

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

**June 25, 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, June 25, 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 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; Bill Blich of SAMCO Capital Markets, Financial Advisor for the District; Roger Schuett, Office Manager; 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.

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

**PEACE OFFICER'S REPORT**

The President recognized Deputy Gheen, who presented the Peace Officer's Report, a copy of which is attached hereto. Deputy Gheen stated that there were several false 9-1-1 calls being made on the pay telephone located at the swimming pool. In response to a question from Director Allard, Ms. Parker stated that the District could place a sign near the pay telephone regarding the legal penalties for misuse of 9-1-1 emergency telephone calls.

**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 97.08% 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.

### **REQUEST FOR WAIVER OF PENALTIES AND INTEREST**

Ms. Ahlschlager informed the Board that Irv Grayson had mistakenly forwarded his payment for his 2008 property taxes owed to the District to EDP, rather than to Wheeler. Mr. Ammel remarked that EDP forwarded a refund check to Mr. Grayson, less the amount credited to his utility service account for two months. Ms. Ahlschlager stated that Mr. Grayson subsequently forwarded a payment to Wheeler but still has an outstanding balance on his 2008 property tax account, which includes penalties and interest imposed on the delinquent 2008 property taxes. Ms. Parker remarked that the District does not have the authority to waive penalty and interest on delinquent property taxes, except in cases involving a clerical error by the District or the Harris County Appraisal District ("HCAD").

The Board, noting that no evidence of clerical error was presented, declined to take any action in connection with this matter.

### **PRELIMINARY REPORT OF APPRAISED & TAXABLE VALUES**

Ms. Ahlschlager then submitted to and reviewed with the Board the Preliminary Report of Appraised & Taxable Values for the District for the 2009 tax year (the "Preliminary Report") as prepared by HCAD. A copy of the Preliminary Report is attached hereto. Ms. Ahlschlager noted that according to HCAD, the initial taxable value for the District for the 2009 tax year totals \$256,547,668, which does not include values under protest or personal property values.

### **KLEINWOOD MAINTENANCE FUND ("KMF")/SWIMMING POOL**

The President recognized Director Fratangelo, who reported that he had been informed that certain District residents who reside in the Champion Woods Estates subdivision had been denied access to the swimming pool because they do not reside in the Kleinwood Subdivision (called "Kleinwood"). It was noted that District residents who live in subdivisions other than Kleinwood must submit an application and pay an annual user fee to the KMF in order to use the swimming pool. Director Fowler suggested that the District prepare an informational letter explaining the requirements for use of the swimming pool by District residents. The Board concurred.

### **HEAR FROM THE PUBLIC**

The President recognized Bernie Bryl, who addressed the Board regarding stormwater drainage in the District.

Walter Guillot addressed the Board regarding the manner in which customers' water meters are read by EDP employees.

David Guerrero addressed the Board regarding the scheduling of the Board of Directors meetings and opportunities for public participating at same.

Lin Fish addressed the Board regarding unusual noises emanating from Water Plant No. 2. Mr. Unterreiner remarked that the unusual noises are likely in connection with the construction of the chloramine disinfection system at the facility.

Natalie Carter addressed the Board regarding stormwater drainage at her residence on Annola Lane. Mr. Unterreiner stated that the District's Engineer would inspect the swales that are situated between Kleinwood and The Falls at Champion Forest subdivisions.

**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 MAY 28, 2009, AND JUNE 5, 2009**

Proposed minutes of the meeting of the Board held on May 28, 2009, previously distributed to the Board, were presented for consideration and approval. Mr. Green directed the Board's attention to a revision to page 1 of the minutes.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of May 28, 2009, as amended.

Proposed minutes of the meeting of the Board held on June 5, 2009, previously distributed to the Board, were presented for consideration and approval. Mr. Green directed the Board's attention to a revision to page 1 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 5, 2009, as amended.

**AGREEMENT CONSOLIDATING AGREEMENTS/KLEIN INDEPENDENT SCHOOL DISTRICT ("KLEIN ISD")**

Ms. Parker distributed to the Board copies of the draft Agreement Consolidating Agreements for Use and Maintenance of Waste Transportation Facilities between the District and Klein ISD (the "Agreement"). The Directors deferred consideration of the Agreement to a future meeting of the Board.

## **SENATE BILL 361 ("SB 361)/EMERGENCY PREPAREDNESS**

Ms. Parker then submitted to and reviewed with the Board a summary from the District's Attorney regarding Senate Bill 361 ("SB 361") as approved by the 81st Texas Legislature, regarding standards for emergency operations. A copy of the summary is attached hereto as an exhibit to these minutes. Ms. Parker explained that SB 361 mandates (1) the preparation and submission of emergency preparedness plans (the "Preparedness Plans") by municipal utility districts located in counties with populations of 3,300,000 or more, or in counties with a population of 400,000 or more that are adjacent to such counties; and (2) the cooperation among the county, the districts, and electricity service providers in the event of a natural disaster. She pointed out to the Board that by December 1, 2009, the Texas Commission on Environmental Quality (the "TCEQ") would be required to adopt the rules and create a Preparedness Plan template for use by water districts in the affected areas to submit their own Preparedness Plans. The water districts in the affected counties would be required to submit their Preparedness Plans to the Commission for review no later than March 31, 2010, she continued, and would be required to implement their approved Preparedness Plans no later than July 1, 2010.

Ms. Parker noted further that water districts must submit their Preparedness Plans, including written approval of same from the Commission, to: (1) the county judge; (2) the office of emergency management of each county in which the district has more than one customer; (3) the Public Utility Commission of Texas (the "PUC"); and (4) the Texas Governor's office of emergency management.

Then Ms. Parker informed the Board that SB 361 requires that water districts with facilities that qualify for critical load status must submit, by November 1, 2009, information identifying the location and providing a general description of such facilities and emergency contact information for the facilities to (1) the county judge; (2) the office of emergency management for the county; and (3) the PUC.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to begin formulating the Preparedness Plan for the District at a cost not to exceed \$14,000.

## **MAINTENANCE OF DETENTION PONDS**

The Board discussed matters relating to the maintenance of the detention ponds (the "Detention Ponds") serving The Falls and Champion Woods Estates. Mr. Unterreiner reported that the District's Engineer had received the Letters of Intent as executed by The Community Association of Champion Woods Estates, Inc., and The Falls at Champion Forest Property Owners Association, Inc. ("The Falls Association"). Copies of the executed Letters of Intent are attached hereto and shall be considered to be part of these minutes.

Ms. Parker reported that she had been informed by Kevin Dice that The Falls Association currently has a contract in place for the mowing of the Detention Pond serving The Falls (the "Mowing Contract").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Ms. Parker, Mr. Unterreiner, and Director Allard to meet with The Falls Association to discuss the status of the Mowing Contract.

## **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 has received the necessary easements, the recorded plat, and the plans for the public sanitary sewer line as approved by the City of Houston (the "City"). Jones & Carter approved the plans and requested that the engineer for Zaxby's contact Jones & Carter for an inspection of the constructed facilities. Zaxby's had agreed to remove and replace the sanitary sewer line and re-grade the detention pond.
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. Jones & Carter is finalizing its review of the plans for the utilities to serve the new building.

## **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. He informed the Board that the punch list items for paving in Section 1 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 by G & N Enterprises. The project is complete, and Jones & Carter is coordinating with Claudia Redden & Associates, Inc., the District's Bookkeeper, to close the electricity service account for the facility.
3. **Stuebner-Airline Utilities**. Mr. Unterreiner reported that Jones & Carter received comments from Harris County on the design of the Stuebner-Airline utilities and is awaiting comments from the City.
4. **Water Line Across Bubbles Car Wash**. Mr. Unterreiner reported that Jones & Carter received comments from all review agencies. Said comments are being addressed and the design is being finalized.

5. **NHCRWA Coordination.** Mr. Unterreiner reported that Jones & Carter is coordinating all necessary items for the surface water conversion. Discussion ensued regarding the possibility of surface water being delivered to the District at system pressure.

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. **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 remarked that an item for auxiliary generators was added to the list of potential projects in the 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.

8. **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. He noted that Long has moved on-site to begin construction.

9. **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, and has submitted Pay Estimate No. 3 and FINAL in the amount of \$14,999.50. Mr. Unterreiner noted that the final contract price for the Well No. 3 Rework is \$105,238, as opposed to the contract bid price of \$254,138. Mr. Unterreiner presented the Board with the Certificate of Acceptance for the Well No. 3 Rework.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) approve payment of Pay Estimate No. 3 and FINAL; and (2) authorize execution of the Certificate of Acceptance. Copies of the aforementioned documents are attached hereto.

10. **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.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to collect information on the Generators.

11. **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 July 23, 2009.

12. **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.

13. **Centerpoint Energy, Inc. ("Centerpoint") Critical Load List**. Mr. Unterreiner reported that Jones & Carter had submitted the required application to have the District's facilities added to the Centerpoint Critical Load List.

14. **Harris-Galveston Subsidence District ("HGSD") Permit**. Mr. Unterreiner reported that Jones & Carter amended the District's groundwater pumpage permit issued by the HGSD (the "Permit") to allow for an additional 80,000,000 gallons, for a total Permit amount of 380,000,000 gallons.

15. **Water Plant No. 1 Storm Sewer Repairs**. Mr. Unterreiner reported that Jones & Carter has determined that concrete pipe should be used for repairing the 18-inch storm sewer line at Water Plant No. 1 (the "Storm Sewer Repairs").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to prepare specifications and advertise for bids for the Storm Sewer Repairs.

16. **Detention Ponds/Champion Woods Estates and The Falls**. Mr. Unterreiner reported that Jones & Carter had received executed copies of the Letters of Intent regarding the Detention Ponds.

17. **HEB Detention Pond**. Mr. Unterreiner reported that Jones & Carter had received a complaint from a District resident regarding the condition of the HEB Detention Pond. Jones & Carter notified Regency Centers of the matter.

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

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 89.5% and that the District has a total connection count of 790.

2. **System Repairs**. Mr. Ammel reported that the District's Operator had replaced 25 residential water meters that had registered usage of more than 1,000,0000 gallons.

3. **Fire Hydrant Painting/Maintenance**. Mr. Ammel reported that EDP is 95% 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 complete.

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

the connection with the NHCRWA. G-M has completed testing of the meters on Water Wells Nos. 1 and 2 as of this date. EDP has authorized Accurate Meter Services to perform calibration test and data collection on all commercial water meters in the District. The previous accuracy test was performed in January 2008.

5. **Sanitary Sewer Discharge.** Mr. Ammel reported that on June 23, 2009, EDP responded to a customer telephone call regarding a sanitary sewer discharge at the corner of Cypress Wood and Squyres Road (the "Discharge"). EDP determined that the Discharge had stopped due to the operator of the Kleinwood Regional Wastewater Treatment Plant correcting a problem with the lift pump station. EDP cleaned and washed the affected area, and inspected the receiving stream for impact. The necessary bypass reports were filed with Harris County and the TCEQ.

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.

### **WATER PLANT NO. 1/FABRIC SCREENING**

Mr. Schuett reported that he had replaced a panel of the fabric screening surrounding the ground storage tanks.

### **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. Mr. Schuett remarked that incorrect amounts were listed on page 2 for Checks Nos. 7366 and 7375 from the District's Operating Fund checking account.

Then, upon a motion duly made and seconded, the Board voted unanimously to approve the Bookkeeper's Report, subject to correction of page 2, and to authorize payment of the checks listed therein.

**KMF**

Director Ehmann stated that he had nothing to report regarding the KMF.

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

Director Williams reported on the activities of the KJPB. He noted that the KJPB is proceeding with the purchase of an emergency generator at an approximate cost of \$493,000.

**NHCRWA**

Director Fratangelo reported on the activities of the NHCRWA. Mr. Green distributed copies of a memorandum from Coats|Rose regarding the June 10, 2009, meeting of the NHCRWA board of directors. A copy of the memo is attached hereto.

**WEB SITE**

Director Williams reported on the status of the development of the District's internet web site by Payne Communications and the Texas Network.

**WATER SPRINKLER CONTROLLER PROGRAM**

Director Allard reported on the participation by Harris County Water Control and Improvement District No. 132 ("HCWCID No. 132") in a pilot program for the use of automatic water sprinkler control units (the "Control Units"). She noted that 50 residents of HCWCID No. 132 will be using the Control Units. HCWCID No. 132 received a \$500 grant from the NHCRWA to assist in the implementation of the pilot program.

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

Approved this 23 July 2009

Robert Ehmann  
Secretary, Board of Directors

