

CYPRESS CREEK UTILITY DISTRICT

Minutes of Meeting of Board of Directors
September 28, 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 September 28, 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. Robin Goin, tax assessor-collector for the District; Mr. Jeff Pena, the District's engineer; Ms. Sarah Redden, bookkeeper for the District; Mr. David Smalling, financial advisor to the District; Ms. Tricia Hollingsworth and Ms. Amanda Henderson, operators for the District; 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 August 24, 2016. Upon motion duly made, seconded and unanimously carried, the Board approved the minutes as presented.

2. Ms. Redden reviewed the bookkeeper's report, copy attached. The Board approved the investment report and noted the energy consumption report. The Board had some questions relating to the calculation of the average cost of electricity, but 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. The Board also reviewed a proposed budget for the coming fiscal year. The Board expressed concern over the projected deficit and agreed to schedule a special meeting to analyze the budget in greater detail. However, for the present the Board determined to proceed to adopt a budget prior to the commencement of the new fiscal year and did so unanimously in accordance with the Resolution which is attached.

4. Mr. Smalling approached the Board to discuss the 2016 tax rate. He distributed information, copies attached, and based on his recommendation the Board agreed that it should set a 2016 tax rate of \$0.095 per \$100 assessed valuation for debt service and \$0.085 for maintenance and operations. The financial advisor assumed taxable values for 2016 in the District at \$184,304,281. The tax assessor-collector was directed to publish notice of the District's intent to set such rate at its regular October meeting and to call a public hearing at that time.

5. The financial advisor then distributed information concerning proposed bond issues in the amounts of \$4 million, \$4.5 million, and \$5 million to address serious rehabilitation needs of the District. He also stated that at this point it was his firm's recommendation that the bonds be sold to the Texas Water Development Board. After further discussion, the Board agreed to take the matter under advisement for further review and action at a future meeting.

6. Ms. Goin presented the tax assessor-collector's report, copy attached, which showed 98.325% collections for 2015 taxes. The attorney discussed the status of delinquent taxes and confirmed that termination letters had already been sent to numerous accounts. He agreed to supply a complete report to the Board by email after the meeting. 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.

7. Mr. Pena presented the engineer's report, copy attached. He noted that a contract had been awarded at the Lake Forest regional sewage treatment plant for air header rehabilitation work. There were no requests for utility commitments during the previous month. He also discussed the status of projects related to the last bond issue of the District and the status of funds remaining versus funds still allocated for specified projects. In that regard, he requested

and the Board granted authorization to begin preparation of drawings, plans and specifications for work on the Mills Walk lift station rehabilitation project.

8. The engineer next discussed the status of work in Norchester, Section Three. Magna Flow had completed its cleaning and televising work, and a report should be available at the next meeting. Smoke testing had not yet begun. The engineer expected to get proposals for survey and geotechnical work related to water line replacement and will also begin work on sanitary sewer replacement once all videos are received and reviewed. The Board noted a recent water line break likely related to the Magna Flow project and requested the engineer and operators to obtain additional information on the incident and to ensure that costs were not borne by the District.

9. The engineer then discussed proposed bond issues in the alternative amounts addressed by the financial advisor. Projects in the proposed cost summaries were presented based on priorities resulting from discussions with the operator. The Board agreed to take the matter under consideration for further review and action at a meeting in the near future.

10. Ms. Hollingsworth presented the operations report, copy attached, which showed 1,003 active connections (882 residential) with 103% water accountability. Five water samples had been taken, all with good results. 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.

11. Director Roensch discussed the status of the Lake Forest regional sewage treatment plant and reviewed the award of the header rehabilitation project to the low bidder. President Land discussed the recent meeting of the North Harris County Regional Water Authority and actions related thereto.

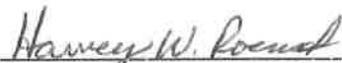
12. The attorney confirmed that his office had reviewed the District's contracts for out-of-district service, and stated that no action was required by the Board at this time. He also reviewed proposed changes to the District's Rate Order and recent conversations with the operator in that regard. After a brief review and discussion, the Board agreed to take the matter under consideration for action at the October meeting.

13. The Board next discussed a request from Harris County for participation in a major sidewalk project, and agreed that no action was appropriate at this time.

14. The Board discussed the Badger smart meter program, and after a brief discussion unanimously approved the master contract with Badger for software assistance and the rules and regulations for use of the online portal system in accordance with the Resolution which is attached. The Board and attorney agreed that additional conversations were necessary with respect to any contract with Accurate Utility Supply as well any changes to the existing agreement with the District's operator.

15. Finally, the Board discussed the status of the District's website, and the attorney agreed to contact the North Harris County Regional Water Authority for information concerning their website.

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


Secretary