

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

March 26, 2009

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, March 26, 2009**, 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 Allard, thus constituting a quorum.

Also present were: Jon Unterreiner, P.E., and Jason Ozuna, P.E., of Jones & Carter, Inc. ("Jones & Carter"), Engineer for the District; Mike Ammel and Eric Thiry of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Sara Ahlschlager of Barbara Wheeler & Associates ("Wheeler"), Tax Assessor/Collector for the District; Roger Schuett, Office Manager; Barbara Payne of Payne Communications ("Payne"); Maria Parker, Dick Yale, and David F. Green of Coats, Rose, Yale, Ryman & Lee, P.C. ("Coats|Rose"), Attorney for the District; and the following members of the public: Ray Cicconi and Bernie Bryl.

PEACE OFFICER'S REPORT

Mr. Green distributed copies of the Peace Officer's Report for February 2009, a copy of which is attached hereto.

TAX ASSESSOR/COLLECTOR'S REPORT

The President recognized Ms. Alschlager, 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 92.61% of its 2008 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto.

Then, 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.

ALLIANCE FOR WATER EFFICIENCY ("AFWE")

The President recognized Ms. Payne, who addressed the Board regarding the AFWE. She distributed copies of a brochure that explains the purpose of the AFWE and the benefits that would accrue to the District by joining the non-profit organization. A copy of the brochure is attached hereto as an exhibit to these minutes. Ms. Payne remarked that the annual cost to the District for membership in the AFWE is \$0.10 per service connection. Director Fratangelo addressed their Board regarding his attendance at an AFWE seminar.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) authorize the District's membership in the AFWE; and (2) authorize Mr. Schuett to complete and submit the membership application to the AFWE.

SPONSORSHIP OF WATER CONSERVATION EDUCATION MATERIALS

The President recognized Ms. Payne, who addressed the Board regarding the proposed sponsorship of water conservation education materials for use at a local elementary school (the "Materials").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize a donation to the Water Lily Press, Inc., in the amount of \$5,000 for dissemination of the Materials.

ESTABLISHING A WEB SITE

The Board discussed the establishment of the District's internet web site (the "Web Site") by Payne and the Texas Network. Ms. Payne reported that the District's Attorney is submitting documents to the Texas Network for posting on the Web Site. She recommended that the Board schedule a special meeting prior to activation of the Web Site to review the contents and other matters relating thereto.

HEAR FROM THE PUBLIC

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

PROPOSAL FOR INSURANCE COVERAGE

The President recognized Ms. Parker, who reviewed with the Board the Proposal for Insurance Coverage (the "Proposal") prepared by AquaSurance (and previously submitted to the Board) for the policy period of April 30, 2009, through April 30, 2010.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Proposal. A copy of the accepted Proposal is attached hereto as an exhibit to these minutes.

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 MEETING OF FEBRUARY 26, 2009

Proposed minutes of the meeting of the Board held on February 26, 2009, 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 February 26, 2009, as amended.

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. The District's Attorney had forwarded the District's Letter of Commitment to the Archdiocese of Galveston-Houston (the "Archdiocese") and is awaiting a response, she told the Board.

IDENTITY THEFT AND RED FLAG RULES

The President recognized Ms. Parker, who stated that the Federal Trade Commission recently adopted rules relating to implementing a "red flags" program for the purpose of preventing identity theft ("Identify Theft Rules). The Identity Theft Rules were adopted pursuant to the Fair and Accurate Credit Transactions Act of 2003 ("FACTA"). By May 1, 2009, water districts must adopt and implement a written Identity Theft Program. Ms. Parker presented that Board with copies of (1) a letter from Coats|Rose regarding the Identity Theft Rules; and (2) a draft Resolution Establishing an Identity Theft Prevention Program, copies of which are attached hereto.

After discussion, the Directors deferred consideration of this matter to a future meeting of the Board.

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. **Lightfoot Office Building**. Mr. Unterreiner reported that Jones & Carter has reviewed the revised plans for this project and has provided comments. The application fee has not been received.

3. **Midas International Corporation ("Midas")**. Mr. Unterreiner reported that Jones & Carter is preparing the as-built certificate for the detention pond plans. Two options for the Storm Water Quality features are being considered.

4. **Zaxby's Chicken Dinner Restaurant**. Mr. Unterreiner reported that the sanitary sewer line located at the back of the property was constructed with an incorrect slope due to a pre-installed manhole that was placed at the incorrect elevation. Jones & Carter is requested that the manhole and sanitary sewer line be reinstalled in compliance with the District's standards.

5. **Klein Independent School District ("Klein ISD")**. Mr. Unterreiner reported that Klein ISD is adding a new building and is working with Jones & Carter to determine the most advantageous location for connecting with the District's utility lines. Mr. Unterreiner stated that Klein ISD prefers a location along Lyons School Road for the connection. Jones & Carter is reviewing the contract to confirm whether revisions would be necessary due to a new location for the connection.

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. Jones & Carter is continuing to work with Harris County with regard to approval of the paving portion of the project.

2. **HEB Lift Station Abandonment**. Mr. Unterreiner reported on the status of the abandonment of the old HEB Lift Station (the "Lift Station Abandonment") by G & N Enterprises. The contractor is proceeding with the construction phase of the Lift Station Abandonment.

3. **Stuebner-Airline Utilities**. Mr. Unterreiner reported that Jones & Carter is working with the District's Attorney on obtaining the final easement from the Archdiocese.

4. **Squyres 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 plans to submit the plans for review by the end of April 2009.

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. Construction of Project 7C-4 by the NHCRWA is scheduled to be complete later this week.

8. **NHCRWA/Chloramine Conversion**. Mr. Unterreiner discussed with the Board the proposed conversion to a chloramine disinfection system at the District's water plants (the

"Chloramine Conversion"). Six bids were opened on March 3, 2009, with Long & Son, Inc. ("Long") submitting the low bid for the project in the amount of \$227,890. A copy of the Engineer's Recommendation of Award is attached hereto. Mr. Unterreiner noted that the Board had previously authorized Director Allard to review and accept the low bid for the Chloramine Conversion on behalf of the District (with Director Ehmann to serve as an alternate). Mr. Green distributed copies of a memorandum from Coats|Rose regarding the bonds and insurance provided by Long for the Chloramine Conversion. A copy of the memorandum is attached hereto. Mr. Unterreiner then presented the contracts for the Chloramine Conversion for execution by the Board.

9. **Surplus Funds**. Mr. Unterreiner reported that the District's Engineer is working with Darrell Nichols of the Texas Water Development Board (the "TWDB") with regard to the use of Surplus Funds from the District's Series 2001 Bonds to fund (1) the Champion Woods Estates Lift Station; and (2) the Water Well No. 2 Rework project. It is Jones & Carter's understanding that it is possible to close out the TWDB Series 2001 escrow account (the "Escrow Account") if the amount of interest paid to the TWDB exceeds the amount remaining in the Escrow Account, including interest earnings. Jones & Carter submitted a spreadsheet to the TWDB showing that the criteria had been met and that the Escrow Account is eligible for close-out.

10. **Water Well No. 3/Emergency Repairs**. Mr. Unterreiner reported on the status of the reworking of Water Well No. 3 (the "Well No. 3 Rework") by Alsay, Inc. ("Alsay"). Alsay has submitted Pay Estimate No. 2 in the amount of \$74,419.20 in connection with the Well No. 3 Rework. A copy of Pay Estimate No. 2 is attached hereto as an exhibit to these minutes.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize payment of Pay Estimate No. 2.

11. **Federal Emergency Management Agency ("FEMA")/Hazard Mitigation Grant Program ("HMGP")**. Mr. Unterreiner reported that Jones & Carter received a letter from the Texas Governor's Division of Emergency Management in response to the District's HMGP application. A copy of the letter is attached hereto. The letter states that a small amount of funding would be available for auxiliary generators for use at water plants (the "Generators"). Applicants are requested to submit a new application using a form that is specific to Generators. Mr. Unterreiner estimated the cost associated with filing a new application to be approximately \$500.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to complete and submit a new application for the Generators.

Mr. Unterreiner reported that Jones & Carter received a request from CDM, on behalf of the Harris County, to complete a survey of damages, needs, and infrastructure details relating to Hurricane Ike (the "Survey"). Mr. Unterreiner estimated the cost to complete the Survey to be approximately \$1,000.

After discussion, the Board declined to take any action in connection with this matter.

12. **Auxiliary Generators**. Mr. Unterreiner reported that Jones & Carter is looking into options for dual-fuel auxiliary generators at the District's facilities (the "Generators"). Jones & Carter is coordinating with the District's Operator with regard to investigating options for the Generators.

13. **Water Well Performance Testing.** Mr. Unterreiner submitted to and reviewed with the Board the Performance Testing Report as prepared by G-M Services, Inc., in connection with testing conducted on Water Well No. 1 and Water Well No. 2 on March 11, 2009, a copy of which is included with the Operator's Report.

14. **Centerpoint Energy, Inc. ("Centerpoint") Critical Load List.** Mr. Unterreiner reported that Centerpoint has an application that would register the priority of response time for the restoration of electric power. He estimated the cost to complete and submit the application for the Centerpoint Critical Load List to be approximately \$800.

After discussion, the Board directed the District's Engineer to complete and submit the application for the Centerpoint Critical Load List.

15. **Harris-Galveston Subsidence District ("HGSD") Permit.** Mr. Unterreiner reported that Jones & Carter had received a settlement offer from the HGSD in connection with the District's over-pumpage in 2008 (the "Over-pumpage"). He explained that the HGSD is proposing an \$859 penalty for the Over-pumpage, in addition to the \$975 fee for the new pumpage permit. Mr. Unterreiner recalled that Jones & Carter had sent a written respond to the HGSD in November 2008, explaining: [a] the transition during 2008 from Southwest Water Company to EDP as the District's Operator; and [b] the quantity of groundwater being purchased from the District by the NHCRWA. He noted that the HGSD had not responded to said letter. Mr. Unterreiner stated that he would contact the HGSD and inquire about the possibility of waiving the \$859 penalty.

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 79.1% and that the District has a total connection count of 779.

2. **System Repairs.** Mr. Ammel reported that the District's Operator had (1) made repairs to a service line leaks at 7922 Fox Crossing, 7618 Kleingreen, 7507 Waning Star, and 7726 Feliciana; and (2) replaced the 2-inch water meter at 7725 Cyrpesswood Drive.

3. **Fire Hydrant Maintenance.** Mr. Thiry reported that EDP completed the flow testing of the fire hydrants located in the District (the "Hydrants") during the week of March 16, 2009. As a result of the survey, the District's Operator discovered the following: [a] four Hydrants in need of immediate repair; [b] 22 secondary valves in need of locating or repair; [c] 13 valve stacks in need of cleaning or valve box repair; [d] 15 Hydrants in need of minor repairs, lubrication, caps, leaks, or elevation adjustment; and [e] 89 missing reflective markers.

4. **Water Well No. 3 Check Valve.** Mr. Ammel reported that after checking with contractors and the manufacturer of the 12-inch check valve on Water Well No. 3 (the "Check Valve"), the District's Operator determined that repair of the Check Valve would not be feasible. Alsay is scheduled to replace the Check Valve on March 26, 2009.

5. **Storm Inlet Marking Program.** Mr. Ammel reported that EDP has completed the installation of the storm water inlet markers for use in the Clean Water Clear Choice program.

6. **Water Plant No. 1 Storm Sewer Repairs.** Mr. Ammel reported that EDP has reviewed the video inspection of the storm sewer line at Water Plant No. 1. The video inspection indicated severe tree root infiltration and a nearly 100% joint defect on the storm sewer line. The estimated cost for replacing the inlets and storm sewer line with polyvinyl chloride pipe is approximately \$22,000. EDP is conferring with Jones & Carter to determine the best course of action and repair procedures.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Operator to proceed with repairs to the storm sewer line, subject to review by the District's Engineer.

7. **Water Accountability.** Mr. Ammel stated that EDP is requesting authorization for Samco Leak Detection Company ("Samco") to perform an acoustical leak detection survey on the District's water distribution system (the "Leak Survey"). The estimated cost for the Leak Survey is \$475 per mile of water line. Prior to moving forward with the Leak Survey, the District's Operator will continue to examine the commercial water meters in the District to ensure that the appropriate model is being used on each connection with respect to the quantity of water being consumed. The Board took no action on connection with this matter.

8. **New Commercial Connections.** Mr. Ammel reported that EDP completed the installation of 1-inch and 1½-inch service taps to serve the Zaxby's Chicken Dinner Restaurant. A tap fee letter has been forwarded to the Midas outlet in the District.

9. **Water Plant No. 2.** Mr. Ammel reported that EDP is working with W.W. Payton Corporation, the contractor constructing the water line modifications at Water Plant No. 2 for the NHCRWA. The ground storage tank at Water Plant No. 2 is being disinfected following the installation of the surface water inlet, and should be returned to service by the end of the week.

10. **HEB Lift Station.** Mr. Ammel reported that Source Point Solutions cleaned approximately 350 feet of the new sanitary sewer trunk line (the "Trunk Line") in preparation for placing the Trunk Line in service. The remainder of the Trunk Line will be cleaned when the contractor has completed the modifications.

11. **Water Meters on Interconnections.** Mr. Ammel remarked that the water meters (the "Meters") on the emergency water interconnections with Cypress Klein Utility District ("Cypress-Klein") and Harris County Water Control and Improvement District No. 114 ("HCWCID No. 114") are in need of maintenance. EDP will work with Cypress-Klein and HCWCID No. 114 to test the Meters. The Meter vault on the interconnection with Cypress-Klein needs to be modified or raised to grade.

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.

USE OF DISTRICT OFFICE

Mr. Schuett reported that the homeowners association for Champion Pines Subdivision (the "Association") has expressed an interest in conducting recurring monthly meetings at the District's Office at a reduced fee. He informed the Association that such an arrangement would be in violation of the terms of the District's Building Use Agreement.

After discussion, the Directors agreed to consider amending the Building Use Agreement at a future meeting of the Board.

EMERGENCY PHONE/KLEINWOOD MAINTENANCE FUND ("KMF")

The Board noted that there was nothing new to report in connection with this matter.

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.

KMF

Director Fratangelo reported on the activities of the KMF.

KLEINWOOD JOINT POWERS BOARD ("KJPB")

Ms. Parker submitted to and reviewed with the Board a memorandum dated March 11, 2009, from AEI Engineering, Inc. ("AEI"), the engineer for the KJPB, regarding the rehabilitation of Clarifier No. 2 at the Kleinwood Regional Wastewater Treatment Plant. A copy of the memorandum is attached hereto. Mr. Unterreiner remarked that AEI notified NTS Pumps, Motors & Controls to proceed with (1) repairs to the drive unit at an estimated cost of \$13,500; and (2) structural and metal repairs at an estimated cost of \$32,000. AEI is also requesting the

KJPB to consider several additional improvements to Clarifier No. 2 (the "Additional Improvements"), as listed in the memorandum.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the KJPB to proceed with the Additional Improvements.

NHCRWA

Mr. Green distributed copies of a memorandum from Coats|Rose regarding the March 2, 2009, meeting of the NHCRWA board of directors. A copy of the memo is attached hereto.

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

Approved this 23 April 2009

Robert Edmann
Secretary, Board of Directors

