

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

27 August 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 27th day of August, 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 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; Roger Schuett, Office Manager for the District; and Lieutenant Michael Cohen, Sergeant Michael Gonzalez, and Deputy Thomas Ozio with the Harris County Precinct 4 Constable's Office (the "Constable's Office"). 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; 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 JULY 2020

The minutes of the meeting of the Board held on 23 July 2020, 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 23 July 2020, as written.

PEACE OFFICER'S REPORT

The President recognized Deputy Ozio, who presented the Peace Officer's Report, a copy of which is attached hereto. The Directors then discussed security related issues. Deputy Ozio mentioned to the Board that earlier this year the Harris County Commissioners Court had approved a 2.5% increase in the rates to be charged under the Security Service Contract, to be effective 1 March 2021. 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. Cloud, who 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. 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 98.97% of its 2019 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 seven 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:

Rehabilitation of Sanitary Sewer System – Phase 1 (the "Sewer Rehabilitation"). The Board discussed the contract with T. Gray Utility & Rehab Co., LLC (called "TGU") for the Sewer Rehabilitation. Mr. Bishop reported that on 11 August 2020 the District's Engineer conducted the pre-construction meeting with TGU and issued the Notice to Proceed on the Sewer Rehabilitation. A copy of the Notice to Proceed is included with the Engineer's Report. He continued that TGU is expected to mobilize in September 2020 and begin issuing the required door hangers and notices prior to accessing the sanitary sewer lines located on residential property in the District.

Kleinwood Joint Powers Board ("KJPB") / Reclaimed Water System Project (the "RWS Project"). Mr. Bishop noted that the District's Engineer attended the Board of Directors meeting conducted by teleconference on 14 August 2020 with representatives of the KJPB to discuss the RWS Project. A discussion ensued regarding the District's financial commitment to the RWS Project and the schedule for the recovery by the District of its pro-rata capital cost for same pursuant to the Reclaimed Water Supply Agreement (the "RWS Agreement") by and among the KJPB, the District, Champions Municipal Utility District, Cypress Forest Public Utility District, Cy-Champ Public Utility District, Harris County Water Control & Improvement District No. 114, and Louetta North Public Utility District. The Directors expressed their desire to schedule a special meeting of the Board to discuss this matter with Bill Blich of Blich Associates, Inc., the District's Financial Advisor. The Board discussed the RWS Agreement again later in the meeting during the presentation of the Attorney's Report.

[Subsequent to this meeting, the Directors agreed to meet via teleconference at 2:00 p.m. on Friday, 18 September 2020.]

Water Plant Improvements / One-year Warranty Inspection. The Directors discussed the contract with DSP Industrial, Inc. 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 (the "Water Plant Improvements"). Mr. Bishop reported that J&C performed the one-year warranty inspection on the Water Plant Improvements on 12 August 2020. No warranty items were identified during the inspection, he told the Board. Included with the Engineer's Report is a copy of a letter dated 13 August 2020 from the District's Engineer regarding the one-year warranty inspection.

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 reported that J&C was reviewing 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, a copy of which is attached hereto.

ATTORNEY'S REPORT

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

DEVELOPMENT STATUS OF THE DISTRICT

Mr. Yale informed the Board that pursuant to Section 49.236 of the Texas Water Code as amended by Senate Bill 2 ("SB 2") as approved by the 86th Texas Legislature – Regular Session (2019), the District must determine whether it is a "developed district" or a "developing district" with regard to the Truth-In-Taxation requirements

promulgated by SB 2. He stated that the District's Engineer had confirmed that the District was a developed district because to date the District has financed, completed, and issued bonds to pay for all land, works improvements, and appliances necessary to serve at least 95% of the projected build-out of the District. Mr. Yale submitted for the Board's review and approval a RESOLUTION DECLARING DEVELOPMENT STATUS OF DISTRICT FOR 2020 TAX YEAR. He explained that the Resolution states that the Board has declared the District to be a developed district as defined by Section 49.23602 of the Texas Water Code for the 2020 tax year. After discussion, upon a motion duly made and seconded, the Board voted unanimously to adopt the Resolution, a copy of which is attached hereto and shall be considered to be part of these minutes.

AMENDMENT TO INFORMATION FORM

Then, Mr. Yale submitted for the Board's review and approval an Amendment to the District's Information Form (the "Amendment"). He explained that the Amendment states the aggregate initial principal amount of all bonds and refunding bonds payable in whole or in part from taxes that have been previously issued by the District, including the District's Series 2020 Refunding Bonds (the sale of which was completed on 5 August 2020). Mr. Yale noted that the Amendment will be filed with the Texas Commission on Environmental Quality 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.

PROPOSAL FOR ARBITRAGE COMPLIANCE PROGRAM

Mr. Yale reviewed with the Board the proposal (the "Proposal") submitted by Arbitrage Compliance Specialists, Inc. for the arbitrage compliance and project fund yield restriction compliance program that addresses requirements of the U.S. Treasury Department and the U.S. Internal Revenue Service with regard to the District's Series 2020 Refunding Bonds. Mr. Yale stated that the estimated cost for the initial analysis is \$450. A discussion ensued regarding the Proposal. The Board then deferred consideration of the Proposal to a future meeting of the Board.

RWS AGREEMENT, continued

The Directors returned to their earlier discussion regarding the RWS Agreement and the RWS Project. In response to a question from the Board, Mr. Dick Yale noted that the RWS Agreement would automatically terminate if (1) the bid of the contractor for the RWS Project exceeds \$1,750,000; (2) the parties to the RWS Agreement do not agree within 45 days of the delivery of the bid details to proceed with the construction of the Producer System Project as defined in the RWS Agreement; and (3) the parties to the RWS Agreement to not agree to extend the RWS Agreement.

AGREEMENT FOR LANDSCAPING SERVICES

Mr. Will Yale reported that the District's Attorney was working with Brookway Horticultural Services, Inc. ("Brookway") to revise and finalize the agreement between Brookway and the District to provide landscaping services at the District Office, the Walking Garden, and a vacant lot owned by the District at 7715 Kleingreen Lane.

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY ("NHCRWA")

Mr. Yale distributed copies of a memorandum from the District's Attorney regarding the 3 August 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 11 August 2020, a copy of which is attached hereto.

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

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 99.5% and that the District has 893 service connections, including three vacant single-family residences. He noted that surface water received from the NHCRWA accounted for 56% of the water distributed to the District's customers during the period ending 20 July 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 17 August 2020, a copy of which is included with the Operator's Report.

Request for Adjustment to Utility Service Account. Mr. Zilko reported that the customer at 7602 Friars Court had requested an adjustment to their service account for unusually high water usage in the June and July 2020 billing periods that resulted from a leak in their irrigation system. The Board, citing the District's policy not to grant

adjustments on service accounts in situations in which the water has passed through the water meter, declined to take any action on this matter.

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.

REPORT ON OPERATION OF DISTRICT OFFICE

The President recognized Mr. Schuett, who presented the report concerning the District Office (the "Office Report"), as follows:

Shutters on the District Office (the "Shutters"). Mr. Schuett reported on the condition of the Shutters. After discussion, the Board authorized Mr. Schuett to remove and replace two Shutters and act as needed to enhance the appearance of all the Shutters.

Walking Garden. Mr. Schuett reported on the condition of the Walking Garden. After discussion, the Board authorized Mr. Schuett to purchase ground cover for the Walking Garden at a cost not to exceed \$1,000.

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 \$25,040.52 from the City of Houston (the "City") for the District's share of sales tax collections during May 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 27 August 2020
Attachments

1. Peace Officer Report;
2. Detention Facilities Report;
3. Tax Assessor/Collector's Report;
4. Engineer's Report;
5. RESOLUTION DECLARING DEVELOPMENT STATUS OF DISTRICT FOR 2020 TAX YEAR;
6. Amendment to the District's Information Form;
7. Memo / NHCRWA;
8. P3 Newsletter;
9. Operator's Report; and
10. Bookkeeper's Report.