

**MINUTES OF MEETING
OF THE
BOARD OF DIRECTORS**

April 10, 2017

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| THE STATE OF TEXAS | § |
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| COUNTY OF HARRIS | § |
| | § |
| CYPRESS-KLEIN UTILITY DISTRICT | § |

The Board of Directors (the “Board”) of Cypress-Klein Utility District (the “District”) met in regular session, open to the public 15705 North Greenfield Drive, Spring, Harris County, Texas, a designated meeting place of the Board inside the boundaries of the District, on Monday, April 10, 2017, whereupon the roll was called of the members of the Board, to-wit:

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| Mark Hanz | President |
| Ron Koval | Vice President |
| Karen Stepchinsky | Secretary |
| Robert Rasch | Assistant Secretary |
| Paul Laven | Director |

All members of the Board were present, thus constituting a quorum.

Also present at the meeting were Jennifer Hanna with BKD LLP, Auditor for the District; Greg Huckabay, owner of land in the District; Debra Loggins with L&S District Services (“L&S”), Bookkeeper for the District; Patrick Newton with AEI Engineering, LLC (“AEI”), Engineer for the District; Mike Plunkett with Eagle Water Management, Inc. (“Eagle”), Operator for the District; Yvonne Luevano with Wheeler & Associates, Inc. (“Wheeler”), Tax Assessor/Collector for the District; and Maria Salinas Parker and Ryan E. LaRue with Sanford Kuhl Hagan Kugle Parker Kahn LLP (“SKLaw”), Attorney for the District.

The President called the meeting to order and the following business was transacted.

APPROVAL OF MINUTES

Proposed minutes of the meeting of March 13, 2017, previously distributed to the Board, were presented for consideration and approval.

Upon motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of March 13, 2017, as submitted.

HEAR FROM PUBLIC

The Board noted that there were no members of the public present at the meeting who wished to address the Board.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board recognized Ms. Luevano, who submitted to and reviewed with the Board the Tax Assessor/Collector's Report. Ms. Luevano noted that the District has collected 95.89% of its 2016 personal and real property taxes.

Upon motion duly made and seconded, the Board voted unanimously to approve the Tax Assessor/Collector's Report, and to authorize payment of the checks listed therein.

DELINQUENT TAX REPORT

The Board recognized Ms. Luevano, who reviewed with the Board the Delinquent Tax Report as submitted by Perdue Brandon Fielder Collins & Mott LLP ("PB"), a copy of which is attached hereto.

Upon motion duly made and seconded, the Board voted unanimously to approve the PB Delinquent Tax Report.

BOOKKEEPER'S REPORT

The Board then reviewed the Bookkeeper's Report, a copy of which is attached hereto. They noted the balances in each of the District's accounts and noted investments in each account. The Board then reviewed the activity in each account. The Board also reviewed the invoices and the checks prepared in payment thereof.

The Directors then reviewed: (1) the Cash Flow Report for the District's Operating Fund; (2) the Budget Comparison; and (3) the Pledged Security Report, copies of which are included with and/or attached to the Bookkeeper's Report.

Ms. Loggins presented an amended budget for fiscal year ending December 31, 2017, which amended budget includes capital projects slated for 2017.

Upon motion duly made and seconded, the Board voted unanimously to approve (1) the Bookkeeper's Report, (2) the checks presented for payment, and (3) the amended budget for fiscal year ending December 31, 2017.

OPERATIONS REPORT

The President recognized Mr. Plunkett, who submitted to and reviewed with the Board the Operations Report, a copy of which is attached hereto.

With regard to the Operations Report, the following items were noted:

- The District has a total connection count of 892.
- There were no excursions at the wastewater treatment plant for the reporting period.
- The billed to pumped ratio was 88.02%. Mr. Plunkett reported that Accurate Meter discovered that the meters of four (4) of the highest using commercial account were out of calibration. The meters were calibrated.
- There were no delinquent uncollectable accounts presented for "write off" and release to a collection agency.

The DLC at water plat 2 failed. NTS submitted a proposal of \$14,800 to replace the DLC. The Board asked Mr. Plunkett to obtain an additional price quote.

-The roof of the storage building at water plant 3 is in poor condition, and should be replaced. Residence Doctor submitted a bid of \$3,480 to replace the roof. The Board asked Mr. Plunkett to obtain an additional bid.

- Last month 17,646,000 gallons of water were produced, of which 17,524,000 gallons were supplied by the North Harris County Regional Water Authority ("RWA"), and 122,000 gallons were supplied by the District's water wells.

Upon motion duly made and seconded, the Board voted unanimously to (1) approve the Operations Report, and (2) authorize Eagle to write off the delinquent uncollectable accounts presented for "write off", if any.

TERMINATION OF WATER SERVICE

Consideration was then given to terminating water service to those accounts listed on the Water Termination List. The Board noted that there was no one present at the meeting who wished to address the Board concerning their water bill or the termination of water service.

Upon motion duly made and seconded, the Board voted unanimously to terminate water service to the accounts listed on the Water Termination List, with the assistance of a peace officer, if necessary.

ENGINEER'S REPORT

The President recognized Mr. Newton, who presented the Engineer's Report.

Sanitary Sewer Rehabilitation Phase IIA

AEI plans to seek Board approval to advertise for bids for this project at the May meeting.

Tract on 6995 Louetta/Huckabay Tract

The Board recognized Mr. Huckabay, who reminded the Board that he owns the tract of land on 6996 Louetta (the "Huckabay Tract"). He stated that AEI, pursuant to Board authorization, sent a letter to Harris County MUD No. 24 ("HC24") requesting HC24 to consider providing water and sanitary sewer service to the Huckabay Tract, as it is not economically feasible for the District to serve the Huckabay Tract. Mr. Huckabay stated that HC24 has asked for a letter from the District formally requesting service.

Renewal of Waste Discharge Permit

The District's waste discharge permit for the wastewater treatment plant will expire on January 31, 2018. Applications to renew the waste discharge permit must be filed with the Texas Commission on Environmental Quality (the "TCEQ") on or before 180 days of the expiration of the current permit. AEI is preparing the application to renew the waste discharge permit.

Maintenance Tax Election Report

AEI had nothing new to report.

Water Plant Evaluations

AEI will present the results of the water tank evaluation for the 420,000 gallon ground storage tank at water plant 2 (hatch inspection) at the May meeting. AEI requested approval to conduct the evaluation of the 340,000 gallon ground storage tank and 10,000 gallon hydropneumatic tank at water plant 3.

Long Term Capital Projects Plan

The Long Term Capital Projects Plan is attached to the Engineer's Report. It has been revised to reflect work completed and authorized.

Upon motion duly made and seconded, the Board voted unanimously to (1) approve the Engineer's Report, (2) authorize the evaluation of 340,000 gallon ground storage tank and 10,000 gallon hydropneumatic tank at water plant 3, and (3) issue a letter to HC24 formally requesting service to the Huckabay Tract.

AUDIT FOR FISCAL YEAR ENDED DECEMBER 31, 2016

Consideration was then given to the proposed audit for fiscal year ended December 31, 2016. The Board recognized Ms. Hanna, who reviewed with the Board said Audit.

Upon motion duly made and seconded, the Board voted unanimously to approve the audit for fiscal year ended December 31, 2016, subject to review and comment by the Board. A draft copy of the audit is attached hereto.

ATTORNEY'S REPORT

The Board recognized Ms. Parker, who presented the Attorney's Report.

Website

No action was taken on the website.

Contract with Republic Services/Trash Proposals

The contracts with Texas Pride Disposal were presented for execution.

Application for Use of Building

No action was taken on the Application for the Use of the Building.

Resolution Regarding Annual Review of Red Flags Policy

Consideration was next given to a proposed Resolution Regarding Annual Review of Red Flags Policy.

Upon motion duly made and seconded, the Board voted unanimously to approve the Resolution Regarding Annual Review of Red Flags Policy. A copy of said Resolution is on file in the official records of the District.

Unclaimed Property Report

Ms. Parker informed the Board that as of April 30 of each year, property that is presumed to be abandoned must be reported to the Comptroller on or before July 1. It was noted that the Unclaimed Property Report will be presented at the May meeting.

VOLUNTARY DONATION ON WATER BILL

The Board next considered a request from Grow Northwest to include a voluntary donation on the water bill.

The Board deferred action on this matter, until the July meeting. This will allow for directors attending the AWBD summer conference to attend the Grow Northwest seminar at said conference.

REPAIRS/MAINTENANCE OF ADMINISTRATIVE BUILDING

No action was taken on repairs to the Administrative Building.

GENERAL MANAGER

The Board deferred action on engaging the services of a general manager.

ELECTRICAL CONTRACT

No action was taken on the electrical contract.

LAWSUIT FLED BY SUPERIOR COATING

Ms. Parker advised the Board that the District has been named as a defendant in a lawsuit filed by Superior Coating against Williams Painting (contractor on the elevated storage tank).

CLOSED SESSION

Upon motion duly made and seconded, the Board voted unanimously to convene in closed session at 6:35 p.m. to discuss pending litigation.

OPEN SESSION

Upon motion duly made and seconded, the Board voted unanimously to re-convene in open session at 6:50 p.m.

Upon motion duly made and seconded, the Board voted unanimously to file an answer to the lawsuit, to notify the insurance carrier of the lawsuit, and to notify the surety that issued the payment bond on the Williams contract of the pending lawsuit.

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THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

Approved this May 8, 2017.


Secretary, Board of Directors