

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

September 11, 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, at 11450 Compaq Center Drive, Suite 660, Houston, Harris County, Texas, a designated meeting place of the Board outside the boundaries of the District, on Monday, September 11, 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 Michael Murr with Murr Incorporated; Drew Masterson of First Southwest, Financial Advisor to the District; Cindy Schmidt 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 August 14, 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 August 14, 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.

2017 TAX LEVY

The Board recognized Mr. Masterson, who submitted to and reviewed with the Board a Tax Rate Analysis, a copy of such which is attached hereto. Mr. Masterson reminded the Board that 2018 is the final year of debt service for the District, as all outstanding bonds will be paid. He recommended setting a debt service tax rate of \$0.1120 per \$100 assessed valuation. Ms. Parker reminded the Board that setting the tax rate is a two-step process. The first step consists of (i) establishing the maximum tax rate for publication; (ii) calling a public hearing on the proposed tax rate; and (iii) authorizing the Tax Assessor/Collector to publish notice of the proposed tax rate and public hearing. The second step is conducting the public hearing and officially setting the tax rate.

Upon motion duly made and seconded, the Board voted unanimously to (1) establish its intent to levy a debt service tax rate of \$0.1120 per \$100 assessed value; (2) call a public hearing for 5:30 p.m., Monday, October 9, 2017, on the proposed tax rate; and (3) authorize the Tax Assessor/Collector to publish notice of the proposed tax rate and public hearing.

Discussion then ensued regarding the proposed Maintenance Tax Election, and whether it would be prudent to defer determining the final 2017 tax rate until after the Maintenance Tax Election to be held on November 7, 2017.

Upon motion duly made and seconded, the Board voted unanimously to rescind the aforesaid motion on the 2017 tax rate, and to defer action on the 2017 tax rate pending the results of the Maintenance Tax Election.

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 97.56% 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 next reviewed the Delinquent Tax Report as submitted by Perdue Brandon Fielder Collins & Mott LLP ("PB"), a copy of which is attached hereto. It was noted that service terminations to the accounts owing delinquent taxes was not accomplished due to Hurricane Harvey.

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.

With regard to the check issued to Jacqueline Doherty, the Board agreed to withhold payment for cleaning the office as the office is not functional and cleaning services are not being utilized.

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 92.76%.
- there were no delinquent uncollectable accounts presented for "write off" and release to a collection agency.
- last month 19,027,000 gallons of water were produced, of which 17,395,000 gallons were supplied by the North Harris County Regional Water Authority ("RWA"), and 2,532,000 gallons were supplied by District wells.
- the emergency water interconnect line with Kleinwood Municipal Utility District ("KMUD") was opened when Water Plant 2 sustained damage and Water Plant 2 is no longer operational due to Hurricane Harvey.

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

In the wake of Hurricane Harvey, the Board deferred action on service terminations.

HURRICANE HARVEY RECOVERY

The Board recognized Mr. Plunkett, who informed the Board that the District's facilities sustained considerable damage due to Hurricane Harvey, and noted damage as set forth below. The insurance agent has been notified of the damage, and a claim has been filed.

District Administration Building – Flood waters entered the Administration Building, damaging the interior and office equipment located in the office. ServePro was called to clean out the building. The insurance agent was notified. An adjuster was sent to assess the damage. Mr. Plunkett is waiting for the report from the adjuster.

Water Plant 2 – Water Plant 2 sustained considerable damage. It is not operational. The motor control center and the automatic transfer switch to the generator are not operational.

Wastewater Treatment Plant – The wastewater treatment plant was flooded. It is operational, but it did sustain considerable damage.

The Board agreed that it would be prudent to engage the services of AEI and an electrician to completely review the facilities to make certain all damage is assessed.

The Board also discussed filing a claim with FEMA. Action was deferred on this matter.

ENGINEER'S REPORT

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

Sanitary Sewer Phase IIA Rehabilitation

AEI received bids for the sanitary sewer Phase IIA Rehabilitation. AEI recommended awarding the contract to Cruz Tec, Inc. ("Cruz Tec") the low bidder at \$148,155.00, including Alternate No. 1 for a total bid prove of \$159,070.00. The Board discussed whether Cruz Tec would be hampered in its operations due to the storm debris in the front yards. Mr. Newton stated he would monitor the situation and work with Cruz Tec.

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. Ms. Parker stated that pursuant to prior Board authorization, she contacted the Attorney and Mr. Huckabay to inform 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 2018 (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.

The Attorney for HC24 notified Ms. Parker that HC24 will serve the Huckabay Tract provided that:

1. Mr. Huckabay and the District enter into an agreement with HC24 that provides that the District and Mr. Huckabay will do all things necessary, and sign all necessary documents to accomplish de-annexation of the Huckabay Tract from the District and annexation into HC24;
2. Mr. Huckabay will pay all costs of annexation/de-annexation; and
3. Mr. Huckabay will bear all costs of connection to HC24's system without reimbursement;
4. if de-annexation/ annexation is not accomplished prior to the end of calendar year 2019, then Huckabay agrees pay to HC24 a payment in lieu of taxes ("PILOT"), based upon the taxable value of the entire tract plus improvements, multiplied by the HC24 tax rate, divided by 12 and added to each monthly water and sewer bill. The PILOT payment will begin in January of 2020 if the annexation into HC24 has not been completed.

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 made the first publication of the draft permit as required by TCEQ rules on August 16, 2017.

Spring Creek Forest PUD 10-inch force main replacement

Mr. Newton informed the Board that Spring Creek Forest PUD submitted plans for the replacement of their 10-inch force main. Said district is obtaining temporary construction easements from affected homeowners in the District.

Plan Review

The Board recognized Mr. Murr who informed the Board that the Wimbledon Estates Homeowners Association (“HOA”) has placed their park plans on hold due to Hurricane Harvey.

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) accept the bid from Cruz Tec, and (3) accept the counter proposal from HC24 to serve the Huckabay Tract as stipulated above.

ATTORNEY’S REPORT

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

Website

No action was taken on the website.

Legislative Update

No action was taken on the Legislative update.

Maintenance Tax Election

The Board agreed to call a meeting for Monday, September 25, 2017, to discuss the Maintenance Tax Election.

GENERAL MANAGER

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

ELECTRICAL CONTRACT

No action was taken on the electrical contract.

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

Approved this October 9, 2017.


Secretary, Board of Directors