated that the District's electricity invoices have been audited and the District is being properly charged. He reported that an audit of prior electricity bills found that the District was charged for sales taxes and a refund check in the approximate amount of \$480.00 has been received from the electricity provider. He reviewed how deregulation affects billing for electricity. He reviewed the District's budget for electricity over the next twelve months. He answered questions and responded to comments from Board members. Director Lynch did not present a proposal from Reliant Energy Services. No Board action was necessary.

PUBLIC HEARING REGARDING DISTRICT TAX RATE

Director Balog opened the public hearing regarding the District tax rate and upon no comment from the public, the public hearing was closed.

ADOPT ORDER LEVYING TAXES

Following review and discussion, Director Lynch moved that the Board adopt an Order Levying Taxes for the year 2005, based on a levy of a \$0.30 tax, with \$0.05 allocated to maintenance and operations and \$0.25 allocated to debt service. Director Petrick seconded the motion, which was approved by unanimous vote. The Board confirmed its intention that the 2005 tax levy includes a debt service component for the calendar year ending December 31, 2005, and a maintenance tax component for the fiscal year ending September 30, 2006. A copy of the order is attached as an exhibit to these minutes.

CONSIDER OPTIONS FOR PARTICIPATION WITH THE COMMUNITY IN PROJECTS FOR CIVIC IMPROVEMENT AND BEAUTIFICATION OF PUBLIC AREAS

The Board concurred to table this item.

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

The District discussed paying for the cost of electricity for the street lights for the homeowners associations located within the District and conveying the title to the District's Administrative Building from the Champion Forest Fund to the District. Mr. Robinson stated that agreements can be drafted to include provisions for the District to pay for a fixed budgeted amount or for the entire amount of the electricity costs. He stated that if the District pays for the cost of electricity for the street lights for one homeowners association, the District must enter into agreements with all of the homeowners associations located within the District. Following review and discussion, Director Lynch moved that the Board assume the payments for electricity for the street lighting for the entire District and approve conveying the District's Administrative Building from the Champion Forest Fund to the District. Director Petrick seconded the motion. Further discussion ensued. Director Lynch amended his motion to add a requirement that a survey be distributed to the residents to determine whether the District should pay for electricity for the street lights. The motion failed for lack of a second. Following further discussion, Director Lynch amended his motion such that the Board authorize ABHR to contact all of the homeowners associations located within the District to request information to draft contracts for the District to pay for the cost of electricity for street lights and for conveying the District's Administrative Building from the Champion Forest Fund to the District. Director Petrick seconded the motion, which passed by majority vote, with Directors Balog and Lawrence opposed.

CONSIDER ADDITIONAL GARBAGE SERVICES AND DISTRIBUTION OF SURVEY REGARDING GARBAGE SERVICES AND AUTHORIZE ANY NECESSARY ACTION

The Board next discussed an article regarding garbage services that was included in the Champion Forest Women's October 2005 newsletter which erroneously attributed the article to the District. Ms. Janek stated that the placement of the article was a mistake. Following discussion, Director Lawrence moved that the Board authorize him to prepare a letter responding to the erroneous article for circulation to the Directors and ABHR for comment, and forwarding of the finalized letter to the Champion Forest Women's newsletter. Director Lynch seconded the motion, which was approved by unanimous vote.

Director Balog reviewed a proposed draft garbage survey and Board members provided comments. Following review and discussion, Director Lawrence moved that the Board authorize ABHR to prepare a garbage survey for circulation to the Directors for comment, and distribution of the finalized survey by Aqua Services. Director Jackson seconded the motion, which was approved by unanimous vote.

Mr. Robinson answered questions from Board members regarding submission of personal commentaries to publications. He stated that the personal commentaries need to clearly state that it is not written on behalf of the Board.

APPROVE MINUTES

The Board next considered approving the minutes of the District's regular meeting held on September 6, 2005, and special meeting held on September 15, 2005. Following review and discussion, Director Lynch moved that the Board approve the minutes as written. Director Jackson seconded the motion, which was approved by unanimous vote.

DISCUSS ITEMS FOR INCLUSION ON NEXT MEETING AGENDA

The Board next discussed the length of its meetings, and considered limiting discussion on agenda items and reorganizing the agenda in the following order: 1) receive public comments; 2) approve minutes; 3) receive consultants' reports; and 4) additional action items. Following discussion, Director Lawrence moved that the Board reorganize the agenda as discussed, limit Board meetings to a length of an hour and a half, and table items not discussed during that time period, except for consultants' reports. Director Jackson seconded the motion. Discussion ensued regarding the Board's ability to extend the length of Board meetings. The motion passed by majority vote, with Director Lynch opposed.

OPERATOR'S REPORT

Director Lawrence requested Mr. Haas to determine why there was a strong sewer or chemical odor during the early morning when parts of the neighborhood lost power. Mr. Haas stated that the District's lift stations do not have generators and possibly the collection system backed-up.

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 98.1% and the four-month accountability average was 93.8%. He next reported that 57 termination letters were mailed.

Mr. Haas reported that he reviewed the new car wash discussed at last month's meeting and it is receiving water from the strip center. He stated there are no facilities installed to collect the run-off water. Mr. Joubran stated that the car wash is located within the District. Following review and discussion, Director Lawrence moved that the Board authorize ABHR to contact Harris County Pollution Control regarding the car wash facility's pollution violations. Director Petrick seconded the motion, which was approved by unanimous vote. Mr. Robinson requested Mr. Haas to forward to him photographs of the pollution violations.

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 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. 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. Ms. Flores stated that 98.77% of the year 2004 taxes had 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.

ADOPT RESOLUTION NOMINATING A CANDIDATE FOR THE BOARD OF DIRECTORS OF HCAD

Mr. Robinson next reviewed the procedures for the election of directors for the Board of Directors of the Harris County Appraisal District. Following review and discussion, Director Lynch moved that the Board adopt a Resolution Nominating a Candidate for the Board of Directors of Harris County Appraisal District nominating Glenn Peters, a copy of which is attached. Director Lawrence 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. 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 reported that the collections for the North Harris County Regional Water Authority fee will be monitored and presented quarterly. Ms. Shelnett next reviewed the investment report as required

by the Public Funds Investment Act. Following review and discussion, Director Petrick 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.

CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY AND ADOPT RESOLUTION REGARDING ANNUAL REVIEW OF INVESTMENT POLICY

The Board next conducted an annual review of the District's investment policy. Mr. Robinson discussed the requirements of the Public Funds Investment Act. No changes to the policy were recommended by the District's consultants. Following review and discussion, Director Lynch moved that the Board adopt a Resolution Regarding Annual Review of Investment Policy without amendment to the District's Investment Policy. Director Lawrence seconded the motion, which was approved by unanimous vote. A copy of the resolution is attached.

ADOPT RESOLUTION ESTABLISHING AUTHORIZED DEPOSITORY INSTITUTIONS AND ADOPTING LIST OF QUALIFIED BROKER/DEALERS

The Board next reviewed the District's authorized depository institutions and list of qualified broker/dealers. Mr. Robinson reported that updates to the District's list were recommended by the District's consultants. Following review and discussion, Director Lynch moved that the Board adopt a Resolution Establishing Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers as presented. Director Lawrence seconded the motion, which was approved by unanimous vote. A copy of the resolution is attached.

ACCEPT ANNUAL DISCLOSURE STATEMENTS OF THE BOOKKEEPER AND INVESTMENT OFFICER

The Board next reviewed the annual disclosure statements of the bookkeeper and investment officer. Mr. Robinson stated that the statements are filed annually with the Texas Ethics Commission. Director Lynch requested a copy of the bookkeeper's insurance coverage. Following review and discussion, Director Lynch moved that the Board authorize filing of the annual disclosure statements of the bookkeeper and investment officer with the Texas Ethics Commission. Director Lawrence seconded the motion, which was approved by unanimous vote. Copies of the statements are attached.

REVIEW THE FINANCIAL ADVISOR'S CONTRACT

Ms. Shelton next stated that there were no changes proposed to the current financial advisor's contract and that First Southwest Company would like to continue as the District's financial advisor. The Board concurred to table this item.

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. N. 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 the evaluation is scheduled to be finished by the end of this year. No Board action was necessary.

ADOPT RESOLUTION EXPRESSING INTENT TO FINANCE EXPENDITURES TO BE INCURRED FOR EVALUATION OF THE DISTRICT'S SANITARY SEWER LINES

Mr. Joubran reminded the Board that authorization for SourcePoint Solutions, Inc. to proceed with the evaluation of the sanitary sewer lines in Champion Forest Sections 3 through 9 for an approximate cost of \$76,380.00 was provided at the special meeting held on September 15, 2005. He noted that the Board stated its intent to reimburse the operating account for this cost from future bond proceeds. Mr. Robinson answered questions from Board members regarding the use of escrowed funds. After discussion, Director Lawrence moved to adopt a Resolution Expressing Intent to Finance Expenditures to be Incurred to pay for the costs of the evaluation of the District's sanitary sewer lines. Director Lynch seconded the motion, which was approved by unanimous vote. A copy of the resolution is attached.

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

Mr. Joubran noted that the Board was provided with written extensions of the low bids through February 2006, for the rehabilitation of the sanitary sewer lines in Champion Forest Sections 1 and 2 from Insituform Technologies, Inc. and Re-Pipe Texas. No Board action was necessary.

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.

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 necessary.

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

Mr. Joubran updated the Board on replacement of a gate located in front of the Southwestern Bell building. Mr. Joubran stated that the supplier of the gate material sustained damage from Hurricane Rita which delayed production. He stated that he will continue to coordinate with the contractor to ensure the installation is completed as soon as possible.

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.

DISCUSS MATTERS RELATED TO NHCRWA

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

Director Lynch reported on the operations and maintenance of the Kleinwood Central Sewage Treatment Plant and the Joint Powers Board meeting. No Board action was necessary.

REVIEW OUTLINE OF PROCEDURES FOR REQUESTING PROPOSALS FOR OPERATOR'S CONTRACT AND LIST OF OPERATORS

The Board concurred to table this item.

DISTRICT WEB SITE

The Board and meeting attendees next discussed items included on the District's web site. The Board requested ABHR to contact Ms. Payne to request that the newsletter be removed from the site to avoid any confusion regarding garbage collection services.

RECEIVE REPORT FROM DIRECTOR PETRICK ON PARK MATTERS

Director Petrick reported that he is working to schedule a meeting to possibly organize a committee to work on the 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"). No Board action was necessary.

AUTHORIZE DIRECTORS TO ATTEND THE AWBD WINTER CONFERENCE

The Board next considered authorizing the Directors to attend the Association of Water Board Directors winter conference to be held in San Antonio during the first weekend of February 2006. Following discussion, Director Lynch moved that the Board authorize the Directors to attend the Association of Water Board Directors winter conference. Director Petrick seconded the motion, which was approved by unanimous vote.

COMMUNITY PROJECTS

Mr. Robinson reported that Mr. Kindred has requested to present to the Board a written proposal for development of land currently included in the Raveneaux Country Club tract. Following review and discussion, Director Lawrence moved that the Board authorize Mr. Robinson and Director Jackson to meet with Mr. Kindred to discuss the proposal. Director Lynch seconded the motion, which was passed by unanimous vote.

GARBAGE

Mr. Lynch reminded the Board of garbage collection issues experienced within the District due to Hurricane Rita. He reported that he contacted Mr. May of WCA who agreed to provide four trucks to collect garbage on the Friday following a missed collection due to the storm for an amount of \$1,500.00. He stated that a notice of the additional collection was placed on the neighborhood's marquis which stopped phone calls from the community regarding the garbage collection issues. Following discussion, Director Lynch moved that the Board approve the charge for garbage collection for \$1,500.00. Director Petrick 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 OCTOBER 4, 2005 BOARD MEETING]

Secretary, Board of Directors

(SEAL)

ACTION ITEMS

- ABHR to contact all of the homeowners associations located within the District to request information to draft contracts for the District to pay for the cost of electricity for street lights and for conveying the District's Administrative Building from the Champion Forest Fund to the District.
- Director Lawrence to prepare a letter responding to the erroneous article for circulation to the Directors and ABHR for comment, and forwarding of the finalized letter to the Champion Forest Women's newsletter.
- ABHR to prepare a garbage survey for circulation to the Directors for comment, and distribution of the finalized survey by Aqua Services.
- ABHR to contact Harris County Pollution Control regarding the car wash facility's pollution violations.
- SourcePoint Solutions, Inc. to proceed 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.
- 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.
- ABHR to contact Ms. Payne to request that the newsletter be removed from the web site to avoid any confusion regarding garbage collection services.
- Director Petrick working to schedule a meeting to possibly organize a committee to work 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 Director Jackson to meet with Mr. Kindred to discuss a written proposal for development of land on Raveneaux Country Club tract.

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