

MINUTES OF REGULAR MEETING  
OF  
CYPRESS FOREST PUBLIC UTILITY DISTRICT

May 2, 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 2nd day of May, 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: William R. Franks and Munir Odwani of Earth Data Solutions, Inc.; Floyd Mechler of AquaSurance, LLC; Kimberly Courte of The Essential Group; William Walker of Harco Insurance Services; Linn Smyth, Waller Bircher, James N. Reed, and Rozann Janek, residents; S. A. Mercer of Mercer Controls; Debbie Shelton of First Southwest Company; Nabil Joubran and Salim Joubran of Pepe Engineering, Ltd. ("Pepe"); Kim Shelnutt of Myrtle Cruz, Inc.; Greg Ordeneaux 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. Mr. Bircher addressed the Board regarding the 2006 Directors Election and the lack of publicity regarding the election. 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 April 4, 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, except for Directors Jackson and Lynch who were not present for the vote.

## DISCUSS GIS

Mr. Franks next made a presentation to the Board on implementation of a Geographical Information System ("GIS"). He distributed a proposal in the amount of \$148,500.00 and a return on Investment Recap Sheet, copies of which are attached.

Mr. Haas responded to questions from the Board regarding proposed use of a GIS.

The Board next discussed implementation of GIS and the system's merits as a management tool for planning and budgeting. Director Petrick discussed his interactions with and the differences between CLR, Inc. and Earth Data Solutions, Inc. Following discussion, the Board concurred to table this item pending review of the operator's work order system by Earth Data systems, Inc. and review of bidding requirements by ABHR.

## DISCUSS SCADA

Mr. Mercer next discussed with the Board Supervisory Control and Data Acquisition Systems ("SCADA systems"). He reviewed a proposal for Electric Utility Cost Savings containing seven specific proposals for implementation, including the estimated capital costs and projected savings in electricity costs, a copy of which is attached. He recommended implementation of proposal numbers 2, 3, 4, 5, and 6 for an estimated electricity cost savings in the amount of \$26,800.00 and an estimated capital investment cost in the amount of \$173,600.00 or less. He discussed management of the demand billing factor for electricity costs while using groundwater and surface water. Following review and discussion, the Board concurred to table discussion on the proposal pending review and comment of the proposal by the District's consultants. Mr. Mercer stated that he will work with the District's operator, engineer, and The Legacy Group under his current contract to implement adjustments to the District's facilities for immediate savings.

## RECEIVE PROPOSAL FOR PROPOSED DEVELOPMENT PROJECT; ANNEXATION

No proposal was presented.

## REVIEW PROPOSALS AND RENEW INSURANCE POLICIES

The Board next considered renewing the District's insurance policies. Insurance agents not making a presentation left the meeting while a presentation was being made.

Mr. Walker reviewed with the Board an insurance proposal from The Municipal League Intergovernmental Risk Pool, a copy of which is attached. He answered questions from Board members.

Mr. Mechler next reviewed with the Board an insurance proposal from AquaSurance, LLC, a copy of which is attached. He answered questions from Board members.

Ms. Courte next reviewed with the Board an insurance proposal from Anco-Wessendorff Insurance, a copy of which is attached. She answered questions from Board members.

Mr. Walker, Ms. Courte, and Mr. Mechler left the meeting. The Board discussed the policies including limits of coverage, deductibles and premiums. Mr. Haas and Mr. Pagan answered questions from Board members regarding insurance coverage and governmental immunities. Following review and discussion, Director Lawrence moved that the Board accept the proposal from Anco-Wessendorff Insurance in the approximate amount of \$12,425.00. Director Petrick 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. Mr. Ordeneaux reported that 95.44% of the year 2005 taxes have been collected as of the end of the prior month. He then presented 17 checks for approval and reviewed the delinquent list. After review and discussion, Director Jackson 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.

## ADOPT RESOLUTION ESTABLISHING AUTHORIZED DEPOSITORY INSTITUTIONS AND ADOPTING LIST OF QUALIFIED BROKER/DEALERS

The Board next reviewed the District's authorized depository institutions and list of qualified broker/dealers. Mr. Pagan reported that updates to the District's list were recommended by the District's consultants because of name changes experienced by banking institutions. Following review and discussion, Director Lynch moved that the Board adopt a Resolution Establishing Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers as presented. Director Lawrence seconded

the motion, which was approved by unanimous vote. A copy of the resolution is attached.

#### AUTHORIZE EXECUTION OF DEPOSITORY PLEDGE AGREEMENT WITH CAPITAL ONE

Mr. Pagan reviewed a Depository Pledge Agreement with Capital One, a copy of which is attached. Mr. Ordeneaux reported that Capital One has purchased Hibernia Bank which is where the District's tax account is maintained. After review and discussion, Director Lynch moved that the Board approve the Depository Pledge Agreement with Capital One. Director Lawrence seconded the motion, which passed by unanimous vote.

#### BOOKKEEPER'S REPORT

The Board next received the bookkeeper's report and considered payment of the bills. Ms. Shelnutt 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 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.

#### FINANCIAL ADVISOR'S REPORT

Ms. Shelton next reviewed a draft projected cash flow analysis illustrating the projected amount of bonds that could be issued by the District beginning in 2010 over a 15-year period and the estimated costs of capital improvements projects over the time period, a copy of which is attached. No action was taken by the Board.

#### 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. S. 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.

He reviewed a summary of yearly budget requirements for the District's projected capital improvements. He reported on Pepe's contact with the NHCRWA to obtain requirements for the District's future connection to the surface water network.

#### 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. No Board action was taken.

#### RECEIVE UPDATE ON CHATEAUX RAVENEAUX PLACE HIGHRISE CONDOS, AND CONTRACT FOR CONSERVATORY SENIOR LIVING DEVELOPMENT 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 reported that the contract awarded last month to C.E. Barker, Ltd. is ready for execution.

#### ADDITIONAL ENGINEERING ITEMS

Mr. N. Joubran reported that Pepe was contacted Lori Boyd of 16522 Champions Cove Circle who inquired about the District's future plans for the use of the District's utility easement located adjacent to Ms. Boyd's property.

Following review and discussion, Director Petrick moved that the Board approve the engineering report, including authorize execution of 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. Director Lawrence 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 90.6% and the four-month accountability average was 91.3%. He next reported that 41 termination letters were mailed. Following discussion, regarding the District's utility bills, the Board authorized Director Lynch to draft a notation regarding the construction

fees contained within the NHCRWA fee included on the District's utility bills for distribution.

Mr. Haas reviewed with the Board an evaluation of the District's commercial meters and stated that the commercial meter located at the Timbertop apartment complex needed to be replaced and a vault for the meter needed to be constructed. He stated that the meter had aged, was inoperable, and the parts necessary to repair the meter were no longer available. He stated that replacement of the meter would cost approximately \$6,000 and construction of the vault would cost approximately \$15,000. Following review and discussion, Director Lawrence moved that the Board approve the operator's report as presented and the replacement of the meter and construction of a vault for the Timbertop apartment complex as recommended. 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 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 Jackson seconded the motion, which was approved by unanimous vote.

#### AMEND RATE ORDER

The Board next considered amending the District's Rate Order to include the annual rate adjustment of \$0.45 per connection for the District's Residential Solid Waste Collection Contract. Following discussion, Director Lawrence moved that the Board amend the District's Rate Order to include the annual rate adjustment. Director Lynch seconded the motion, which was approved by unanimous vote. A copy of the Amended Rate Order is attached.

#### DISCUSS MATTERS RELATED TO NHCRWA

Director Balog reported on the activities of 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. No action was taken by the Board.

REPORT FROM DIRECTOR PETRICK ON PARK MATTERS

Director Petrick updated the Board 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.

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

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. After discussion, the Board concurred to meet on May 16, 2006, to adopt an Order Canvassing Returns and Declaring Results of the Directors Election.

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

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE FOR THE MINUTES OF THE MAY 2, 2006, BOARD MEETING]

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Secretary, Board of Directors

(SEAL)

## ACTION ITEMS

- Earth Data systems, Inc. to review the operator's work order system for GIS compatibility.
- ABHR to review bidding requirements for GIS implementation.
- Consultants to review and comment on proposal for Electric Utility Cost Savings from Mr. Mercer.
- Director Lynch to draft a notation regarding the construction fees contained within the NHCRWA fee included on the District's utility bills for distribution.
- Aqua Services to replace meter and install vault for meter at Timbertop apartment complex.
- The Board to hold special meeting on May 16, 2006.

## ONGOING

- Pepe to finalize information on the capital improvements needed by June 2006.
- 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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