

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

November 13, 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, November 13, 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 Paul Eschenfelder, resident of the District; Gregg Sissel with BKD LLP, auditor for the District; Debra Loggins with L&S District Services (“L&S”), Bookkeeper for the District; Nancy Blackwell 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.

**ORDER CANVASSING MAINTENANCE TAX ELECTION**

The Board deferred action on canvassing the Maintenance Tax Election as Harris County has not provided the official election results. A special meeting will be held on November 20, 2017, to canvass the election.

**PUBLIC HEARING ON PROPOSED 2017 TAX RATE**

The Board opened the meeting to a public hearing on the proposed 2017 tax rate. Noting that the member of the public present at the meeting had no comment on the proposed tax rate. Accordingly, the public hearing was adjourned.

### **ORDER SETTING TAX RATE AND LEVYING TAX FOR 2017**

Consideration was next given to a proposed Order Setting Tax Rate and Levying Tax for 2017. Having conducted the public hearing as required by law and publishing notice thereof, the Board deemed it appropriate to proceed with setting the 2017 tax rate.

Upon motion duly made and seconded, the Board voted unanimously to (1) set and levy a debt service tax rate of \$0.1120 per \$100 assessed value; and (2) adopt the Order Setting Tax Rate for 2017, a copy of which is on file in the official records of the District.

### **AMENDED NOTICE TO SELLERS AND PURCHASERS**

Consideration was given to the proposed Amended Notice to Sellers and Purchasers, which Notice sets forth the 2017 tax rate.

Upon motion duly made and seconded, the Board voted unanimously to approve the Amended Notice to Sellers and Purchasers, a copy of which is on file in the official records of the District.

### **APPROVAL OF MINUTES**

Proposed minutes of the meetings of October 9, 2017, October 17, 2017, and October 26, 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 meetings of October 9, 2017, October 17, 2017, and October 26, 2017, as presented.

### **HEAR FROM PUBLIC**

The Board recognized Mr. Eschenfelder, who addressed the Board concerning the Maintenance Tax Election, the web site and other general matters.

### **ENGAGE AUDITOR FOR FISCAL YEAR ENDING DECEMBER 31, 2017**

The Board recognized Mr. Sissel, who presented a proposed Letter of Engagement to perform the audit for fiscal year ending December 31, 2017. He estimated a cost of \$15,000 to audit the District accounts and \$2,000 to audit the Joint Facilities Account.

Upon motion duly made and seconded, the Board voted unanimously to accept the Letter of Engagement from BKD, a copy of which is on file in the official records of the District.

### **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 97.81% 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/ BUDGET**

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’s 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 submitted to and reviewed with the Board a draft budget for fiscal year ending December 31, 2018, a copy of which is on file in the official records of the District. The Board noted that the line item on the budget relating to Capital Outlay-Sanitary Sewer Rehab Phase IIA should be changed from \$145,000 to \$165,000. The Board deferred action on the budget pending further review by the Board and consultants.

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 94.13%.
- there were no delinquent uncollectable accounts presented for “write off” and release to a collection agency.
- last month 8,619,000 gallons of water were produced, of which 8,254,000 gallons were supplied by the North Harris County Regional Water Authority (“RWA”), and 365,000 gallons were supplied by District 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.

## **HURRICANE HARVEY RECOVERY**

The Board recognized Mr. Plunkett, who updated the Board on the repairs to facilities that sustained considerable damage due to Hurricane Harvey. The District has received an initial payment from the insurance carrier of \$80,000 for damage sustained to District facilities. Mr. Plunkett will meet with FEMA on November 15, 2017, to discuss if there are any items that were damaged that are eligible for reimbursement from FEMA.

**District Administration Building** – Flood waters entered the Administration Building, damaging the interior and office equipment located in the office. Repairs to the Administration Building are estimated at \$42,000. Discussion ensued regarding whether to make changes to the Administration Building at this time, such as removing the kitchen and office. Changes may not be possible if the walls are load bearing. The Board asked Mr. Plunkett to verify whether any of the interior walls are load bearing. The Board also asked Mr. Plunkett to obtain bids to replace the roof.

**Water Plant 2** – Water Plant 2 sustained considerable damage. Repairs have been made and Water Plant 2 is now operational.

**Wastewater Treatment Plant** – The wastewater treatment plant was flooded. It is now operational, but repairs are still in progress. Once process blower has been repaired and the second blower is out for repairs. The interim a rental blower is no longer required.

## **ENGINEER'S REPORT**

The President recognized Ms. Blackwell, 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 prove of \$159,070.00. This project is in progress.

### **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.

AEI had nothing new to report in connection with this matter.

#### **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.

#### **One Year Warranty Inspection Elevated Storage Tank**

The one-year warranty inspection on the repairs to the elevated storage tank was conducted, and the contractor has completed the items punch list items noted during the inspection. Director Hanz stated that it is his understanding the contractor left a porta can on site; and asked Ms. Blackwell to check into this matter.

#### **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**

The Board took no action on the website.

#### **AMENDED AND RESTATED INVESTMENT POLICY**

Consideration was then given to a proposed Amended and Restated Investment Policy.

Upon motion duly made and seconded, the Board voted unanimously to approve the Amended and Restated Investment Policy, a copy of which is on file in the official records of the District.

#### **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 December 11, 2017.

  
Secretary, Board of Directors