

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

28 May 2020

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 May, 2020, 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, thus constituting a quorum.

Also present was René Andel of Wheeler & Associates, Inc. ("Wheeler"), the Tax Assessor/Collector for the District. Attending the meeting by teleconference were Jeffrey Bishop, P.E., and Ryan Schilhab, E.I.T., of Jones & Carter, Inc. ("J&C"), Engineer for the District; Chris Zilko of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Roger Schuett, Office Manager for the District; Les Griffith and T.J. Cloud representing Champions Hydro-Lawn, Inc. ("CHL"); and Dick Yale, Will Yale, and David Green of Coats Rose, P.C., Attorney for the District.

Director Guerrero called the meeting to order.

MINUTES OF THE MEETING OF 23 APRIL 2020

The minutes of the meeting of the Board held on 23 April 2020, previously distributed to the Board, were presented for consideration and approval. Mr. Bishop requested a revision to page 3 of the minutes. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 23 April 2020, as amended.

PEACE OFFICER'S REPORT

The Board reviewed the Peace Officer's Report as prepared by the Harris County Precinct 4 Constable's Office. A copy of the Peace Officer's Report 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.

FINANCIAL ADVISOR'S REPORT

Mr. Blich presented the Financial Advisor's Report.

Proposed Sale of Series 2020 Refunding Bonds. Mr. Blich reported on the proposed sale of refunding bonds by the District (the "Refunding Bonds"). He submitted to and reviewed with the Board a schedule prepared by the District's Financial Advisor with regard to the proposed refunding of portions of the District's Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2011 and Series 2012 (the "Refunding Schedule"). A copy of the Refunding Schedule is attached hereto as an exhibit to these minutes. Mr. Blich estimated that the District could potentially realize a present value savings of 4.610% through the sale of the Refunding Bonds.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Financial Advisor to prepare a Preliminary Official Statement for the Refunding Bonds.

Proposed Sale of Series 2020A Bonds. Mr. Blich then discussed with the Board the proposed sale of the District's Series 2020A Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds in the amount of \$4,520,000 to fund certain capital projects in the District, including: (1) the proposed rehabilitation of the District's sanitary sewer system; (2) the proposed replacement of ground storage tank No. 1 at Water Plant No. 1; and (3) the proposed purchase and installation of electronic water meters on the residential and commercial connections in the District (collectively, the "Capital Projects"). He submitted to and reviewed with the Board a set of schedules prepared by Blich regarding the proposed sale of the Series 2020A Bonds (the "Bond Sale Schedules"). A copy of the set of Bond Sale Schedules is attached hereto as an exhibit to these minutes. A discussion ensued regarding the Capital Projects and the financial information presented in the Bond Sale Schedules. Mr. Blich proposed that the Board authorize the District's Engineer to prepare and submit to the Texas Commission on Environmental Quality (the "Commission") a Bond Application Report (the "BAR") in connection with the proposed sale of the Series 2020A Bonds. He explained that submission of the BAR to the Commission would not obligate the District to sell the Series 2020A Bonds. Mr. Blich noted that the Commission's approval of the BAR, if granted, would remain in effect for one year.

Director Ehmann introduced a motion, seconded by Director Fratangelo, to authorize the District's Engineer to prepare the BAR. After discussion by the Board, Director Ehmann withdrew his motion. Then, after further discussion, upon a motion duly made and seconded, the Board voted unanimously to table discussion regarding the proposed sale of the Series 2020A Bonds.

DETENTION AND DRAINAGE FACILITIES REPORT

The President recognized Mr. Cloud, 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. Anandel, 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 97.5% of its 2019 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto. Ms. Anandel noted that Wheeler was requesting approval for eight checks written on the District's tax account.

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.

ENGINEER'S REPORT

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

Proposed Rehabilitation of Sanitary Sewer System – Phase 1 (the "Sewer Rehabilitation"). Mr. Bishop reported that J&C had completed the design of Phase 1 of the Sewer Rehabilitation project and had prepared the bid package for same.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to advertise for bids on of Phase 1 of the Sewer Rehabilitation project.

Summary of Costs for Proposed Sale of Series 2020A Bonds. The Directors continued their discussion regarding the proposed Capital Projects and the possible sale of the Series 2020A Bonds. No action was taken on this matter.

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.

CYBER SECURITY TRAINING

Mr. Yale reminded the Board that House Bill 3834 as approved by the 86th Texas Legislature (Regular Session – 2019) requires that local government employees and public officials must complete a certified cyber security training program (the "Security Training") no later than 14 June 2020. He stated that, to date, Directors Guerrero, Gobbell, Fratangelo, and Ehmann had completed the Security Training. Director Allard then informed the Board that she had completed the Security Training earlier this date. Attached hereto is a copy of a memorandum from the District's Attorney regarding the Security Training.

AMENDMENT TO AGREEMENT FOR SERVICES OF TAX ASSESSOR AND COLLECTOR (the "Amendment")

Next, Mr. Yale reviewed with the Board the proposed Amendment to the Agreement between the District and Wheeler for Services of Tax Assessor and Collector. Under the Amendment, he told the Board, Wheeler would maintain on its website certain information for the District as required of taxing units pursuant to Senate Bill 2 as approved by the 86th Texas Legislature – Regular Session (2019) to comply with Texas Tax Code Section 26.17, as amended. He stated that the annual cost to the District for this service to be provided by Wheeler under the Amendment would be \$1,200. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Amendment. A copy of the Amendment in the form approved by the Board is attached hereto as an exhibit to these minutes.

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY ("NHCRWA")

Mr. Yale distributed copies of a memorandum from the District's Attorney regarding the 4 May 2020 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 May 2020, a copy of which is attached hereto.

HOUSE BILL 3693 COMPLIANCE / ELECTRICITY CONSUMPTION

Mr. Yale reminded the Board that Chapter 2265 of the Texas Government Code requires Texas political subdivisions to record and make available their utility usage and costs pursuant to House Bill 3693 ("HB 3693") as approved by the 80th Texas Legislature in 2007. He then submitted for the Board's review the HB 3693 Report for the District for calendar year 2019 as prepared by P3. A copy of the HB 3693 Report is attached hereto as an exhibit to these minutes.

HARRIS-GALVESTON SUBSIDENCE DISTRICT (the "Subsidence District")

Mr. Yale reviewed with the Board a letter from the Subsidence District regarding the District's sponsorship of the Water Wise Program. A copy of the letter is attached hereto. After discussion, the Directors expressed their desire for the District to continue its sponsorship of the Water Wise Program.

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 101.7% and that the District has 893 service connections, including four vacant single-family residences. He noted that surface water received from the NHCRWA accounted for 98% of the water distributed to the District's customers during the period ending 16 April 2020.

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 12 May 2020, a copy of which is included with the Operator's Report.

2019 Drinking Water Quality Report (the "DWQR"). Mr. Zilko reviewed with the Board the draft DWQR as prepared by EDP. A copy of the draft DWQR is included with the Operator's Report. After review, upon a motion duly made and seconded, the Board voted unanimously to approve the DWQR, subject to review by the District's Attorney. A copy of the DWQR is attached hereto as an exhibit to these minutes.

Hurricane Preparedness – Auxiliary Generators. Ms. Zilko reported on the actions taken by the District's Operator to ensure the proper operation of the auxiliary generators (the "Generators") at the District's water plants and sanitary sewer lift stations in advance of hurricane season, which begins on 1 June 2020. He stated that fuel filtering and polishing had been completed after fuel testing of the Generators at the water plants indicated organic growth in the diesel fuel. Mr. Zilko then reported that load bank testing was performed on the Generator at Water Plant No. 2. He noted that the load bank testing indicated that the Generator had exceeded minimum performance requirements. He called to the Board's attention the test reports for the fuel testing and load bank testing, copies of which are included with the Operator's Report. Mr. Zilko

stated that load bank testing would soon be scheduled on the Generators for Water Plant No. 1 and the offsite lift station.

Request for Adjustment on Service Account. Mr. Zilko reported that the customer at 8127 Sunset Falls had requested an adjustment to their service account. He explained that a leaking toilet valve at the residence at resulted in water usage totaling 78,000 gallons during the January 2020 billing period. After discussion, the Board directed the District's Operator to credit the service account in an amount equal to the \$50 late fee that was paid in February 2020.

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.

The Directors recalled that at the Board meetings on 26 March and 23 April 2020 they had voted to (1) temporarily suspend the termination of water service to those accounts on the termination list (the "Terminations"); and (2) temporarily forgo the implementation of late payment fees on the delinquent service accounts (the "Fees") in view of the economic hardship being experienced by many Harris County residents as a result of the ongoing Coronavirus pandemic. Mr. Zilko called the Board's attention to a letter dated 30 April 2020 from Harris County Judge Lina Hidalgo, in which she requested that the directors of the water districts in Harris County extend to 1 June 2020 or later the suspension of the Terminations and forgoing the implementation of Fees. A copy of the letter is included with the Operator's Report. After discussion, the Directors agreed to (1) continue the actions described for the current billing cycle; and (2) resume the normal procedures for the Terminations and Fees in the next full billing cycle.

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.

Shutters on District Office (the "Shutters"). Mr. Schuett discussed with the Board the price quotes he had obtained for replacing three pairs of Shutters. He went on to say that he was continuing to investigate options for replacing the Shutters.

Walking Garden. The Board discussed the condition of the Walking Garden. After discussion, upon a motion duly made and seconded, the Board voted unanimously to

authorize a committee consisting of Director Gobbell and Mr. Schuett to review the Walking Garden and its appurtenances.

Proposals for Landscaping Services. The Board discussed with Mr. Schuett the proposals (the "Proposals") received earlier this year from six vendors to provide landscaping services at the District Office, the Walking Garden, and a vacant lot owned by the District. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Proposal submitted by Brookway Horticultural Services, Inc. ("Brookway"). A copy of the Brookway 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 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 payments of \$22,587.35 and \$21,136.03 from the City of Houston (the "City") for the District's share of sales tax collections during January and February 2020, 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.

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 May 2019
Attachments

1. Peace Officer's Report;
2. Schedule / proposed sale of Refunding Bonds;
3. Schedules / proposed sale of Series 2020A Bonds;
4. Detention Facilities Report;
5. Tax Assessor/Collector's Report;
6. Engineer's Report;
7. Memo / Cyber Security Training;
8. Amendment to Agreement for Services of Tax Assessor and Collector;
9. Memo / NHCRWA meeting;
10. P3 newsletter;
11. HB 3693 Report;
12. Letter from Houston-Galveston Subsidence District;
13. Operator's Report;
14. 2019 Drinking Water Quality Report;
15. District Office Report;
16. Proposal from Brookway Horticultural Services, Inc.; and
17. Bookkeeper's Report.