

CYPRESS CREEK UTILITY DISTRICT

Minutes of Meeting of Board of Directors
October 25, 2017

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 25, 2017, in accordance with the duly posted notice of said meeting, with a quorum of Directors present, as follows:

Glenn Land, President
Harvey W. Roensch, Secretary
Theresa Dildy, Director
Rob Nixon, Director

and the following absent:

Robert Jackson, Vice President .

Also present were Mr. Jeff Pena, engineer for the District; Ms. Patty Rodriguez, representing the tax assessor-collector for the District; Ms. Sarah Redden and Ms. Claudia Redden, bookkeepers for the District; Ms. Christine High, Mr. Dewayne High, and Mr. Wesley High, District operators; and Mr. W. James Murdaugh, Jr., attorney for the District.

President Land called the meeting to order and stated that the purpose for the initial portion of the meeting was a 5:45 pm hearing to consider the District's participation in a Strategic Partnership Agreement with the City of Houston. Notice had been provide as required by the law. No parties were present to address or contest the matter, and after further discussion the President declared the meeting to be closed. The Board appeared to be favorably disposed towards the Agreement and confirmed its intention to vote on the matter later in the regular District meeting.

1. At the appropriate time President Land called the regular meeting of the Board of directors of Cypress Creek Utility District to order. The Board reviewed the minutes of the meeting held on September 27, 2017. Upon motion duly made, seconded and unanimously carried, the Board approved the minutes as presented.

2. The tax assessor-collector confirmed that her office had published notice of the District's intent to hold a public hearing and set the 2017 tax rate at this meeting. Accordingly, the Board called a public hearing on the District's proposed 2017 tax rate. It appeared that the Harris County Appraisal District had heretofore prepared and certified to the District's tax assessor-collector the final 2017 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.

3. Ms. Sarah Redden presented the bookkeeper's report. The Board also reviewed and approved the investment report and noted the energy consumption report. Subject to that discussion, upon motion duly made, seconded and unanimously carried, the Board approved the bookkeeper's report and authorized payment of the checks listed thereon.

4. The Board next discussed the District investment policy, and the attorney reviewed various minor changes required as a result of recent legislation. Accordingly, after a discussion and review the Board unanimously approved the attached Order Adopting Investment Policy.

5. Ms. Rodriguez presented the tax assessor-collector's report and noted 98.771% collections for 2016 taxes. The Board briefly reviewed the delinquent tax report with the attorney, and no action was recommended at this time. Upon motion duly made, seconded and unanimously carried, the Board approved the tax assessor-collector's report and the checks listed thereon.

6. Mr. Pena presented the engineer's report. He reviewed recent communication with Harris County Flood Control District concerning potential residential buy-outs as a result of continued flooding in certain parts of the District. He also provided information concerning significant damage to the Lake Forest Regional Sewage Treatment Plant as a result of the recent hurricane. The engineer reviewed proposed work on the regional plant as well as the District's share in such expenditures. There appeared to be confusion with respect to certain of the items, particularly those that would be attributable to the District, and after a further discussion Mr. Pena and Director Roensch agreed to coordinate and clarify the proposed work at the regional plant and the extent of the District's participation. Among other things Director Roensch stated his understanding that the District currently carried a surplus in accounts maintained by the regional plant. Mr. Pena confirmed that on July 28, 2017 the plant engineers had filed an application for renewal of the regional plant's waste discharge permit.

7. Mr. Pena then discussed the status of the District's bond application to the Texas Water Development Board and reviewed the proposed construction schedule once the bonds have been approved and funded. He also discussed the status of various design projects and reported no significant change from the prior month. He discussed the status of the District's conversion to surface water and the current contract for water lines to the District from the North Harris County Regional Water Authority.

8. Mr. Dewayne High presented the operations report which showed 993 connections but only 91% water accountability. Five bacteriological samples had been taken, all with good results. He confirmed that somewhat less than 70% of the smart meters had been installed in the District. 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. A resident of the District, Ms. Linda Kaplon, approached the Board to discuss a recent extremely high water bill resulting from a leak in her house. The Board had reviewed her situation and a similar request at its September meeting, and stated that it had provided all the assistance to Ms. Kaplon that the Board felt appropriate (see September minutes). The Board suggested that she have further discussions with the North Harris County Regional Water Authority based on charges to the District from such Authority. Ms. High agreed to provide Ms. Kaplon with the appropriate contact information. In the meantime, she and the Board agreed that while the matter was in dispute additional penalty and interest would not accrue to the Kaplon account.

10. The Board next discussed the status of the District's claim to FEMA for damages resulting from Hurricane Harvey. The Board reiterated its intent to file such a claim, although it also noted that it might be more appropriate for the claim to be considered in conjunction with the claim relating to the Lake Forest Regional Sewage Treatment Plant, inasmuch as that apparently no significant damage had occurred to other District facilities. The Board discussed Hurricane Harvey and FEMA relief under Federal Disaster DR-4332. The deadline for filing for public assistance was September 24, 2017 (30 days post August 25, 2017). In this regard, the District's attorneys filed or will file the following documents on behalf of the District with the Federal Emergency Management Agency (FEMA): (1) Request for Public Assistance; (2) Designation of Subrecipient Agent; and (3) Direct Deposit Authorization. In connection with the Designation of Subrecipient Agent form, upon motion duly made and seconded, the Board unanimously voted to authorize and ratify Richard Morrison of Smith, Murdaugh, Little & Bonham, L.L.P., as its Primary Agent, the District's operator as its Secondary Agent, the District's bookkeeper as its Chief Financial Officer, and the District's regular attorney as its Certifying Official. In addition, the above Agents are hereby authorized to execute and file Application for Public Assistance on behalf of the District for the purpose of obtaining certain state and federal financial assistance under the Robert T. Stafford Disaster Relief & Emergency Assistance Act, (Public Law 93-288 as amended) or otherwise available.

11. Director Roensch discussed the status of the Lake Forest Regional Treatment Plant as well as a proposed budget for the coming year. It appeared based on preliminary numbers that the annual costs to the District under such budget would be

significantly less than current projections in the District's budget. President Land then discussed the status of the North Harris County Regional Water Authority, and the attorney distributed recent information provided by the Authority.

12. Finally, the Board considered proposals for consultant contracts relating to the pending bond application to the Texas Water Development Board. The attorney confirmed that as required under the conditions of the grant process the District had advertised its request for proposal for engineering, financial advisory, and bond counsel services with a deadline of September 30, 2017. The only proposals which had been submitted were three proposals for engineering services. The attorney distributed them, and the Board carefully considered such proposals. After a review and discussion the Board unanimously agreed that the District and its residents would be far better served by the existing contract with the District's engineer, Sander Engineering Corporation.

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


Secretary

CYPRESS CREEK UTILITY DISTRICT

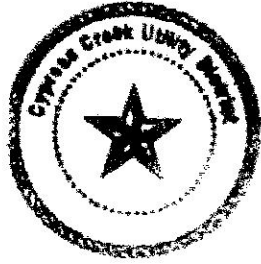
NOTICE OF PUBLIC MEETING

Notice is hereby given to all interested parties that the Board of Directors of the captioned District will hold a public meeting at **10643 Mills Walk, Houston, Texas 77070**.

The meeting will be held at **6:00 p.m. on Wednesday, October 25, 2017**.

The subject of the meeting is to consider and act on the following:

1. Public Hearing on Proposed 2017 Tax Rate
2. Order Setting Tax Rate, Approving Tax Roll, and Levying Debt Service Tax and Maintenance and Operation Tax for the Year 2017; Amendment of Statement of Directors
3. Consider comments and questions from District residents
4. Approve minutes of meeting held on September 27, 2017
5. Bookkeeper's report; review invoices and authorize payment of bills; review investment report and approve investment of District funds
6. Order Adopting Investment Policy
7. Tax assessor-collector's report; status of tax collections; review invoices and authorize payment; status of delinquent taxes; authorize litigation as necessary; consider any taxpayer appeals; approve installment payment agreements, as necessary; authorize writing off accounts as appropriate
8. Engineer's report; authorize preparation of plans as appropriate; authorize advertising for bids; award contracts; approve change orders
9. Status of Bond Application to Texas Water Development Board and Project Information Form submission; Status of Requests for Consultant Proposals
10. Operator's report; review active connections and water accountability; status of operation, maintenance and repair of District facilities; consider customer appeals; approve termination of service on delinquent accounts; status of installation of smart meters; analysis of connections by subdivision; status of security camera proposals
11. Discuss FEMA relief related to DR-4332 (Hurricane Harvey); Review, approve and/or ratify FEMA forms: (1) Request for Public Assistance; (2) Designation of Subrecipient Agent; and (3) Direct Deposit Authorization
12. Lake Forest Regional Plant Report
13. North Harris County Regional Water Authority report
14. Approve Strategic Partnership Agreement with City of Houston
15. Pending business



W. James Murdaugh, Jr.
W. James Murdaugh, Jr.
Attorney for the District

**CYPRESS CREEK UTILITY DISTRICT
NOTICE OF PUBLIC HEARING**

Notice is hereby given to all interested members of the public that the Board of Directors of the captioned district will hold a public hearing at **10643 Mills Walk, Houston, Harris County, Texas**. The hearing will be held at **5:45 p.m. on Wednesday, October 25, 2017**.

The subject of the hearing is to consider and act on the following:

1. Receive input from the public on: (a) a proposed amendment to the strategic partnership agreement between the City of Houston and Cypress Creek Utility District; (b) a proposal for the City of Houston to annex for limited purposes additional commercial areas of land within Cypress Creek Utility District; and (c) a proposal to impose sales and use tax in such areas. Copies of the proposed strategic partnership agreement are available and may be obtained by contacting Amy Mahanay at amahanay@smithmur.com.
2. Pending business




W. James Murdaugh, Jr.
Attorney for the District

In addition to the District's hearing as noted above, the Board of Directors of the captioned District also hereby provides notice of hearings to be conducted by the City of Houston on the same subject.

The **City of Houston** will conduct **public hearings** on the proposed strategic partnership agreement on **November 1, 2017** and **November 8, 2017** at **9:00 a.m.** in Council Chambers, Second Floor, City Hall, 901 Bagby, Houston, Texas.

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CYPRESS CREEK UTILITY DISTRICT

Order Setting Tax Rate, Approving Tax Roll, and Levying Debt Service Tax and Maintenance and Operation Tax for the Year 2017

The Board of Directors (“Board”) of Cypress Creek Utility District (“District”) met at its regular meeting place on October 25, 2017, in accordance with the duly posted notice of the meeting, with a quorum of directors present as follows:

A. Glenn Land, President
Harvey W. Roensch, Secretary
Robert C. Nixon, Director
Theresa Dildy, Director

and the following absent:

Robert Jackson, Vice President.

when the following business was transacted:

The Order set out below was introduced and considered by the Board. It was then moved, seconded and unanimously carried that the following Order be adopted:

Whereas, the Chief Appraiser of the Appraisal District in which the District participates has certified the tax roll of the District for the year 2017.

Whereas, in determining the tax rate to be levied, the Board has considered 1) the amount which should be levied for maintenance and operation purposes; 2) the amount which should be levied for the payment of principal, interest, and redemption price of each series of bonds or notes payable in whole or in part from taxes; and 3) the percentage of anticipated tax collections and the cost of collecting taxes, all in accordance with § 54.602(b) of the Texas Water Code.

Whereas, a majority of the electors voting in an election held for and within the District have heretofore approved and authorized the levy and collection of a tax for operations and maintenance purposes.

Therefore be it ordered by the Board of Directors as follows:

I.

The Board hereby directs that there be levied on all taxable property within the District an ad valorem tax for the year 2017 at the rate of \$0.11 per \$100 of assessed valuation for maintenance and operations.

II.

The Board hereby directs that there be levied on all taxable property within the District an ad valorem tax for the year 2017 at the rate of \$0.095 per \$100 of assessed valuation for debt service.

III.

The Board hereby approves the tax roll of the District as prepared by the tax assessor-collector for the year 2017.

IV.

Taxes shall be due and payable when billed and shall be paid on or before January 31, 2018. All taxes not paid before February 1, 2018 shall become delinquent on that date, and penalty and interest will be added in accordance with the Texas Property Tax Code.

V.

The Board hereby authorizes and instructs the District's tax assessor-collector to assess and collect the taxes authorized by the Board in this Order.

VI.

The Board hereby authorizes the President, Vice President, or President Pro Tempore to execute this Order and Secretary, Assistant Secretary or Secretary Pro Tempore to attest to this Order on behalf of the Board and the District, and to do any and all things necessary to give effect to the intent hereof.



President

ATTEST:



Secretary



CYPRESS CREEK UTILITY DISTRICT

Order Adopting Investment Policy

The board of directors ("Board") of Cypress Creek Utility District ("District") met on October 25, 2017, with a quorum of directors present, as follows:

A. Glenn Land, President
Harvey W. Roensch, Secretary
Robert C. Nixon, Director
Theresa Dildy, Director

and the following absent:

Robert Jackson, Vice President

when the following business was transacted:

The order set out below was introduced for consideration by the Board. It was duly moved and seconded that said order be adopted; and, after due discussion, said motion carried by the following vote:

Ayes: All directors present

Noes: None.

The order thus adopted is as follows:

The Investment Policy attached hereto is hereby adopted by the Board of Directors of the District. Any order and amendments thereto, heretofore adopted by the Board, providing for policy for investment of funds by the District, is hereby revoked upon the effective date of this order.

The order hereinafter set forth shall become effective on October 25, 2017.

INVESTMENT POLICY

Section 1. Policy

The District's objectives for the investment of District funds, specifically monies in the District's general fund, capital projects fund and debt service fund are (1) the safety and protection of principal, (2) liquidity of principal, and (3) the achievement of the highest rate of return. Investments shall be made under circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Section 2. Eligible Investments

District funds shall be invested in the types of investments and with no greater than the maximum maturity schedule as permitted by and in accordance with the Texas Water Code, Chapter 2270, Texas Government Code, and Chapter 2256, Texas Government Code, the Public Funds Investment Act (the "Act"), as amended.

Section 3. Strategy and Objectives

A. Investments of monies in each of the District's funds (general fund, debt service fund, and capital projects fund) shall be made upon evaluation of the following investment objectives in order of importance:

- (a) understanding of the suitability of the investment to the financial requirements of the entity;
- (b) preservation and safety of principal;
- (c) liquidity;
- (d) marketability of the investment if the need arises to liquidate the investment before maturity;
- (e) diversification of the District's investment portfolio; and
- (f) interest rates and yield, except that bond order requirements will be followed with respect to arbitrage restrictions on any funds in the capital projects fund and debt service fund.

B. The District's investment officer shall maintain a working knowledge of the market price of the investments in each fund.

C. The District shall require that settlement of all transactions, except investment pools or money market funds, be on a delivery versus payment basis.

D. The District's investment officer shall monitor rating changes and take all prudent measures that are consistent with the District's investment policy to liquidate an investment in the event such investment loses its required rating.

Section 4. Appointment of Investment Officer

A. The Board shall, by separate order, appoint one or more officers or employees of the District or shall, pursuant to the Texas Water Code Section 49.1571, contract with a person to serve as the District's investment officer who shall be responsible for the supervision of investment of District funds and for carrying out those duties of an investment officer as set forth by the Act.

B. The District's consultants shall be authorized to assist the investment officer in the carrying out of the duties of investment officer.

C. The investment officer shall not authorize any action with respect to investment of District funds unless those actions are reviewed and approved by the Board at a meeting of the Board. This limitation does not extend to the review of reports and financial information or consultation with the District's consultants regarding investments of District funds.

D. The investment officer shall attend training in the officer's duties and responsibilities as required by Section 49.1571, Texas Water Code. Such training shall be at a minimum:

- (a) one training session of no less than six hours of instruction relating to investment responsibilities under Chapter 2256, Texas Government Code

no later than the first anniversary of the date the officer takes office or assumes the officer's duties, and

- (b) attend at least four hours of additional instruction relating to investment responsibilities under Chapter 2256, Texas Government Code within each two-year period after the first year.

E. The training shall be from an independent source approved by the Board. Training shall include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with Chapter 2256, Texas Government Code.

F. An investment officer who (1) has a personal business relationship as defined by Section 2256.005 (i) of the Act with a business organization offering to engage in an investment transaction with the entity, or (2) is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to the entity, shall file the statement disclosing such relationship as required by the Act. A personal business relationship exists if:

- (a) the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- (b) funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or
- (c) the investment officer has acquired from the business organization during the previous year investment with a book value of \$2,500 or more for the personal account of the investment officer.

Section 5. Reports and Investment Policy Review

A. The District's bookkeeper shall provide the investment officer and the Board with a monthly report of District investments, including maturity dates, ratings changes, interest rates and interest earned on the funds.

B. The Board shall review its investment policy and investment strategies not less often than annually, in connection with the approval of its annual fiscal year audit. The District shall adopt a resolution after the review (1) stating that the Board has reviewed the investment policy and investment strategies of the District, and (2) setting forth any changes to the investment policy or strategies adopted.

C. If the District has, in the previous fiscal year, invested in any investment other than money market funds, certificates of deposit at a depository bank, or in an authorized investment pool, the District shall request a review by the District's auditors of the investment reports provided by the bookkeeper under Section 5(A) herein. The auditors shall report on the findings of the review at the time of presentation of the annual fiscal year audit of the District.

D. In conjunction with its annual financial audit, the District shall perform a compliance audit of management controls on investments and adherence to the District's established investment policies.

Section 6. List of authorized brokers

As a part of its investment policy, the District has or will adopt a list of qualified brokers. The District shall, at least annually, review and if necessary revise the list of qualified brokers that are authorized to engage in investment transactions with the District.

Section 7. Investment Transactions

The District's bookkeeper is authorized to present a copy of this order adopting the District's Investment Policy to any business organization offering to engage in an investment transaction with the District and to obtain a written acknowledgment of such policy, as required by the Act, in the form set out in Exhibit "A" attached hereto.


The president or vice president is authorized to execute and the secretary or assistant secretary to attest this Order on behalf of the Board and the District.

Passed and adopted this October 25, 2017.



President

ATTEST:



Secretary



Exhibit "A"

ACKNOWLEDGMENT OF BUSINESS ORGANIZATION

The undersigned qualified representative of a business organization offering to engage in an investment transaction with Cypress Creek Utility District (the "District") and authorized to engage in such a transaction with the District, has (1) received and reviewed the investment policy of the District and (2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investments that are not authorized by the District's investment policy, with the following reservations:

1. No independent analysis has been performed of the District's entire portfolio of investments.
2. The review performed herein does not include any interpretation of the District's subjective investment standards.
3. The review performed herein does not include any investment transactions of the District that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

Date: _____

[Name of Investment Provider]

By: _____

Printed Name: _____

Title: _____