

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

22 August 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 22nd day of August, 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 Allard, thus constituting a quorum.

Also present were: René Andel of Wheeler & Associates, Inc. ("Wheeler"), the Tax Assessor/Collector for the District; Bill Blich with Blich Associates, Inc. ("Blich"), the District's Financial Advisor; Jeffrey Bishop, P.E., 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"); Randy Reeves and Cindy Reeves, an interested party; and Dick Yale, 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 25 JULY 2019

The minutes of the meeting of the Board held on 25 July 2019, previously distributed to the Board, were presented for consideration and approval. Mr. Green noted that Mr. Bishop had 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 25 July 2019, as amended.

PEACE OFFICER'S REPORT

Mr. Will Yale distributed copies of 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. Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Peace Officer's Report.

CONSIDER SETTING TAX RATE FOR 2019

Next, the Board discussed the proposed tax rate for the 2019 tax year (the "Tax Rate"). Mr. Blitch submitted to and reviewed with the Board a copy of the 2019 Tax Rate Analysis as prepared by Blitch. A copy of the 2019 Tax Rate Analysis is attached hereto as an exhibit to these minutes. Mr. Blitch recommended that the Board consider setting a debt service tax rate of \$0.276 per \$100 of assessed valuation for the 2019 tax year. He then noted that (1) a maintenance tax rate of \$0.109 per \$100 of assessed valuation would generate approximately \$408,598 in maintenance tax revenue at a collection rate of 98%; and (2) a maintenance tax rate of \$0.136 would generate approximately \$509,810 in maintenance tax revenue at a collection rate of 98%. A discussion ensued regarding the Tax Rate. Mr. Blitch expressed his view that the maintenance tax rate would need to be adequate to maintain a balance in the District's Operating Fund sufficient to pay for future possible capital improvement projects. Mr. Yale then reviewed the procedures that the District would have to follow in setting the 2019 Tax Rate for the District.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize publication of the tax rate calculation showing a debt service rate of \$0.276 per \$100 valuation and a maintenance tax rate of \$0.119 per \$100 valuation for a combined tax rate of \$0.395 per \$100 valuation. The Board agreed that the tax rate hearing would be held on 26 September 2019.

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. 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.

DETENTION AND DRAINAGE FACILITIES REPORT

The President recognized Mr. Dillard, who presented the Detention and Drainage Facilities Report 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 as performed by CHL. Mr. Dillard reported that CHL

had trimmed and raised the canopy of certain trees in the Detention Pond site that had branches overhanging the backyard property line of several residences on Barretts Crossing Drive. A discussion ensued regarding the condition of the Walking Garden. Director Gobbell expressed his view that the southeast corner of the Walking Garden site needed to be kept clear of vegetation in order to prevent visibility issues for motorists at the corner of Litchfield Lane and Squyres Road. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Detention Facilities Report.

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 completed the punch list items that were noted during the 20 June 2019 inspection. He informed the Board that the GST project was ready for close-out.

Mr. Bishop then submitted for the Board's review the Certificate of Acceptance for the GST project as prepared by the District's Engineer. He recommended to the Board that the one-year warranty period for the GST project commence on 2 July 2019. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize execution of the Certificate of Acceptance for the GST project. A copy of the executed Certificate of Acceptance is attached hereto as an exhibit to these minutes.

Then Mr. Bishop reported that DN Tanks had submitted Pay Estimate No. 12 and FINAL in the amount of \$49,059.50 in connection with the GST project. A copy of Pay Estimate No. 12 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. 12 and FINAL.

Mr. Bishop reported that J&C had conferred with the District's Operator to determine the additional quantity of water that was needed to re-fill the GST following the leak that occurred during the GST project (the "Construction Leak"). The estimated water loss resulting from the Construction Leak totaled approximately 400,000 gallons, he told the Board. Accordingly, said Mr. Bishop, DN Tanks will provide payment to the District in the amount of \$1,720.00 as reimbursement for the cost of water lost through the Construction Leak.

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 that were noted during the inspection conducted on 15 August 2019. He stated that J&C plans to close out the Water Plant Improvements project in September 2019.

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 now working on the sanitary sewer line segments located in the Kleinwood Subdivision. He stated that in July 2019 CSI had submitted video of approximately 15,000 linear feet of sanitary sewer line and 76 manholes for review by J&C (the "Videos"). Mr. Bishop remarked that J&C had rejected the Video for 23 of the manholes, as well as the Video for 1,512 linear feet of sanitary sewer line. CSI was directed to re-complete and resubmit the rejected Videos, he told the Board. On 14 August 2019 CSI submitted Video for an additional 15,000 linear feet of sanitary sewer line, he continued, and J&C found said Video to be acceptable.

Director Gobbell inquired as to whether CSI had placed door hangers at the residences in the District where the sanitary sewer service might be affected by the Televised Inspection. Mr. Bishop stated that he would look into this matter.

Mr. Bishop then reported that CSI had submitted Pay Estimate No. 1 in the amount of \$20,840.08 in connection with the Televised Inspection. A copy of Pay Estimate No. 1 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.

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 Ollie Hilliard of Darby Real Estate Investments, L.P. ("Darby") for service to and annexation of a 9.68-acre tract at 15919 Stuebner Airline Road (the "Darby Tract"). He reported that the District's Engineer had met with Ms. Hilliard and the consultants for Darby on 30 July 2019 to discuss certain outstanding issues relating to the submitted development plans (the "Development Plans") for the proposed multi-family residential development (the "Development"). Mr. Bishop recalled that the District's Engineer had informed Ms. Hilliard that the Board would not be interested in annexing and serving the Darby Tract with the Development as currently proposed. Ms. Hilliard and the consultants for Darby agreed to address the concerns regarding stormwater flow and possible flooding in the Development as outlined by the District's Engineer, said Mr. Bishop, and planned to resubmit revised Development Plans for review by J&C.

Request for Service / State Farm Insurance Office at 7702 Louetta Road. The Board discussed the request from Mr. 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 Mr. Reeves had submitted the completed Application for Service, a copy of which is included with the Engineer's Report. He added that the District's Engineer offered no objection to the Application for Service and the proposed service to the Tract, provided that: (1) engineering plans (the "Plans") that are signed and sealed by a licensed professional engineer will be submitted by the applicant and are approved by the District's Engineer and Operator; and (2) the Plans show the proposed points of connection for water and sanitary sewer service, the proposed expansion of the existing building in the Tract, and the abandonment of the existing private water well and septic system in the Tract.

Mr. Bishop then recalled that Mr. Reeves had paid a \$3,300 application fee to the District in 2006 in connection with the future provision of utility service to the Tract by the District. He 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 require Mr. Reeves pay a new application fee of \$2,500.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) approve the Application for Service subject to the receipt by the District's Engineer of Plans that meet the conditions as described above; (2) accept the application fee paid by Mr. Reeves in 2006; and (3) waive the requirement for Mr. Reeves to pay a new application fee.

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. Will Yale, who presented the Attorney's Report.

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) that would affect (1) the operation of the District; (2) the sale of bonds by the District; (3) annexation of property by municipalities; and (4) contracting and procurement by the District. A copy of the memorandum 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 5 August 2019 meeting of the NHCRWA board of directors. A copy of the memorandum is attached hereto.

POWER SUPPLY ISSUES / PUBLIC POWER POOL ("P3")

The Directors then 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 13 August 2019, a copy of which is attached hereto. He then reviewed with the Board an electronic mail message dated 29 July 2019 from David Quin of P3, a copy of which is attached hereto as an exhibit. According to Mr. Quin, he told the Board, the current bridge contract with Constellation NewEnergy, Inc. which includes the District will run through 31 December 2019. The District's energy load was included in P3's procurement for January 2020 through December 2022, said Mr. Yale, and the District will be included in the group-wide contract with the Texas General Land Office as represented by Cavallo Energy. According to Mr. Quin, he continued, P3 has forecast a reduction in the District's total electricity costs of \$2,581 in calendar year 2020 as compared with 2019, reflecting a 11.1% reduction in the commodity rate for the District as negotiated by P3 in its most recent group-wide procurement.

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

Next, Mr. Dick Yale submitted to and reviewed with the Board the proposed Legal Services Agreement between the District and Coats Rose. Under the proposed Legal Services Agreement, he explained, the District would be charged a flat monthly fee, plus usual and normal meeting, travel and operational expenses, for certain general legal services as set forth in the Legal Services Agreement. For costs associated with new development, election matters, or special projects, he continued, the District would consult with the District's Engineer and would establish a deposit to cover the anticipated legal costs (the "Deposit"). He explained that the Deposit would be required to be replenished from time-to-time as necessary. Mr. Yale stated that the District's Attorney would bill the District based on actual time required for handling election matters, new development, and special projects. He then discussed with the Board the fee for the services to be rendered relating to the issuance of bonds of the District.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Legal Services Agreement and to authorize execution of same. A copy of the executed Legal Services Agreement is attached hereto and shall be considered to be part of these minutes.

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 92.3% 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 85% of the water distributed to the District's customers during the period ending 15 July 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 14 August 2019, a copy of which is included with the Operator's Report.

Fire Hydrant Flow Testing. Mr. Zilko reported on the inspection and flow testing performed during July 2019 on the fire hydrants (the "Hydrants") in the District. He reviewed with the Board the Fire Hydrant Inspection Report as prepared by the District's Operator, a copy of which is included with the Operator's Report. Mr. Zilko informed the Board that 19 Hydrants were in need of repair at an estimated cost of \$5,681.00 (the "Hydrant Repairs"). He noted that the Hydrant located at 7602 Heathrow Lane had been removed and replaced because the lower unit was deemed to be beyond repair.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Operator to proceed with the Hydrant Repairs.

Water Well No. 1 ("Well No. 1") / Air Release Valve. Mr. Zilko reported that the District's Operator had installed a new 2-inch air release valve (the "Valve") on the header pipe near the water flow meter on Well No. 1 (the "Meter"). He noted that the Meter was accurately registering the quantity of groundwater produced by Well No. 1 following the installation of the Valve.

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"), a copy of which is attached hereto.

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

LANDSCAPING AT DISTRICT WATER PLANTS

The Directors briefly discussed the condition of the grass and shrubberies at the District's Water Plant Nos. 1 and 2 (the "Landscaping"). Director Fratangelo remarked that the Landscaping appeared to be in need of watering. Director Gobbell stated that he would follow up with the District's Operator regarding this matter.

DISTRICT WEBSITE

The Directors briefly discussed matters relating to the District's internet website (the "Website"). Mr. Will Yale stated that the District's Attorney would (1) review the Website with regard to identifying information that was out-of-date; and (2) provide current information and documents as needed to The Texas Network, L.L.C, the District's Webmaster, for posting on the Website.

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 \$2,316.90 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.

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.

CAPITAL IMPROVEMENTS ALLOCATION ACCOUNT

Consideration was then given to transferring funds from the District's Operating Fund to the District's Capital Improvements Allocation Account (a sub-account in the District's Operating Fund for the purpose of funding certain capital expenditure items, herein the "CIA Account"). The Directors discussed at length the amount to be transferred to the CIA Account.

After discussion, upon a motion duly made and seconded, the Board voted 3 to 1, with Directors Fratangelo, Gobbell, and Guerrero voting in favor, and Director Ehmann opposed, to transfer \$300,000 to the CIA Account.

INVESTMENT OFFICER

A discussion ensued regarding the District's Investment Officer. Mr. Yale stated that the District's Attorney would review the minutes of the meetings of the Board and confirm whether the Board had appointed a Director to serve as Investment Officer in addition to the District's Bookkeeper.

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 in September 2019 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 22 August 2019
Attachments

1. Peace Officer's Report;
2. 2019 Tax Rate Analysis;
3. Tax Assessor/Collector's Report;
4. Engineer's Report;
5. Certificate of Acceptance / GST Project;
6. Pay Estimate No. 12 and FINAL / GST Project;
7. Pay Estimate No. 1 / Water Plant Improvements;
8. Coats Rose memo / 86th Texas Legislature;
9. Coats Rose memo / NHCRWA;
10. P3 newsletter;
11. Email from P3;
12. Legal Services Agreement with Coats Rose, P.C.;
13. Operator's Report;
14. District Office Report; and
15. Bookkeeper's Report.