

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

October 9, 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, October 9, 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 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 meetings of September 11, 2017 and September 25, 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 meetings of September 11, 2017 and September 25, 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 Ms. Luevano, who submitted to and reviewed with the Board the Tax Assessor/Collector's Report. Ms. Luevano noted that the District has collected 97.64% 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. The Board agreed to defer service terminations to the accounts owing delinquent taxes 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.

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 was an excursion at the wastewater treatment plant for the reporting period due to Hurricane Harvey.
- the billed to pumped ratio was 93.79%.
- there were no delinquent uncollectable accounts presented for "write off" and release to a collection agency.
- last month 678,000 gallons of water were produced, of which 647,000 gallons were supplied by the North Harris County Regional Water Authority ("RWA"), and 31,000 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 from Hurricane Harvey. The interconnect is still open pending Water Plant 2 being placed back on line.

-Customers Erickson and Cypresswood Landing Apartments received high water bills due to water leaks, and requested that the Board consider an adjustment in their water bill.

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 adjust the water bills for Customers Erickson and Cypresswood Landing Apartments in accordance with District policy that provides that the customer be charged for normal water usage, all water used in excess of the normal usage will be charged at the lowest water rate tier for the customer class, and the RWA fee will be charged on the entire amount of water used .

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 updated the Board on the repairs of facilities that sustained considerable damage due to Hurricane Harvey. 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. Repairs have been made and Water Plant 2 should be operational by the end of the week.

Wastewater Treatment Plant – The wastewater treatment plant was flooded. It is now operational, but repairs are still in progress. The automatic sampler was replaced, and both process blowers were repaired. The blowers for the digester are being repaired and in the interim a rental blower is being utilized.

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.

ENGINEER’S REPORT

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

Sanitary Sewer Phase IIA Rehabilitation

At the meeting on September 11, 2017, awarded the contract for the sanitary sewer Phase IIA Rehabilitation to Cruz Tec, Inc. (“Cruz Tec”) in the amount of \$148,155.00, including Alternate No. 1 for a total bid price of \$159,070.00. Mr. Newton presented the contract documents for signature.

Tract on 6995 Louetta/Huckabay Tract

At the meeting on September 11, 2017, the Board agreed to HC24's agreement to 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, and will publish the second notice upon receipt of the notice from the TCEQ.

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.

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 then discussed the Maintenance Tax Election, and the public hearing scheduled for October 16, 2016, and October 26, 2017. Mr. Newton, submitted to and reviewed with the Board a report in connection with the Bond election and the scheduled townhall meetings.

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 FILED BY SUPERIOR COATING

Ms. Parker noted that there was no update 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 November 13, 2017


Secretary, Board of Directors