

CYPRESS CREEK UTILITY DISTRICT

Minutes of Meeting of Board of Directors
August 24, 2016

The Board of Directors ("Board") of Cypress Creek Utility District ("District") met at its regular meeting place within the District at the Mills Walk Clubhouse, 10643 Mills Walk Drive, Houston, Texas on August 24, 2016, in accordance with the duly posted notice of said meeting, with a quorum of Directors present, as follows:

Glenn Land, President
Robert Jackson, Vice President
Harvey W. Roensch, Secretary
Rob Nixon, Director

and the following absent:

Chris Stanley, Director.

Also present were Ms Christine High and Mr. Dewayne High, operators for the District; Ms. Robin Goin, tax assessor-collector for the District; Mr. Caleb Burson, with Accurate Meter & Supply; Ms. Sarah Redden, bookkeeper for the District; Mr. David Smalling, the District's financial advisor; Mr. Jeff Pena, the District's engineer; and Mr. W. James Murdaugh, Jr., attorney for the District.

The President called the meeting to order and declared it open for such business that might regularly come before it.

1. The Board reviewed the minutes of the meeting held on July 27, 2016. Upon motion duly made, seconded and unanimously carried, the Board approved the minutes as presented.

2. Ms. Redden presented the bookkeeper's report, a copy of which is attached. The Board reviewed and approved the investment report and the energy consumption report, and noted the budget comparison for this point in the fiscal year. The Board also reviewed a new proposed budget for final action at the September meeting. The Board discussed the need for consultants to confirm the correct amount of surplus construction funds remaining from the most recent bond issue, with the understanding that certain capital projects in the last

year likely were paid from the General Fund rather than from the Construction Fund as they should have been. The Board also discussed the need for the new budget to contain a line item for the smart meter program currently underway. Subject to that discussion, upon motion duly made, seconded and unanimously carried, the Board approved the bookkeeper's report and the checks listed thereon.

3. Ms. Goin presented the tax assessor-collector's report, a copy of which is attached, which showed 98.003% collections for 2015 taxes. The attorney presented the delinquent tax report, and no action was recommended. Director Jackson voiced concern over the very likely loss of taxable value in the District for 2017 due to the recent flooding and significant loss and/or damage to numerous houses in the District. Subject to that discussion, upon motion duly made, seconded and unanimously carried, the Board approved the tax assessor-collector's report and the checks listed thereon.

4. Mr. Pena presented the engineer's report, a copy of which is attached. He noted that the Anderson Ditch project was almost complete, and reviewed his recent discussions with Harris County Flood Control District. The Board expressed concern over additional seeding/grass needed on the project, and Mr. Pena agreed to convey that message to the Flood Control District. He also noted that at the Lake Forest regional sewage treatment plant the storm water pollution prevention plan had been updated and the storm water permit renewal had been completed. He further discussed certain rehabilitation work at the regional plant being advertised for bids, with a bid opening scheduled for September. He advised the Board concerning a utility availability letter which was recently issued for irrigation service to a soccer field located in the District.

5. The engineer then reviewed the status of outstanding authorized but unissued bonds and a list of necessary projects for the District in order of priority. The list was attached to his report and showed Priority 1 projects totaling \$1,644,500 (hard costs), and Priority 2 projects totaling \$5,004,340 (hard costs). Priority 3 costs totaled \$8,576,700. The engineer then reviewed preliminary work being performed in Norchester, Section Three, and recommended that the Board consider budgeting a total of \$4,000,000 to perform sanitary sewer rehabilitation work within the District.

6. Mr. Smalling approached the Board to discuss three possible bond issue scenarios in the projected amounts of \$3 million, \$4 million, and \$5 million. He noted that all proposals would involve a tax increase to District property owners, but he further advised that interest rates at the present time were at historically low levels. He also discussed alternative methods of financing the projects, but stated that any advantages or cost savings were insignificant at best. It was his recommendation that both for cost concerns and for efficiency and timeliness of funding the Board proceed with a traditional bond issue in the public market. After further discussion, the Board requested the engineer to prepare proposed bond issue cost summaries in the alternative amounts of \$4 million, \$4.5 million, and \$5 million. Mr. Pena stated that he would coordinate with the financial advisor and attorney, and would prepare the alternative cost summaries as requested by the Board.

7. Mr. High approached the Board and presented the operations report, copy attached. During the previous month, there were 1,001 total connections with considerably more pumpage than the prior month. Water accountability was only 90%; five bacteriological samples had been taken, all with good results. The Board considered requests from two accounts with very high water bills as a result of leaks at their residences. The leaks had been repaired, and after a review and discussion, and based on the District's past policies, the Board authorized the operator to offer a 3-month payment plan in both instances. The operator then submitted a list of delinquent accounts to the Board for termination of utility service and stated that the accounts in question have been given written notification of the opportunity to appear, either in person or in writing, at the Board meeting to contest, explain, or correct the charges, services, or disconnection. The operator noted that the accounts listed have neither attended the Board meeting nor contacted the operator's office or the District to contest or explain the charges. After discussion, upon motion duly made, seconded and unanimously carried, the Board authorized the District's operator to proceed with termination of utility service to said accounts pursuant to the provisions of the District's Rate Order.

8. Mr. and Mrs. High and Mr. Burson then discussed the installation of smart meters in the District. The operators pointed out that 378 digital meters had already been installed, with 507 meters remaining to be installed at a cost of approximately \$281.75. The current installation rate is approximately 24 meters per month. The attorney discussed the

contractual requirements for the project going forward, which would involve among other things a lengthy contract with Badger for software services, an amendment to the current contract with the District operator, and a very specific set of rules and regulations concerning use and protection of confidential information. There was also discussion as to whether the remaining meters should be purchased directly from Accurate Meter & Supply or from the operator. After further discussion, the Board requested that no further meters be installed until the September meeting, and that prior to that time the operators and Mr. Burson's firm provide a very specific proposal for the cost of installation of all remaining meters, including the cost of the meters themselves, installation costs, monthly fees to Badger for software, and any other possible expenses related to the project so the Board could make budgetary plans going forward. Mr. Burson and Mr. High stated that they expected to provide the requested information to the Board within the week.

9. The Board next discussed the District's Code of Ethics, copies of which had been distributed, and unanimously agreed that no changes were necessary. The Board also discussed its annual review of the District's Rate Order. The attorney stated he and the operator were coordinating in that regard and that they would have recommendations for any changes to the Rate Order at the next meeting.

10. There was no new information to present with respect to the Lake Forest regional sewage treatment plant, and President Land discussed the status of activities relating to the North Harris County Regional Water Authority. The attorney stated that his office had undertaken its annual review of contracts for out-of-district service, and finally the Board discussed the need to find a new administrator for the District's website, but also acknowledged that Ms. Polly Weston, the current administrator, had agreed to continue her services until the end of the year.

There being no further business to come before the Board, the meeting was adjourned.


Secretary