

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

August 14, 2017

THE STATE OF TEXAS	§
	§
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, August 14, 2017, whereupon the roll was called of the members of the Board, to-wit:

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

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

Also present at the meeting were Gregg Huckabay owner of the tract of land located at 6995 Louetta Road 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; Lizandro Campos 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 July 10, 2017, previously distributed to the Board, were presented for consideration and approval. The Board noted certain changes to the minutes.

Upon motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of July 10, 2017, as changed.

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 Mr. Campos, who submitted to and reviewed with the Board the Tax Assessor/Collector's Report. Mr. Campos noted that the District has collected 97.38% 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 next reviewed the Delinquent Tax Report as submitted by Perdue Brandon Fielder Collins & Mott LLP ("PB"), a copy of which is attached hereto. The Board discussed service termination to the accounts owing delinquent taxes.

Upon motion duly made and seconded, the Board voted unanimously to approve the PB Delinquent Tax Report, and to authorize service termination to the accounts owing delinquent taxes.

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.

Upon motion duly made and seconded, the Board voted unanimously to approve (1) the Bookkeeper's Report, and (2) the checks presented for payment.

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 96.22%.
- there were no delinquent uncollectable accounts presented for "write off" and release to a collection agency.
- last month 24,841,000 gallons of water were produced, of which 17,815,000 gallons were supplied by the North Harris County Regional Water Authority ("RWA"), and 7,026,000 gallons were supplied by District wells.
- the meter on the emergency water interconnect line with Kleinwood Municipal Utility District ("KMUD") is not operational. The contract with KMUD requires a meter, and the meter installed at the time of the construction of the interconnect, is not operational. The emergency interconnect

is seldom used, and the cost of a meter is approximately \$9,000. KMUD (as did the District at the July meeting) decided it is not cost effective to replace the meter.

-customer John Penn, submitted a written request for an adjustment to his high water bill. Customer Penn alleges that there was no water leak to account for the extraordinary usage. Eagle checked Customer Penn's water meter, and it is registering accurately.

Upon motion duly made and seconded, the Board voted unanimously to (1) approve the Operations Report, (2) authorize Eagle to write off the delinquent uncollectable accounts presented for "write off", if any, and (3) to authorize Eagle to adjust Customer Penn's water bill based on the District's policy that all metered water will be charged the RWA fee, and any water used in excess of a three-month average, will be billed at the lowest residential water rate.

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 Phase IIA Rehabilitation

AEI is in the process of advertising for bids for the sanitary sewer Phase IIA Rehabilitation.

Tract on 6995 Louetta/Huckabay Tract

The Board noted that they received a letter from Harris County MUD No. 24 ("HC24") stating that HC24 will provide water and sanitary sewer service to the Huckabay Tract, provided that the District remits to HC24 all property taxes collected on the Huckabay Tract. The Board recognized Mr. Huckabay, who estimated that at full development the Huckabay Tract will be valued between \$1,200,000 to \$1,300,000. He added that if the District is not agreeable to the proposal from HC24, he would consider advancing the funds to the District (subject to reimbursement from the District) to extend the District's the water and sanitary sewer lines to the Huckabay Tract. The Board recognized Ms. Parker, who informed Mr. Huckabay that the District has no authorized bonds that would allow for reimbursement. Mr. Newton stated that the cost to extend the District's water and sanitary sewer line to serve the Hucakaby tract exceeds \$350,000. Ms. Parker then discussed with the Board options for obtaining service to the Huckabay Tract.

Renewal of Waste Discharge Permit

The District's Waste Discharge Permit for the wastewater treatment plant will expire on January 31, 2018. The application 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 Waste Discharge Permit. AEI submitted the Application to the TCEQ, and it was declared administratively complete on August 7, 2017. AEI has scheduled publication of the draft permit as required by TCEQ rules.

Plan Review

Wimbledon Estates Homeowners Association (“HOA”) requested that the District review the HOA park plans for issues relating to drainage. Pursuant to prior Board authorization, Mr. Newton presented at the July meeting a scope of services with an estimated a cost of \$7,200.00 to perform the scope of services. Noting that the HOA has not officially submitted a request to the District for assistance with drainage review of the HOA plans for its Park, the Board asked Mr. Newton to advise Mr. Murr (landscape architect for the HOA) that the District would like to receive a formal request from the HOA.

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 approve the Engineer’s Report, and to authorize the Attorney to contact the Attorneys for HC24 and Mr. Huckabay to advise them that the District accepts HC24’s offer to the extent that all taxes generated on the value of the improvements constructed on the Huckabay Tract will be rebated to HC24 until 2019 (the last debt service payment owed by the District on outstanding bonds, thereafter (i) the full amount of taxes collected on the Huckabay Tract will be rebated to HC24, or (ii) the District will agree to de-annex the Huckabay Tract so that it may be annexed into HC24.

ATTORNEY’S REPORT

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

Website

No action was taken on the website.

Legislative Update

The Board recognized Mr. LaRue, who then updated the Board on recent legislation affecting water districts.

Order Calling Maintenance Tax Election/Agreement with Harris County to Conduct Election

Consideration was then given to a proposed Order Calling Maintenance Tax Election, and Agreement with Harris County to Conduct the Election which provides for voter authorization to levy a maintenance tax up to \$0.25 per \$100 assessed value.

Upon motion duly made and seconded, the Board voted unanimously to approve the Order Calling Maintenance Tax Election, and the Agreement with Harris County to Conduct the Election. A copy of said Order and Agreement are on file in the official records of the District.

2017 Tax Levy

As a certified tax roll has not been provided to the District; no action was taken in connection with the 2017 tax levy.

Renewal of Insurance

Consideration was then given to the renewal of the District’s insurance. It was noted that AquaSurance, L.P. (“AquaSurance”) submitted a proposal to renew the District’s insurance. The Board also noted that AEI provided AquaSurance with update replacement values for District facilities.

Upon motion duly made and seconded, the Board voted unanimously to accept the proposal from AquaSurance to renew the District’s insurance. A copy of the insurance proposal is on file in the official records of the District.

Annual Review of Investment Policy

At this time, the Board conducted its annual review of the Investment Policy.

Upon motion duly made and seconded, the Board voted unanimously to approve the Resolution Regarding Annual Review of Investment Policy, a copy of which is on file in the official District's records.

Grow Northwest/Voluntary Donation on Water Bill

Consideration was then given to including a voluntary donation on the water bill for the Grow Northwest Project. The Board took no action on this matter.

REPAIRS/MAINTENANCE OF ADMINISTRATIVE BUILDING

The Board took no action 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 updated the Board on the lawsuit filed by Superior Coating against Williams Painting (contractor on the elevated storage tank).

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

Approved this September 11, 2017.


Secretary, Board of Directors