

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

May 28, 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, May 28, 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, thus constituting a quorum.

Also present were: Jon Unterreiner, P.E., and Mike Christopher, E.I.T., 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; Michael Murr of Murr, Inc., John Lightfoot with John Lightfoot Investments, L.P. ("Lightfoot"), developer of Land in the District; Constable Buddy Gheen, Jr., with Harris County Precinct 4 Constable's Office; Maria Parker, Dick Yale, and David F. Green of Coats, Rose, Yale, Ryman & Lee, P.C. ("Coats|Rose"), Attorney for the District; and members of the public listed on the attached Attendance Sheet.

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 96.48% 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.

PEACE OFFICER'S REPORT

The President recognized Deputy Gheen, who presented the Peace Officer's Report, a copy of which is attached hereto.

WALKING GARDEN/DETENTION POND

The President recognized Mr. Murr, who presented the Progress Report on the landscaping of the Walking Garden. A copy of the Progress Report is attached hereto.

HEAR FROM THE PUBLIC

The President recognized Ray Cicconi, who addressed the Board regarding the detention pond (the "Detention Pond") located in Reserve D in Champion Woods Estates, Section 1. Mr. Cicconi presented the Board with a petition (the "Petition") executed by residents of Champion Wood Estates, requesting that the District assume responsibility for the continuing maintenance of the Detention Pond. A copy of the Petition is attached hereto as an exhibit to these minutes.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Petition into the records of the District.

Mr. Bryl addressed the Board regarding the design of the Detention Pond and the regulations governing stormwater quality features. Mr. Unterreiner remarked that the design for the Detention Pond was accepted by Harris County pursuant to the design standards in effect at that time.

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 APRIL 23, 2009, AND MAY 13, 2009

Proposed minutes of the meeting of the Board held on April 23, 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 April 23, 2009, as amended.

Proposed minutes of the meeting of the Board held on May 13, 2009, 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 May 13, 2009, as presented.

DEVELOPMENT AND ANNEXATION AGREEMENTS/STUEBNER-AIRLINE TRACTS

Ms. Parker reported on the status of the Development and Annexation Agreements for the tracts along Stuebner-Airline Road. She informed the Board that all of the Water Line and Sanitary Sewer Line Easements for the Stuebner-Airline Road tracts are now in place.

ADDENDUM TO CONTRACT/KLEIN INDEPENDENT SCHOOL DISTRICT ("KLEIN ISD")

Ms. Parker reported that the District's Attorney is preparing an Addendum to Contract with Klein ISD that would consolidate into one instrument the previous agreements between the District and Klein ISD for wastewater services as well the current request before the Board.

RESOLUTION ESTABLISHING AN IDENTIFICATION THEFT PREVENTION PROGRAM

Consideration was then given to a proposed Resolution Establishing an Identification Theft Prevention Program. The Board 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"). Under the Identity Theft Rules, every "creditor" (which definition includes water districts) is required to establish an Identity Theft Prevention Program. The program must contain reasonable policies and procedures to (1) identify relevant Red Flags for "covered accounts" (defined below) and incorporate those Red Flags into the Program; (2) detect Red Flags that have been incorporated into the Program; (3) respond appropriately to any Red Flags that are detected to prevent and mitigate Identity Theft; and (4) ensure the Program is updated periodically to reflect changes in risks to customers or to the safety and soundness of the creditor from Identity Theft.

Ms. Parker explained that accounts maintained by a water district that are covered by the Identity Theft Rule include all the individual utility service accounts held by customers of the water district whether residential, commercial or industrial. To comply with the Identity Theft Rules, a water district must (1) create an Identity Theft Prevention Program; (2) approve a Resolution Establishing an Identity Theft Prevention Program; and (3) establish procedures to periodically review and update the Identity Theft Prevention Program. The proposed program requires the District Operator and Tax Assessor and Collector to implement and certify as to the implementation of the Identity Theft Program, she told the Board.

Upon motion duly made and seconded, the Board voted unanimously to approve the Resolution Establishing an Identity Theft Prevention Program, a copy of which is attached hereto as an exhibit to these minutes.

SURFACE WATER CONVERSION

Ms. Parker discussed with the Board matters relating to the future purchase by the District of surface water from the North Harris County Regional Water Authority (the "NHCRWA"). She recommended that the Board schedule a special meeting to discuss the surface water conversion.

RESOLUTION AUTHORIZING EMERGENCY GENERATOR FOR KLEINWOOD REGIONAL WASTEWATER TREATMENT FACILITY

Consideration was then given to adopting a Resolution Authorizing Emergency Generator for Kleinwood Regional Wastewater Treatment Facility. Ms. Parker explained that the Kleinwood Joint Powers Board (the "KJPB") had requested that participants in the Kleinwood Regional Wastewater Treatment Facility (the "Facility") adopt the Resolution and thereby authorize the design and construction of an emergency generator at the Facility (the "Generator").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to adopt the Resolution, a copy of which is attached hereto and shall be considered to be part of these minutes.

MAINTENANCE OF DETENTION PONDS

The Board discussed matters relating to the maintenance of the detention ponds (the "Detention Ponds") serving The Falls at Champion Forest and Champion Falls Estates (collectively, "The Falls"), and Champion Woods Estates. Mr. Unterreiner discussed with the Board the estimated cost for the maintenance of the Detention Ponds, based on a price estimate from Champions Hydro-Lawn, Inc.

Upon motion by Director Fowler, seconded by Director Allard, after full discussion and the question being put to the Board, the Board voted 4 to 1, with Directors Williams, Fowler, Ehmann, and Allard in favor, and Director Fratangelo opposed, to (1) seek an agreement with the homeowners associations in The Falls or Champion Woods Estates whereby the District would assume a portion of the cost for the maintenance of the Detention Ponds; and (2) authorize the District's Engineer to obtain proposals for the maintenance of the Detention Ponds.

SCHEDULE SPECIAL BOARD OF DIRECTORS MEETING

Consideration was then given to scheduling a special meeting of the Board to discuss (1) the maintenance of the Detention Ponds; and (2) issues related to surface water conversion.

After discussion, the Board agreed to meet at 9:30 a.m. on Friday, June 5, 2009.

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 stated that he had nothing new to report on this matter.

2. **Lightfoot Office Building**. Mr. Unterreiner reported that Jones & Carter has approved the revised plans for this project.

3. **Midas International Corporation ("Midas")**. Mr. Unterreiner reported that Jones & Carter is evaluating the options to satisfy the requirements for the Storm Water Quality features for the detention pond in Champion Falls Estates that serves the Midas tract.

4. **Zaxby's Chicken Dinner Restaurant ("Zaxby's")**. Mr. Unterreiner reported that Jones & Carter was informed by the engineer for Zaxby's that the plans for the public sanitary sewer line are under review by the City of Houston (the "City"). Upon approval of the plans, Zaxby's will proceed with removing and replacing the sanitary sewer line and re-grading the detention pond. The engineer for Zaxby's has provided Jones & Carter with a copy of the plat for the Zaxby's tract. Coats|Rose has provided Jones & Carter with a copy of the recorded sanitary sewer line easement.

5. **Klein ISD**. Mr. Unterreiner reported that Klein ISD has submitted the application for service and a fee in the amount of \$5,000 (the "Fee") in connection with its request for service to the new building. Jones & Carter is working with Coats|Rose to make the necessary changes to the contracts between Klein ISD and the District. A discussion then ensued as to whether the District should charge Klein ISD a Fee in the amount of \$5,000, in view of the area to be serviced being located outside the District's boundaries. Mr. Unterreiner and Ms. Parker expressed their view that a Fee in the amount of \$5,000 would be appropriate.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to charge Klein ISD a Fee in the amount of \$5,000.

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. The paving portion of the project should be complete by the end of the following week, at which time Jones & Carter will schedule the re-inspection by Harris County.

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 ("G & N"). The project is complete, and G & N has submitted Pay Estimate No. 1 and FINAL in the amount of \$47,100. Mr. Unterreiner presented the Board with the Certificate of Acceptance for the Lift Station Abandonment.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) approve payment of Pay Estimate No. 1 and FINAL; and (2) authorize execution of the Certificate of Acceptance. Copies of the aforementioned documents are attached hereto.

3. **Stuebner-Airline Utilities**. Mr. Unterreiner reported that Jones & Carter is finalizing the design of the Stuebner-Airline utilities and anticipates submitting the plans to the City the following week.

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 the following week.

6. **NHCRWA Coordination.** Mr. Unterreiner reported that Jones & Carter is coordinating all necessary items for the surface water conversion.

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

8. **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. Mr. Unterreiner submitted to and reviewed with the Board a Surplus Funds Summary prepared by Jones & Carter that lists the surplus funds available from the District's bond issues, and the potential projects to be reimbursed by surplus funds. A copy of the Surplus Funds Summary is attached hereto.

The Board directed Mr. Unterreiner to add auxiliary generators to the list of potential projects in the Surplus Funds Summary.

9. **NHCRWA/Chloramine Conversion.** Mr. Unterreiner discussed with the Board the status of the conversion to a chloramine disinfection system at the District's water plants by Long & Son, Inc. ("Long"). Jones & Carter has approved the contractor's submittals. Long was given the Notice to Proceed on April 13, 2009, with 180 calendar days to complete the work, resulting in a scheduled completion date of October 20, 2009.

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 completed the Well No. 3 Rework. The final pay estimate has not been submitted by Alsay.

11. **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.

12. **Water Plant and Lift Station Inspections.** Mr. Unterreiner reported that Jones & Carter is working on completing the inspections and should present a report at the Board's meeting on June 26, 2009.

13. **Federal Emergency Management Agency ("FEMA")/Hazard Mitigation Grant Program ("HMGP").** Mr. Unterreiner reported that Jones & Carter received correspondence from the Division of Emergency Management, stating that the District's application for financial assistance in funding a Generator at Water Plant No. 2 had been rejected.

14. **Notice of Violation/Disinfectant Level Report.** Mr. Unterreiner reported that the District's Operator is coordinating with the Texas Commission on Environmental Quality (the "TCEQ") regarding the Notice of Violation issued to the District for failing to submit a Disinfectant Level Quarterly Operations Report for the fourth quarter of 2008.

15. **Centerpoint Energy, Inc. ("Centerpoint") Critical Load List.** Mr. Unterreiner reported that Jones & Carter will submit the required application to have the District's facilities added to the Centerpoint Critical Load List early next week.

16. **Harris-Galveston Subsidence District ("HGSD") Permit.** Mr. Unterreiner reported that the HGSD had settled on a fee of \$1,126 to be paid by the District in connection with the District's over-pumpage in 2008. He submitted for the Board's approval the Compromise and Settlement Agreement between the District and the HGSD (the "Agreement").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Agreement and to authorize Director Williams to execute same. A copy of the Agreement as approved by the Board is attached hereto.

17. **Water Plant No. 1 Storm Sewer Repairs.** Mr. Unterreiner reported that Jones & Carter is reviewing options for repairing the 18-inch storm sewer line at Water Plant No. 1.

18. **Champion Falls Estates Detention Pond.** Mr. Unterreiner reported that Jones & Carter is reviewing options for a wrap-around fence at the outfall (the "Containment Fence") to contain floatable debris.

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 89.7% and that the District has a total connection count of 786.

2. **System Repairs.** Mr. Ammel reported that the District's Operator had (1) replaced the air compressor at Water Plant No. 1; and (2) replaced the air conditioning unit at Water Plant No. 1.

3. **Fire Hydrant Painting/Maintenance.** Mr. Ammel reported that EDP is 80% complete with the maintenance repairs to the fire hydrants located in the District (the "Hydrants") as follows: [a] 22 secondary valves in need of locating or repair; [b] 13 valve stacks in need of cleaning or valve box repair; [c] 15 Hydrants in need of minor repairs, lubrication, caps, leaks, or elevation adjustment; and [d] 89 missing reflective markers. The painting of the Hydrants is in progress and should be completed during the first week of June 2009.

4. **Water Accountability.** Mr. Ammel reported that EDP has authorized G-M Services, Inc., to test the meters on the District's water wells, as well as the meter on the connection with the NHCRWA.

5. **Water Plant No. 1/Fabric Screening.** Mr. Ammel reported that the fabric screening surrounding the ground storage tanks (the "Screening") is beginning to tear and will require repair or replacement. Mr. Schuett stated that he has a 350-foot panel of Screening that could be installed at an estimated cost of \$1,000 to \$1,100.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Mr. Schuett to replace the Screening panel.

6. **Water Plant No. 1/Vegetation Growth.** Mr. Ammel reported that vegetation is growing between the perimeter fence at Water Plant No. 1 and the residents' fences. There is a narrow area between the fences that is difficult to maintain. EDP will work with Jones & Carter to determine the best course of action.

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.

EMERGENCY PHONE/KLEINWOOD MAINTENANCE FUND ("KMF")

Mr. Schuett stated that he would coordinate with the KMF regarding the installation of the emergency phone at the swimming pool.

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 Ehmann reported on the activities of the KMF.

KJPB

Director Williams reported on the activities of the KJPB.

NHCRWA

Mr. Green distributed copies of a memorandum from Coats|Rose regarding the May 4, 2009, meeting of the NHCRWA board of directors. A copy of the memo is attached hereto.

WEB SITE

Ms. Parker reported on the status of the development of the District's internet web site (the "Web Site") by Payne Communications and the Texas Network. A discussion ensued regarding the information to be posted on the Web Site.

AUTHORIZE PURCHASE OF COMPUTER

Consideration was then given to purchasing a laptop computer (the "Computer") for use by the District. Director Williams reported on the estimated cost to purchase the Computer and software.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Director Williams to purchase the Computer at a cost not to exceed \$1,000.

TCEQ PUBLIC DRINKING WATER CONFERENCE

Director Fowler informed the Board of his intent to attend the TCEQ's Public Drinking Water Conference to be held August 11-12, 2009, in Austin.

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

Approved this 25 June 2009

Robert Elmann
Secretary, Board of Directors

