

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

April 4, 2006

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 April, 2006, 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: Donna Cox, Linn Smyth, Wendy Fryfogle, James Reed, and Rozann Janek, residents; S. A. Mercer of Mercer Controls; Don Hand of Greenwood Properties, Inc.; Nabil Joubran and Salim Joubran of Pepe Engineering, Ltd. ("Pepe"); Kim Shelnett of Myrtle Cruz, Inc.; Esther Flores of Tax Tech, Inc.; Bob Haas of Aqua Services, L.P. ("Aqua Services"); Tony Kindred of Raveneaux Country Club; Stephen M. 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. Ms. Cox addressed the Board regarding the 2006 Directors Election and posting of notices. A copy of the Public Comment Card is attached. No action was taken by the Board.

APPROVE MINUTES

The Board next considered approving the minutes of the District's regular meeting held on March 7, 2006. 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.

DISCUSS SCADA

Mr. Mercer next discussed with the Board Supervisory Control and Data Acquisition Systems ("SCADA systems"). He reported that he met with Directors Lynch and Petrick, the District's engineer and operator, and reviewed the District's electricity bills and water pump records. He stated that he was unable to receive complete information on the pumps and electricity bills at this time. He reviewed a draft report and stated that approximately \$22,000.00 per year could be saved in electricity costs with the installation of approximately \$225,000.00 of operational and maintenance equipment. He stated that the electricity costs would only be reduced by 20% over the first eleven months after installation due to the method of calculation of the Demand Factor by the electricity companies. He reviewed methods for achieving electricity cost savings. He stated that savings would be experienced in other areas. Mr. Robinson reviewed the District's options for contracting with Mr. Mercer. Following review and discussion, Director Lynch moved that the Board engage Mr. Mercer in an amount not to exceed \$10,000.00 at \$125.00 per hour plus expenses to prepare an engineering study evaluating operational and mechanical methodologies to lower electricity costs, and deliver a report containing installation options and costs for implementation of specific SCADA system options at the District's facilities at the next meeting. Director Petrick seconded the motion, which was approved by unanimous vote.

DISCUSS GIS

The Board concurred to table this item.

RECEIVE PROPOSAL FOR PROPOSED DEVELOPMENT PROJECT; ANNEXATION

Mr. Kindred reported that he is not ready to present a written proposal for development of land currently included in the Raveneaux Country Club tract. He stated that he expects to have a proposal to present to the Board at next month's meeting. He reported that renovation of the golf course will begin on June 5, 2006. The Board suggested that public meetings be held in the future to discuss the proposed development and solicit comments from the community. No action was taken by the Board.

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 93.80% of the year 2005 taxes have been collected as of the end of the prior month. She then presented 6 checks for approval and reviewed the delinquent list. She reviewed the fees paid by the District to the tax assessor/collector. After review and discussion, Director Lynch moved that the Board approve the tax assessor/collector's report and payment of the tax bills. 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, the fiscal year expenditures for the administrative building, and electrical expenses. She next reviewed the investment report as required by the Public Funds Investment Act. Following review and discussion, Director Jackson moved that the Board approve the bookkeeper's report and authorize payment of the bills. Director Petrick seconded the motion, which was approved by unanimous vote. Copies of the reports and a list of the checks presented for payment are attached.

AMEND BUDGET FOR FISCAL YEAR ENDING SEPTEMBER 30, 2006

The Board next discussed adopting an amended budget to more accurately reflect the District's energy, operating, and chemical expenses. Following review and discussion, Director Petrick moved that the Board approve an amended budget to reflect the following expenses: chemicals at \$26,000.00, utilities at \$185,000.00, and the North Harris County Regional Water Authority fees at \$375,000.00. Director Jackson seconded the motion, which was approved by unanimous vote. A copy of the adopted budget is attached. Director Petrick noted that the budget will be technically in the negative and the District needs to be cautious with expenditures.

FINANCIAL ADVISOR'S REPORT

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. N. 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 stated that rehabilitation of the sanitary sewer lines to serve Champion Forest Section 1 will be underway soon as authorized. He reported that the 20-Year Maintenance Plan is being revised in coordination with the District consultants to provide a comprehensive assessment of water and wastewater facilities and any projected capital improvements.

Mr. N. Joubran reported that a meeting was held on March 16, 2006, with Directors Lynch and Petrick, and Ms. Shelton. He reported that a preliminary cost estimate for the District's projected capital improvements was reviewed and conformed to Ms. Shelton's analysis of the tax rate. He reported that Pepe also met with the North Harris County Regional Water Authority to obtain requirements for the District's future connection to the surface water network. He stated that most likely, a water line will need to be extended into one or both of the District's water supply plant facilities for the future connection. Discussion ensued regarding estimated costs, possible locations for the connections, and the current schedule of 2010 for surface water to be received by the District. Mr. N. Joubran stated that the estimated cost of the water line will be included in the capital improvement projects included in the 20-Year Maintenance Plan. No action was taken by the Board.

CONTRACT FOR REHABILITATION OF THE SANITARY SEWER LINES IN CHAMPION FOREST SECTION 1

Mr. N. Joubran next updated the Board on the rehabilitation of the sanitary sewer lines in Champion Forest Section 1. He stated there were no pay estimates for consideration. He reported that one inquiry about the project was received to express appreciation for the project.

Mr. N. Joubran reviewed Pepe's written response to address e-mail correspondence received from Mr. Riley regarding Mr. Riley's review of the sanitary sewer rehabilitation reports and videotapes of the sewer lines in Champion Forest Section 2. A copy of Pepe's written response is attached.

RECEIVE UPDATE ON CHATEAUX RAVENEAUX PLACE HIGHRISE CONDOS AND CONSERVATORY SENIOR LIVING DEVELOPMENT PLANS, REVIEW BIDS AND AWARD CONTRACT FOR CONSTRUCTION OF TRUNK LINES FOR CONSERVATORY SENIOR LIVING AND FUTURE DEVELOPMENT

Mr. N. Joubran updated the Board on activities related to the construction of trunk lines to serve the Conservatory Senior Living Development and future

development included in Bond Application No. 9. He reviewed five bids received for the construction of trunk lines to serve the Conservatory Senior Living Development and future development. He stated that C.E. Barker, Ltd. had the lowest bid in the amount \$315,583.80. Following review and discussion, the Board concurred with the engineer's judgment that C.E. Barker, Ltd. was a responsible bidder whose bid would result in the best and most economical completion of the construction of trunk lines to serve the Conservatory Senior Living Development and future development. A copy of the bid tabulation is attached.

ADOPT RESOLUTION REQUESTING RELEASE OF FUNDS FROM ESCROW FOR CONSTRUCTION OF TRUNK LINES FOR CONSERVATORY SENIOR LIVING AND FUTURE DEVELOPMENT

The Board next considered submitting an application to the Texas Commission on Environmental Quality (the "TCEQ") to request the release of \$315,583.80, plus interest earnings, from escrow for the construction of trunk lines to serve the Conservatory Senior Living Development and future development.

AUTHORIZE EXECUTION OF FINANCING AGREEMENT FOR THE CONSTRUCTION OF TRUNK LINES FOR CONSERVATORY SENIOR LIVING AND FUTURE DEVELOPMENT

Mr. Robinson next reviewed a Financing Agreement for the construction of trunk lines to serve the Conservatory Senior Living and future development.

ADDITIONAL ENGINEERING ITEMS

Mr. N. Joubran reported that a complaint regarding the flooding issues in Champion Forest Section 4 has been filed with Harris County Precinct No. 4 by Pepe as directed by the Board. He stated that Pepe has inspected the site on two occasions to observe and analyze any problems with the drainage system but the field visits could not identify any apparent flooding. He stated that Pepe will keep the Board updated on coordination with residents and Harris County Precinct No. 4 on the flooding issues.

Mr. N. Joubran reported on Pepe's activities related to SCADA systems and addressing a malfunction of the gate at the Herts Road water plant site.

Following review and discussion, Director Lawrence moved that the Board approve the engineering report, including: 1) award the contract for the construction of trunk lines to serve the Conservatory Senior Living Development and future development to C.E. Barker, Ltd. in the amount of \$315,583.80; 2) adopt a Resolution Requesting Release of Funds from Escrow, a copy of which is attached; and 3) authorize execution of a Financing Agreement for the construction of trunk lines to serve the Conservatory Senior Living and future development, a copy of which is attached. Director Lynch seconded the motion, which was approved by unanimous vote.

AUTHORIZE APPLICATION TO THE TCEQ FOR USE OF SURPLUS FUNDS

Mr. Robinson reported that the funds previously obtained from the District's sale of surplus wastewater capacity in Kleinwood Central Sewage Treatment Plant would need to be treated as capital funds per the District's auditor. Following review and discussion, Director Petrick moved that the Board authorize ABHR to notify the TCEQ that the District will use surplus funds obtained from the sale of surplus wastewater capacity towards a portion of the costs for the rehabilitation of sanitary sewer service lines in Champion Forest, Section 1. Director Lawrence seconded the motion, which was approved by unanimous vote.

OPERATOR'S REPORT, APPROVE AND AUTHORIZE DISTRIBUTION OF CONSUMER CONFIDENCE 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 92.9% and the four-month accountability average was 91.3%. He next reported that 11 termination letters were mailed. 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.

Mr. Haas next reviewed with the Board the District's Consumer Confidence Report and answered questions from Board members. He stated that all samples are below action levels and that there are no violations. A copy of the report is attached to the operator's report. Following review and discussion, Director Jackson moved that the Board authorize distribution of the Consumer Confidence Report. 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 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.

AMEND RATE ORDER

The Board concurred to table this item.

DISCUSS MATTERS RELATED TO NHCRWA

Director Balog reported on the activities of the North Harris County Regional Water Authority (the "NHCRWA"). No action was taken by the Board.

DISCUSS OPERATIONS OF KLEINWOOD CENTRAL SEWAGE TREATMENT PLANT JOINT POWERS BOARD MEETING, CONSIDER AMENDMENT TO EFFLUENT USE AGREEMENT WITH REVENEUX COUNTRY CLUB

Director Lynch updated the Board on the operations and maintenance of the Kleinwood Central Sewage Treatment Plant (the "Plant") and the Joint Powers Board meeting. He reported on Raveneaux Country Club's request for installation of a grey water system for its proposed development. He reviewed a proposed amendment to the Plant's contract with the Raveneaux Country Club, a copy of which is attached. He stated that the Joint Powers Board is requesting the member districts to provide comments on the proposed amendment. Following review and discussion, Director Lynch moved that the Board approve the amendment as submitted. Director Jackson seconded the motion, which was approved by unanimous vote.

DISTRICT WEB SITE

The Board next discussed items included on the District's web site. Mr. N. Joubran reported that the domain names registered by Pepe for the District over the previous two years were due to expire soon. Following review and discussion, the Board concurred to approve the expenditure for reserving the domain names over the previous two years, keep only the current domain name for the District's web site, and let the remaining domain names expire.

Mr. Robinson discussed with the Board the United States Department of Justice's requirements for translating all written election materials into Spanish and Vietnamese.

REPORT FROM DIRECTOR PETRICK ON PARK MATTERS

Director Petrick next reported there was no update on his activities, on behalf of the District and in coordination with a loose alliance of concerned groups and citizens, regarding the proposed development of a public park within the 462 acres of property proposed to be developed by Kickerillo Company. No action was taken by the Board.

REVIEW PROPOSALS AND RENEW INSURANCE POLICIES

Mr. Robinson noted that proposals for insurance from Anco Wessendorff Insurance and Harco Insurance Services were previously distributed to the Board members with a comparison chart. He reported that an insurance proposal from AquaSurance will be submitted for consideration at the May meeting upon Board authorization and an updated comparison chart will be distributed to the Board

members. Following review and discussion, Director Petrick moved that the Board authorize execution of a letter to provide AquaSurance with permission to obtain a quote from Chubb Services, a copy of which is attached. Director Lawrence seconded the motion, which was approved by unanimous vote, except for Director Lynch who was not present for the vote. The Board concurred to receive presentations on the insurance proposals at the May meeting of the Board.

DISCUSS OPEN MEETINGS ACT AND PUBLIC INFORMATION ACT TRAINING REQUIREMENTS

Mr. Robinson next reported that legislation passed during the 79th Regular Session of the Texas Legislature requires each elected or appointed public official to complete a course of training of not less than one and not more than two hours regarding the responsibilities of the governmental body and its members under the Texas Open Meetings Act, Chapter 5512, Government Code. He stated that the Board members must complete the requisite training by January 1, 2007. He stated that the Texas Attorney General provides the requisite training on its website or by a DVD at no charge. He reviewed dates on which ABHR will offer viewing of the training materials at its offices. Mr. Robinson reported that ABHR will also receive Attorney General-approved training on the Texas Public Information Act, Chapter 552, Government Code, as the Authority's appointed Officer for Public Information as required by the new legislation. No action was taken by the Board.

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

The Board concurred to table this item.

DISCUSS ITEMS FOR INCLUSION ON NEXT MEETING AGENDA

There was no discussion of additional items for inclusion on the next meeting agenda.

Ms. Cherne reported that a meeting to adopt an Order Canvassing Returns and Declaring Results of the Directors Election will need to be held on a date between May 16, 2006, and May 23, 2006. No action was taken by the Board.

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

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE FOR THE MINUTES OF THE APRIL 4, 2006, BOARD MEETING]

Secretary, Board of Directors

(SEAL)

ACTION ITEMS

- Mr. Mercer to prepare an engineering study evaluating operational and mechanical methodologies to lower electricity costs, and deliver a report containing installation options and costs for implementation of specific SCADA system options at the District's facilities for review at the next meeting.
- ABHR and Pepe to coordinate on Application to the TCEQ for Release of Funds from Escrow.
- ABHR to coordinate execution of Financing Agreement for construction of trunk lines to serve the Conservatory Senior Living Development.
- ABHR to notify the TCEQ that the District will use surplus funds.
- Aqua Services to distribute Consumer Confidence Report.
- The Board to receive presentations on insurance proposals at the May meeting.
- Directors to complete requisite Texas Open Meetings Act training by January 1, 2007.

ONGOING

- Ms. Shelton to perform and distribute an analysis of the amount of bonds that can be issued based on the District's current tax rate.
- Pepe to finalize information on the capital improvements needed by June 2006.
- Director Petrick researching options for GIS.
- 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 on 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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