

MINUTES OF REGULAR MEETING  
OF  
CYPRESS FOREST PUBLIC UTILITY DISTRICT

January 3, 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 3rd day of January, 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: Tom Cox and Donna Cox, residents; Linn Smyth of the Champion Forest Garden Club; Kimberly Courte of Anco-Wessendorff Insurance; Matthew May of WCA Waste Corporation of Texas, LP ("WCA"); Nabil Joubran and Salim Joubran of Pepe Engineering, Ltd.; Kim Shelnutt of Myrtle Cruz, Inc.; Esther Flores of Tax Tech, Inc.; Kay Divin 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. No public comments were made.

APPROVE MINUTES

The Board next considered approving the minutes of the District's regular meeting held on December 6, 2005. Following review and discussion, Director

Lawrence moved that the Board approve the minutes as written. Director Jackson seconded the motion, which was approved by unanimous vote, except for Director Lynch who was not present for the vote.

#### RECEIVE REPORT FROM ANCO-WESSENDORFF

Ms. Courte next discussed with the Board its request for increased bond limits for the District's consultants. She reviewed the District's current limits for the consultants' bond in the amount of \$100,000 and the tax assessor/collector's bond in the amount of \$50,000. She next reviewed the process and the anticipated costs of increased bond limits. Following review and discussion, Director Lynch moved that the Board increase the limits for the consultants bond on the Public Employee Crime Policy to \$250,000 for the premium amount of \$472.00. Director Lawrence seconded the motion, which was approved by majority vote, with Director Jackson opposed. A copy of the revised policy is attached.

#### RECEIVE REPORT FROM WCA

Mr. May next reviewed with the Board a letter requesting a rate increase of 4.5%, from \$10.05 to \$10.50 per connection, based on the Consumer Price Index for Urban Consumers ("CPI-U") data, a copy of which is attached. The Board requested Mr. May to use the most recently published CPI-U data rate as of January 31, 2006, per the contract, and to forward the rate increase to ABHR for distribution to the Board. Mr. May next requested an additional increase of \$1.00 per connection to offset increased diesel fuel costs. Discussion ensued regarding the terms of the District's contract with WCA. Following discussion, Director Lynch moved that the Board amend the contract to accept the \$1.00 increase. The motion failed for lack of a second. Following review and discussion, the Board requested Mr. May to prepare a spreadsheet of actual diesel fuel costs for review 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 37.36% for the year 2005 taxes have been collected as of the end of the prior month. She then presented 10 checks for approval and reviewed the delinquent list. After review and discussion, Director Lynch moved that the Board approve the tax assessor/collector's report and payment of the tax bills. Director Jackson 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 next reviewed the investment report as required by the Public Funds Investment Act.

Discussion ensued regarding the District's electricity bills. Following review and discussion, the Board authorized Directors Lawrence and Lynch to prepare a spreadsheet identifying issues and questions to be addressed by The Legacy Group at the February regular meeting.

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.

#### RECEIVE REPORT FROM THE 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. 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 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.

Mr. N. Joubran reported that SourcePoint Solutions, Inc. has completed the inspection of the sanitary sewer lines selected within Sections 3 through 9 and the reports have been evaluated. He recommended payment of the final invoice from SourcePoint Solutions, Inc. for the work completed in Sections 6 through 9. He

reviewed a chart of recommendations for prioritizing the repairs for the sanitary sewer lines in Sections 1 through 9. Discussion ensued regarding the different types of defects and repair options. Additional discussion ensued regarding preparation of an informational package to describe the need for the repairs. Following review and discussion, Director Petrick moved that the Board approve payment of the final invoice from SourcePoint Solutions, Inc. as presented. Director Lynch seconded the motion, which was approved by unanimous vote.

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 for 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 Repipe Texas, Inc. ("Repipe") in the amount of \$457,023.00 for Section 2. Discussion ensued regarding the amount of the bids, the amount of available District funds, financing options, project phasing options, and the engineer's recommended repairs of the sanitary sewer lines. Following review and discussion, the Board requested that the engineer review and make a recommendation as to whether Sections 1 and 2 could be divided into phased projects, and requested that the financial advisor prepare an analysis of phased bond issues and the District's tax rate.

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. 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. No action was taken by the Board.

ADDITIONAL ENGINEERING ITEMS

Mr. Joubran reported on actions undertaken regarding the proposed professional and retail development by Chen Brothers LLP to be located on a 3.421-acre tract located on the southeast side of Louetta Road and Champions Drive.

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

#### OPERATOR'S REPORT

Ms. Divin reviewed the written maintenance and operations report, builder back charges, and invoices with the Board. A copy of the operator's report is attached. She reported that the one-month water production accountability for last month was 90.8 and the four-month accountability average was 93.4%. She next reported that 52 termination letters were mailed. She reported that there are no residential gas distribution lines close enough to the District's generator and that the issue is continuing to be researched. Following review and discussion, Director Lynch 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

Ms. Divin reviewed customer correspondence from a resident located on Windcrest Court requesting a refund of water fees due to a leak in the resident's water line. Following review and discussion, Director Petrick moved that the Board deny the request because the water flowed through the meter. Director Lawrence seconded the motion, which was approved by unanimous vote.

Ms. Divin 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 Petrick seconded the motion, which was approved by unanimous vote.

#### DISCUSS APPLICATION OF SCADA EQUIPMENT AT THE WATER PLANT

Director Balog reported that ABHR will present a proposal for SCADA systems for review at the February regular meeting of the Board.

#### DISCUSS MATTERS RELATED TO NHCRWA

Director Balog reported that the North Harris County Regional Water Authority (the "NHCRWA") will meet next week. No action was taken by the Board.

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

Director Lynch had no update on the operations and maintenance of the Kleinwood Central Sewage Treatment Plant and the Joint Powers Board meeting. No action was taken by the Board.

DISTRICT WEB SITE

The Board next discussed items included on the District's web site. The Board requested Director Jackson to contact Ms. Payne to request that a monthly report on the number of hits to the District's web site be provided to the Board. The Board authorized Aqua Services to include the District's web site address in the message area of the utility bills and include a link to the District's web site on Aqua Services' web site.

RECEIVE REPORT FROM DIRECTOR PETRICK ON PARK MATTERS

Director Petrick stated that he has no new activity to report this month.

DISCUSS VOTING MACHINE REQUIREMENTS

The Board concurred to table this item.

RECEIVE PROPOSAL FOR PROPOSED DEVELOPMENT PROJECT; ANNEXATION

Director Balog reported that Mr. Robinson has been in contact with Mr. Kindred's attorney and has not received a written proposal for development of land currently included in the Raveneaux Country Club tract. 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 PRESENTATION FROM CLR, INC. ON GIS

Director Petrick reported that he is researching options for Geographic Information Systems ("GIS"). The Board concurred to remove this item from the agenda until options are ready for presentation.

DISCUSS ITEMS FOR INCLUSION ON NEXT MEETING AGENDA

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

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

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE FOR THE MINUTES OF THE JANUARY 3, 2006, BOARD MEETING]

(SEAL)

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Secretary, Board of Directors

## ACTION ITEMS

- Mr. May to prepare spreadsheet of actual diesel fuel costs for review at the next regularly scheduled meeting.
- 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 discuss additional services which can be provided by First Southwest Company and prepare an analysis of phased bond issues and the District's tax rate at the February regular meeting of the Board.
- Pepe Engineering, Ltd. to review and make recommendation as to whether Sections 1 and 2 could be divided into phased projects.
- ABHR to obtain proposals for SCADA systems for review at the February regular meeting of the Board.
- Director Jackson to contact Ms. Payne to request that a monthly report on the number of hits to the District's web site be provided to the Board.
- Aqua Services to include the District's web site address in the message area of the utility bills and include a link to the District's web site on Aqua Services' web site.
- 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 in 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.

LIST OF ATTACHMENTS TO MINUTES

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