

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

28 February 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 28th day of February, 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 with the exception of Director Guerrero, thus constituting a quorum.

Also present were: René Anandel 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; Lenny Hardoin representing Champions Hydro-Lawn, Inc. ("CHL"); Sergeant J.E. Zitzmann 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 MEETINGS OF 24 JANUARY 2019 AND 5 FEBRUARY 2019

The minutes of the meetings of the Board held on 24 January 2019 and 5 February 2019, previously distributed to the Board, were presented for consideration and approval. Mr. Green informed the Board that Mr. Bishop had requested a revision to page 4 of the minutes of 24 January 2019. After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) approve the minutes of the meeting of 24 January 2019, as amended; and (2) approve the minutes of the meeting of 5 February 2019, as written.

PEACE OFFICER'S REPORT

The President recognized Deputy Callier, who presented the Peace Officer's Report as prepared by the Constable's Office, 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. Hardoin, 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. Mr. Hardoin reported that (1) the wooden bridge in the Walking Garden site (the "Bridge") was in poor condition; and (2) a resident had notified CHL of the presence of fire ant mounds on the Walking Garden site. Mr. Hardoin stated that CHL could spot-treat the fire ant mounds at a cost of \$350. The Board deferred discussion regarding the Bridge and the fire ant mounds until later in the meeting during the presentation of the District Office Report.

Next, Mr. Hardoin submitted for the Board's approval a proposal dated 28 February 2019 from CHL (the "Proposal") to perform the spring seeding and fertilization of the Champion Woods Estates Detention Pond (the "Seeding and Fertilization") at a cost of \$3,245.00. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Proposal and authorize CHL to proceed with the Seeding and Fertilization. A copy of the Proposal as accepted by the Board is attached hereto as an exhibit to these minutes.

Then, after review, 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 Ms. Andel, 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 95.1% of its 2018 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto. Ms. Andel noted that Wheeler was requesting approval for 14 checks written on the District's tax account, and two transfers by wire as follows: a transfer of \$162,192.24 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$435,000.00 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.

RESOLUTION CONCERNING TAX EXEMPTIONS FOR 2019

Next, Mr. Yale submitted a draft RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION for the Board's consideration. Mr. Yale noted that the resolution had been prepared with the same exemptions that had been offered for 2019, that is \$25,000 for persons who are disabled or who are sixty-five years of age or older and a 20% general residential homestead exemption (collectively, the "Exemptions"). After discussion, upon a motion duly made and seconded, the Board voted unanimously to grant the following Exemptions for 2019 and to adopt a RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION: (1) \$25,000.00 exemption for individuals who are disabled or sixty-five years of age or older; and (2) a 20% general residential homestead exemption. A copy of the Resolution is attached hereto and shall be considered to be part of these minutes.

AGREEMENT FOR DELINQUENT TAX COLLECTION SERVICES

Mr. Yale then explained that the Board could impose a statutory charge (the "Collection Charge") of up to 20% on all 2018 taxes, penalties, and interest delinquent on 1 July 2019 for real property (and on 1 April 2019 for personal property), said Collection Charge to be used to finance the costs of collection of the delinquent taxes. In order to do so, he continued, the Board must first confirm its agreement (the "Agreement") for delinquent tax attorney services with Perdue, Brandon, Fielder, Collins & Mott, L.L.P. He explained further that under the Agreement, the amount paid by the District to the District's Delinquent Tax Attorney for the collection of delinquent 2018 taxes would be equal to the additional Collection Charge as approved by the Board on all 2018 taxes, penalties, and interest delinquent on the applicable dates, up to the statutory maximum of 20%, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code. After discussion, upon a motion duly made and seconded, the Board voted unanimously to confirm its Agreement with the District's Delinquent Tax Attorney.

COLLECTION CHARGE ON ALL DELINQUENT 2018 TAXES, PENALTIES, AND INTEREST

Consideration was then given to imposing the Collection Charge as described above. After discussion, upon a motion duly made and seconded, the Board voted unanimously to impose a 20% Collection Charge on all 2018 taxes, penalties, and interest that are due and remain delinquent as of the applicable dates, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code. A copy of the CERTIFICATE OF BOARD ACTION related to this matter is attached hereto as an exhibit to these minutes.

TAX REVENUES DUE TO CYPRESS FOREST PUBLIC UTILITY DISTRICT ("Cypress Forest PUD") AND HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24 ("Harris County MUD No. 24")

Mr. Yale reported that the District's Tax Assessor/Collector was calculating (1) the property tax revenue due to Cypress Forest PUD for the 2018 tax year; and (2) the property tax revenue due to Harris County MUD No. 24 for the 2018 tax year, pursuant to the respective contracts with those districts.

ENGINEER'S REPORT

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

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 addressed the minor leak that was detected during the testing of the GST and will begin re-filling the GST for testing next week. Upon the successful conclusion of the testing, he continued, the contractor will commence site restoration to bring the project to final completion. Mr. Bishop stated that DN Tanks had estimated approximately 45 days would be needed for the site restoration and to close out the GST project. He recalled that the contractual final completion date for the GST project was 27 December 2018. However, he continued, the delays and contract period of performance exceedance were due primarily to inclement weather conditions and addressing the minor leak.

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, to date, J&C had not received revised plans for the Restaurant.

Request for Service / Eggcellent Restaurant & Banquet Hall (the "Restaurant & Banquet Hall") at 8033 Louetta Road. Mr. Bishop discussed with the Board the request for service from Mohammad Amin in connection with the proposed development of the Restaurant & Banquet Hall in the tract located immediately west of the Bruster's Ice Cream outlet on Louetta Road in the District. He stated that, to date, the District's Engineer had not received the revised plans for the Restaurant & Banquet Hall.

Annual Water Plant Inspection. Mr. Bishop submitted to and reviewed with the Board the Inspection Report as prepared by J&C in connection with the annual inspection of the District's Water Plants Nos. 1 and 2. A copy of the Inspection Report is attached hereto as an exhibit to these minutes. Mr. Bishop reported that the interior of hydropneumatic tank Nos. 1 and 2 at Water Plant No. 1 (the "HPTs") have significant pitting in the coating system as well as exposed and corroded metal surfaces. He stated

that the interior of the HPTs need to be recoated in order to extend the service life of the HPTs (the "HPT Recoating"). He recommended proceeding immediately with the preparation of a bid package and soliciting bids for the HPT Recoating. Mr. Bishop then reported that there were minor failures in the coating system on the roof and the access hatch of ground storage tank No. 1 at Water Plant No. 2 ("GST No. 1").

Mr. Bishop called the Board's attention to the Estimate of Cost for the HPT Recoating and the touch-up recoating of the exterior of GST No. 1 (the "GST Recoating") as prepared by J&C, a copy of which is included with the Engineer's Report. The Board noted that the estimated cost for the HPT Recoating and GST Recoating, including engineering and contingencies, totaled \$89,000.00.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to prepare the bid package for the HPT Recoating and GST Recoating.

Proposed Cleaning and Televised Inspection of Sanitary Sewer System (the "Televised Inspection"). Mr. Bishop reported that J&C was preparing the bid package for the Televised Inspection. He stated that the District's Engineer would request authorization at the Board's meeting on 28 March 2019 to advertise for bids on the Televised Inspection.

Professional Services Agreement. Mr. Bishop submitted for the Board's review and approval the proposed Professional Services Agreement for engineering services between the District and J&C (the "Engineering Services Agreement"). Mr. Yale reviewed and discussed the Engineering Services Agreement at length with the Board. He noted that the Engineering Services Agreement had been revised pursuant to the discussion at the Board's meeting on 5 February 2019. With regard to the ownership of documents, he told the Board, the Engineering Services Agreement had been revised to state that J&C would provide the District with electronic copies of construction drawings, technical specifications, and other signed and sealed deliverable documents, at no additional cost to the District. Mr. Yale then noted that for each District project, J&C would provide a recommendation for the level or amount of field project representation deemed necessary for the Board to consider. He continued that J&C, to the fullest extent permitted by law, would agree to indemnify and hold the District harmless from any damage, liability, or cost (including reasonable attorney's fees and cost of defense) to the extent caused by J&C's negligent acts, errors, or omissions in the performance of professional services under the Engineering Services Agreement, including anyone for whom J&C was legally liable. Mr. Bishop and Mr. Yale then responded to several questions from Director Ehmann regarding the Engineering Services Agreement.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Engineering Services Agreement and to authorize Director Ehmann to execute same. A copy of the executed Engineering Services Agreement is attached hereto and shall be considered to be part of these minutes.

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

ATTORNEY'S REPORT

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

DIRECTORS ELECTION

The Board briefly discussed matters relating to the 4 May 2019 Directors Election required for the District. Mr. Yale reported that as 20 February 2019, the candidates to be listed on the ballot for the referenced election were unopposed and accordingly the District's Attorney would prepare an ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE for adoption at the Board's meeting on 28 March 2019.

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY ("NHCRWA")

Mr. Yale distributed copies of a memorandum from the District's Attorney regarding the 4 February 2019 meeting of the NHCRWA board of directors. A copy of the memorandum is attached hereto. He then reviewed with the Board a letter dated 23 January 2019 from the NHCRWA regarding the increases in the well pumpage fee and the surface water delivery fee that were approved by the NHCRWA Board on 3 December 2018 and which will become effective on 1 April 2019. A copy of the letter is attached hereto as an exhibit.

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 12 February 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.

PROPOSED AGREEMENT FOR SERVICES OF LEGAL COUNSEL AND BOND COUNSEL (the "Legal Services Agreement")

Mr. Yale reported that Dick Yale of Coats Rose was finalizing the updated Legal Services Agreement between the District and Coats Rose. He stated that the Legal Services Agreement would be presented for approval at the Board's meeting on 28 March 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 91.3% and that the District has 890 service connections, including six vacant single-family residences. He noted that surface water received from the NHCRWA accounted for 63% of the water distributed to the District's customers during the period ending 17 January 2019.

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 15 February 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.

Water Plant No. 1 / Auxiliary Generator Platform. The Directors discussed the construction by Alvin Contracting of an elevated platform at the Water Plant No. 1 site (the "Platform") to facilitate access to the auxiliary generator for performing maintenance and repairs. Mr. Zilko reported that Alvin Construction was in the process of fabricating the Platform at its facility. He noted that the Platform components would be hot-dip galvanized prior to installation at Water Plant No. 1.

Commercial Customer Dispute / Grease Trap Inspection Fees (the "Inspection Fees"). Mr. Zilko reported that the property manager for the commercial strip center at Louetta Road and Theiss Mail Route (the "Commercial Center") was contesting the inclusion of certain Inspection Fees to the bills from the District for water and sanitary sewer service his tenant at the Commercial Center. Mr. Zilko explained that the District's Operator inspects all grease traps on sanitary sewer service lines in the District on a monthly basis to ensure compliance. He continued that the property manager of the Commercial Center had commented that Section 2.06.F. of the Rate Order states that the grease traps shall be inspected on a quarterly basis. Mr. Zilko recommended that the Board amend Section 2.06.F. of the District's Consolidated Rate Order (the "Rate Order") to state that the District's Operator shall inspect the grease traps on a monthly basis. The Board discussed matters relating to the Rate Order later in the meeting.

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.

CUSTOMER WRITE-OFF REPORT

Mr. Zilko reviewed with the Board the Customer Write-Off Report as prepared by the District's Operator. A copy of the Customer Write-Off Report is included with the Operator's Report. The Directors noted that there were 13 delinquent service accounts in the total amount of \$3,583.54 through 12 September 2018 that would be written off and turned over to a collection agency. After review, upon a motion duly made and seconded, the Board voted unanimously to write-off the delinquent utility service accounts and direct the District's Operator to engage a collection agency to pursue collection of the amounts owed to the District by the delinquent utility service accounts listed in the Customer Write-Off Report.

AMEND RATE ORDER

Consideration was then given to amending the Rate Order with respect to the frequency of the inspections to be performed by the District's Operator on grease traps; sand and oil interceptors; lint traps; and sand and mud interceptors (collectively, the "Traps and Interceptors"). After discussion, upon a motion duly made and seconded, the Board voted 3 to 1, with Directors Ehmann, Fratangelo, and Gobbell in favor, and Director Allard opposed, to (1) amend Section 2.06.F. of the Rate Order to state that the District's Operator shall inspect the Traps and Interceptors on a monthly basis; and (2) amend the Rate Order to incorporate the revision described above, to be effective as of the first full billing cycle following 28 February 2019. A copy of the amended Rate Order is filed in the permanent records of the District.

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.

Walking Garden / Wooden Bridge and Fire Ant Mounds. The Directors returned to their earlier discussion regarding the Bridge and the fire ant mounds in the Walking Garden site. Mr. Schuett stated that he would make the necessary repairs to the Bridge. In response to a question from the Board, Mr. Schuett recommended that the Board authorize either CHL or another licensed pest control contractor to treat the fire ant mounds on the Walking Garden site with insecticide. He then recommended the application of insecticide over the entire Walking Garden site (the "Area Application") instead of the spot-treatment of individual fire ant mounds. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize CHL to proceed with the Area Application.

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 \$14,593.16 from the City of Houston (the "City") for the District's share of sales tax collections during November 2019, pursuant to the Strategic Partnership Agreement 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.

OPERATING BUDGET FOR FISCAL YEAR ENDING 31 MARCH 2020

The Board briefly discussed matters relating to the draft Operating Budget for the District for the fiscal year ending 31 March 2020 (the "Budget"). Mr. Schuett stated that he would distribute copies of the Budget to the District's consultants prior to the Board's meeting on 28 March 2019.

RENEWAL OF INSURANCE COVERAGE

Next, the Board discussed matters relating to the renewal of the District's insurance policies (the "Insurance Policies"), which expire on 30 April 2019. Mr. Yale reported that Arthur J. Gallagher & Co. ("Gallagher") was preparing a proposal for the renewal of the Insurance Policies. He informed the Board that in May 2018 Gallagher had merged with AquaSurance, LLC.

KLEINWOOD JOINT POWERS BOARD ("KJPB")

Director Fratangelo presented a report on the activities of the KJPB.

KLEINWOOD MAINTENANCE FUND ("KMF")

Director Gobbell presented a report on the activities of the KMF.

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





Secretary, Board of Directors

Kleinwood Municipal Utility District
Meeting of 28 February 2019
Attachments

1. Peace Officer Report;
2. Detention Facilities Report;
3. Proposal for Seeding & Fertilization;
4. Tax Assessor/Collector's Report;
5. RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION;
6. CERTIFICATE OF BOARD ACTION / 20% charge on delinquent taxes;
7. Engineer's Report;
8. Water Plant Inspection Report;
9. Professional Services Agreement / Jones & Carter, Inc.;
10. Coats Rose memo / NHCRWA;
11. Letter from NHCRWA;
12. P3 Newsletter;
13. Operator's Report;
14. District Office Report; and
15. Bookkeeper's Report.