

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

28 March 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 March, 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 Andel of Wheeler & Associates, Inc. ("Wheeler"), the Tax Assessor/Collector for the District; Brian Toldan of McCall Gibson Swedlund Barfoot, PLLC ("McCall"), Auditor 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"); Lieutenant Michael Cohen, Sergeant M. Gonzales, and Deputies D. Callier and M. Gonzalez with Harris County Precinct 4 Constable's Office (the "Constable's Office"); Lindsey Trahan, Kennedy Purser, and Marie Sivils representing the Harris county Precinct 4 Community Assistance Department; Will Yale and David Green of Coats Rose, P.C. ("Coats Rose"), Attorney for the District; and Clarence Estes, a resident of the District.

Director Ehmann called the meeting to order.

**MINUTES OF THE MEETING OF 28 MARCH 2019**

The minutes of the meeting of the Board held on 28 March 2019, 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 28 March 2019, as written.

## **ENGAGE AUDITOR**

The President recognized Mr. Toldan, who presented to the Directors for their review a proposal (the "Proposal") from McCall to audit the financial statements of the District for the fiscal years ending 31 March 2019 and 31 March 2020 (the "Fiscal Years"). Mr. Toldan estimated that the fees to be charged to the District for the audit of the financial statements would range from \$14,500 to \$16,000 for each Fiscal Year.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Proposal and engage McCall to audit the District's financial statements for the Fiscal Years ending 31 March 2019 and 31 March 2020. A copy of the Proposal as accepted by the Board is attached hereto as an exhibit to these minutes.

## **HARRIS COUNTY PRECINCT 4 / COMMUNITY ASSISTANCE DEPARTMENT**

The President recognized Ms. Sivils, Ms. Trahan, and Ms. Purser, who reported on recent activities of the Community Assistance Department and provided an update on capital improvement projects being undertaken by Harris County Precinct 4 in the vicinity of the District. Ms. Sivils distributed to the Directors informational material relating to the Community Assistance Department, a copy of which is attached hereto. Ms. Sivils, Ms. Trahan, and Ms. Purser then departed from the meeting.

## **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. Lieutenant Cohen discussed with the Board the nuisance abatement initiative being undertaken by the contract officers assigned to the District, which includes the removal of unauthorized "bandit signs" that have been placed in Harris County easements.

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

## **SECURITY SERVICE CONTRACT**

Mr. Yale submitted to and reviewed with the Board a letter dated 8 March 2019 from the Harris County Precinct 4 Constable's Office regarding the increase in the rates to be charged to entities that enter into a Security Service Contract with Harris County (the "Contract"). A copy of the letter is attached hereto as an exhibit to these minutes. According to the Constable's Office, he told the Board, the Harris County Commissioners Court had approved a 4.9% increase in the rates to be charged under the Contract, to be effective 1 March 2020. He explained that the rate increase would affect Contracts for both Deputy Constables and Sheriff's Deputies.

## **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.

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 Ms. Anadel, 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 96.6% of its 2018 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto. Ms. Anadel noted that Wheeler was requesting approval for six checks written on the District's tax account, said checks including the transfer of \$6,126.51 in revenues from the tax for maintenance and operations to the District's Operating Fund; and also a transfer by wire of \$35,000.00 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.

## **DELINQUENT TAX REPORT**

Ms. Anadel then submitted for the Board's review the Delinquent Tax Report as prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P., the District's Delinquent Tax Attorney. A copy of the Delinquent Tax Report is attached hereto.

## **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")**

Next, Ms. Anadel reviewed with the Board the calculation of (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 (collectively, the "Payments"). Attached hereto as exhibits to these minutes are copies of letters dated 28 March 2019 from Wheeler regarding the calculation of the Payments to Cypress Forest PUD and Harris County MUD No. 24. The Board noted that the Payments for the 2018 tax year totaled \$20,253.49 for Cypress Forest PUD and \$28,779.40 for Harris County MUD No. 24.

Mr. Yale commented that the checks for the Payments would be drawn from the District's Operating Fund Checking Account and could be approved by the Board later in the meeting during the presentation of the Bookkeeper's Report.

## **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 the GST had passed the water tightness test and bacteriological tests. He stated that the GST was intended to be placed in service during the following week. Mr. Bishop noted that DN Tanks was proceeding with the site restoration work at Water Plant No. 2. He added that the GST project was expected to be complete within 45 days.

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 the District's Engineer had received and reviewed the revised plans for the Restaurant & Banquet Hall, and returned comments to the design engineer on 26 March 2019.

Water Plant Improvements. Mr. Bishop reviewed with the Board the bids submitted for (1) the recoating of the interior of hydropneumatic tank Nos. 1 and 2 at Water Plant No. 1; and (2) the touch-up recoating of the exterior of the ground storage tank No. 1 at Water Plant No. 2 (collectively, the "Water Plant Improvements"). The Board noted that three bids were received by the District's Engineer for the Water Plant Improvements. Mr. Bishop stated that the apparent low base bid for the Water Plant Improvements was submitted by DSP Industrial, Inc. (called "DSP"), in the amount of \$44,800.00. A copy of the bid tabulation for the Water Plant Improvements project is included with the Engineer's Report.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the low bid and award the contract for the Water Plant Improvements project to DSP.

Proposed Cleaning and Televised Inspection of Sanitary Sewer System (the "Televised Inspection"). Mr. Bishop reported that J&C had prepared the bid package for the Televised Inspection.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to advertise for bids on the Televised Inspection project.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Engineer's Report. A copy of the Engineer's Report is attached hereto as an exhibit to these minutes.

### **ATTORNEY'S REPORT**

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

### **ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE**

The Board reviewed an ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE in connection with the 4 May 2019 Directors Election. Mr. Yale noted that according to the Texas Election Code, the District has the authority to declare unopposed candidates to be elected to office since Coats Rose, P.C., the District's Attorney, has certified in writing that the candidates to be listed on the ballot for the referenced election are unopposed, and to cancel the election set for 4 May 2019. A copy of the Certificate Regarding Unopposed Candidates executed by the District's Attorney is attached hereto as an exhibit. Upon a motion duly made and seconded, the Board voted unanimously to adopt the Order, a copy of which is attached hereto and shall be considered to be a part of these minutes.

### **NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY ("NHCRWA")**

Mr. Yale distributed copies of a memorandum from the District's Attorney regarding the 4 March 2019 meeting of the NHCRWA board of directors. A copy of the memorandum is attached hereto.

### **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 March 2019, a copy of which is attached hereto.

### **TEXAS COMPTROLLER / SPECIAL PURPOSE DISTRICT REPORT**

Mr. Yale reported that on 11 March 2019 the District's Attorney had filed the Special Purpose District Report (the "SPD Report") with the Texas Comptroller's Office pursuant to Senate Bill 625 as approved by the 85th Texas Legislature (Regular

Session – 2017). He reviewed with the Board the SPD Report Confirmation and Summary, copies of which are attached hereto as exhibits to these minutes.

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

## **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 92.6% and that the District has 890 service connections, including five vacant single-family residences. He noted that surface water received from the NHCRWA accounted for 73% of the water distributed to the District's customers during the period ending 14 February 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 March 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 had completed the installation of the Platform at Water Plant No. 1.

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.

### **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. Mr. Schuett reported that he had repaired the wooden bridge and had replaced more than 20 rails in the fence at the Walking Garden site (the "Fence"). He added that he would look into installing a gate in one section of the Fence to facilitate access to the Walking Garden trail.

The Directors then entered into a discussion regarding proposed improvements to the Walking Garden (the "Improvements"). The Board discussed the possibility of engaging a landscape architect to design the Improvements. After further discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Office Manager, Engineer, and Attorney to assemble a list of landscape architects for review at a future meeting of the Board.

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 \$35,109.51 from the City of Houston (the "City") for the District's share of sales tax collections during December 2018, 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**

Mr. Schuett distributed copies of the draft Operating Budget for the District for the fiscal year ending 31 March 2020 (the "Budget"), a copy of which is attached hereto as an exhibit. He called the Board's attention to the Expense item in the Budget for Capital Expenditures. A discussion ensued regarding the Expense item for Capital Expenditures. Mr. Bishop expressed his view that said Expense item could be decreased to a minimum of \$375,000. After discussion, the Board directed Mr. Schuett to decrease the Expense item for Capital Expenditures from \$1,400,000 to \$400,000.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to adopt the Budget, as amended.

### **KLEINWOOD DOLPHINS SWIM TEAM (the "Swim Team")**

The Board then considered purchasing a sponsorship for the Swim Team for the 2019 season (the "Sponsorship"). After discussion, upon a motion duly made and seconded, the Board voted unanimously to purchase a Sponsorship at a cost of \$500.

### **KLEIN HIGH SCHOOL BAND (the "Band") / FUNDRAISING PROJECT**

Consideration was then giving to participating in a fundraising project by the Band involving the temporary placement of United States flags during certain holidays at the entrances to the District (the "Fundraising Project"). The Board noted that the Kleinwood Maintenance Fund (the "KMF") had expressed its desire to participate with the District in the cost for the Fundraising Project. The Directors then agreed that the District and the KMF would each contribute \$200 for their respective share of the cost for the Fundraising Project.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize payment to the Band in the amount of \$200 for the Fundraising Project.

The Board then directed the District's Attorney to notify the other homeowner associations in the District of the Fundraising Project, and to express the District's interest in participating with them in the cost to contribute to the Fundraising Project.

### **PROPOSAL FOR INSURANCE COVERAGE**

Next, the Board reviewed the Proposal for Insurance Coverage (the "Proposal") for the policy term of 30 April 2019 through 30 April 2020 as submitted by Arthur J. Gallagher & Co. ("Gallagher"). Mr. Yale reviewed with the Board (1) an electronic mail message from Kim Courte of Gallagher regarding the Proposal; and (2) a memorandum from the District's Attorney that summarizes certain changes between the Proposal submitted by AquaSurance, LLC for the policy term ending 30 April 2019 and the Proposal submitted by Gallagher for the policy term ending 30 April 2020. Copies of the



electronic mail message and the memorandum are attached hereto as exhibits to these minutes. The Board noted that the pricing for the insurance coverage to be provided under the Proposal would total \$36,608.00. Mr. Yale pointed out to the Board that the District's Engineer had estimated the replacement value of the District's facilities for the policy term ending 30 April 2020 at \$9,005,000, which represents a 16% increase in value from the previous year.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Proposal. A copy of the Proposal as accepted by the Board is attached hereto and shall be considered to be a part of these minutes. Mr. Yale noted that the insurance policies being provided to the District under the Proposal would be forwarded to the District's Attorney at a later date.

### **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 March 2019  
Attachments

1. Attendance Sheet;
2. Accepted proposal from McCall Gibson Swedlund Barfoot, PLLC;
3. Informational Material / Precinct 4 Community Assistance Dept.;
4. Peace Officer's Report;
5. Letter from Precinct 4 Constable's Office;
6. Detention Facilities Report;
7. Tax Assessor/Collector's Report;
8. Delinquent Tax Report;
9. Letters from Wheeler & Associates regarding the calculation of property tax revenue due to Cypress Forest PUD and Harris County MUD No. 24 for the 2018 tax year;
10. Engineer's Report;
11. Certificate Regarding Unopposed Candidates;
12. ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE;
13. Coats Rose memo / NHCRWA;
14. P3 Newsletter;
15. Special Purpose District Report;
16. Operator's Report;
17. District Office Report;
18. Bookkeeper's Report;
19. Draft Operating Budget for FYE 3/31/2020;
20. Email from Arthur J. Gallagher & Co.;
21. Coats Rose memo / Insurance Proposal; and
22. Accepted Proposal for Insurance Services from Arthur J. Gallagher & Co.