

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

19 December 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 special session, open to the public, on the 19th day of December, 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: Darce Ahlschlager of Wheeler & Associates, Inc. ("Wheeler"), the Tax Assessor/Collector 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; Les Griffith and T.J. Cloud representing Champions Hydro-Lawn, Inc. ("CHL"); Sergeant Michael Gonzales and Deputy Thomas Ozio with Harris County Precinct 4 Constable's Office (the "Constable's Office"); Will Yale and David Green of Coats Rose, P.C., Attorney for the District; and Tom Liewer, a resident of the District.

Director Guerrero called the meeting to order.

MINUTES OF THE MEETING OF 21 NOVEMBER 2019

The minutes of the meeting of the Board held on 21 November 2019, previously distributed to the Board, were presented for consideration and approval. Director Ehmann requested a revision to page 2 of the minutes. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 21 November 2019, as amended.

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

Security Service Contract

Next, the Board considered approval of the Security Service Contract with Harris County for the term of 1 March 2020 through 28 February 2021 (the "Contract"). Mr. Yale remarked that the form of the Contract, except for the price, was the same as for the previous Contract term. Mr. Yale called the Board's attention to Section 3.1 of the Contract. He pointed out to the Board that the annual cost to the District for the assignment of two Deputy Constables on a 70% basis under the Contract would total \$145,106.00, which represents an increase of 4.9% from the previous Contract term. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Contract and to authorize Director Guerrero to execute same. A copy of the Contract as executed by the Board is attached hereto as an exhibit to these minutes.

DETENTION AND DRAINAGE FACILITIES REPORT

The President recognized Mr. Griffith, 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. Ahlschlager, 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 99.4% of its 2018 taxes and 8.3% of its 2019 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto. Ms. Ahlschlager noted that Wheeler was requesting approval for four checks written on the District's tax account, and two transfers by wire as follows: a transfer of \$16,628.97 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$40,000.00 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. Ahlschlager 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.

ENGINEER'S REPORT

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

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 the Televised Inspection project was nearing completion, with video of six manholes remaining to be submitted to J&C for review. Mr. Bishop noted that CSI had submitted video of approximately 7,984 linear feet of sanitary sewer line segments and 145 manholes to the District's Engineer for review. During the review of the videos, he continued, J&C identified an obstruction at the end of a 24-inch sanitary sewer line segment located at King Arthur Lane and Squyres Road (the "Obstruction"). Mr. Bishop called the Board's attention to photographs of the Obstruction, copies of which are included with the Engineer's Report. He went on to say that J&C provided the District's Operator with information regarding the Obstruction so that the necessary repairs could be performed on the affected sanitary sewer line segment.

Mr. Bishop then reported that CSI had submitted Pay Estimate No. 5 in the amount of \$17,501.25 in connection with the Televised Inspection project. A copy of Pay Estimate No. 5 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. 5.

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.

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY ("NHCRWA")

Mr. Yale distributed copies of a memorandum from the District's Attorney regarding the 2 December 2019 meeting of the NHCRWA board of directors (the "NHCRWA Board"). A copy of the memorandum is attached hereto. Mr. Yale pointed out to the Directors that the NHCRWA Board had voted to (1) increase the groundwater pumpage fee from \$3.85 per 1,000 gallons ("k/gal") of groundwater pumped by water districts in its jurisdiction to \$4.25 per k/gal; and (2) increase the surface water delivery fee from \$4.30 per k/gal to \$4.70 per k/gal of surface water purchased from the Authority (collectively, the "Fee Increases"). He stated that the Fee Increases would be effective on 1 April 2020.

Then Mr. Yale submitted to and reviewed with the Board a memorandum from the District's Attorney regarding the directors election to be held by the NHCRWA on 3 November 2020 (the "NHCRWA Election"). A copy of the memorandum is attached hereto as an exhibit to these minutes. He explained that the NHCRWA is divided into five single-member voting districts and that qualified voters residing in each voting district may cast a ballot in the NHCRWA Election for their respective voting district. Mr. Yale remarked that the terms of the NHCRWA directors for voting district Nos. 3, 4, and 5 will be up for election on 3 November 2020. He noted that the District is located in voting district No. 4, for which Al Rendl is currently serving as the NHCRWA director.

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 December 2019, a copy of which is attached hereto.

STRATEGIC PARTNERSHIP AGREEMENT WITH CITY OF HOUSTON

The Board discussed matters relating to the Strategic Partnership Agreement (the "SPA") with the City of Houston (the "City") for limited purpose annexation of commercial property in the District. Mr. Yale reported that the City had provided the District's Attorney with a list of commercial entities in the District (the "Business List") to review in connection with the required annual update of the Business List. He noted that the Business List had been forwarded to Ryan Fortner of Wheeler for review and

verification. A copy of the Business List as received from the City 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 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 106.9% 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 99% of the water distributed to the District's customers during the period ending 13 November 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 9 December 2019, a copy of which is included with the Operator's Report.

Relocation of Fire Hydrant (the "Hydrant"). Mr. Zilko reported that the Hydrant in front of the Spring Klein Sports Batting Cages on the east side of Kleinwood Drive was recently relocated by the District's Operator across the street to the west side of Kleinwood Drive. He explained that the Hydrant was relocated following the breaking of the 6-inch water supply line that passed under Kleinwood Drive. A new connection for the relocated Hydrant was made with the main water line on the west side of Kleinwood Drive, he continued, and the old tee was plugged after the isolation valve was removed from the tee.

Sanitary Sewer Line Repairs. Mr. Zilko reported that EDP recently completed repairs on two sanitary sewer lines. The 8-inch concrete sanitary sewer line at the manhole invert at 16414 Kleinwood Drive was repaired following the Televised Inspection performed in that area by CSI, said Mr. Zilko. He then reported that a point repair was performed on the sanitary sewer line located in the easement behind 7706 Feliciana Lane following a residential service tap failure.

NHCRWA. Mr. Zilko informed the Board that effective 1 April 2020: (1) the groundwater pumpage fee levied by the NHCRWA will increase to \$4.25 per k/gal of groundwater pumped by water districts in its jurisdiction; and (2) the surface water delivery fee charged by the NHCRWA (the "Delivery Fee") will increase to \$4.70 per k/gal of surface water purchased from the NHCRWA. Mr. Zilko then reminded that

Board that pursuant to the District's Consolidated Rate Order, the District imposes on its customers a monthly charge (the "NHCRWA Charge") that is equivalent to the NHCRWA's then current Delivery Fee per 1,000 gallons of metered water usage. He stated that the bills mailed to the District's customers in May 2020 would reflect the increase in the NHCRWA Charge

Possible Use of Electronic Water Meters. The Board then discussed the possible use of electronic water meters on the residential and commercial connections in the District (the "Electronic Meters"). Mr. Zilko discussed with the Board certain advantages with regard to using the Electronic Meters, such as allowing the District's customers to remotely monitor their water usage and be notified by the District's Operator when their water usage is significantly higher than normal. He stated that the Electronic Meters could be installed in the District in phases over the long term. After further discussion, Mr. Zilko stated that he would invite a representative of a company that supplies Electronic Meters to give a presentation at a future meeting of the Board.

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.

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 \$30,501.43 from the City for the District's share of sales tax collections during September 2019, pursuant to the SPA with the City for limited purpose annexation of commercial property in the District.

Mr. Schuett and Mr. Yale responded to questions from the Board regarding the District's investments and the District's Investment Policy.

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.

Director Allard departed from the meeting at this time to attend to a personal commitment.

KLEINWOOD JOINT POWERS BOARD ("KJPB")

Director Fratangelo presented a report on the activities of the KJPB.

KLEINWOOD MAINTENANCE FUND ("KMF")

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

LANDSCAPING AT U.S. POST OFFICE / 7717 LOUETTA ROAD

The Board then discussed matters regarding the landscaping at the U.S. Postal Service facility located at 7717 Louetta Road in the District (the "Post Office"), including the possible cooperative effort between the District, certain local homeowner associations, and water districts in the vicinity to pursue a beautification project at the Post Office site (the "Beautification"). Director Fratangelo stated that he would discuss the proposed Beautification at the meeting of the KJPB to be held on 8 January 2020. Mr. Schuett stated that he would take photographs of the existing landscaping at the Post Office site, said photographs to be included with a letter regarding the proposed Beautification to be transmitted to the local Postmaster (the "Letter"). Mr. Yale stated that the District's Attorney would prepare the Letter.

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



Secretary, Board of Directors

Kleinwood Municipal Utility District
Meeting of 19 December 2019
Attachments

1. Peace Officer's Report;
2. Security Service Contract;
3. Detention Facilities Report;
4. Tax Assessor/Collector's Report;
5. Delinquent Tax Attorney's Report;
6. Engineer's Report;
7. Pay Estimate No. 5 / Sanitary Sewer Line Televising;
8. Coats Rose memo / NHCRWA board meeting;
9. Coats Rose memo / NHCRWA directors election;
10. P3 Newsletter;
11. Business List for Strategic Partnership Agreement;
12. Operator's Report;
13. District Office Report; and
14. Bookkeeper's Report.