

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

May 14, 2018

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 15705 North Greenfield Drive, Spring, Harris County, Texas, a designated meeting place of the Board inside the boundaries of the District, on Monday, May 14, 2018, whereupon the roll was called of the members of the Board, to-wit:

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

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

Also present at the meeting were Daniette Hunter, Robyn Spaman, and William Spaman, residents of the District, Ron Koval, member of the public; Gregg Sissel with BKD LLP, auditor for the District; Mike Harrington with American Enerpower, Directors-elect Adam Lightfoot and Carl Sandhoff; Debra Loggins with L&S District Services ("L&S"), Bookkeeper for the District; Mike Kurzy 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 LaRue with Sanford Kuhl Hagan Kugle Parker Kahn LLP ("SKLaw"), Attorney for the District.

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

APPROVAL OF MINUTES

Proposed minutes of the meeting of April 9, 2018, previously distributed to the Board, were presented for consideration and approval. The Board noted a change to the minutes.

Upon motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of April 9, 2018, 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 96.16% of its 2017 personal and real property taxes. Ms. Luevano reported that the preliminary value for 2018 for the District is \$282,951,649.

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.

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'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.

As the District has made the final debt service payment on April 1, 2018, the Board agreed that the Debt Service Account with TexPool should be closed.

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) closing the Debt Service Account with TexPool.

OPERATIONS REPORT

The Board 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 885.
- there were no excursions at the wastewater treatment plant.
- the billed to pumped ratio was 91.81%.
- there were no delinquent uncollectable accounts presented for "write off" and release to a collection agency.

-last month 16,011,000 gallons of water were produced, of which 14,161,000 gallons were supplied by the North Harris County Regional Water Authority ("RWA"), and 1,850,000 gallons were supplied by District wells.

The Bellaire Residential Facility (the "Bellaire") requested an adjustment to its water bill. The Bellaire claims it had a high water bill as the result of a water leak on the irrigation meter. Based on the information provided, the Board denied the request.

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 noted that all repairs to facilities that sustained damage due to Hurricane Harvey are complete.

Recovery costs did not exceed the insurance reimbursement by more than \$10,000, accordingly, pursuant to Board authorization at the meeting on April 9, 2018, no claim will be filed with FEMA.

Consideration was then given to the termination the employment of Ron Koval and Katerina Newman for services performed related to the Administration Building.

Upon motion duly made and seconded, the Board voted unanimously to terminate the employment of Ron Koval and Katherine Newman in accordance with their thirty (30) day employment term.

ENGINEER'S REPORT

The Board recognized Mr. Kurzy, who presented the Engineer's Report.

Sanitary Sewer Phase IIA Rehabilitation

At the meeting on September 11, 2017, the Board 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. Mr. Kurzy reported that the project is complete. He presented the Certificate of Completion, Certificate of Acceptance, and Pay Estimate No. 3 and Final in the amount of \$14,676.45 for Board approval.

Sanitary Sewer Phase II Televising

The one-year warranty for the Sanitary Sewer Phase II Televising was conducted on April 26, 2018. No deficiencies were noted.

Water Plant 2 GST Inspection

The annual inspection of the ground storage tank at water plant 2 is complete. AEI recommended that the District authorize the Operator to install new gasket material on the roof hatch.

Water Plant 3 GST Inspection

The annual inspection of the ground storage tank at water plant 3 is complete. AEI will present the summary report when it is complete.

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) approve Pay Estimate No. 3 and Final to Cruz Tec, and (3) authorize the Operator to install new gasket material on the roof hatch of Water Plant 2 GST.

AUDIT FOR FISCAL YEAR ENDED DECEMBER 31, 2017

The Board recognized Mr. Sissel, who submitted to and reviewed with the Board, a draft audit for fiscal year ended December 31, 2017.

Upon motion duly made and seconded, the Board voted unanimously to approve the audit for fiscal year ended December 31, 2017, a copy of which is on file in the official records of the District.

ATTORNEY'S REPORT

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

Agreement with Harris County MUD No. 24 ("HC24")/ 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 to 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.

The Board noted that HC24 has not submitted a draft contract for review on the Huckabay Tract.

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 June meeting.

Consumer Confidence Report (“CCR”)

Consideration was then given to the CCR.

Upon motion duly made and seconded, the Board voted unanimously to approve the CCR with notice to District customers to be given by posting on the website. A copy of the CCR is on file in the official records of the District.

Resolution Regarding Annual Review of Emergency Preparedness Plan

Consideration was next given to a proposed Resolution Regarding Annual Review of Emergency Preparedness Plan (“EPP”). AEI will review the EPP and provide updates of the information contained in the EPP, as necessary.

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

Trash Survey

No action was taken on the trash survey.

Website

Director Hanz agreed to operate the District website pending a final decision of the Board on the website operations.

ORDER CANVASSING DIRECTORS ELECTION

The Board first considered a proposed Order Canvassing Directors Election.

The Board recognized Ms. Parker, who presented the official returns of the Directors Election held on May 5, 2018, for the election of three (3) members to the Board of the District. It was noted that there were 460 ballots cast for the election of three (3) Directors of the District, and that said ballots were cast for the following persons in the numbers indicated:

Mark Edward Hanz	60 votes
Carl Masato Sandhoff	101 votes
Chaz Logan	109 votes
John Adam Lightfoot	111 votes

Karen Stepchinsky

79 votes

Upon motion duly made and seconded, the Board voted unanimously to adopt the Order Canvassing Director Election, thereby declaring Adam Lightfoot, Carl Sandhoff and Chaz Logan elected to the Board of the District to serve until the Directors Election in May, 2022, or until their successors have been duly elected or appointed and have qualified. A copy of the Order Canvassing Directors Election is on file in the official records of the District.

QUALIFICATION OF DIRECTORS

At this time Directors Lightfoot and Sandhoff took their Oaths of Office, and each executed the Statement of Elected Officials.

Upon motion duly made and seconded, the Board voted unanimously to accept the Oaths of Office and Statements of Elected Officials for Directors Lightfoot and Sandhoff, thus qualifying them to serve on the Board.

The qualification of Chaz Logan was deferred until the June meeting due to his absence.

Election of Officers.

Consideration was then given to the election of officers.

Upon motion duly made and seconded, the Board voted unanimously to elect the following slate of officers:

Robert Rasch	President
Paul Laven	Vice President
Adam Lightfoot	Secretary
Carl Sandhoff	Assistant Secretary

ELECTRICAL CONTRACT

The Board recognized Mr. Harrington, who submitted to and reviewed with the Board proposals for electrical services. Copies of the proposals are on file in the official records of the District.

Upon motion duly made and seconded, the Board voted unanimously to approve the proposal from Direct energy for a five- year term at a rate of \$0.03998.

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

Approved this 6-11-18.


Secretary, Board of Directors