

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

24 January 2019

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 the 24th day of January, 2019, 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:

Robert Ehmann	President
David C. Guerrero	Vice President
Jeff Gobbell	Secretary/Treasurer
Joe Fratangelo	Assistant Vice President & Assistant Secretary
Sherry Allard	Assistant Secretary

and all of said persons were present, thus constituting a quorum.

Also present were: Ryan Fortner of Wheeler & Associates, Inc. ("Wheeler"), the Tax Assessor/Collector for the District; Jeffrey Bishop, P.E., and Kendall Longbotham, E.I.T., of Jones & Carter, Inc. ("J&C"), Engineer for the District; Chris Zilko of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Roger Schuett, Office Manager for the District; Les Griffith representing Champions Hydro-Lawn, Inc. ("CHL"); Sergeant Mike Gonzales and Deputy D. Callier with Harris County Precinct 4 Constable's Office (the "Constable's Office"); and Will Yale and David Green of Coats Rose, P.C. ("Coats Rose"), Attorney for the District.

Director Ehmann called the meeting to order.

MINUTES OF THE MEETING OF 20 DECEMBER 2018

The minutes of the meeting of the Board held on 20 December 2018, previously distributed to the Board, were presented for consideration and approval. The Directors requested a revision to page 5 of the minutes. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 20 December 2018, as amended.

PEACE OFFICER'S REPORT

The President recognized Deputy Callier, who presented the Peace Officer's Report, a copy of which is attached hereto. The Directors then discussed security

related issues. Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Peace Officer's Report.

DETENTION AND DRAINAGE FACILITIES REPORT

The President recognized Mr. Griffith, who submitted to and reviewed with the Board the Detention and Drainage Facilities Report (the "Detention Facilities Report") prepared by CHL in connection with (1) the maintenance of the Champion Woods Estates Detention Pond; and (2) the maintenance of the landscaping at the Walking Garden and the District Office site. A copy of the Detention Facilities Report 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 Detention Facilities Report.

TAX ASSESSOR/COLLECTOR'S REPORT

The President recognized Mr. Fortner, who submitted to and reviewed with the Board the Tax Assessor/Collector's Report. A copy of the Tax Assessor/Collector's Report is attached hereto. The Board noted that the District had collected 53.7% of its 2018 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto. Mr. Fortner noted that Wheeler was requesting approval for six checks written on the District's tax account, and two transfers by wire as follows: a transfer of \$172,295.22 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$460,000.00 to the Debt Service Fund.

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.

SALES TAX REVENUE TRACKING / SURVEY OF COMMERCIAL ENTITIES AND SALES TAX AUDIT REPORT

Mr. Fortner submitted to and reviewed with the Board the Survey of Commercial Entities in the District and Sales Tax Audit Report dated January 2019 (the "Survey Report") by Sales Revenue Inc. (called "SRI") in connection with the limited purpose annexation of commercial property in the District under the Strategic Partnership Agreement (the "SPA") between the District and the City of Houston (the "City"). A copy of the Survey Report 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 Survey Report.

ENGINEER'S REPORT

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

Public Roadways in the District. Mr. Bishop stated that he had recently spoken with representatives of Harris County Precinct 4 ("Precinct 4") regarding the condition of pavement and curbs on certain public roadways in the District (the "Roadways"). He informed the Board that Precinct 4 had performed some of the recommended repairs to the Roadways (the "Roadway Repairs") as were listed in the Survey of Pavement and Curb Issues Found on Public Roadways in the District dated 17 January 2018 as prepared by the District's Engineer and forwarded to Precinct 4 in March 2018. According to Precinct 4, he told the Board, some of the recommended Roadway Repairs will have to be contracted out and others were not in the budget for this fiscal year. Mr. Bishop stated that the upcoming Roadway Repairs in the District would include certain sections of Heathrow Lane and Squyres Road. He noted that representatives of Precinct 4 were willing to meet with the Directors or attend a Board meeting to discuss the Roadway Repairs. The Directors expressed their desire for Precinct 4 representatives to attend a future meeting of the Board. Director Gobbell then commented that a work crew had left a significant amount of loose asphalt on the side of Squyres Road between Cypresswood Drive and King Arthur Court after completing the repaving of that section of Squyres Road. After further discussion, Mr. Bishop stated that he would (1) ask Precinct 4 about collecting the loose asphalt near Squyres Road; and (2) request an update from Precinct 4 on the schedule for the Roadway Repairs in the District.

Water Plant No. 2 / Ground Storage Tank No. 2 (the "GST"). The Board discussed the contract between the District and DN Tanks, Inc. (called "DN Tanks") for construction of the concrete GST at Water Plant No. 2. Mr. Bishop reported that DN Tanks had demolished and disposed of the existing GST foundation ring at the Water Plant No. 1 site. A minor leak was detected during the testing of the concrete GST, he continued, and accordingly DN Tanks is draining the GST in order to locate and fix the leak. Mr. Bishop noted that the GST contract was approximately 94% complete by value with 102% of the contract time having been used to date.

Mr. Bishop then reported that DN Tanks had submitted Pay Estimate No. 9 in the amount of \$25,005.00 in connection with the GST project. A copy of Pay Estimate No. 9 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. 9.

Request for Service / Hat Creek Burger (the "Restaurant") at 8215 Louetta Road. Mr. Bishop discussed with the Board the request for service from Hat Creek Burger, LLC in connection with the proposed development of a Restaurant in the tract located immediately west of the Panera Bread outlet on Louetta Road in the District. He reported that J&C had reviewed the revised plans for the Restaurant and had provided comments to the design engineer for the project. He called the Board's attention to the plan review letter dated 9 January 2019 from J&C to Kimley-Horn & Associates, Inc., a copy of which is included with the Engineer's Report.

Director Fratangelo then commented that he had noticed an Asian cuisine restaurant called Oriental Gardens that was located in the Champion Forest Shopping Center. Mr. Bishop stated that the District's Engineer would investigate and determine whether the Oriental Gardens restaurant was located within the District's boundaries.

Annual Water Plant Inspection. Mr. Bishop briefly discussed with the Board the status of the annual inspection of the District's Water Plants Nos. 1 and 2 (the "Annual Inspection"). He stated that the final report on the Annual Inspection would be presented at the Board's meeting on 28 February 2019.

Proposed Cleaning and Televised Inspection of Sanitary Sewer System (the "Televised Inspection"). The Board then discussed the condition of the District's sanitary sewer system (the "Sewer System"). Mr. Bishop recalled that a Televised Inspection was last performed in 2011. As part of the District's Capital Improvements Plan, he continued, the District's Engineer was recommending a Televised Inspection in order to analyze the condition of the Sewer System and determine whether repairs were necessary at this time. He reviewed with the Board the Preliminary Cost Estimate for the Televised Inspection as prepared by the District's Engineer, a copy of which is included with the Engineer's Report. The Board noted that the estimated cost for the Televised Inspection, including engineering and contingencies, totaled \$332,000 less \$11,800 for the pro rata share of the engineering cost to be paid by Harris County Water Control & Improvement District No. 114. Mr. Bishop then reviewed with the Board an aerial map of the District that denotes the location of the Sewer System lines and manholes. A copy of the aerial map is attached hereto as an exhibit to these minutes. A discussion ensued regarding the proposed Televised Inspection. Director Guerrero expressed his view that consideration of the Televised Inspection should be deferred until October 2019 in view of the GST project now in progress.

After discussion, upon a motion duly made by Director Guerrero and seconded, the Board voted 2 to 2, with Directors Guerrero and Fratangelo voting in favor, Directors Gobbell and Ehmann opposed, and Director Allard abstaining, to table discussion of the Televised Inspection until October 2019. The motion failed for lack of a majority.

Director Allard departed from the meeting at this time to attend to a personal commitment.

Mr. Yale proposed that the Directors defer further discussion regarding the Televised Inspection to the Board's meeting on 28 February 2019, at which time the District's Engineer would present additional information regarding the Sewer System and the Televised Inspection. After discussion, upon a motion duly made and seconded, the Board voted unanimously to 3 to 1, with Directors Fratangelo, Ehmann, and Gobbell voting in favor, and Director Guerrero opposed, to (1) defer discussion regarding the Televised Inspection to the Board's meeting on 28 February 2019; and (2) direct the District's Engineer to proceed with the design for the Televised Inspection as originally proposed.

Professional Services Agreement. Mr. Bishop briefly discussed with the Board the proposed Professional Services Agreement for engineering services between the District and J&C (the "Engineering Services Agreement").

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Engineer's Report.

SPECIAL BOARD OF DIRECTORS MEETING

Consideration was then given to scheduling a special Board meeting to review (1) the proposed Agreement for Services of Legal Counsel and Bond Counsel being prepared by Coats Rose; and (2) the proposed Engineering Services Agreement being prepared by J&C. After discussion, the Directors agreed to meet at 6:00 p.m. on Tuesday, 5 February 2019.

OPERATOR'S REPORT

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

Water Plant Operations. Mr. Zilko reported that the billed to pumped ratio for the prior month was 89.3% and that the District has 890 service connections, including seven vacant single-family residences. He noted that surface water received from the North Harris County Regional Water Authority (the "NHCRWA") accounted for 72% of the water distributed to the District's customers during the period ending 13 December 2018.

Utility Operator's Report. Mr. Zilko reviewed with the Board the utility billing summary, accountability report, subsidence district report, NHCRWA fee report, and the 60-day delinquent list, as shown in the Operator's Report attached hereto.

Substantial System Repairs. Mr. Zilko reviewed with the Board the EDP Invoice and Bill Direct Statement dated 14 January 2019, a copy of which is included with the Operator's Report.

District Facilities / Hurricane Harvey. The Board discussed the condition of the District's facilities following the landfall of Hurricane Harvey on the Texas coast in August 2017 and the subsequent flooding event that occurred in the greater Houston area. Mr. Zilko reported that the Federal Emergency Management Agency ("FEMA") had approved the District's proposed flood mitigation project at Lift Station No. 2 and the contractor has been notified. At this time, he continued, all work including administrative costs is undergoing final FEMA review.

Fire Hydrant Repairs. Mr. Zilko reported that the repairs to 23 of the fire hydrants in the District (the "Hydrants") and the installation of reflectors on 62 Hydrants, as authorized at the Board's meeting on 27 September 2018, had been completed.

NHCRWA. Mr. Zilko informed the Board that effective 1 April 2019: (1) the groundwater pumpage fee levied by the NHCRWA will increase to \$3.85 per 1,000 gallons ("k/gal") of groundwater pumped by water districts in its jurisdiction; and (2) the surface water delivery fee charged by the NHCRWA (the "Delivery Fee") will increase to \$4.30 per k/gal of surface water purchased from the NHCRWA. He called the Board's attention to the Updated Pricing Policy sheet provided by the NHCRWA, a copy of which is included with the Operator's Report. Mr. Zilko then reminded that Board that pursuant to the District's Consolidated Rate Order, the District imposes on its customers a monthly charge (the "NHCRWA Charge") that is equivalent to the NHCRWA's then current Delivery Fee per 1,000 gallons of metered water usage. He stated that the bills mailed to the District's customers in May 2019 would reflect the increase in the NHCRWA Charge.

Water Plant No. 1 / Auxiliary Generator Platform. Mr. Zilko discussed with the Board the need to construct a platform at the Water Plant No. 1 site (the "Platform") to facilitate access to the auxiliary generator for performing maintenance and repairs. He reviewed with the Board a proposal from Alvin Contracting in the amount of \$17,770.00 to construct the Platform. A copy of the proposal is included with the Operator's Report. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the proposal and to authorize the District's Operator to notify Alvin Contract to proceed with construction of the Platform.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept 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 delinquent accounts. The President recognized Mr. Zilko, 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 Board meeting which they could 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.

ATTORNEY'S REPORT

The President recognized Mr. Yale, who presented the Attorney's Report.

ORDER CALLING DIRECTORS ELECTION

Mr. Yale then distributed a draft ORDER CALLING DIRECTORS ELECTION FOR A MUNICIPAL UTILITY DISTRICT. He explained that the Board was required to adopt the Order prior to 15 February 2019 pursuant to the requirements of the Texas Election Code. He told the Board that the deadline for submission of an application for a

position on the ballot was 5:00 p.m. on 15 February 2019 and that the deadline for filing as a write-in candidate was 5:00 p.m. on 19 February 2019. If there are no contested positions after 19 February 2019, then the Board can cancel the Directors Election, Mr. Yale continued. He added that the Order Calling Directors Election would have to be completed if the District was required to hold the election.

After review, upon a motion duly made and seconded, the Board voted unanimously to adopt the Order Calling Directors Election, subject to completion if the election is required. A copy of the Order Calling Directors Election thus adopted is attached to these minutes as an exhibit.

EMINENT DOMAIN REPORTING

Mr. Yale reported that on 4 January 2019 the District's Attorney had filed with the Texas Comptroller the annual report for the District containing certain information relating to the District's eminent domain authority pursuant to Senate Bill 1812 as approved by the 84th Texas Legislature – Regular Session 2015. A copy of the Eminent Domain Report Confirmation for the District is attached hereto as an exhibit to these minutes.

NHCRWA

Mr. Yale distributed copies of a memorandum from the District's Attorney regarding the 7 January 2019 meeting of the NHCRWA board of directors. A copy of the memorandum is attached hereto.

CYPRESS CREEK FLOOD CONTROL COALITION (the "Coalition")

Mr. Yale distributed copies of a memorandum from the District's Attorney regarding the 21 November 2018 meeting of the Coalition. A copy of the memorandum is attached hereto. He noted that the memorandum included a summary of the studies concerning the Upper Barker Watershed.

POWER SUPPLY ISSUES / PUBLIC POWER POOL ("P3")

Next, the Directors discussed matters pertaining to the aggregate purchase of electricity under the auspices of the P3. Mr. Yale distributed copies of a newsletter from P3 dated 8 January 2019, a copy of which is attached hereto.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Attorney's Report.

REPORT ON OPERATION OF DISTRICT OFFICE

The President recognized Mr. Schuett, who presented the report concerning the District Office (the "Office Report"), a copy of which is attached hereto. Then, after

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

BOOKKEEPER'S REPORT

Mr. Schuett distributed to the Board copies of the Bookkeeper's Report on behalf of Claudia Redden & Associates, L.L.C., the District's Bookkeeper, a copy of which is attached hereto as an exhibit to these minutes. The Directors also reviewed certain invoices for payment by the Board, as well as the Investment Report. Mr. Schuett informed the Board that the District had received a payment of \$29,974.49 from the City for the District's share of sales tax collections during October 2018, pursuant to the SPA with the City for limited purpose annexation of commercial property in the District.

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

KLEINWOOD JOINT POWERS BOARD ("KJPB")

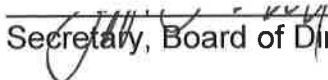
Director Fratangelo presented a report on the activities of the KJPB. He reviewed with the Board the status of the KJPB's Reclaimed Water Supply Project (the "Supply Project"). Director Fratangelo expressed his concern regarding the benefit to the District with regard to its cost participation in the Supply Project. Mr. Yale stated that he would contact Mark Brooks of Young & Brooks, the attorney for the KJPB, to discuss the schedule under which the District would realize a benefit from its cost participation in the Supply Project.

KLEINWOOD MAINTENANCE FUND ("KMF")

Director Gobbell presented a report on the activities of the KMF. He stated that the KMF had inquired as to (1) whether the GST at Water Plant No. 1 could be painted; and (2) whether a third contract officer could be assigned to patrol duty in the District under the Security Service Contract between the District and Harris County. Mr. Bishop explained that the GST at Water Plant No. 1 is constructed of galvanized metal and accordingly cannot be painted.

There being no further business to come before the Board, the meeting was adjourned.




Secretary, Board of Directors

Kleinwood Municipal Utility District
Meeting of 24 January 2019
Attachments

1. Peace Officer's Report;
2. Detention and Drainage Facilities Report;
3. Tax Assessor/Collector's Report;
4. Survey of Commercial Entities in the District and Sales Tax Audit Report;
5. Engineer's Report;
6. Pay Estimate No. 9 / Concrete GST project;
7. Aerial Map / Sanitary Sewer System;
8. Operator's Report;
9. ORDER CALLING DIRECTORS ELECTION FOR A MUNICIPAL UTILITY DISTRICT;
10. Eminent Domain Report Confirmation;
11. Coats Rose memo / NHCRWA;
12. Coats Rose memo / CCFCC;
13. P3 newsletter;
14. District Office Report; and
15. Bookkeeper's Report.