

CYPRESS CREEK UTILITY DISTRICT

Minutes of Meeting of Board of Directors
October 26, 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 October 26, 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 Mr. Jeff Pena, the District's engineer; Ms. Sarah Redden, bookkeeper for the District; Ms. Robin Goin, tax assessor-collector for the District; Ms. Christine High and Mr. Dewayne High, District operators; 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 meetings held on September 28 and October 4, 2016. Upon motion duly made, seconded and unanimously carried, the Board approved the minutes as presented.

2. Ms. Redden presented the bookkeeper's report, copy attached. The Board noted the energy consumption report, and reviewed and approved the investment report. The Board also noted a recent email from David Ciarella concerning the status of the District's energy contract. 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 next considered a proposed amendment to the District's operating budget for the current fiscal year, and after a discussion and review the amended budget was unanimously approved in accordance with the Resolution which is attached.

4. Ms. Goin presented the tax assessor-collector's report, copy attached, which showed 98.325% collections for 2015 taxes and 99% or better for all prior years. The Board also reviewed the delinquent tax report provided by the attorney.

5. The tax assessor-collector confirmed that her office had published notice of the District's intent to hold a public hearing and set the 2016 tax rate at this meeting. Accordingly, the Board called a public hearing on the District's proposed 2016 tax rate. It appeared that the Harris County Appraisal District had heretofore prepared and certified to the District's tax assessor-collector the final 2016 appraisal roll of the District. The Board considered the amount of taxes to be raised based on said valuation in order to meet debt service requirements on the District's outstanding bonds and for maintenance purposes. It was moved, seconded and unanimously carried that there be passed and adopted the attached Order accepting the final appraisal roll and setting a tax rate of \$0.095 for each \$100 of assessed valuation shown on such appraisal roll for the purpose of debt service, and a rate of \$0.11 per \$100 valuation for maintenance and operations. The Board executed the amendment to the District's Statement of Directors to reflect the tax rate, and the attorneys were directed to file executed copies with the Harris County Clerk and the Texas Commission on Environmental Quality as required by the Texas Water Code, and to furnish the tax assessor for the District a certified copy of the Order levying the tax.

6. Mr. Pena presented the engineer's report, a copy of which is attached. He reviewed the status of work at the regional sewage treatment plant, and confirmed that a storm water permit renewal application had been signed and submitted to the Texas Commission on Environmental Quality. The air header coating rehabilitation project should be underway in early November. His office was coordinating with the operator and electrical consultant to discuss the scope for the Mills Walk lift station rehabilitation project. He then discussed the water line replacement project at Balcrest Drive and Jones Road, and on his recommendation the Board approved a proposal for a survey related to that project to be performed by Western Group Consultants at an estimated cost of \$62,800. In that regard, the attorney stated that the

November agenda would contain an item for a Resolution of intent to reimburse the General Fund using proceeds from a future bond issue. Finally, the engineer reviewed the work of Magna Flow in Norchester, Section Three. Smoke testing has been completed, and Magna Flow is preparing its official findings. The engineer is reviewing the video and report, and he will prepare drawings and specifications for sanitary sewer rehabilitation work in Norchester, Section Three.

7. Mr. High presented the operations report, copy attached, which showed 870 residential connections and 93% water accountability during the previous period. Five bacteriological samples had been taken, all with good results. Likewise, the operator had performed lead and copper testing also with good results. The operators confirmed that they were charging District customers the North Harris County Regional Water Authority pumpage rate plus 10% as set forth in the District's Rate Order. The Board also confirmed that it did not desire the 0.05% regulatory assessment to appear on bills to District customers, and that the operators were correct in not billing such amount to District customers at this time. The Board then discussed the purchase of Badger meters as reviewed at the regular September meeting and noted a budget for the new fiscal year amounting to \$40,000 for the meter change-out project. After a discussion, the Board approved the operator's proposal to buy the meters in bulk in order to achieve significant savings. The purchase of 144 meters costs \$225 each, and to stay within budget, including the monthly endpoint rate charged by Badger, Mr. High intends to install approximately nine meters per month.

8. The Board next discussed a customer request for a favorable credit reference, and the Board authorized the operator to provide the reference. No write-offs were presented. 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.

9. Director Roensch presented the report on the status of the Lake Forest regional sewage treatment plant after which President Land reviewed recent actions by the North Harris County Regional Water Authority, including the completion of roads to the Luce Bayou pump station as well as other pump station related construction. The North Authority has also continued to acquire necessary easements for its projects.

10. The Board then discussed the proposed renewal of District insurance and reviewed the proposal from Arthur J. Gallagher & Co., with a total premium cost of \$8,248. After a brief discussion, the Board authorized the renewal of District insurance policies as proposed.

11. The Board next discussed various amendments to the District's Rate Order based on coordination with the operator as well as budgetary needs. After a brief review and discussion, the new rates were unanimously approved in accordance with the Order which is attached.

12. With respect to various other matters, the Board agreed that it was not in a position to respond to Harris County for participation in a major sidewalk project. Director Jackson requested that the Board consider providing information concerning the smart meter program to the local neighborhood newspaper, and the attorney agreed to contact Mr. Caleb Burson in that regard. The attorney also confirmed he was coordinating with the operator on the necessary amendment to the operator's contract to address the Badger Meter program, and President Land stated he continued to address the need to find a new website consultant for the District.

13. The Board considered recent correspondence from Director Stanley concerning his current inability to participate fully in District matters. Accordingly, the Board agreed to consider finding a replacement for Director Stanley, and to discuss the matter again at its November meeting.

14. The Board then discussed the need to authorize the engineer to prepare a bond application to provide funds for the major rehabilitation work required in the District. After careful consideration of the alternatives previously provided by the financial advisor and

engineer, the Board authorized the engineer to proceed with a bond application for bonds to be sold to the Texas Water Development Board in the amount of \$5 million.

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

Harvey W. Poensch
Secretary