

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

25 July 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 25th day of July, 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, thus constituting a quorum.

Also present were: René Andel of Wheeler & Associates, Inc. ("Wheeler"), Tax Assessor/Collector for the District; Jennifer Day of McCall Gibson Swedlund Barfoot, PLLC ("McCall"), Auditor for the District; 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; Tom Dillard representing Champions Hydro-Lawn, Inc. ("CHL"); Sergeant Jonathan Zitzmann and Deputy Demon Callier with Harris County Precinct 4 Constable's Office (the "Constable's Office"); 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 Guerrero called the meeting to order.

MINUTES OF THE MEETING OF 27 JUNE 2019

The minutes of the meeting of the Board held on 27 June 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 27 June 2019 as written.

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. 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 called the Board's attention to photographs taken of certain trees in the Detention Pond site that have branches overhanging the backyard property line of several residences on Barretts Crossing Drive (the "Overhanging Branches"). Copies of the photographs are included in the Detention Facilities Report. The Directors recalled that the Board had previously authorized CHL to trim the Overhanging Branches at 16902 Barretts Crossing Drive and assess the condition of the other Overhanging Branches at a cost not to exceed \$750. Mr. Dillard then informed the Board that erosion was occurring on both sides of a storm sewer inlet on Kleinwood Drive near the southwest corner of the District Office site. Mr. Bishop remarked that the erosion around the storm sewer inlet would need to be addressed by Harris County. 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 99.1% 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 10 checks written on the District's tax account, said checks including the transfer of \$2,316.90 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.

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 had achieved substantial completion of the GST project and had addressed most of the minor punch list items that were noted during the 20 June 2019 inspection. He stated that the GST project would be closed out upon the completion of the turf establishment and receipt by J&C of the required Operation and Maintenance manuals.

Mr. Bishop then presented the Board with the Certificate of Substantial Completion for the GST project. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Certificate of Substantial Completion, a copy of which is attached hereto as an exhibit to these minutes.

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 (the "HPT Recoating"); and (2) the touch-up recoating of the exterior of the ground storage tank No. 1 ("GST No. 1") at Water Plant No. 2. Mr. Bishop reported that DSP was continuing with the touch-up recoating of GST No. 1. He noted that DSP had completed the HPT Recoating on hydropneumatic tanks Nos. 2 and 3, and was working to complete the interior recoating of hydropneumatic tank No. 1.

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 had substantially completed the Televised Inspection of the sanitary sewer line segments located north of Louetta Road and was now working on the sanitary sewer line segments located in the Kleinwood Subdivision. During this month, said Mr. Bishop, CSI had submitted video of approximately 15,000 linear feet of sanitary sewer line and 76 manholes for review by J&C. He added that the District's Engineer was reviewing the videos and would present a recommendation for payment of acceptable work at the Board's meeting on 22 August 2019.

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 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 Darby Real Estate Investments, L.P. ("Darby") for service to

and annexation of a 9.68-acre tract at 15919 Stuebner Airline Road. He reported that J&C had received the required \$5,000 deposit from Darby for the review of the proposed development plan for Meyer Park at Champion Forest. Mr. Bishop added that, to date, J&C had not received any further correspondence from Darby.

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 "Tract"), in which his State Farm Insurance office is located. Mr. Bishop stated that J&C had provided Mr. Reeves with the Application for Service and explained the procedures for receiving utility service from the District. According to Mr. Reeves, he continued, a \$3,300 application fee was paid by Mr. Reeves to the District in 2006 in connection with the future provision of utility service to the Tract by the District. Mr. Bishop noted that the District currently charges a fee of \$2,500 in connection with an Application of Service. He inquired if the Board desired to accept the application fee that was previously paid or require Mr. Reeves pay a new application fee of \$2,500. The Board deferred action on this matter pending submission of the Application for Service by Mr. Reeves.

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.

RESCHEDULE BOARD OF DIRECTORS MEETINGS

Consideration was given to rescheduling the 28 November 2019 Board meeting in view of the Thanksgiving holiday. After discussion, the Directors agreed to meet on 21 November 2019.

The Directors then considered rescheduling the 26 December 2019 Board meeting in view of the Christmas holiday. After discussion, the Directors agreed to meet on 19 December 2019.

86TH TEXAS LEGISLATURE

Mr. Yale submitted to and reviewed with the Board a memorandum prepared by the District's Attorney that summarizes certain bills approved by the 86th Texas Legislature – Regular Session (2019) regarding certain information that will be required to be posted on water district websites. A copy of the memorandum is attached to and shall be considered to be part of these minutes.

Mr. Yale then reviewed with the Board a letter dated 26 June 2019 from Coats Rose to the District's Operator regarding Senate Bill 239 ("SB 239") as approved by the 86th Texas Legislature. A copy of the letter is attached hereto as an exhibit to these

minutes. Pursuant to SB 239, he told the Board, the following statement must be included on the bills that the District's Operator sends to the District's customers: "For more information about the district, including information about the district's board and board meetings, please go to the Comptroller's Special Purpose District Public Information Database (spdpid.comptroller.texas.gov) or www.kleinwoodmud.com."

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY ("NHCRWA")

Mr. Yale distributed copies of a memorandum from the District's Attorney regarding the 1 July 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 9 July 2019, a copy of which is attached hereto. The Board directed the District's Attorney to confirm with P3 the termination date of the bridge contract for electricity service, under which the District is receiving electricity service from Constellation NewEnergy, Inc. as a member of P3, after which time the District's electrical load would be included in P3's aggregation pool contract for the 2020-2022 procurement period.

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 95.0% and that the District has 890 service connections, including three vacant single-family residences. He noted that surface water received from the NHCRWA accounted for 45% of the water distributed to the District's customers during the period ending 13 June 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 July 2019, a copy of which is included with the Operator's Report.

Request for Adjustment / 7610 Litchfield Lane. Mr. Zilko reported that a customer had requested an adjustment to the service account for the residence located at 7610 Litchfield Lane (the "Residence") for the April and May 2019 billing periods. Copies of the correspondence from the customer are included with the Operator's Report. He reviewed the account history for the Residence and noted that the customer was billed for 37,000 gallons of water usage during April 2019 and for 60,000 gallons of water usage during May 2019. Mr. Zilko remarked that the customer had purchased the Residence to renovate and resell it, and that remodeling workers have been working on the Residence. He noted that the customer did not have a plumber investigate the Residence for possible water line leaks. Mr. Zilko stated that the meter field accuracy test performed by EDP confirmed that the water meter serving the Residence is registering the flow of water with 100% accuracy. After discussion, the Board declined to take any action on this matter.

Water Well No. 1 ("Well No. 1"). Mr. Zilko reported that the water flow meter (the "Meter") on Well No. 1 was found to be registering the flow of groundwater at a greater gallons per minute value than the actual quantity of groundwater being produced. He explained that the over-registration was caused by trapped air around the Meter on the well header pipe. After the air was expelled, he continued, the Meter accurately registered the production of groundwater by Well No. 1. Mr. Zilko stated that EDP will install an air release valve on the header pipe near the Meter to ensure the proper registration of groundwater production by Well No. 1.

NHCRWA / Water Quality Issues. Mr. Zilko reviewed with the Board a statement from the Authority regarding recent taste and odor issues with treated surface water being delivered by the Authority. A copy of the statement is included with the Operator Report.

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.

Request for Proposal / Landscaping Services. Mr. Schuett reported on the status of the Request for Proposal form for landscaping services at the District Office and the Walking Garden (the "RFP Form"). Mr. Schuett stated that he would soon distribute the RFP Form to several vendors.

Air Conditioning System. Director Fratangelo expressed his concern that certain organizations or homeowner associations (collectively, the "Organizations") have left the thermostat for the air conditioning system at the District Office set at 68 degrees after they have concluded their meetings at the District Office. He proposed that the District (1) install a programmable thermostat in the District's Office that would automatically revert to 78 degrees after a certain amount of time or could be monitored and controlled remotely; or (2) transmit a letter to the Organizations reminding them to reset the thermostat at 78 degrees at the conclusion of their meetings (the "Letter").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Mr. Schuett to transmit the Letter to the Organizations.

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 \$22,855.74 from the City of Houston (the "City") for the District's share of sales tax collections during April 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.

ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED 31 MARCH 2019

The President recognized Ms. Day, who submitted to and reviewed with the Board the draft Annual Financial Report for the District (the "Report") for the fiscal year ended 31 March 2019 (the "Fiscal Year"). She reviewed with the Board (1) the District's combined fund balances as of the end of the Fiscal Year; (2) the District's total net assets; (3) the District's capital assets; (4) the amount of the District's bonded debt payable; (5) the Notes to Financial Statements; and (6) the Statement of Net Position and Governmental Funds Balance Sheet. Ms. Day reviewed with the Board the draft Management Letter prepared in connection with the Report.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to: (1) approve the draft of the Annual Financial Report for the District for the fiscal year ended 31 March 2019, subject to review and comment by District's Directors and consultants; (2) authorize Ms. Day to finalize the Annual Financial Report; (3) authorize Director Guerrero to execute the Letter of Representations to McCall; and (4) authorize Coats Rose, P.C., to file the finalized Annual Financial Report with the Texas Commission on Environmental Quality and other governmental and regulatory agencies as required. A copy of the draft Annual Financial Report is filed in the permanent records of the District. Attached hereto as exhibits to these minutes are copies of (1) a letter dated 25 July 2019 from the District's Attorney in connection with the Annual Financial Report; and (2) the Letter of Representations.

REVIEW OF DISTRICT'S INVESTMENT POLICY

Next, the Board reviewed the District's investment strategies, pursuant to the requirements of the Public Funds Investment Act. The Board reviewed the strategies for each of the District's accounts. The Board also reviewed the List of Authorized Brokers included as Exhibit "A" to the RESOLUTION EVIDENCING REVIEW OF INVESTMENT POLICY AND INVESTMENT STRATEGIES. After discussion, upon a motion duly made and seconded, the Board voted unanimously to adopt the Resolution, a copy of which is attached hereto as an exhibit to these minutes.

KLEINWOOD JOINT POWERS BOARD ("KJPB")

Director Fratangelo presented a report on the activities of the KJPB. He stated that the KJPB was preparing to receive bids for the construction of the reclaimed water supply project.

KLEINWOOD MAINTENANCE FUND ("KMF")

Director Gobbell presented a report on the activities of the KMF.

PUBLIC ROADWAYS IN THE DISTRICT

The Directors briefly discussed matters relating to the Survey of Pavement and Curb Issues Found on Public Roadways in the District (the "Road Survey") as prepared by J&C and presented at the Board's meeting on 25 January 2018. In response to a question from Director Ehmann, Mr. Bishop stated that Harris County Precinct 4 had addressed the issues listed in the Road Survey that it deemed to be necessary. The Directors expressed their desire to review the condition of the public roadways in the District at a future meeting of the Board.

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




Secretary, Board of Directors

Kleinwood Municipal Utility District
Meeting of 25 July 2019
Attachments

1. Peace Officer's Report;
2. Detention and Drainage Facilities Report;
3. Tax Assessor/Collector's Report;
4. Engineer's Report;
5. Engineer's Report / Photographs;
6. Certificate of Substantial Completion / GST project;
7. Coats Rose memo / 86th Texas Legislature / website requirements;
8. Coats Rose letter to Environmental Development Partners / language to be included on bills to customers;
9. Coats Rose memo / NHCRWA;
10. P3 newsletter;
11. Operator's Report;
12. Delinquent Accounts Report;
13. District Office Report;
14. Bookkeeper's Report;
15. Coats Rose letter / Annual Financial Report for FYE 31 March 2019;
16. Letter of Representations / Annual Financial Report for FYE 31 March 2019; and
17. RESOLUTION EVIDENCING REVIEW OF INVESTMENT POLICY AND INVESTMENT STRATEGIES.