

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

June 6, 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 6th day of June, 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 except Director Balog, thus constituting a quorum.

Also present at the meeting were the following: Linn Smyth, Jack Smyth, Donna Cox, and James N. Reed, residents; William R. Franks and Munir Odwani of Earth Data Solutions, Inc.; Brian Cornejo of Mercer Controls; Nabil 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"); Stephen M. Robinson of Allen Boone Humphries Robinson LLP ("ABHR"); and Justine M. Cherne, Recording Secretary.

Director Lawrence called the meeting to order.

APPROVE CERTIFICATE OF ELECTION

The Board first considered approving a Certificate of Election stating that Michael J. Lynch, Jr. and Linn Jensen Smyth have been elected to the Board of Directors of the District, each for a four-year term beginning June 6, 2006, and expiring May 8, 2010, or until their successors have been duly elected or appointed and have qualified. Following review and discussion, Director Petrick moved that the Board approve the Certificate of Election, a copy of which is attached. Director Lynch seconded the

motion, which was approved by unanimous vote, except for Director Jackson who was not present for the vote.

APPROVE DIRECTORS' SWORN STATEMENTS, BONDS AND OATHS OF OFFICE

The Board next considered approving the Sworn Statements, Bonds and Oaths of Office executed by Michael J. Lynch, Jr. and Linn Jensen Smyth as elected officers. Following review and discussion, Director Lynch moved that the Board approve the Directors' Sworn Statements, Bonds and Oaths of Office, copies of which are attached. Director Petrick seconded the motion, which was approved by unanimous vote, except for Director Jackson who was not present for the vote.

REORGANIZE THE BOARD AND ELECT OFFICERS

The Board next considered reorganizing the Board and electing new officers. Following discussion and review, Director Petrick moved that the Board reorganize as follows:

Michael J. Lynch, Jr.	President
Thomas J. Petrick	Vice President
Deborah L. Jackson	Secretary
William J. Lawrence	Assistant Vice President
Linn Jensen Smyth	Assistant Secretary

Director Smyth seconded the motion, which passed by unanimous vote.

Director Lynch next moved that the Board approve the following responsibilities for the Directors: Director Jackson will be responsible for community communications on a monthly basis, including the District's website and the Champion Forest Women's newsletter. Director Lawrence will be responsible for the District's finance committee, including developing the District's annual budget and community communications for a November bond election. Director Lynch will be responsible for Kleinwood Joint Powers Board matters. Director Petrick will be responsible for community communications with the homeowners' associations located within the District and park development. Director Smyth will be responsible for North Harris County Regional Water Authority ("NHCRWA") matters, including grey water issues and community communications in coordination with Director Jackson. Director Petrick seconded the motion, which was approved by unanimous vote.

AUTHORIZE FILING OF DISTRICT REGISTRATION FORM

The Board reviewed an updated District Registration Form. Following review and discussion, Director Lawrence moved that the Board authorize filing of the District Registration Form with the Texas Commission on Environmental Quality, a copy of

which is attached. Director Petrick seconded the motion, which was approved by unanimous vote.

RECEIVE PUBLIC COMMENTS

Director Lynch next reviewed procedures for receiving public comments. He stated that to comply with the Texas Open Meetings Act, if a response to comments is requested by a resident, a Director will be appointed to communicate with the resident and address the comment as an agenda item at the next regularly scheduled meeting. He stated that public comments will be posted on the District's website. The Board concurred with the public comment procedures proposed by Director Lynch.

Mr. Robinson reviewed procedures for e-mail correspondence and communication with residents between Board meetings.

Director Lynch 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 May 2, 2006, and special meetings held on May 16, and May 24, 2006. 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.

DISCUSS SCADA

Mr. Cornejo next discussed with the Board implementation of Supervisory Control and Data Acquisition Systems ("SCADA systems") and the proposal for Electric Utility Cost Savings presented last month by Mercer Controls. Mr. Robinson briefly reviewed bidding and proposal requirements for utility districts.

Mr. Joubran reported on his review of the proposal. He stated that Pepe did not receive the information necessary to evaluate the proposal from a technical aspect by a licensed electrical engineer. Following discussion, the Board concurred to table discussion on the proposal pending review and comment by the District's consultants. The Board requested Mr. Cornejo to forward the technical data to Pepe and Pepe to distribute their analysis prior to the next meeting

Mr. Joubran reported that Mr. Mercer told him that CenterPoint Energy has confirmed that the third transformer for water plant no. 1 is over-sized and needs to be replaced. He stated that CenterPoint Energy is researching when and how the incorrectly sized transformer was installed. Following review and discussion, the Board requested Mr. Joubran to forward a letter to CenterPoint Energy to request the

results of their investigation and a proposal on how they will address potential excessive billing of the District for electricity, potential damage to the District's equipment, and other potential issues caused by the installation of an oversized transformer at the District's water plant no.1.

DISCUSS GIS

The Board next discussed implementation of a Geographical Information System ("GIS") and the proposal in the amount of \$148,500.00 presented last month by Earth Data Solutions, Inc., a copy of which is attached. The Board discussed the system's merits as a management tool for planning and budgeting.

Mr. Haas reported that Aqua Services is developing an automated work order system. He stated that if the Board moves forward with implementing a GIS, the work orders will be downloaded to a compact disk and given monthly to Earth Data Solutions, Inc. He stated that Aqua Services will not accept responsibility for the information contained on the compact disk. Mr. Franks discussed data ownership and security issues. Additional discussion ensued regarding utilization of the proposed GIS. Following review and discussion, Director Lynch moved that the Board accept the proposal from Earth Data Solutions, Inc., subject to negotiation and execution of a contract. Director Petrick seconded the motion which was approved by majority vote, with Directors Jackson and Lawrence opposed.

RECEIVE PROPOSAL FOR PROPOSED DEVELOPMENT PROJECT; ANNEXATION

No proposal for a proposed development project on the Raveneaux Country Club tract was presented. Director Petrick reported that a proposal is expected next month.

CONSIDER GARBAGE COLLECTION SERVICE OPTIONS

The Board next considered garbage collection service options. Director Jackson moved that the Board not discuss garbage issues until October 2007. Following discussion, Director Jackson withdrew the motion. Director Lawrence moved that the Board request that WCA approve assignment and that the homeowners associations accept assignment of the garbage collection service contract. Director Jackson seconded the motion. Discussion ensued regarding the impact of such an action on the community and the homeowners associations' budgets. Additional discussion ensued regarding the District's purpose. Following discussion, Director Lawrence withdrew his motion. 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 96.59% of the year 2005 taxes have been collected as of the end of the prior month. She then presented 5 checks for approval and reviewed the delinquent list. She reviewed preliminary appraised and taxable values for 2006 received from the Harris County Appraisal District. After review and discussion, Director Lawrence moved that the Board approve the tax assessor/collector's report and payment of the tax bills. Director Smyth seconded the motion, which was approved by unanimous vote.

AUTHORIZE DELINQUENT TAX ATTORNEY TO PROCEED WITH THE COLLECTION OF DELINQUENT TAXES

Ms. Flores reported that letters have been mailed to delinquent tax accounts as notification of the 20% penalty to be added to accounts which remain delinquent on July 1, 2006. Following discussion, Director Petrick moved that the Board authorize the delinquent tax attorney to proceed with the collection of delinquent taxes. 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, an analysis of the North Harris County Regional Water Authority ("NHCRWA") fee, and electrical expenses. She next reviewed the investment report as required by the Public Funds Investment Act. Following review and discussion, Director Lawrence moved that the Board approve the bookkeeper's report and authorize payment of the bills. Director Smyth seconded the motion. Discussion ensued regarding engineering fees. The motion was approved by unanimous vote. Copies of the reports and a list of the checks presented for payment are attached.

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. 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 is underway 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. He reported that the finalized plan will be presented to the Board at next month's meeting.

Mr. Robinson reviewed the schedule for calling a November 2006 bond election. Director Lynch discussed communication with the community regarding a proposed bond issue.

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

Mr. Joubran next updated the Board on the rehabilitation of the sanitary sewer lines in Champion Forest Section 1. He presented and recommended approval of Pay Estimate No. 1 in the amount of \$24,840.00 payable to Insituform Technologies, Inc., a copy of which is attached.

RECEIVE UPDATE ON CHATEAUX RAVENEAUX PLACE HIGHRISE CONDOS, CONTRACT FOR CONSERVATORY SENIOR LIVING DEVELOPMENT AND FUTURE DEVELOPMENT

Mr. 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 reported that C.E. Barker, Ltd. has been issued a Notice to Proceed with a start date of June 9, 2006, and a term of 60 calendar days. He stated that the Texas Commission on Environmental Quality has notified the District that the application for release of escrowed funds to pay for this construction is administratively complete. No action was taken by the Board.

ADDITIONAL ENGINEERING ITEMS

Mr. Joubran reported on additional activities and coordination with the Cypress Creek Flood Control Coalition and residents in Champion Forest Section 11 regarding flooding concerns caused by new developments at Cypresswood and Champion Forest.

Following review and discussion, Director Lawrence moved that the Board approve the engineering report, including approval of Pay Estimate No. 1 in the amount of \$24,840.00, as presented. Director Petrick seconded the motion, which was approved by unanimous vote.

OPERATOR'S REPORT

Mr. Haas provided a verbal maintenance and operations report to the Board. He reported that water production accountability for last month was acceptable. He reported on Aqua Services' preparation for the hurricane season. He stated that a sewer

backup claim has been submitted to the District's insurance company. Director Lynch requested Mr. Haas to calculate the amount subsidized by the District for irrigation of the esplanades. Following review and discussion, Director Lawrence moved that the Board approve the operator's report as presented. Director Jackson seconded the motion, which was approved by unanimous vote.

CONDUCT HEARING ON TERMINATION OF WATER SERVICE

Mr. Haas reported that the customers on the 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 Jackson seconded the motion, which was approved by unanimous vote.

DISCUSS MATTERS RELATED TO NHCRWA

Director Smyth reported on proposed NHCRWA activities, including the hiring of Paul R. Nelson as their new Planning and GIS Coordinator, as well as ongoing discussions relating to the Authority's support for follow through on her proposal regarding grey water usage for landscape irrigation. 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 (the "Plant") and the Joint Powers Board meeting. He reported on Raveneaux Country Club's proposed installation of a grey water system for its proposed development. No action was taken by the Board.

REPORT FROM DIRECTOR PETRICK ON PARK MATTERS

Director Petrick had no update on his activities, on behalf of the District and in coordination with a loose alliance of concerned groups and citizens, related to 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.

CONSIDER DISTRICT PRIORITIES FOR 2006

The Board next discussed District priorities for 2006. Board members reviewed lists of priorities. Following discussion, the Board concurred that the following issues

are the top five priorities: (1) proposed bond issue; (2) sewer line rehabilitation; (3) technology; (4) efficient meetings; and (5) future development on the Raveneaux Country Club tract. The Board appointed Director Smyth to the committee on Raveneaux Country Club tract development issues which includes Director Jackson and Mr. Robinson.

CONFLICT OF INTEREST DISCLOSURE

Mr. Robinson next reviewed with the Board new legislation enacting Chapter 176 of the Texas Government Code, which requires directors and consultants to disclose certain conflicts of interest. He reviewed with the Board the forms adopted by the Texas Ethics Commission for making disclosures under Chapter 176 and noted that the forms are required to be filed with the records administrator for the District beginning January 1, 2006, and will need to be filed thereafter within seven days of a disclosable conflict arising. He explained that failure to make a disclosure required under Chapter 176 is a Class C misdemeanor. He encouraged the Board to contact ABHR if assistance is needed in determining whether a conflict requires disclosure or in making a required disclosure.

DISCUSS OPEN MEETINGS 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 noted that Director the newly elected directors must complete the requisite training within 90 days of taking the oath of office, which is September 4, 2006. 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. No action was taken by the Board.

REVIEW TRAVEL REIMBURSEMENT GUIDELINES

Mr. Robinson next briefly reviewed proposed Travel Reimbursement Guidelines, a copy of which is attached. Following discussion, Director Smyth moved that the Board adopt the Travel Reimbursement Guidelines as presented. Director Jackson seconded the motion, which was approved by unanimous vote.

The Board concurred that up to two days of per diem will be reimbursed for Directors' attendance at the Association of Water Board Directors summer conference.

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 MEETING AGENDAS

Director Lynch noted that the July meeting is scheduled for July 4, 2006, a national holiday. The Board concurred to reschedule the July meeting to July 6, 2006, at 6:30 at the District's Administrative Building.

The Board next discussed methods for holding efficient meetings and items for inclusion on meeting agendas. Following review and discussion, the Board authorized ABHR to draft a proposed consent agenda for the July meeting and distribute for comment.

The Board concurred to schedule a Director workshop on responsibilities and regulations for September.

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

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE FOR THE MINUTES OF THE JUNE 6, 2006, BOARD MEETING]

Secretary, Board of Directors

(SEAL)

ACTION ITEMS

- Directors assigned responsibilities.
- Mercer Controls to forward technical data to Pepe. Pepe to review and comment on proposal for Electric Utility Cost Savings from Mercer Controls and distribute analysis prior to the next meeting.
- Pepe to forward a letter to CenterPoint Energy to request the results of their investigation and a proposal on how they will address potential excessive billing of the District for electricity, potential damage to the District's equipment, and other potential issues caused by the installation of an oversized transformer at the District's water plant no.1.
- ABHR to draft contract with Earth Data Solutions, Inc. for GIS implementation.
- Delinquent tax attorney to proceed with the collection of delinquent taxes.
- Aqua Services to calculate the amount subsidized by the District for irrigation of the esplanades.
- The Board to hold rescheduled July meeting on July 6, 2006.
- ABHR to draft a proposed consent agenda for the July meeting and distribute for comment.
- Director workshop to be scheduled for September.

ONGOING

- Pepe to finalize information on the capital improvements.
- 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 Smyth 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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