

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

23 May 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 23rd day of May, 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 Michael Gonzales and Deputy Demon Callier with Harris County Precinct 4 Constable's Office (the "Constable's Office"); Ollie Hilliard, Jermayne Thomas, and Jamie Babineaux, representing Darby Real Estate Investments, L.P. ("Darby"); and Dick 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 25 APRIL 2019

The minutes of the meeting of the Board held on 25 April 2019, previously distributed to the Board, were presented for consideration and approval. Mr. Zilko requested two revisions to page 6 of the minutes. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 25 April 2019, as amended.

DETENTION AND DRAINAGE FACILITIES REPORT

Next, 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. Then Mr. Hardoin presented for the Board's review a proposal from CHL (the "CHL Proposal") for the seasonal planting at the Walking Garden and District Office site, as follows:

- District Office: plant seasonal flowers in beds to replace existing plants; aerate and fertilize the lawn; apply fungicide to the Indian Hawthorns and Juniper; and spread pesticide on the property.
- Walking Garden: remove 8-foot shrub oak growing in southeast corner bed and add one yard of soil mixture; plant two 3-gallon Asian Jasmine trees to fill void spot on fence behind existing bed; plant 18 3-gallon flax lilies on the back side of bed; and plant 40 1-gallon yellow lantanas.

The Board noted that the cost for the seasonal planting as described in the CHL Proposal totaled \$2,742.00. After discussion, the Directors expressed their desire for the planting of the Asian Jasmine trees to be deleted from the CHL proposal and the total cost of the CHL Proposal to be adjusted accordingly. Then, after review, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Detention Facilities Report; and (2) accept the CHL Proposal as amended and authorize CHL to proceed with the seasonal planting as described above. A copy of the CHL Proposal as accepted by the Board is attached hereto as an exhibit to these minutes.

REQUEST FOR SERVICE TO AND ANNEXATION OF 9.68-ACRE TRACT (the "Darby Tract")

The Board then discussed the request from Darby for service to and annexation of the Darby Tract located at 15919 Stuebner Airline Road, outside the boundaries of the District. The President recognized Mr. Thomas, who informed the Board that Darby intends to construct a multi-family residential development in the Darby Tract consisting of a 220-unit apartment complex to be called Meyer Park at Champion Forest (the "Apartments"). Mr. Bishop called the Board's attention to the Application For Service as submitted by Darby, a copy of which is included with the Engineer's Report that is attached hereto. A discussion ensued regarding the proposed development of the Darby Tract (the "Development"). Mr. Yale recalled that the District and Darby had entered into a Development and Annexation Agreement dated 2 July 2007 (the "Agreement"), which had a 10-year contract term that expired on 2 July 2017. He noted that the expired Agreement stipulated that the Darby Tract would be annexed into the District at the developer's cost and for the developer to pay its share of the 30%

contribution to the cost for construction and engineering of the District utilities to serve the tracts along Stuebner Airline Road. He went on to say that the Board would need to consider entering into a new Agreement with Darby for the annexation of the Darby Tract.

Mr. Bishop remarked that the District's Rate Order requires a non-refundable application fee in the amount of \$7,500 to be submitted with the Application for Service. However, he continued, Ms. Hilliard had requested that the Board waive this requirement in view of the fee that was paid in 2006 for consideration of an Application for Service for the proposed office condominiums project that was previously presented as a possible Development in the Darby Tract. Mr. Bishop informed the Board that, to date, J&C had not received from Darby a complete and concise set of plans for the proposed Development (the "Plans") that addresses numerous comments from the District's Engineer stemming from the plan reviews that were completed on 4 January and 9 April 2017. He stated that the Darby Tract would have to be platted for multi-family housing before the proposed Apartments could be served by the District.

Mr. Bishop then pointed out to the Board that the proposed Development would require significant fill and storm water mitigation because the Darby Tract is mostly located within the 100-year Floodplain and is partially located within the Cypress Creek Floodway. He called the Board's attention to a survey map as prepared by J&C that depicts the location of the Darby Tract in relation to the 100-year Floodplain and the Cypress Creek Floodway. A copy of the survey map is included with the Engineer's Report. Mr. Bishop recommended that the plans for the Development be required to comply with certain new Harris County building regulations, including the elevation of the slab being in accordance with the regulations going into effect in 2019. He expressed his concern that, as currently designed, the parking lot for the Apartments would be several feet below the 100-year Floodplain. Mr. Yale stated that Darby and the District would need to evaluate the extent to which the Darby Tract could be developed in view of the regulations promulgated by Harris County relating to flood mitigation. Directors Fratangelo, Gobbell, and Ehmann expressed their opposition to the proposed construction of a multi-family residential Development in the Darby Tract in view of the information provided by the District's Engineer relating to the 100-year Floodplain and the Cypress Creek Floodway.

Mr. Bishop then stated that the District's Engineer would need to seek approval from the Board to continue working with Darby and its engineer with regard to the proposed Development. Mr. Thomas stated that Darby desired to withdraw the Application For Service to the Darby Tract at this time, pending further discussion with the District's Engineer regarding the Plans. Director Ehmann proposed that the Board require Darby to place a developer deposit with the District in the amount of \$5,000 (the "Deposit") to cover the engineering fees incurred by the District in connection with future discussions between Darby and J&C relating to the proposed Development. The Board agreed.

After further discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) require Darby to place a Deposit of \$5,000 as described above; and (2) authorize the District's Engineer to continue discussion with Darby regarding the Plans, contingent on payment of the Deposit. Ms. Hilliard, Ms. Babineaux, and Mr. Thomas then departed from the meeting.

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. Mr. Schuett mentioned to Deputy Callier that during the summer months there were often issues with individuals riding bikes and skateboards in the Walking Garden. Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Peace Officer's 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 97.9% 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 eight checks written on the District's tax account, said checks including the transfer of \$3,496.01 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$7,500.00 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.

PRELIMINARY REPORT OF APPRAISED & TAXABLE VALUES

Ms. Andel then discussed with the Board the Preliminary Report of Appraised & Taxable Values for the District for the 2019 tax year as prepared by Harris County Appraisal District ("HCAD"). She reported that according to HCAD, the initial taxable value for the District for the 2019 tax year totals \$377,591,829.00, which does not include personal property values.

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 was now completing the final grading of the site and expects to complete the site restoration by the end of the following week as weather permits. J&C will perform the final inspection of the GST project once the work is complete, he told the Board.

Mr. Bishop then reported that DN Tanks had submitted Pay Estimate No. 10 in the amount of \$27,743.50 in connection with the GST project. A copy of Pay Estimate No. 10 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. 10.

The Board discussed matters relating to the GST project again later in the meeting during the presentation of the Attorney's Report.

Water Plant Improvements. The Directors discussed the contract with DSP Industrial, Inc. (called "DSP") to perform (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"). Mr. Bishop reported that J&C had conducted the pre-construction meeting with DSP and issued the Notice to Proceed on the Water Plant Improvements project with an effective date of 7 May 2019. He stated that DSP expects to mobilize at the end of this month. A copy of the Notice to Proceed is included with the Engineer's Report.

Cleaning and Televised Inspection of Sanitary Sewer System (the "Televised Inspection"). The Board discussed the contract with CSI Consolidated, LLC dba AIMS Companies (called "CSI") for the Televised Inspection. Mr. Bishop reported that J&C would conduct the pre-construction meeting with CSI and issue the Notice to Proceed for the Televised Inspection once the contracts are fully executed.

Mr. Yale submitted for the Board's review a memorandum from the District's Attorney regarding the bonds and insurance submitted by CSI in connection with the Televised Inspection. A copy of the memorandum is attached hereto as an exhibit to these minutes. Mr. Yale remarked that the bonds and insurance submitted by CSI were found to be in order. Mr. Bishop presented the Board with execution drafts of the contract for the Televised Inspection (the "CSI Contract"). Director Ehmann then executed the DSP Contracts.

Then Mr. Bishop reported that the District's Engineer had transmitted letters to Klein Independent School District ("Klein ISD") and Harris County Water Control & Improvement District No. 114 (HCWCID 114") to request payment of their respective share of the cost for the Televised Inspection project pursuant to (1) the Agreement Consolidating Agreements for Use and Maintenance of Waste Transportation Facilities dated 27 May 2010 between the District and Klein ISD; and (2) the Contract for Maintenance of Waste Transportation Facilities dated 16 July 1984 between the District and HCWCID 114.

Director Fratangelo presented a motion for the District to waive the requirement for Klein ISD to pay of its share of the cost for the Televised Inspection. Said motion died for lack of a second.

Auxiliary Generator at Water Plant No. 1 (the "Generator") / One Year Warranty Inspection (the "Inspection"). Mr. Bishop stated that the Inspection of the Generator installed by Total Energy Solutions, LLC was conducted on 26 April 2019. No deficiencies were noted during the Inspection, he told the Board.

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 and approved the plans for the Restaurant. A copy of the Plan Review Letter dated 6 May 2019 is included with the Engineer's Report. Mr. Bishop stated that the District's Engineer and Operator attended a site meeting on 15 May 2019 with Hat Creek Burger's contractor and engineer to resolve a conflict with the proposed water tap and non-conformity to the approved plans. Mr. Zilko informed the Board that EDP had transmitted the tap fee letter to Hat Creek Burger earlier this week.

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 reported that, to date, J&C had not received revised plans for the Restaurant and Banquet Hall.

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.

GST PROJECT / REQUEST TO RECOVER CONTRACTOR EQUIPMENT

Mr. Yale reported that on 22 May 2019 the District's Operator had been contacted by the law firm of Dickinson Wright, LLC ("Dickinson Wright"), which requested access to the District's Water Plant No. 2 site in order to recover a Caterpillar Vibratory Compactor and a Caterpillar Hydraulic Excavator (collectively, the "Equipment") pursuant to a Final Default Judgement dated 20 February 2019 in connection with the lawsuit filed by Caterpillar Financial Services Corporation against Grand Republic Construction, L.L.C. (Cause No. 18-1555-C368 as filed in the 368th District Court of Williamson County, Texas, Caterpillar Financial Services Corporation

v. Edgar Albrecht aka Edgar H. Albrecht Jr. aka Ed Albrecht, and Grand Republic Construction, L.L.C., hereinafter the "Lawsuit").

Mr. Yale stated that Jim Ferguson of EDP had referred this matter to the District's Attorney, who contacted Wendy Rees and John Nelson of Dickinson Wright. He explained that Grand Republic Construction, L.L.C. was a subcontractor engaged by DN Tanks for the GST project at Water Plant No. 2. According to Ms. Rees, he told the Board, GPS devices on the Equipment had alerted Dickinson Wright that the Equipment was currently located at the Water Plant No. 2 site. Mr. Yale called the Board's attention to an electronic mail message dated 23 May 2019 from Ms. Rees, which includes copies of the Final Default Judgment and the Plaintiff's Original Petition for the Lawsuit. A copy of the electronic mail message is attached hereto as an exhibit to these minutes. Mr. Bishop expressed his view that the proposed removal of the Equipment from the Water Plant No. 2 site would not delay the completion of the contract with DN Tanks for the GST project.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer and Operator to coordinate with the Constable's Office and Dickinson Wright with regard to the recovery of the Equipment pursuant to the Final Default Judgment.

OATHS OF OFFICE

The Board considered approval of the Oaths of Office and the Statements of Officer as executed and submitted by Directors Fratangelo and Gobbell. The Board noted that Director Guerrero was not in attendance at this meeting and had not executed and submitted the Oath of Office and Statement of Officer for his term of office. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Oaths and Statements. Mr. Yale told the Board that the Public Employee Blanket Bond covering the five positions of Director of the District would continue in force and effect. Copies of the executed Oaths and Statements for Directors Fratangelo and Gobbell are attached to these minutes as exhibits.

ELECTION OF OFFICERS

The Directors next considered the need to reconstitute the Board of Directors, pursuant to the requirements of Section 49.054(b), Texas Water Code. The Directors deferred consideration of this matter to the Board's meeting on 27 June 2019.

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY ("NHCRWA")

Mr. Yale distributed copies of a memorandum from the District's Attorney regarding the 6 May 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 14 May 2019, a copy of which is attached hereto.

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

The Board briefly discussed matters relating to the proposed Legal Services Agreement between the District and Coats Rose. Mr. Yale noted that Director Ehmann had additional questions regarding the Legal Services Agreement. The Directors deferred consideration of the Legal Services Agreement to the Board's meeting on 27 June 2019.

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 85.9% 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 62% of the water distributed to the District's customers during the period ending 12 April 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.

Significant System Repairs. Mr. Zilko reviewed with the Board the EDP Invoice and Bill Direct Statement dated 15 May 2019, a copy of which is included with the Operator's Report.

Water Meter / Lyons Court Condominiums (the "Condominiums"). Mr. Zilko reported on the replacement of the 3-inch water meter serving the Condominiums (the "Meter Replacement") as authorized at the Board's meeting on 25 April 2019. He informed the Board that the Meter Replacement was complete.

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.

Electrical Load Bank Testing. Mr. Zilko reported that the annual electrical load bank testing was recently performed on the auxiliary diesel generator at Water Plant No. 2 (the "Auxiliary Generator"). He stated that the Auxiliary Generator had passed the load bank test with no issues noted.

Water Well Performance Testing. Mr. Zilko reported that G-M Inspection Services, Inc. ("G-M") had completed its scheduled performance testing of the District's Water Well Nos. 1, 2, and 3 (the "Wells"). According to G-M, he told the Board, the Wells appear to be operating within the acceptable parameters. Copies of the Performance Testing Reports on the Wells as prepared by G-M are included with the Operator's Report.

Cost of Water Flier. Mr. Zilko reviewed with the Board a Flier that was included earlier this year with the bills distributed to the District's customers for water and sanitary sewer service. A copy of the Flier is attached hereto as an exhibit. He explained that the Flier denotes the distribution of payments made to the District for water service. For monthly usage of 10,000 gallons of water, he told the Board, a customer would be billed \$62.50. Of that amount, he continued, \$38.50 would be the surface water fee paid to the NHCRWA, based on the rate of \$3.85 per 1,000 gallons (which increased to \$4.30 per 1,000 gallons effective 1 April 2019); \$14.00 would be the water fee charged by the District; and \$10.00 would be the sanitary sewer fee charged by the District.

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. Mr. Schuett reported that he was looking into replacing the shutters on the District Office building

with shutters made of stain-grade mahogany. He then informed the Board that he was preparing a Request for Proposal form for landscaping services at the District Office and the Walking Garden (the "RFP Form"). Mr. Schuett stated that he would send the draft RFP Form to the District's Attorney for review and distribution to 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 \$29,089.69 from the City of Houston (the "City") for the District's share of sales tax collections during February 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.

KLEINWOOD JOINT POWERS BOARD ("KJPB")

Director Fratangelo presented a report on the activities of the KJPB, including matters relating to the KJPB's Reclaimed Water Supply Project.

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 23 May 2019
Attachments

1. Attendance Sheet;
2. Detention and Drainage Facilities Report;
3. Proposal from Champions Hydro-Lawn, Inc. / Seasonal Planting;
4. Peace Officer Report;
5. Tax Assessor/Collector's Report;
6. Engineer's Report;
7. Pay Estimate No. 10 / Concrete GST Project;
8. Coats Rose memo / bonds and insurance on contract for televised inspection of sanitary sewer lines;
9. Email from Dickinson Wright, with Final Default Judgment and Plaintiff's Original Petition;
10. Oath of Office and Statement of Officer / Joe Fratangelo;
11. Oath of Office and Statement of Officer / Jeff Gobbell;
12. Coats Rose memo / NHCRWA;
13. P3 Newsletter;
14. Operator's Report;
15. Cost of Water Flier;
16. District Office Report; and
17. Bookkeeper's Report.