

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

26 September 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 26th day of September, 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:

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

and all of said persons were present with the exception of Director Gobbell, thus constituting a quorum.

Also present were: René Andel of Wheeler & Associates, Inc. ("Wheeler"), the Tax Assessor/Collector for the District; Bill Blitch with Blitch Associates, Inc. ("Blitch"), the District's Financial Advisor; Jeffrey Bishop, P.E., and Ryan Schilhab, E.I.T., of Jones & Carter, Inc. ("J&C"), Engineer for the District; Andy Phelps of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Roger Schuett, Office Manager for the District; Tom Dillard representing Champions Hydro-Lawn, Inc. ("CHL"); Sergeant Jonathan Zitzmann and Deputy Thomas Ozio 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 Guerrero called the meeting to order.

MINUTES OF THE MEETING OF 22 AUGUST 2019

The minutes of the meeting of the Board held on 22 August 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 22 August 2019, as written.

FINANCIAL ADVISOR'S REPORT

The President recognized Mr. Blich, who presented the Financial Advisor's Report. He submitted to and reviewed with the Board a table denoting the ending fund balance of the District's General Operating Fund for the fiscal years ended 31 March 2015 through 31 March 2019, and projecting the ending fund balance of the General Operating Fund for the fiscal years ending 31 March 2020 through 31 March 2024. A copy of the table is attached hereto as an exhibit to these minutes. He stated that by calendar year 2024 the Board may need to consider selling bonds in order to fund certain capital projects or repairs to the District's facilities. Mr. Blich then informed the Board that certain maturities of the District's Series 2011 Refunding Bonds (the "Bonds") are now callable. He explained that the Bonds have a 1 August 2020 maturity of \$260,000 at 3.125% and a 1 August 2022 term bond maturity of \$540,000 at 4.00%. These maturities became callable on 1 August 2018, he continued, but were not candidates for refunding or defeasance until the market interest rate declined to current levels. As long as the interest rates offered by the TexPool investment pool are below the coupon rates of the Bonds, he told the Board, there would be a financial benefit to the District in calling these Bond maturities.

PEACE OFFICER'S REPORT

The President recognized Sergeant Zitzmann, who presented the Peace Officer's Report, a copy of which is attached hereto. The Directors then discussed security related issues. Sergeant Zitzmann informed the Board that Deputy Ozio had recently been assigned to patrol duties in the District and was taking the place of Deputy Demon Callier, who had transferred to another assignment. 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. Dillard, 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. Dillard reported that the Detention Pond is in good condition and functioned as designed following the landfall of Tropical Depression Imelda on 17 September 2019. He stated that the vegetation at the southeast corner of the Walking Garden site would be trimmed on 27 September 2019. Mr. Dillard then reported that Harris County Precinct 4 had repaired the eroded area around the storm sewer inlet on Kleinwood Drive near the southwest corner of the District Office site. Director Fratangelo remarked that the landscaping at the Water Plant No. 2 site appeared to be dying. He inquired if the contractor working at the Water Plant No. 2 site had shut off the water for the irrigation system at the site. Mr. Dillard stated that he and the District's Operator would look into this matter.

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 99.2% 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 seven checks written on the District's tax account, said checks including the transfer of \$187.70 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$5,000.00 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.

HEARING ON PROPOSED TAX RATE

The Board then convened a public hearing to discuss the proposed tax rate for the 2019 tax year (the "Tax Rate"). The Directors noted that there were no taxpayers of the District in attendance who desired to address the Board regarding the Tax Rate.

ADOPT ORDER LEVYING TAXES

Next, the Directors reviewed an ORDER LEVYING TAXES as prepared by Coats Rose, P.C., the District's Attorney. Then, upon a motion duly made and seconded, the Board voted unanimously to adopt a debt service tax rate of \$0.276 per \$100 of assessed valuation. The Board then, upon a motion duly made and seconded, voted unanimously to adopt a maintenance tax rate of \$0.119 per \$100 of assessed valuation and to adopt the ORDER LEVYING TAXES, a copy of which is attached hereto and shall be considered a part of these minutes. Also attached as an exhibit to these minutes is an Affidavit of Publication for the Notice of Public Hearing on the 2019 Tax Rate.

A discussion ensued regarding the Affidavit of Publication. Director Fratangelo remarked that the edition of the Houston Chronicle that was delivered to his residence included the neighborhood insert for the Memorial area, rather than the insert for the

Champions/Klein area in which the Notice of Public Hearing was published. Mr. Yale stated that the District could rely on the Affidavit of Publication to demonstrate compliance with the legal requirement for the publication of the Notice of Public Hearing.

AMENDMENT TO INFORMATION FORM

The Board then considered an Amendment to the District's Information Form (the "Amendment") that states the District's most recent tax rate and which will be filed with the Texas Commission on Environmental Quality (the "Commission") and in the Official Public Records of Real Property of Harris County, Texas. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Amendment and to authorize filing of same. A copy of the Amendment as approved is attached hereto and shall be considered part of these minutes.

ENGINEER'S REPORT

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

Water Plant Improvements. The Directors discussed the contract with DSP Industrial, Inc. (called "DSP") to perform (1) the recoating of the interior of the hydropneumatic tanks 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. Mr. Bishop reported that DSP had completed the punch list items and that the Water Plant Improvements project was ready for close-out.

Mr. Bishop then submitted for the Board's review the Certificate of Acceptance for the Water Plant Improvements as prepared by the District's Engineer. He recommended to the Board that the one-year warranty period for the Water Plant Improvements commence on 15 August 2019. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize execution of the Certificate of Acceptance for the Water Plant Improvements. A copy of the executed Certificate of Acceptance is attached hereto as an exhibit to these minutes. Also attached hereto is a copy of the Certificate of Substantial Completion for the Water Plant Improvements as executed by the District's Engineer.

Then Mr. Bishop reported that DSP had submitted Pay Estimate No. 1 and FINAL in the amount of \$44,800.00 in connection with the Water Plant Improvements. A copy of Pay Estimate No. 1 and FINAL 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. 1 and FINAL.

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 CSI

was currently working on the trunk sanitary sewer line along Squyres Road, as well as certain locations in the District for re-completion items. He stated that CSI submitted an additional 30,100 linear feet of sanitary sewer line segment video (the "Video") for review by J&C on 29 August 2019. J&C reviewed the Video and rejected 6,591 linear feet of the Video, he continued, and directed CSI to re-complete and re-submit the rejected work for review.

Mr. Bishop stated that J&C had identified a collapsed sanitary sewer line segment at the intersection of Feliciana Lane and Kleinwood Drive (the "Segment"). He called the Board's attention to photographs of the Segment, copies of which are included with the Engineer's Report. Mr. Bishop stated that J&C provided the District's Operator with the necessary information to make repairs to the Segment.

Mr. Bishop then reported that CSI had submitted Pay Estimate No. 2 in the amount of \$10,621.80; and Pay Estimate No. 3 in the amount of \$31,736.21 in connection with the Televised Inspection project. Copies of Pay Estimate No. 2 and Pay Estimate No. 3 are attached hereto as exhibits to these minutes. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize payment of Pay Estimate No. 2 and Pay Estimate No. 3.

Water Well Performance Testing. Mr. Bishop 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.

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

Request for Service / Meyer Park at Champion Forest. Mr. Bishop discussed with the Board the request from Ollie Hilliard of Darby Real Estate Investments, L.P. for service to and annexation of a 9.68-acre tract at 15919 Stuebner Airline Road (the "Darby Tract"). He reported that, to date, J&C had not received the revised plans for the proposed multi-family residential development in the Darby Tract.

Request for Service / State Farm Insurance Office at 7702 Louetta Road. The Board discussed the request from Randy Reeves for water and sanitary sewer service to the tract of land located at 7702 Louetta Road (the "Reeves Tract"), in which his State Farm Insurance office is located. Mr. Bishop stated that, to date, J&C had not received the revised plans for the Reeves Tract.

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.

WEBSITE FOR DISTRICT

Then the Directors discussed matters relating to the operation of the District's internet website (the "Website"). Mr. Yale reported that the District's Attorney had coordinated with The Texas Network, LLC (called "Texas Network"), the District's Webmaster, to add certain information to the Website as required by bills approved earlier this year by the 86th Texas Legislature – Regular Session (2019). He presented the Board with copies of a printout of the Legal Information page (the "Printout") that had recently been added to the Website. A copy of the Printout is attached hereto as an exhibit to these minutes. Mr. Yale noted that Texas Network had added a new page to the Website that provides certain information, including the Office Use Agreement and Application, for groups or individuals seeking to use the District's Office.

Mr. Yale then reviewed with the Board an electronic mail message dated 31 August 2019 from Russell Lambert of Texas Network, a copy of which is attached hereto as an exhibit to these minutes. According to Mr. Lambert, he told the Board, Texas Network had decreased the annual rate being charged to its water district clients for webhosting services to \$750. Also, he continued, the current water district clients of Texas Network qualify for a free upgrade and redesign of their websites to be more compatible with mobile devices and to permit faster updates and improved security (the "Website Upgrade"). After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Attorney to notify Texas Network to proceed with the Website Upgrade.

Director Ehmann then proposed that information be placed on the Website that would explain the North Harris County Regional Water Authority (the "NHCRWA") surface water assessment fee that is included in the bills that are distributed to the District's customers for water and sewer service (the "District Bills"). The Board agreed with Director Ehmann's proposal, and after further discussion authorized the District's Operator and Attorney to prepare information explaining the various charges on the District Bills for posting on the Website.

CONTINUING DISCLOSURE

Mr. Yale reported that the District's Financial Advisor had submitted the necessary materials to fulfill the continuing disclosure requirements of the Securities and Exchange Commission ("SEC") pursuant to SEC Rule 15c2-12 prior to the deadline of 30 September 2019. A copy of the continuing disclosure submission for the District as submitted by Blitch is attached hereto as an exhibit to these minutes.

NHCRWA

Mr. Yale distributed copies of a memorandum from the District's Attorney regarding the 9 September 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 10 September 2019, a copy of which is attached hereto.

ADVANCED REVIEW OF COMPLIANCE HISTORY

Next, Mr. Yale reviewed with the Board the TCEQ Advanced Review of Compliance History ("ARCH") report for the District, a copy of which is attached hereto as an exhibit to these minutes. He explained that the Commission rates the compliance history of all organizations under Title 30, Texas Administrative Code, Chapter 60, evaluates the compliance history of each site, and classifies each site as "High," "Satisfactory," "Unsatisfactory," or "Unclassified." Mr. Yale stated that the District's Attorney had registered as an ARCH user for the District and had forwarded copies of the ARCH reports for the District to the District's Engineer and Operator.

INVESTMENT OFFICER

The Board discussed matters relating to the District's Investment Officer. Mr. Yale stated that the District's Attorney reviewed the minutes of the Board's meeting on 22 October 2015, wherein Director Guerrero had expressed his desire to no longer serve as the Investment Officer. At that time, he continued, the Directors had agreed that Claudia Redden & Associates, L.L.C. ("Redden"), the District's Bookkeeper, would serve as the Investment Officer pursuant to the District's Investment Policy and Investment Strategies. Attached hereto as an exhibit is an electronic mail message from the District's Attorney regarding the Investment Officer. Mr. Yale stated that the Board could appoint a Director to serve as an Investment Officer in addition to or in place of the District's Bookkeeper. The Board took no action on this matter.

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. Phelps, who submitted to and reviewed with the Board the Operator's Report as follows:

Water Plant Operations. Mr. Phelps reported that the billed to pumped ratio for the prior month was 96.3% and that the District has 893 service connections, including

two vacant single-family residences. He noted that surface water received from the NHCRWA accounted for 68% of the water distributed to the District's customers during the period ending 14 August 2019.

Utility Operator's Report. Mr. Phelps 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. Phelps reviewed with the Board the EDP Invoice and Bill Direct Statement dated 16 September 2019, a copy of which is included with the Operator's Report.

Requests for Adjustment to Service Accounts. Mr. Phelps reviewed with the Board a letter from a District customer regarding the service account for the residence at 7715 Dayhill Drive. A copy of the letter is included with the Operator's Report. The customer is disputing the quantity of water usage that he was billed for in two recent billing cycles, said Mr. Phelps. He reviewed the account history for that address and noted that the indicated water usage increased from 2,000 gallons for the water meter reading on 15 July 2019 to 53,000 gallons for the water meter reading on 14 August 2019 and 20,000 gallons for the water meter reading on 13 September 2019. A copy of the account history is included with the Operator's Report. Mr. Phelps stated that a field test of the water meter at 77515 Dayhill Drive indicated that the water meter is accurately registering the flow of water. He added that EDP has scheduled for the water meter to be replaced and to be taken to a third-party testing facility for a bench test. After discussion, the Board deferred action on this matter pending the results of the bench test on the water meter.

Mr. Phelps then reviewed with the Board a letter from a District customer regarding the service account for the residence at 16911 Barretts Crossing. A copy of the letter is included with the Operator's Report. He noted that the customer was objecting to the inclusion of the NHCRWA surface water assessment fee in her water bill and was requesting an adjustment to her service account. The Board declined to take any action on this matter.

Emergency Sanitary Sewer Line Repair. Mr. Phelps reported that the collapsed sanitary sewer line segment at 16414 Kleinwood Drive was repaired on 23 September 2019. He stated that EDP plans to have CSI re-televise the repaired segment of the sanitary sewer line.

Klein Independent School District ("Klein ISD") Water Surcharge. Mr. Phelps reported that Klein ISD exceeded its allotted capacity of water usage during the September 2019 billing cycle by 270,000 gallons (the "Excess Usage"). He explained that the Excess Usage is billed at 10 times the District's regular water rate for comparable connections pursuant to the Water Supply Agreement dated 18 September 1982, as amended, between the District and Klein ISD. Mr. Phelps stated that EDP was

reviewing the billing calculations and would bill the Excess Usage surcharge to Klein ISD in October 2019.

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. Phelps reported that work on the proposed flood mitigation project at Lift Station No. 2 was underway. He added that EDP was continuing to work with the Federal Emergency Management Agency on the flood mitigation grant for the flood mitigation project at Lift Station 2.

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. Phelps, 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.

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.

Request for Proposal / Landscaping Services. Mr. Schuett reported that he was working on soliciting proposals for landscaping services at the District Office and the Walking Garden.

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 as prepared by Redden. A copy of the Bookkeeper's Report 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 \$33,006.50 from the City of Houston (the "City") for the District's share of sales tax collections during June 2019, pursuant to the Strategic Partnership Agreement with the City for limited purpose annexation of commercial

property in the District. Mr. Schuett responded to questions from Director Guerrero regard the balance of the District's Operating Fund. There followed a Board discussion regarding the rates charged by the District for water and sanitary sewer service, as well as the maintenance tax rate levied by 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 stated that the KJPB was planning to receive bids later this year for the construction of the proposed reclaimed water supply project.

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




Secretary, Board of Directors

Kleinwood Municipal Utility District
Meeting of 26 September 2019
Attachments

1. Table / General Operating Fund History and Projected Balance
2. Peace Officer's Report;
3. Detention Facilities Report;
4. Tax Assessor/Collector's Report;
5. Delinquent Tax Report;
6. ORDER LEVYING TAXES;
7. Affidavit of Publication / Notice of Hearing;
8. Amendment to the District's Information Form;
9. Engineer's Report;
10. Certificate of Acceptance / Water Plant Improvements;
11. Certificate of Substantial Completion / Water Plant Improvements;
12. Pay Estimate No. 1 and FINAL / Water Plant Improvements;
13. Pay Estimate No. 2 / Sanitary Sewer Cleaning & Televising;
14. Pay Estimate No. 3 / Sanitary Sewer Cleaning & Televising;
15. Printout of Legal Issues page and Clubhouse Rental page on Website;
16. Email from The Texas Network, LLC;
17. Continuing disclosure submission;
18. Coats Rose memo / NHCRWA;
19. P3 Newsletter;
20. TCEQ Advanced Review of Compliance History report;
21. Coats Rose email regarding Investment Officer;
22. Operator's Report;
23. District Office Report; and
24. Bookkeeper's Report.