

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

27 February 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 February, 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 were: René Andel of Wheeler & Associates, Inc. ("Wheeler"), the Tax Assessor/Collector for the District; Bill Blitch with Blitch Associates, Inc. ("Blitch"), the District's Financial Advisor; Derek Michael representing Sales Revenue Inc. (called "SRI"); 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 and T.J. Cloud representing Champions Hydro-Lawn, Inc. ("CHL"); Sergeant Michael Gonzales 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 the following residents of the District: Poppi Williams, Ray Cicconi, and Tom Liewer.

Director Guerrero called the meeting to order.

HEAR FROM THE PUBLIC

The President recognized Mr. Liewer, who addressed the Board regarding the status of the pilot program for the installation of electronic water meters (the "Smart Meters") on 10 residential connections in the District. Mr. Zilko reported that the installation of the Smart Meters was expected to begin on this date. In response to a question from Mr. Liewer, Mr. Zilko stated that the District does not supply water to the Raveneaux Country Club. He then discussed with Mr. Liewer the reclaimed water project at the Kleinwood Regional Wastewater Treatment Plant (the "Kleinwood Plant").

The President then recognized Ms. Williams, who addressed the Board regarding the condition of the storm sewer line on Feliciana Lane. Mr. Bishop stated that Harris County, rather than the District, was responsible for the condition and maintenance of the storm sewer lines in the District. He provided Ms. Williams with contact information for a responsible party at Harris County Precinct 4 with whom she could discuss this matter.

MINUTES OF THE MEETING OF 23 JANUARY 2020

The minutes of the meeting of the Board held on 23 January 2020, previously distributed to the Board, were presented for consideration and approval. After discussion, during which Director Ehmann stated that he would abstain, upon a motion duly made and seconded, the Board voted 4 to 0 to approve the minutes of the meeting of 23 January 2020, as written.

PEACE OFFICER'S REPORT

The President recognized Sergeant Gonzales, who presented the Peace Officer's Report, a copy of which is attached hereto. The Directors discussed security related issues with Sergeant Gonzales. Mr. Ciccone commented that individuals were breaking through the wooden fence behind the H-E-B Center in order to walk through the Champion Woods Estates Detention Pond site. Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Peace Officer's Report.

POSSIBLE SALE OF SERIES 2020 REFUNDING BONDS

The President recognized Mr. Blich, who informed the Board that he was looking into the possible sale of refunding bonds by the District (the "Refunding Bonds") in order to redeem and refund certain maturities of the District's Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2011 and Series 2012. After discussion, the Directors expressed their desire for the District's Financial Advisor to investigate the proposed sale of the Refunding 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. Mr. Cloud pointed out to the Board that a section of the wooden rail fence at the Walking Garden site that faces Squyres Road (the "Fence") was in need of repair. He stated that CHL could repair the Fence at a cost of \$316.00. He then informed the Board that the signs posted in the Walking Garden site (the "Signs") needed cleaning. Mr. Schuett stated that he could repair the Fence and

power-wash the Signs. After discussion, the Board directed Mr. Schuett to repair the Fence and power-wash the Signs.

The, after review, 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. Anadel, 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 95.4% of its 2019 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto. Ms. Anadel noted that Wheeler was requesting approval for 19 checks written on the District's tax account, and two transfers by wire as follows: a transfer of \$231,901.56 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$515,000.00 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.

RESOLUTION CONCERNING TAX EXEMPTIONS FOR 2020

Next, Mr. Yale submitted a draft RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION for the Board's consideration. Mr. Yale noted that the resolution had been prepared with the same exemptions that had been offered for 2020, that is \$25,000 for persons who are disabled or who are sixty-five years of age or older and a 20% general residential homestead exemption (collectively, the "Exemptions"). After discussion, upon a motion duly made and seconded, the Board voted unanimously to grant the following Exemptions for 2020 and to adopt a RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION: (1) \$25,000.00 exemption for individuals who are disabled or sixty-five years of age or older; and (2) a 20% general residential homestead exemption. A copy of the Resolution is attached hereto and shall be considered to be part of these minutes.

AGREEMENT FOR DELINQUENT TAX COLLECTION SERVICES

Mr. Yale then explained that the Board could impose a statutory charge (the "Collection Charge") of up to 20% on all 2019 taxes, penalties, and interest delinquent on 1 July 2019 for real property (and on 1 April 2019 for personal property), said Collection Charge to be used to finance the costs of collection of the delinquent taxes. In order to do so, he continued, the Board must first confirm its agreement (the "Agreement") for delinquent tax attorney services with Perdue, Brandon, Fielder, Collins & Mott, L.L.P. He explained further that under the Agreement, the amount paid by the District to the District's Delinquent Tax Attorney for the collection of delinquent 2019

taxes would be equal to the additional Collection Charge as approved by the Board on all 2019 taxes, penalties, and interest delinquent on the applicable dates, up to the statutory maximum of 20%, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code. After discussion, upon a motion duly made and seconded, the Board voted unanimously to confirm its Agreement with the District's Delinquent Tax Attorney.

COLLECTION CHARGE ON ALL DELINQUENT 2019 TAXES, PENALTIES, AND INTEREST

Consideration was then given to imposing the Collection Charge as described above. After discussion, upon a motion duly made and seconded, the Board voted unanimously to impose a 20% Collection Charge on all 2019 taxes, penalties, and interest that are due and remain delinquent as of the applicable dates, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code. A copy of the CERTIFICATE OF BOARD ACTION related to this matter is attached hereto as an exhibit to these minutes.

SALES TAX REVENUE TRACKING / SALES AND USE TAX ADMINISTRATION REPORT

The President recognized Mr. Michael, who submitted to and reviewed with the Board the Sales and Use Tax Administration Report dated February 2020 (the "Administration Report") by SRI in connection with the limited purpose annexation of commercial property in the District under the Strategic Partnership Agreement (the "SPA") between the District and the City of Houston (the "City"). A copy of the Administration 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 Administration Report.

TAX REVENUES DUE TO CYPRESS FOREST PUBLIC UTILITY DISTRICT ("Cypress Forest PUD") AND HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24 ("Harris County MUD No. 24")

Ms. Andel reported that Wheeler had calculated (1) the property tax revenue due to Cypress Forest PUD for the 2019 tax year; and (2) the property tax revenue due to Harris County MUD No. 24 for the 2019 tax year, pursuant to the respective contracts with those districts (collectively, the "Tax Payments"). She stated that there were six property tax accounts in the District for the 2019 tax year for which payments had not been received as of this date, and accordingly Wheeler was recommending that approval of the Tax Payments be deferred to the Board's meeting on 26 March 2020.

ENGINEER'S REPORT

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

Proposed Rehabilitation of Sanitary Sewer System (the "Sewer Rehabilitation"). Mr. Bishop reported that J&C had prepared cost estimates for the anticipated Phase 2 and Phase 3 of the recommended Sewer Rehabilitation project, which include repairs that are not in the scope of work prepared for the Sewer Rehabilitation – Phase 1. He called the Board's attention to copies of the Preliminary Construction Cost Estimates for Phase 1, Phase 2, and Phase 3 of the proposed Sewer Rehabilitation, copies of which are included with the Engineer's Report. He then reviewed with the Board the Cost Estimate for the Sewer Rehabilitation – Full Scope, which combines the repair items for Phases 1, 2, and 3. A copy of the Cost Estimate for the Sewer Rehabilitation – Full Scope is included with the Engineers' Report. Mr. Bishop pointed out to the Board that all of the repair items for which Harris County Water Control & Improvement District No. 114 ("HCWCID No. 114") and Klein Independent School District ("Klein ISD") would pay a pro-rata share of the cost were included in the scope of work for the Sewer Rehabilitation – Phase 1.

Five-year Capital Improvements Plan (the "CIP"). Mr. Bishop presented the Board with the CIP dated 26 February as prepared by J&C, a copy of which is included with the Engineer's Report. He reviewed the CIP in depth with the Directors, pointing out that the District's Engineer had updated the CIP to include (1) the proposed purchase and installation of Smart Meters on the residential and commercial connections in the District; and (2) the phased approach to the Sewer Rehabilitation. The Board noted that the projected construction cost for the projects listed in the CIP, including contingencies, engineering fees, and inflation, totaled \$6,635,000.

Mr. Blich then addressed the Board regarding the possible sale of Series 2020 Bonds or Series 2023 Bonds by the District to finance the projects listed in the CIP. He submitted to and reviewed with the Board a set of schedules prepared by Blich for the Series 2020 and Series 2023 Bonds (the "Bond Sale Schedules") that includes options for the use of capitalized interest and funds from the District's Operating Fund. A copy of the set of Bond Sale Schedules is attached hereto as an exhibit to these minutes. A discussion ensued regarding the Bond Sale Schedules and the CIP. Mr. Blich recalled that the Board desired to use funds from 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) to pay for the Sewer Rehabilitation and certain other capital projects. He cautioned the Board that unless the District sold bonds to finance at least a portion of the Sewer Rehabilitation and other recommended projects in the CIP, by 31 March 2022 the annual operating reserve in the District's Operating Fund could be less than 100% of the District's annual operating expenditures. Mr. Blich remarked that the market conditions for selling bonds would be advantageous for the District at this time in view of historically low interest rates. He stated that he would prepare an interest rate analysis for review at the Board's meeting on 26 March 2020.

Annual Inspection of Water Plant Nos. 1 and 2 (the "Inspection"). Mr. Bishop reported that the Inspection took place on 26 February 2020. He stated that J&C was preparing the Inspection Report and would present the findings at a future meeting of the Board.

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 3 February 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 February 2020, a copy of which is attached hereto.

SENATE BILL 2 / TAXING UNIT PUNCH LIST

Mr. Yale then discussed with the Board the requirements under Senate Bill 2 as approved by the 86th Texas Legislature – Regular Session (2019) for taxing units such as the District to post certain information on their internet websites (the "Required Information"). He recalled that Ms. Andel had previously provided the Board with copies of the Senate Bill 2 Taxing Unit Punch List as prepared by Wheeler and that the District could engage Wheeler to post and maintain the Required Information for the District on the website for Wheeler. Mr. Yale remarked that the District's Attorney had worked with

the webmasters for its other water district clients regarding the posting of the Required Information on the respective websites for those water districts. After further discussion, Ms. Andel stated that she would present at a future meeting of the Board a proposed Amendment to the Agreement for Services of Tax Assessor/Collector between the District and Wheeler to authorize Wheeler to post and maintain the Required Information on the website for Wheeler.

REVIEW OF INVESTMENT POLICY

Next, the Board discussed matters relating to the District's Investment Policy. Mr. Yale provided the Directors with copies of the RESOLUTION AMENDING INVESTMENT POLICIES AND INVESTMENT STRATEGIES as adopted by the Board on 28 August 2014. He reviewed and discussed the Investment Policy at length with the Board. After discussion, upon a motion duly made and seconded, the Board voted 4 to 1, with Directors Gobbell, Fratangelo, Allard, and Ehmann in favor, and Director Guerrero opposed, to accept the Investment Policy. A copy of the Investment Policy is on file in the permanent records of the District.

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"), Mr. Yale reviewed with the Board a draft letter to the Post Office management requesting certain improvements to the landscaping. The Board requested certain revisions to the draft letter. The Directors then deferred further discussion of this matter to a future meeting of the Board.

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 102.7% 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 98% of the water distributed to the District's customers during the period ending 15 January 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 14 February 2020, a copy of which is included with the Operator's Report.

Badger Smart Meter Pilot Program / Accurate Meter & Supply ("AMS"). Mr. Zilko reported the AMS had placed the order for 10 Smart Meters and the associated hardware for the pilot program. He noted that the Smart Meters for the pilot program would be installed at the residences of the Directors; at the residences of certain directors of the Kleinwood Maintenance Fund; and at Mr. Liewer's residence.

Request for Adjustment to Service Account. Mr. Zilko reported that the owner of Mohr Orthodontics at 7623 Louetta Road had requested an adjustment to the bill for water and sanitary sewer service. He explained that during the November and December 2019 billing periods the water usage at the orthodontics office had totaled 476,000 gallons because of a broken water service line. He noted that the usual monthly water usage for the orthodontics office was 30,000 gallons. Mr. Zilko remarked that the owner of the orthodontics office had provided documentation showing that the broken water service line had been repaired. He added that the customer's account balance was paid in full and was current. A discussion ensued regarding the request for the adjustment. Mr. Zilko remarked that the District could possibly offer an adjustment based on using the lowest tiered water rate for the use of 476,000 gallons, resulting in a credit of \$995.12; and a credit of \$773.50 for sanitary sewer service based on the normal monthly water usage billed at \$1.75 per 1,000 gallons.

After discussion, during which Director Gobbell stated that he would abstain, Directors Guerrero, Fratangelo, Allard, and Ehmann voted to deny the request for the adjustment to the service account for Mohr Orthodontics.

Annual Commercial Water Meter Testing. Mr. Zilko reported that the annual testing had been conducted on the commercial water meters (the "Meters") at 76 locations in the District. Four Meters that were determined to be registering less than the actual flow of water had been scheduled for repairs, he told the Board. A 3-inch meter serving Kleinwood ISD (the "KISD Meter") was found to be stuck, said Mr. Zilko. He remarked that the KISD Meter was obsolete and accordingly no parts were available for repairs. Mr. Zilko stated that Accurate Meter and Backflow, LLC ("AMB") had submitted a price quote of \$3,050.00 to replace the KISD Meter with a new unit (the "Meter Replacement"). After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Operator to notify AMB to proceed with the Meter Replacement.

Landscaping at Water Plant No. 1. Mr. Zilko reported that eight new shrubberies were recently planted in front of the fence line at the Water Plant No. 1 site. He noted that the irrigation system was tested and all four zones were working properly.

The Falls at Champion Forest Property Owners Association, Inc. (the "Association"). Mr. Zilko reported that the Association's service account for the irrigation

connection in The Falls at Champion Forest was delinquent in the amount of \$7,382.25. He explained that the account was delinquent because the water meter on the irrigation connection had not been read for an extended period and the Association had not been billed for the water usage during that time. Accordingly, he continued, EDP would offer the Association an installment plan for the payment of the amount due to the District on the service account.

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.

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

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.

Proposals for Landscaping Services. Mr. Schuett reported that he had received proposals from six vendors (the "Vendors") to provide landscaping services at the District Office, the Walking Garden, and a vacant lot owned by the District (the "Landscaping Services"). He called the Board's attention to the bid tabulation for the Landscaping Services, a copy of which is included with the Office Report. A discussion ensued regarding the proposals listed in the bid tabulation. Director Guerrero expressed his view that Mr. Schuett should obtain references for the Vendors prior to further review of the proposals. The Board agreed. The Directors then deferred further discussion of this matter to a future meeting of the Board.

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 \$23,104.88 from the City for the District's share of sales tax collections during November 2019, pursuant to the SPA 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.

OPERATING BUDGET FOR FISCAL YEAR ENDING 31 MARCH 2021

Mr. Schuett distributed copies of the draft Operating Budget for the District for the fiscal year ending 31 March 2021 (the "Budget"). He pointed out certain Expense items in the Budget to be reviewed by the District's Operator, Engineer, and Attorney. A discussion then ensued regarding the Budget. The Board requested certain revisions to the Budget. The Directors then deferred adoption of the Budget to a future meeting of the Board.

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. He expressed his desire for the KJPB's attorney and engineer to attend a future meeting of the Board to provide the Directors with a detailed explanation of the reclaimed water project at the Kleinwood Plant.

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 February 2020
Attachments

1. Peace Officer Report;
2. Detention Facilities Report;
3. Tax Assessor/Collector's Report;
4. RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION;
5. CERTIFICATE OF BOARD ACTION – 20% on delinquent taxes, interest, and penalties;
6. Sales and Use Tax Administration Report;
7. Engineer's Report;
8. Bond Sale Schedules;
9. Coats Rose memo – NHCRWA;
10. P3 Newsletter;
11. Operator's Report;
12. District Office Report; and
13. Bookkeeper's Report.