

MINUTES OF REGULAR MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

March 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 March, 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: Roy Riley, Ross Richardson, and Cristy Hayes of Champion Forest Fund, Inc. (the "HOA"); Glen Wiederholt of Insituform Technologies, Inc. ("Insituform"); Elisa Kaplan of The Legacy Group; S. A. Mercer of Mercer Controls; James Reed and Rozann Janek, residents; 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"); 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 February 7, 2006. Following review and discussion, Director Petrick moved that the Board approve the minutes as written. Director Lawrence seconded the motion, which was approved by unanimous vote.

DON HAND PRESENTATION

Mr. Hand next updated the Board on the development of the Chateaux Raveneaux Condominiums, the Conservatory Senior Living Development, and other development activity within the District. He encouraged the Board to make every effort to ensure the value of the District continues to be enhanced and to assist in eliminating the posting of unauthorized signs with the District. No action was taken by the Board.

ROY RILEY PRESENTATION

Mr. Riley next discussed with the Board activities undertaken by the HOA. He thanked the Board for its cooperation with the HOA. No action was taken by the Board.

SCADA PRESENTATION

Mr. Mercer next discussed with the Board Supervisory Control and Data Acquisition Systems ("SCADA systems"). He reviewed the advantages of implementing and the maintenance associated with four levels of SCADA systems. Following review and discussion, the Board requested Mr. Mercer to contact the District's engineer and operator to develop a recommendation and cost estimates for implementation of specific SCADA system options at the District's facilities for review at the next regularly scheduled meeting. Mr. Mercer stated that he will provide recommendations and requests the opportunity to bid on any project implementation the Board may consider.

REPORT FROM THE LEGACY GROUP

Ms. Kaplan reviewed with the Board the District's electricity costs. She reviewed a comparison of electricity costs for other utility districts during the pricing period for the District's current electricity contract, natural gas prices, load factors, the District's electricity demand, and regulatory costs. She stated that The Legacy Group continues to monitor the electricity market for opportunities for blending and extending the District's electricity contract to lower the District's electricity costs. She answered questions and responded to comments from Board members. The Board concurred to remove this item from the agenda of next month's meeting.

APPROVE ANNUAL REPORT AND AUTHORIZE FILING OF SAME

The Board next considered approving the updated financial and operating data in accordance with the Continuing Disclosure Agreement for the District's Series 1995, 1996, 2003, and 2004 Bonds pursuant to SEC Rule 15c2-12. Mr. Pagan stated that the Annual Report must be filed by March 31, 2006, a copy of which is attached. Following discussion, Director Petrick moved that the Board approve the updated financial and operating data and filing of such data, in accordance with the Continuing Disclosure Agreement for the District's Series 1995, 1996, 2003, and 2004 Bonds pursuant to SEC Rule 15c2-12. Director Lawrence seconded the motion, which was approved by unanimous vote.

ADOPT RESOLUTION CONCERNING TAX COLLECTION PROCEDURES

The Board next considered adopting a Resolution Concerning Tax Collection Procedures, a copy of which is attached. Mr. Pagan reviewed the provisions of the Resolution adopted last year which state that the District will not allow the split payment of taxes, will not allow a discount for early payment of taxes, and that tax bills, including those under \$15.00, will be mailed. After discussion, Director Petrick moved that the Board adopt the Resolution Concerning Tax Collection Procedures without changes to the provisions adopted last year. Director Lawrence seconded the motion, which was approved by unanimous vote.

ADOPT RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION

The Board next considered adopting a Resolution Concerning Exemption of Residence Homesteads from Taxation, a copy of which is attached. Mr. Pagan reviewed the provisions of the Resolution adopted last year which state that the general homestead, charitable organization and travel trailer exemptions are rejected, but that a \$125,000.00 homestead exemption will be granted to persons 65 years of age or older or disabled persons. After discussion, Director Petrick moved that the Board adopt the Resolution Concerning Exemption of Residence Homesteads from Taxation including a \$125,000 homestead exemption for persons 65 years of age or older or disabled persons, and rejecting the general homestead, charitable organization and travel trailer exemptions. Director Lawrence seconded the motion, which was approved by unanimous vote.

ADOPT RESOLUTION PROVIDING FOR ADDITIONAL PENALTY FOR TAX COLLECTION COSTS AND EMPLOY DELINQUENT TAX ATTORNEY

The Board next considered adopting a Resolution Providing for Additional Penalty for Tax Collection Costs, a copy of which is attached. Mr. Pagan reviewed the provisions of the Resolution adopted last year which state that taxes which remain

delinquent as of July 1 will be assessed an additional 20% penalty and that the delinquent tax attorney may collect taxes, penalty and interest. Following discussion, Director Petrick moved that the Board adopt the Resolution Providing for Additional Penalty for Tax Collection Costs assessing an additional 20% penalty on taxes which remain delinquent as of July 1 and employ Perdue Brandon as the District's delinquent tax attorney. Director Lawrence 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 reported that 91.97% of the year 2005 taxes have been collected as of the end of the prior month. She then presented 11 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 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, 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 Lawrence 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 reflect realistic energy, operating, and chemical costs. Mr. Haas stated that he will review the charges to the District for chemicals. Ms. Shelnett stated that she will provide a listing of the chemical charges. The Board requested Ms. Shelnett to estimate the District's electricity costs to update the District's budget.

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 reported that the 20-Year Maintenance Plan is being revised in coordination with the District consultants. No action was taken by the Board.

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

Mr. N. Joubran next reported that the contract awarded last month for the rehabilitation of sanitary sewer lines to serve Champion Forest Section 1 had been executed by Insituform and was ready for execution by the Board. Director Lynch requested Mr. N. Joubran to address e-mail correspondence received from Mr. Riley regarding his review of the sanitary sewer rehabilitation reports and videotapes of the sewer lines in Champion Forest Section 2. A copy of the e-mail correspondence is attached. Mr. N. Joubran stated that the e-mail correspondence does not change the engineer's recommendation regarding Section 1. Mr. S. Joubran stated that the engineer is not prepared to respond to the e-mail correspondence regarding Section 2 at this time because the correspondence was received yesterday. Director Lynch requested that the contract awarded last month to Insituform be delayed by at least 30 days to re-evaluate whether the project should move forward. He stated that the tapes for Champion Forest Section 1 were not available for Mr. Riley's review. Mr. N. Joubran stated that the tapes for Champion Forest Section 1 had been forwarded to Insituform in preparation for the awarded project.

Mr. Riley addressed the Board regarding his qualifications, engineering certifications in Texas and Louisiana, and his review of nine of the fifteen videotapes of the sanitary sewer lines located in Champion Forest Section 2. He requested that the Board allow him and the fifteen engineers residing within the District to review the tapes, discuss options for the project, and determine whether the project needed to be performed as an urgent matter.

Mr. S. Joubran stated that the engineer's recommendations are based on review of the videotapes and the age of the material. Director Petrick stated that he requested Pepe to make the reports and tapes available to Mr. Riley. Director Petrick stated that

the District should move forward with the contract as awarded in Champion Forest Section 1 but he does not feel comfortable moving forward with the rehabilitation of the sanitary sewer lines in Section 2 unless Mr. Riley can become comfortable with moving forward with the project. Director Balog stated that the District engages professionals to make recommendations to the Board and that second opinions should be solicited from engaged professionals and not volunteers from the public. Director Jackson noted that the District engages its consultants to provide professional recommendations to the District. Mr. N. Joubran stated that Pepe's project and field engineers who are experts in sanitary sewer rehabilitation can make a presentation on the proposed project to the Board. Discussion ensued regarding Pepe's recommended repairs of the sanitary sewer lines and engaging an engineer to provide a second opinion. Mr. Pagan stated that there could be legal consequences for not executing the awarded contract.

Following discussion, Director Lynch moved that the Board employ a consultant to review the videotapes of the sanitary sewer lines located in Champion Forest Section 1 over the next 30 to 90 days to obtain a second opinion on the project. The motion died for lack of a second.

Mr. Pagan and Mr. N. Joubran discussed value engineering for the project under the current contract to provide reduced costs as previously provided under the contract for the rehabilitation of sanitary sewer trunk lines.

Following review and discussion, Director Jackson moved that the Board authorize execution of the contract for the rehabilitation of the sanitary sewer lines in Champion Forest Section 1 with Insituform as awarded last month. Director Lawrence seconded the motion, which was approved by majority vote, with Directors Lynch and Balog opposed.

RECEIVE UPDATE ON CHATEAUX RAVENEUX PLACE HIGHRISE CONDOS AND CONSERVATORY SENIOR LIVING DEVELOPMENT PLANS, APPROVE PLANS AND SPECIFICATONS FOR CONSTRUCTION OF TRUNK LINES FOR CONSERVATORY SENIOR LIVING AND FUTURE DEVELOPMENT

Mr. N. Joubran updated the Board on the design of utilities included in Bond Application No. 9 to serve the Chateaux Raveneaux Condominiums and the Conservatory Senior Living Development. He reported that the sanitary sewer easements needed for the construction of trunk lines to serve for the developments are ready for execution by the Board, copies of which are attached. Following review and discussion, Director Lawrence moved that the Board approve the plans and specifications, authorize advertisement for bids, and authorize execution of the sanitary sewer easements for the construction of trunk lines to serve the Conservatory Senior Living Development and future development. Director Lynch seconded the motion, which was approved by unanimous vote. Mr. Pagan stated that an item will be included on next month's agenda to request release of escrowed funds for the project.

ADDITIONAL ENGINEERING ITEMS

Mr. N. Joubran reported that Pepe and Aqua Services met with the owner and contractor of the Oriental Café restaurant at 8905 Louetta Road to discuss the owner's request for an alternate inspection method of a sewer connection. He stated that the owner provided access to the connection for a regular inspection by Aqua Services.

Mr. N. Joubran reported that no serious rain events have occurred since the last meeting to allow Pepe to observe and analyze any problems with the drainage system in Champion Forest Section 4 as reported last month in a letter sent by a homeowner to Director Lynch regarding flooding issues. He stated that additional topographic surveying of the property, streets, and adjacent area properties to obtain updated information to compare with the conditions shown on the design plans is an option for analyzing the issue. He stated that this is a matter which would normally be addressed by Harris County Precinct No. 4 and that no complaint regarding flooding issues has been filed for this area. Following discussion, the Board authorized the District's engineer to file a complaint regarding the flooding issues on behalf of the homeowner who wrote the letter to Director Lynch.

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 90.9% and the four-month accountability average was 91.6%. He next reported that 15 termination letters were mailed.

Mr. Haas reviewed a Consumer Confidence Report. Mr. Pagan stated that an item will be included on next month's agenda to approve distribution of the report.

Mr. Haas next discussed performing a water loss audit for reporting to the Texas Water Development Board in compliance with legislation amended in 2003. Mr. Pagan stated that the audit is required. Following review and discussion, Director Jackson moved that the Board authorize Aqua Services to perform the water loss audit. Director Petrick 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 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.

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

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 reported that Mark Brooks will circulate to the parties of the Plant an amended contract for Raveneaux Country Club. He requested that Mr. Robinson carefully review and provide a summary of the amendment. Mr. Pagan 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 Lynch requested that a link to the HOA be added to the site.

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. Directors Petrick and Lynch reported on their review

of the proposals and recommended that the District continue its current contract with Aqua Services.

CONSIDER CHANGING FISCAL YEAR-END

The Board next considered changing the District's current September 30 fiscal year-end. Following discussion, the Board concurred not to change the District's current fiscal year-end.

ADOPT ORDER CALLING DIRECTORS ELECTION

Mr. Pagan next reviewed the provisions of an Order Calling Directors Election, a copy of which is attached. He stated that early voting is scheduled from 7:00 a.m. to 3:00 p.m. May 1, 2006 through May 9, 2006, and that regular voting is scheduled from 7:00 a.m. to 7:00 p.m. on May 13, 2006. He stated that early voting and regular voting will be held at the District's Administrative Building. He reported that Judy Brombacher and Patty Snear have agreed to serve as election judges. Following review and discussion, Director Lynch moved that the Board adopt the Order Calling Directors Election. Director Lawrence seconded the motion, which was approved by unanimous vote.

ADOPT RESOLUTION DESIGNATING AN AGENT OF THE SECRETARY OF THE BOARD OF DIRECTORS DURING THE 2006 BOARD OF DIRECTORS ELECTION PERIOD

No action was taken by the Board.

REVIEW AND APPROVE VOTING RIGHTS ACT SUBMISSION LETTER TO THE U.S. DEPARTMENT OF JUSTICE

The Board next reviewed and discussed the Voting Rights Act Submission Letter to the U.S. Department of Justice. Mr. Pagan stated that the letter is being submitted to report use of voting machines. Following review and discussion, Director Lynch moved that the Board approve the Voting Rights Act Submission Letter to the U.S. Department of Justice, subject to final review and approval by ABHR. Director Lawrence seconded the motion, which was approved by unanimous vote. A copy of the Letter is attached.

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.

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

Secretary, Board of Directors

(SEAL)

ACTION ITEMS

- Mr. Mercer to contact the District's engineer and operator to develop a recommendation and cost estimates for implementation of specific SCADA system options at the District's facilities for review at the next regularly scheduled meeting.
- Mr. Haas to review the charges to the District for chemicals.
- Ms. Shelnutt to provide a listing of the chemical charges and to estimate the District's electricity costs to update the District's budget.
- Pepe to file a complaint regarding flooding issues on behalf of a homeowner.
- Aqua Services to perform water loss audit.
- Mr. Robinson to carefully review amended contract for Raveneaux Country Club and provide summary.

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.

LIST OF ATTACHMENTS TO MINUTES

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