

MINUTES OF REGULAR MEETING  
OF  
CYPRESS FOREST PUBLIC UTILITY DISTRICT

February 7, 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 7th day of February, 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, resident; Don Hand of Greenwood Properties, Inc.; Debbie Shelton of First Southwest Company; Greg Sissell of BKD, LLP; Maroun Ghabache, Nabil Joubran, and Salim 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"); 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 a cost savings idea related to water conservation. 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 January 3, 2006. Following review and discussion, Director Jackson

moved that the Board approve the minutes as written. Director Petrick seconded the motion, which was approved by unanimous vote.

#### RECEIVE REPORT FROM WCA

The Board next reviewed a letter from WCA Waste Corporation ("WCA") notifying the Board of a rate increase of \$0.45 per month, from \$10.05 to \$10.50 per connection, based on the most recently published Consumer Price Index for Urban Consumers ("CPI-U") data, per the Residential Solid Waste Collection Contract. The Board next discussed a letter from WCA requesting an additional increase of \$0.64 per connection to offset increased diesel fuel costs. Director Balog stated that he reported complaints of trash cans being thrown around with Matthew May of WCA. Discussion ensued regarding the terms of the District's contract with WCA and items included in the CPI-U. Following discussion, Director Lynch moved that the Board accept the CPI-U increase per the contract, amend the contract to include the additional \$0.64 increase for diesel fuel costs, and to request future amendments to the contract for decreased diesel fuel costs. The motion failed for lack of a second. Director Jackson moved that the Board deny the request for an additional increase for diesel fuel costs and accept the CPI-U rate adjustment per the contract. Director Lawrence seconded the motion, which was approved by majority vote, with Director Lynch opposed. Copies of the letters from WCA are attached. The Board requested ABHR to forward a letter to notify WCA of the Board's action.

#### APPROVE AUDIT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2005

Mr. Sissell next reviewed with the Board the audit for fiscal year ended September 30, 2005. After review and discussion, Director Lawrence moved that the Board approve the audit, subject to final review and approval by the consultants. Additional discussion ensued regarding the timing of the preparation of the audit. Director Lynch seconded the motion, which was approved by unanimous vote. The Board concurred to consider changing its fiscal year-end at the next regularly scheduled meeting.

#### 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 72.01% of the year 2005 taxes have been collected as of the end of the prior month. She then presented 15 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 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. Shelnuttt reviewed the written report and presented checks for the Board's approval. Director Lynch requested that Ms. Shelnuttt perform an analysis of the District's funds to determine whether longer term Certificates of Deposits can be purchased. Ms. Shelnuttt reviewed the year-to-date budget, Maintenance Fund Recap, the fiscal year expenditures for the administrative building, and the North Harris County Regional Water Authority Fund Recap. She next reviewed the investment report as required by the Public Funds Investment Act.

Discussion ensued regarding the District's electricity bills. Following discussion, the Board concurred to consider adopting an amended budget at the next regularly scheduled meeting to reflect realistic energy, operating, and chemical costs.

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.

## RECEIVE REPORT FROM THE LEGACY GROUP

The Board concurred to table this item pending preparation of a spreadsheet identifying issues and questions by Directors Lawrence and Lynch.

## FINANCIAL ADVISOR'S REPORT

Ms. Shelton next distributed to the Board an outline of the Role of the Financial Advisor, a copy of which is attached. She discussed the tasks she is able to perform to assist the District with a proposed bond election to pay for upcoming sanitary sewer line rehabilitation and maintenance. She stated that she regularly checks the District's outstanding bond issues for any refunding opportunities and that none exist at this time. Mr. Robinson reviewed a proposed schedule and information needed from the District's financial advisor and engineer for a bond election in November 2006. Ms. Shelton stated that she will perform and distribute an analysis of the amount of bonds that can be issued based on the District's current tax rate. The Board concurred that the engineer's information on the capital improvements needed would be finalized by June 2006.

## 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 reported that the 20-Year Maintenance Plan is being revised to be complete by or before June 2006 as discussed earlier 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.

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

Mr. N. Joubran reminded the Board that written extensions of the low bids for the rehabilitation of the sanitary sewer lines in Champion Forest Sections 1 and 2 were received through February 2006. He reviewed the bids received in July 2005, for the rehabilitation of the sanitary sewer lines. He stated that the low bidders were Insituform Technologies, Inc. ("Insituform") for Section 1 in the amount of \$982,371.00 and Re-Pipe Texas, Inc. ("Re-Pipe") in the amount of \$457,023.00 for Section 2.

Mr. N. Joubran next reviewed a recommendation for dividing the scope of work for Section 1 into phased projects based on geographical location and priority of the repairs. He reported that Insituform was willing to accommodate the scope modifications subject to certain conditions which he reviewed with the Board. Mr. Robinson reviewed legal requirements for bidding construction contracts. Discussion ensued regarding the amount of the bids, the amount of available District and escrowed funds, financing options, project phasing options, and the engineer's recommended repairs of the sanitary sewer lines. Following review and discussion, the Board concurred with the engineer's judgment that Insituform was a responsible bidder whose bid would result in the best and most economical completion of the rehabilitation of the sanitary sewer lines in Champion Forest Section 1. Director Lawrence moved that the Board award the contract for the rehabilitation of the sanitary sewer lines in Champion Forest Section 1 to Insituform in the amount of \$982,371.00. Director Jackson seconded the motion. Director Lynch requested verification of a projected fund balance of approximately \$1,400,000 in the General Fund after award of the subject contract. Ms. Shelnett reviewed the General Fund balance, escrow fund balance, maintenance tax fund balance, and anticipated maintenance tax revenues. The motion passed by unanimous vote. A copy of the bid tabulation is attached. The Board concurred to not award the contract for Champion Forest Section 2 at this time and requested the engineer to determine whether Re-Pipe will honor the current bid at such time as the Board determines to move forward with the project.

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 next considered submitting an application to the Texas Commission on Environmental Quality (the "TCEQ") to request the release of \$345,853.00, plus interest earnings, from escrow for the rehabilitation of the sanitary sewer lines in Champion Forest Section 1. Following discussion, Director Lynch moved that the Board adopt a Resolution Requesting Release of Funds from Escrow, a copy of which is attached. Director Petrick seconded the motion, which was approved by unanimous vote.

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. N. Joubran updated the Board on the design of utilities to serve the Chateaux Raveneaux Condominiums included in Bond Application No. 9 and the Conservatory Senior Living Development. Mr. Robinson briefly reviewed TCEQ rules for developer reimbursement. No action was taken by the Board.

ADDITIONAL ENGINEERING ITEMS

Mr. N. Joubran reported on actions undertaken regarding the development of two restaurants.

Mr. N. Joubran reported on a letter sent by a homeowner to Director Lynch regarding flooding issues. He stated that this is a matter which would normally be addressed by Harris County Precinct No. 4. Discussion ensued regarding the letter. Following discussion, Director Lynch moved that the Board authorize the District's engineer to analyze and provide recommendations on the best method to solve the flooding issues. Director Jackson seconded the motion, which was approved by unanimous vote, except for Director Lawrence who was not present for the vote.

Mr. N. Joubran reported that he received a telephone message today which stated that a commercial development had inadvertently poured concrete over their sanitary sewer line prior to inspection by Aqua Services. He stated that the message contained a request that the inspection of the line be performed by camera. He stated that the integrity of the line can be inspected by camera but that the grade and bedding backfill cannot be inspected in such a manner. He stated that he does not have any of the details regarding the commercial development or the incident as of this time. Following discussion, Director Lynch moved that the Board authorize inspection of the line by camera if there are no objections by the District's engineer after review of the

details of the matter. Director Jackson seconded the motion, which was approved by majority vote, except for Director Lawrence who was not present for the vote.

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

#### OPERATOR'S REPORT

Mr. Haas reviewed the written maintenance and operations report, builder back charges, and invoices with the Board. A copy of the operator's report is attached. He reported that the one-month water production accountability for last month was 90.8% and the four-month accountability average was 91.6%. He next reported that 33 termination letters were mailed. He reviewed a proposed flushing notice for March 13 and 14, 2006, to be distributed to the District's residents and included in the Champion Forest Women's Club newsletter. Following review and discussion, Director Lawrence moved that the Board approve the notice as presented. Director Jackson seconded the motion, which was approved by unanimous vote.

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

#### CONDUCT HEARING ON TERMINATION OF WATER SERVICE

Mr. Haas reviewed customer correspondence from a resident located on Ivy Forest requesting a refund of approximately \$300.00 in water fees due to a leak in the resident's toilet. Mr. Haas reviewed the history of the account and stated that the average monthly bill for the account is \$50.00. Following review and discussion, Director Lynch moved that the Board deny the request because the water flowed through the meter and approve a payment plan of 120 days. Director Lawrence seconded the motion, which was approved by unanimous vote.

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 Lynch 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 Lawrence seconded the motion, which was approved by unanimous vote.

## ADDITIONAL OPERATING ITEMS

Mr. Robinson reported that ABHR has contacted an expert in the field of Supervisory Control and Data Acquisition Systems ("SCADA") who is scheduled to make a presentation to the Board at the March regular meeting.

## DISCUSS MATTERS RELATED TO NHCRWA

Director Balog reported on the activities of the North Harris County Regional Water Authority (the "NHCRWA"). He reported that four districts are currently receiving surface water and discussed the Greenspoint transfer project. No action was taken by the Board.

## DISCUSS OPERATIONS OF KLEINWOOD CENTRAL SEWAGE TREATMENT PLANT JOINT POWERS BOARD MEETING

Director Lynch updated the Board on the operations and maintenance of the Kleinwood Central Sewage Treatment Plant and the Joint Powers Board meeting. He reported that the Raveneaux Golf Club has not made plans to install a grey water system for its proposed development. Mr. Robinson reported that he has not yet received a written proposal for development of land currently included in the Raveneaux Country Club tract. No action was taken by the Board.

## DISTRICT WEB SITE

The Board next discussed items included on the District's web site. Director Jackson reported that there were 1,639 hits and 267 visits to the District's web site during the month of January 2006. No action was taken by the Board.

## RECEIVE REPORT FROM DIRECTOR PETRICK ON PARK MATTERS

Director Petrick next reported 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 FOR OPERATOR'S CONTRACT

The Board next discussed the three proposals received in response to four requests for operator proposals. Following discussion, the Board concurred that Directors Lynch and Petrick will make a recommendation regarding the operator proposals and operator services at the next regularly scheduled meeting.

## VOTING MACHINE REQUIREMENTS FOR MAY 2006 DIRECTORS ELECTION

Mr. Robinson reviewed a memorandum regarding voting machine requirements for the May 2006 Directors Election per the Help America Vote Act of 2002 ("HAVA"), a copy of which is attached. He reviewed previous District election practices and current options for obtaining HAVA-compliant voting machines: leasing from Harris County or purchasing from a manufacturer. Following review and discussion, Director Lynch moved that for the May 2006 Directors Election, the Board lease HAVA-compliant voting machines from Harris County, use HAVA-compliant voting machines only, and not use paper ballots. Director Jackson seconded the motion, which was approved by unanimous vote.

## DISCUSS 2006 DIRECTORS ELECTION

Mr. Robinson discussed with the Board the procedures for the Directors Election scheduled for Saturday, May 13, 2006. He noted that Directors Balog and Lynch are up for re-election. He reported that candidate applications are due by 5:00 p.m. on March 13, 2006.

## SET PAY FOR ELECTION OFFICIALS

The Board next discussed setting pay for the election officials for the 2006 Directors Election. Following discussion, Director Jackson moved that the Board set the pay for the election officials at \$10.00 per hour. Director Petrick seconded the motion, which was approved by unanimous vote.

## AUTHORIZE ATTORNEY TO SOLICIT PROPOSALS FOR RENEWAL OF DISTRICT INSURANCE POLICIES

Mr. Robinson reported that the District's insurance policies were due to expire on June 1, 2006. Following discussion, Director Petrick moved that the Board authorize ABHR to solicit proposals for the District's insurance policies. Director Lynch seconded the motion, which was approved by unanimous vote.

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

The Board concurred to table this item.

## ADOPT AMENDMENT TO CODE OF ETHICS

Mr. Robinson reviewed with the Board an amended Code of Ethics and Travel, Professional Services and Management Policies ("Code of Ethics") to include disclosure required by Chapter 176 of the Texas Local Government Code. Following review and discussion, Director Jackson moved that the Board adopt the amendment to the Code of

Ethics as presented. Director Petrick seconded the motion, which was approved by unanimous vote. A copy of the amended Code of Ethics is attached.

AUTHORIZE DIRECTORS TO ATTEND THE AWBD SUMMER CONFERENCE

Following discussion, Director Jackson moved that the Board authorize the Directors to attend the Association of Water Board Directors summer conference. Director Petrick seconded the motion, which was approved by unanimous vote.

DISCUSS ITEMS FOR INCLUSION ON NEXT MEETING AGENDA

Discussion ensued on items for inclusion on the next meeting agenda regarding a letter included in the Champion Forest Women's Club newsletter. 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 FEBRUARY 7, 2006, BOARD MEETING]

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Secretary, Board of Directors

(SEAL)

## ACTION ITEMS

- ABHR to forward a letter to notify WCA of the Board's action.
- Directors Lawrence and Lynch to prepare a spreadsheet identifying issues and questions to be addressed by The Legacy Group at the February regular meeting.
- 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 Engineering, Ltd. to finalize information on the capital improvements needed by June 2006.
- Pepe Engineering, Ltd. to determine whether Re-Pipe will honor the current bid at such time as the Board determines to move forward with the project.
- Pepe Engineering, Ltd. to analyze and provide recommendations on the best method to solve the flooding issues.
- Flushing notice for March 13 and 14, 2006, to be distributed to the District's residents and included in the Champion Forest Women's Club newsletter.
- ABHR has contacted an expert in the field of SCADA systems who is scheduled to make a presentation to the Board at the March regular meeting.
- Directors Lynch and Petrick will make a recommendation regarding the operator proposals and operator services at the next regularly scheduled meeting.
- The Board to lease HAVA-compliant voting machines from Harris County, use HAVA-compliant voting machines only, and not use paper ballots for the May 2006 Directors Election.
- ABHR to solicit proposals for the District's insurance policies.
- 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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