

**MINUTES OF MEETING  
KLEINWOOD MUNICIPAL UTILITY DISTRICT  
HARRIS COUNTY, TEXAS**

**July 24, 2008**

STATE OF TEXAS  
COUNTY OF HARRIS

The Board of Directors (the "Board") of Kleinwood Municipal Utility District (the "District") of Harris County, Texas, met in **regular** session, open to the public, on **Thursday, July 24, 2008**, at 6:00 p.m. at the District Office, 16530 Kleinwood Drive, Spring, Texas, within the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Stephen E. Williams	President
Vic Fowler	Vice President & Investment Officer
Robert Ehmann	Secretary/Treasurer
Sherry Allard	Assistant Vice President & Assistant Secretary
Joe Fratangelo	Assistant Secretary

and all of said persons were present with the exception of Director Fowler, thus constituting a quorum.

Also present were: Sara Ahlschlager with Wheeler & Associates ("Wheeler"), Tax Assessor/Collector for the District; Jon Unterreiner, P.E., Jason Ozuna, P.E., of Jones & Carter, Inc. ("Jones & Carter"), Engineer for the District; Roger Schuett, Office Manager; John Lightfoot with John Lightfoot Investments, L.P. ("Lightfoot"), developer of land in the District; Mike Ammel of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Maria Parker and David F. Green of Coats, Rose, Yale, Ryman & Lee, P.C. ("Coats|Rose"), Attorney for the District; Kevin Dice and Geoff Dice, representing The Falls at Champion Forest Property Owners Association (the "POA"); and Scott McIntosh, a resident of the District.

The President called the meeting to order in accordance with notice posted pursuant to law, and the following business was transacted.

**TAX ASSESSOR/COLLECTOR'S REPORT**

The President recognized Ms. Ahlschlager, who submitted to and reviewed with the Board the Tax Assessor/Collector's Report, a copy of which is attached hereto. It was noted that the District has collected 98.32% of its 2007 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto.

After discussion, upon a 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**

Ms. Ahlschlager submitted to and reviewed with the Board the Delinquent Tax Report as prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), the District's Delinquent Tax Attorney. A copy of the Delinquent Tax Report is attached hereto.

## **UNCOLLECTIBLE ACCOUNTS**

Consideration was then given to moving certain delinquent tax accounts involving personal property (the "Accounts") to the Uncollectible Tax Roll. The President recognized Ms. Ahlschlager, who submitted to and reviewed with the Board a List of Uncollectible Accounts as prepared by the District's Tax Assessor/Collector.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Tax Assessor/Collector to move the Accounts to the List of Uncollectible Accounts.

## **PEACE OFFICER'S REPORT**

Mr. Green distributed copies of the Peace Officer's Report on behalf of Deputy Constable Abraham Valle with Harris County Precinct 4 Constable's Office. A copy of the Peace Officer's Report is attached hereto.

## **THE FALLS AT CHAMPION FOREST AMENITY LAKE/DETENTION POND**

The President recognized Mr. Dice, who addressed the Board regarding the 6.5-acre tract in The Falls at Champion Forest in which the amenity lake/detention pond are located and the adjacent tract in which the sales office for The Falls is located (the "Falls Tracts"), both of which are currently owned and maintained by the POA. Mr. Dice proposed that the District purchase and make certain improvements to the Falls Tracts, said improvements to include additional parking, a perimeter fence, and a foot path. Mr. Dice gave a slide presentation to the Board regarding the Falls Tracts and the proposed improvements therein. The Directors deferred discussion regarding this matter to a future meeting of the Board.

## **EAGLE SCOUT PROJECT**

The President recognized Mr. McIntosh, who discussed with the Board his plans for his Eagle Scout project (the "Project"), which would consist of constructing a sidewalk that would be located south of the District Office in order to facilitate pedestrian traffic to and from Klein High School. He informed the Board that he had obtained approval for the Project plans from the Boy Scouts of America, Polaris District/Sam Houston Area Council, and that he would also need the District's approval to proceed with the Project.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) approve the Project; and (2) authorize Director Williams to execute instruments relating to the Project.

Attached hereto as an exhibit to these minutes is a copy of the Agreement to Release and Hold Harmless and Indemnify as executed by the Scoutmaster of Boy Scout Troop 244.

### **HEAR FROM PUBLIC**

The Board noted that there were no members of the public who wished to address the Board and this time.

The President recognized Ms. Parker, who reviewed with the Board an electronic mail message from District resident Jean McGrath, who inquired about the billing cycle dates utilized by EDP. A copy of the electronic mail message is attached hereto as an exhibit to these minutes. Ms. Parker stated that Mr. Ammel had contacted Ms. McGrath regarding this matter.

### **DEVELOPMENT OF CHAMPION FALLS ESTATES, CHAMPION WOODS ESTATES, THE FALLS AT CHAMPION FOREST (herein collectively, the "Falls")**

The President recognized Mr. Lightfoot, who reported on development in the Falls. A copy of the Development Report for the Falls as prepared by Lightfoot is attached hereto.

### **ATTORNEY'S REPORT**

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

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Attorney's Report.

### **MINUTES OF THE MEETINGS OF JUNE 13, 2008, JUNE 19, 2008, AND JUNE 26, 2008**

Proposed minutes of the meeting of the Board held on June 13, 2008, previously distributed to the Board, were presented for consideration and approval.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of June 13, 2008, as written.

Proposed minutes of the meeting of the Board held on June 19, 2008, previously distributed to the Board, were presented for consideration and approval. Director Ehmann requested a revision to page 2 of the minutes.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of June 19, 2008, as amended.

Proposed minutes of the meeting of the Board held on June 26, 2008, previously distributed to the Board, were presented for consideration and approval. Director Ehmann requested a revision to page 2 of the minutes.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of June 26, 2008, as amended.

## **CLOSED SESSION MINUTES OF THE MEETINGS OF MAY 22, 2008, and JUNE 19, 2008**

Proposed closed session minutes from the meeting of the Board held on May 22, 2008, were presented for consideration and approval.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the closed session minutes from the meeting of May 22, 2008, as presented.

Proposed closed session minutes from the meeting of the Board held on June 19, 2008, were presented for consideration and approval.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the closed session minutes from the meeting of June 19, 2008, as presented.

## **DEVELOPMENT AND ANNEXATION AGREEMENTS/STUEBNER-AIRLINE TRACTS**

Ms. Parker reported on the status of the proposed Development and Annexation Agreements for the tracts along Stuebner-Airline Road. She informed the Board that discussions are continuing with representatives of the Archdiocese of Galveston-Houston (the "Archdiocese") regarding the water line easement and sanitary sewer line easement.

## **CONTRACT FOR ELECTRIC SERVICE/RELIANT ENERGY SERVICES ("RELIANT")**

Next, Ms. Parker reported on the status of the District's contract for electric service (the "Electric Contract") with Reliant through the Texas General Land Office. Ms. Parker stated that the District's Attorney would begin soliciting proposals for the renewal of the Electric Contract in August 2008.

## **REQUEST FOR REIMBURSEMENT/DISTRICT AND URBAN (TEXAS) INC. ("District & Urban")**

Ms. Parker reported on the status of District & Urban's request for reimbursement of its eligible development costs related to the tract upon which the Colonnade Apartment Complex was to be located. Ms. Parker stated that she is reviewing this matter with the District's consultants.

## **MERGER OF TEXAS STATE BANK AND COMPASS BANK**

Ms. Parker informed the Board of the recent merger between Texas State Bank (called "TSB") and its affiliate, Compass Bank ("Compass,") with Compass being the surviving corporation. She noted that as a result of the merger, Compass will transfer the securities safekeeping and custodial services from the Federal Home Loan Bank of Dallas to the Federal Home Loan Bank of Atlanta. Ms. Parker presented the Board with a letter from TSB/Compass, requesting the District's acknowledgment of said transfer (the "Acknowledgment Letter").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Director Williams to execute the Acknowledgment Letter. A copy of the Acknowledgment Letter is attached hereto as an exhibit to these minutes.

## **SCHEDULE SPECIAL MEETING OF THE BOARD**

Consideration was then given to scheduling a special meeting of the Board in order to discuss matters relating to (1) the Kera Village development; (2) the proposed electrical loss control survey; (3) the Falls Tracts; (4) District and Urban; (5) the Operating Budget for the District for the fiscal year ending August 31, 2009; (6) engaging an auditor to prepare the District's annual financial report for the fiscal year ending August 31, 2008; (7) billing to customers for utility service; and (8) the Water Works newsletter.

After discussion, the Board agreed to meet at 8:30 a.m. on Thursday, July 31, 2008. [Subsequent to this meeting, the special meeting was rescheduled to 12:00 p.m. on Thursday, August 7, 2008.]

## **STOP SIGNS/CHAMPION WOODS ESTATES**

Next, Ms. Parker distributed copies of a letter dated June 24, 2008, from Jerry Eversole, Harris County Precinct 4 Commissioner, in response to the District's letter dated May 22, 2008, requesting the placement of additional stop signs at the intersections of [a] Mintwood and Chagall; and [b] Fondness Park and Oak Moss (herein collectively, the "Stop Signs"). A copy of the letter is attached hereto. Ms. Parker noted that according to Mr. Eversole, the drawings for Champion Woods Estates have not been submitted by Lightfoot to the Harris County Public Infrastructure Engineering Division/Permit Section for acceptance, and therefore installation of the Stop Signs would be the responsibility of the developer.

## **DEVELOPMENT REPORTS/REQUESTS FOR SERVICE**

The President recognized Mr. Unterreiner, who reported on the status of various developments in the District as follows:

1. **Hilliard Tract/Meyer Park Office Condominiums**. Mr. Unterreiner reported that Jones & Carter has reviewed the plans and provided comments for this project.

2. **HEB Center Plan Reviews**. Mr. Unterreiner reported that Regency Center informed Jones & Carter that the application for service for FujiHana is complete with the exception of the grease trap calculation to be provided by the tenant.

3. **Pet Hotel**. Mr. Unterreiner reported that Jones & Carter has reviewed the plans and provided comments for this project.

## **ENGINEER'S REPORT**

The President recognized Mr. Unterreiner, who presented the Engineer's Report as follows:

1. **Champion Woods Estates Utilities**. Mr. Unterreiner reported on the construction of the water supply, sanitary sewer, and drainage facilities by Clearwater Utilities, Inc. ("Clearwater"). He informed the Board that Clearwater has completed all punch list items for Section 1 and that there are no outstanding punch list items from the inspection of Section 2.

2. **HEB Lift Station Abandonment.** Mr. Unterreiner reported that the District's Engineer is proceeding with the abandonment of the old HEB Lift Station (the "Abandonment"). The estimated cost for the Abandonment is approximately \$50,000, which includes the demolition of the concrete top slab. The estimated cost for the Abandonment without the removal of the concrete top slab would be \$40,000.

3. **Stuebner-Airline Utilities.** Mr. Unterreiner reported that Jones & Carter and Coats | Rose are working to obtain the water line easements and sanitary sewer line easements from the Archdiocese. Design work for the utilities to serve the Stuebner-Airline tracts is 80% complete.

4. **Squires Road Detention Pond/Storm Water Drainage Plans.** The Board noted that there was nothing new to report in connection with this matter.

5. **Water Line Across Bubbles Car Wash.** Mr. Unterreiner reported that Jones & Carter had completed the survey field work and has commenced the design phase.

6. **Smoke Testing and Televised Inspection of Sanitary Sewer Lines.** The Board noted that there was nothing new to report in connection with this matter.

7. **North Harris County Regional Water Authority ("NHCRWA") Coordination.** Mr. Unterreiner reported that the NHCRWA is continuing to purchase water from the District.

8. **NHCRWA/Chloramine Conversion.** Mr. Unterreiner reported that preparation of plans and specifications for the conversion to a chloramine disinfection system at the District's water plants is in progress.

9. **Raveneaux Country Club/Kera Village.** Mr. Unterreiner reported that Jones & Carter has completed the boundary map for the proposed annexation of a certain portion of the Raveneaux Tract. Jones & Carter will coordinate with Brown & Gay Engineers, Inc., as needed, with respect to preparation of plans and specifications for District utilities to serve Kera Village.

10. **Surplus Funds.** Mr. Unterreiner reported that the District's Engineer is preparing the necessary documents with regard to the use of Surplus Funds from the District's Series 2001 Bonds to help fund (1) the Champion Woods Estates Lift Station; and (2) the Water Well No. 2 Rework project.

11. **Ground Storage Tank No. 1.** Mr. Unterreiner reported on the condition of the interior of Ground Storage Tank No. 1 ("GST No. 1") at Water Plant No. 1. He informed the Board that the floor of GST No. 1 could be repaired through the use of spot welding with an application of coating (the "GST Repairs") at an estimated cost of \$10,000.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to proceed with the GST Repairs as described above.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Engineer's Report, a copy of which is attached hereto.

## OPERATOR'S REPORT

The President recognized Mr. Ammel, who submitted to and reviewed with the Board the Operator's Report as follows:

1. **Water Plant Operations.** Mr. Ammel reported that the billed to pumped ratio for the prior month was 93.1% and that the District has a total connection count of 756.

2. **Lift Station No. 2.** Mr. Ammel reported that lift pump No. 2 at Lift Station No. 2 was not functional with EDP took over operation of the District's facilities on July 1, 2008. Lift pump No. 2 has been pulled for a repair estimate.

3. **2007 Drinking Water Quality Report.** Mr. Ammel reported that the 2007 Drinking Water Quality Report (the "Report") was delivered to the District's customers with the June 2008 water bills. A copy of the Certification of Delivery relating to the Report that was sent to the Texas Commission on Environmental Quality by Southwest Water Company is included with the Operator's Report.

4. **Commercial Water Meters.** Mr. Ammel reported that EDP is reviewing the test reports on the District's commercial water meters.

5. **Requests for Billing Adjustments.** Mr. Ammel reported that several customers had requested an adjustment to their June 2008 billing, including most of the commercial service accounts and three residential service accounts. He explained that EDP had re-categorized the rates billed to certain commercial customers.

6. **Storm Sewer Inlets.** Mr. Ammel reported that EDP would install storm water inlet markers for the Clean Water/Clear Choice program, requesting that the District's residents refrain from discharging refuse, grass clippings, and other prohibited substances into the storm sewers located in the District.

Then, after discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Operator's Report, a copy of which is attached hereto.

## TERMINATION OF SERVICE

Consideration was then given to the termination of water and sewer service to certain accounts. The President recognized Mr. Ammel, who advised the Board that the requisite notifications had been given to each customer and that each customer was advised of the date, time and place of the meeting which they may attend to discuss termination of service. The Board noted that there were no customers present to protest the utility billings.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the Operator to terminate the water and sewer service to those accounts listed on the termination list attached hereto.

## **REPORT ON OPERATION OF DISTRICT OFFICE**

The President recognized Mr. Schuett, who submitted to and reviewed with the Board the report concerning the District Office (the "Office Report"), a copy of which is attached hereto.

After review, upon a motion duly made and seconded, the Board voted unanimously to accept the Office Report.

## **BOOKKEEPER'S REPORT**

Mr. Schuett then reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto, and certain invoices for payment by the Board. The Board also reviewed the Investment Report.

Then, upon a motion duly made and seconded, the Board voted unanimously to approve the Bookkeeper's Report as presented, and to authorize payment of the checks listed therein.

## **OPERATING BUDGET FOR FISCAL YEAR ENDING AUGUST 31, 2009 (the "Operating Budget")**

The President recognized Mr. Schuett, who addressed the Board regarding the preparation of the draft Operating Budget. The Directors discussed with Mr. Schuett proposed revisions to the Operating Budget.

After further discussion, the Directors deferred adoption of the Operating Budget to a future meeting of the Board.

## **KLEINWOOD MAINTENANCE FUND ("KMF")**

Director Ehmann reported on the activities of the KMF.

## **KLEINWOOD JOINT POWERS BOARD ("KJPB")**

Director Williams reported on the activities of the KJPB.

## **NHCRWA**

Mr. Green distributed copies of (1) a memorandum from Coats|Rose regarding the July 7, 2008, meeting of the NHCRWA board of directors; and (2) a facsimile transmission dated July 22, 2008, from Jimmie Schindewolf, P.E., General Manager of NHCRWA. Copies of the aforementioned documents are attached hereto.

## **ASSOCIATION OF WATER BOARD DIRECTORS ("AWBD")/SUMMER CONFERENCE**

The President recognized Director Allard, who submitted to and reviewed with the Board a report on the seminars presented at the Summer Conference conducted by the AWBD on July 17-19, 2008, in San Antonio. A copy of the report is attached hereto.

**NEWSLETTER WITH PAYNE COMMUNICATIONS**

The President recognized Director Allard, who stated that she had prepared articles for use in future editions of the "Water Works" newsletter to be distributed to the District's customers.

**ANNEXATION OF RAVENEAUX TRACT/KERA VILLAGE**

Ms. Parker reported on the status of the Petition for Addition of Land and Petition for Consent to Addition of Land pertaining to the Raveneaux Tract. The Directors deferred discussion of this matter to a future meeting of the Board.

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

Approved this August 28, 2008

Robert Edmann  
Secretary, Board of Directors

