

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

25 June 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 25th day of June, 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 was René Andel of Wheeler & Associates, Inc. ("Wheeler"), the Tax Assessor/Collector for the District. 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; Bill Blich with Blich Associates, Inc., the District's Financial Advisor; Roger Schuett, Office Manager 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. ("Coats Rose"), Attorney for the District.

Director Guerrero called the meeting to order.

MINUTES OF THE MEETING OF 28 MAY 2020

The minutes of the meeting of the Board held on 28 May 2020, previously distributed to the Board, were presented for consideration and approval. Director Ehmann requested a revision to page 1 of the minutes. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 28 May 2020, as written.

PEACE OFFICER'S REPORT

The Board reviewed 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.

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.

SERIES 2020 REFUNDING BONDS

The Board next discussed the proposed sale of the District's Series 2020 Refunding Bonds (the "Refunding Bonds") to refund certain maturities of the District's Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2011 (the "Series 2011 Bonds") and Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds"). Mr. Blich discussed with the Board the estimated total gross savings to be achieved and the net present value savings to be realized through the sale of the Refunding Bonds in today's market. He submitted the draft Preliminary Official Statement for the Board's consideration. Mr. Blich said that the guidelines for an offering document for the issuance of municipal bonds were that the offering document should have no material misstatements and no material omissions. He noted that the consultants of the District were responsible for certain sections of the document; however, he stressed that the Board had the primary responsibility for the offering document. Mr. Blich stated that the aggregate principal amount of the portions of the Series 2011 Bonds and Series 2012 Bonds to be refunded would total some \$3,460,000, as of this date.

Mr. Blich then explained that SAMCO Capital Markets, Inc. ("SAMCO") would serve as the underwriter for this negotiated sale of bonds.

Mr. Blich recommended that the District have UMB Bank, N.A., serve as the Paying Agent/Registrar for the Refunding Bonds. He then mentioned that the District would have to have a securities counsel for the Refunding Bonds, and he noted that the securities counsel would issue an opinion on the transaction. He also noted that the District could have a special tax counsel for the transaction. He then recommended that: (1) McCall, Parkhurst & Horton, L.L.P. ("McCall Parkhurst") serve as the securities counsel for the issue; and (2) McCall Parkhurst serve as the special tax counsel for the issue. He stressed that all fees would be paid by the District and that all fees were accounted for in calculating the savings to the District by virtue of the Refunding Bonds.

Mr. Blich informed the Board that the Refunding Bonds are expected to receive an insured rating of "A2" from Moody's Investors Service, Inc. ("Moody's") based on the issuance of a financial guaranty insurance policy at the time of delivery of the Refunding Bonds. He added that Moody's has assigned an underlying credit rating of "A2" to the District.

Then Mr. Will Yale presented for the Board's review and approval the following documents: (1) an Order Adopting Preliminary Official Statement and Authorizing Distribution Thereof; (2) a Resolution Regarding Delegation of Authority for the Sale of Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding

Bonds, Series 2020 (the "Delegation Resolution"); (3) a Resolution Adopting Authorization and Execution of Official Statement and Ratifying Distribution of Preliminary Official Statement (the "Official Statement Resolution"); and (4) a Resolution Authorizing the Issuance of Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2020; Authorizing the Redemption Prior to Maturity of Certain Outstanding Bonds; Authorizing the Current Refunding of Certain Outstanding Bonds; and Containing Other Matters Related Thereto (the "Bond Resolution").

Mr. Yale explained that the sale of the proposed Refunding Bonds would rely on the authority of Government Code, Section 1207.007 which allows the Board to delegate authority to an individual director of the District to approve the terms of the Refunding Bonds within parameters established by the full Board. He explained further that the Delegation Resolution: (1) delegates to Director Guerrero, and in his absence Directors Gobbell, Fratangelo, Allard, and Ehmann, authority to approve the terms of the Refunding Bonds and to take all actions necessary, including the approval and execution of documents and other actions, to effect the sale of the Refunding Bonds; (2) sets the maximum principal amount of the Refunding Bonds at \$3,080,000; (3) sets a maximum net effective interest rate of 2% above the highest average interest rate reported by the Daily Bond Buyer in its weekly "20-Bond Index" during the one-month period next preceding the date of sale of the Refunding Bonds; and (4) establishes a minimum net present value savings to be achieved through issuance of the Refunding Bonds of 3.0%. Mr. Blich noted that the Refunding Bonds would be marketed at the time determined to be most advantageous to the District, immediately after which Director Guerrero or another authorized Director would be asked to execute the bond sale documents.

After further discussion, upon a motion duly made and seconded, the Board voted unanimously to: (1) approve SAMCO as the underwriter for the Refunding Bonds; (2) approve the Order Adopting Preliminary Official Statement and Authorizing Distribution Thereof; (3) adopt the Delegation Resolution; (4) adopt the Official Statement Resolution; (5) approve the Bond Resolution; and (6) approve all necessary documents and actions related to the sale of the Refunding Bonds and to authorize all Directors and/or consultants to execute all documents and instruments, complete all matters, and take all necessary actions relating to the issuance, approval by the Attorney General, sale, delivery, and closing of the Refunding Bonds. Copies of the aforementioned documents can be found in the official transcript of proceedings for the Refunding Bonds.

Then Mr. Yale submitted to and reviewed with the Board the proposed Letter Agreement between the District and McCall Parkhurst for services of Special Tax Counsel in connection with the proposed sale of the District's Series 2020 Refunding Bonds. The fee payable to McCall Parkhurst for its services as Special Tax Counsel, said Mr. Yale, would be an amount equal to the greater of (1) \$6,500; or (2) an amount equal to the sum of (a) the principal amount of the refunding bonds (up to and including \$10,000,000) multiplied by 0.2%; and (b) the principal amount of the refunding bonds

over \$10,000,000 multiplied by 0.1%. He noted that McCall Parkhurst would also bill the District for any additional services provided, as well as actual expenses incurred by McCall Parkhurst that were not considered part of the compensation described above.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Letter Agreement and to authorize Director Guerrero to execute same. An executed Letter Agreement is attached hereto and shall be considered to be part of these minutes.

Consideration was then given to adopting a RESOLUTION REGARDING APPROVAL OF CONTINGENT FEE CONTRACTS in connection with the Letter Agreement. By adopting the Resolution, said Mr. Yale, the Board would confirm that: (1) the public notice required under Government Code, Section 2254.1036 (a)(1) had been accomplished; (2) the Board had approved the Letter Agreement at an open meeting of the Board; (3) the Board had found that there is a substantial need for the legal services to be provided to the District by McCall Parkhurst that are to be paid on a contingent fee basis; and (4) the Board had determined that the services required for the issuance of bonds or other public securities, to be paid for based on a contingent fee, cannot be performed by supporting personnel of the District nor are they obtainable under a contract providing only for the payment of hourly fees without regard to the outcome of the matter.

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.

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. 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 98.3% 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 14 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.

DELINQUENT TAX REPORT

Ms. Andel 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:

Proposed Rehabilitation of Sanitary Sewer System – Phase 1 (the "Sewer Rehabilitation"). Mr. Bishop reported that five bids were received by the District's Engineer for the Sewer Rehabilitation. He stated that the apparent low base bid for the Sewer Rehabilitation was submitted by T. Gray Utility & Rehab Co., LLC (called "TGU"), in the amount of \$434,405.00. A copy of the bid tabulation for the Sewer Rehabilitation project included with the Engineer's Report.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the low bid and award the contract for the Sewer Rehabilitation project to TGU.

Mr. Bishop then reviewed with the Board the Cost Breakdown prepared by the District's Engineer that denotes the pro-rata share of the cost (the "Pro-Rata Share") of the Sewer Rehabilitation project and the 2019 televised inspection of certain sanitary sewer lines in the District (the "Inspection") that is due to the District from Harris County Water Control & Improvement District No. 114 ("HCWCID 114") and Klein Independent School District ("Klein ISD") pursuant to their respective Waste Agreements with the District. A copy of the Cost Breakdown is included with the Engineer's Report. He pointed out to the Board that (1) HCWCID 114's Pro-Rata Share totals \$7,623 for the Inspection and \$152,822 for the Sewer Rehabilitation; and (2) Klein ISD's Pro-Rata Share totals \$1,762 for the Inspection and \$27,340 for the Sewer Rehabilitation. Mr. Bishop then called the Board's attention to the letters to be transmitted by J&C to HCWCID 114 and Klein ISD regarding their respective Pro-Rata Share of the cost for the Inspection and Sewer Rehabilitation projects. Copies of the letters are included with the Engineer's Report.

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 had reviewed the plans and provided comments to the design engineer regarding the proposed water and sanitary sewer connection to the Reeves Tract. He called the Board's attention to the

plan review letter dated 22 June 2020 from J&C to Freeland Turk Engineering Group, a copy of which is included with the Engineer's Report.

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.

AMENDMENT TO AGREEMENT FOR SERVICES OF TAX ASSESSOR AND COLLECTOR (the "Amendment")

Next, Mr. Yale presented the Board with the execution drafts of the Amendment to the Agreement between the District and Wheeler for Services of Tax Assessor and Collector. He recalled that the Amendment was approved at the Board's meeting on 28 May 2020. Under the Amendment, he told the Board, Wheeler would maintain on its website certain information for the District as required of taxing units pursuant to Senate Bill 2 as approved by the 86th Texas Legislature – Regular Session (2019) to comply with Texas Tax Code Section 26.17, as amended. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Director Guerrero to execute the Amendments. A copy of the executed Amendment is attached hereto as an exhibit to these minutes.

AGREEMENT FOR LANDSCAPING SERVICES

Mr. Yale reported that the District's Attorney was working with Brookway Horticultural Services, Inc. ("Brookway") to 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 (the "Landscaping Services").

The Board directed the District's Attorney to transmit a letter of appreciation to CHL with regard to the Landscaping Services provided since September 2018.

CYBER SECURITY TRAINING

Mr. Yale reported on the cyber security training (the "Security Training") that must be completed by the Directors no later than 14 June 2020 pursuant to House Bill 3834 as approved by the 86th Texas Legislature (Regular Session – 2019). He stated that all of the Directors had completed the Security Training. Mr. Yale added that the District's Attorney had submitted the certification regarding the Security Training (the "Certification") to the Texas Department of Information Resources (the "TDIR"). Attached hereto as exhibits are copies of (1) a memorandum from the District's Attorney regarding the Security Training; and (2) an electronic mail message from the TDIR confirming receipt of the Certification.

SENATE BILL 2 / EXCEPTION TO 3.5% CAP ON PROPERTY TAX INCREASES FOR DEVELOPED DISTRICTS

Next, Mr. Yale reviewed a memorandum prepared by Coats Rose summarizing Senate Bill 2 (called "SB 2") as approved by the 86th Texas Legislature (Regular Session – 2019) that affects municipal utility districts. A copy of the memorandum is attached hereto as an exhibit. He explained to the Board that SB 2 amended Section 49.236(a) of the Texas Water Code and added Section 49.23601 through 49.23603 to the Texas Water Code. Mr. Yale reminded those present that Section 49.23602 of the Texas Water Code provides that, should a board of a developed district adopt a combined debt service, contract, and operation and maintenance tax rate that exceeds 1.035 times the amount of property tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district that year, an election must be held by the qualified voters of the district to determine whether to approve the adopted tax rate. He noted that this rule caps a developed district's annual property tax increase at 3.5% above the previous year. However, he continued, Section 49.23602(d) provides for a limited exception to this cap that allows developed districts to temporarily apply an 8.0% tax rate cap in the event of a disaster declaration.

Mr. Yale explained that, pursuant to Section 49.23602(d), if any portion of the district is located in an area declared a disaster area in the current tax year, the district may calculate its voter-approval tax rate pursuant to Section 49.23601. He explained that The Texas Disaster Act of 1975, the basis of which the Governor of the State of Texas declares disaster areas, defines "disaster" so as to include epidemics such as COVID-19. He recalled that in response to the ongoing COVID-19 pandemic, Governor Greg Abbott on 13 March 2020 issued a proclamation certifying that COVID-19 poses an imminent threat of disaster in the state and declaring a state of disaster for all counties in Texas. Thus, he told the Board, every district operating pursuant to Chapter 49 of the Texas Water Code is located in a disaster area and should be able to operate pursuant to Section 49.23602(d) and abide by the 8.0% tax rate cap instead of the 3.5% tax rate cap required by Section 49.23602(c).

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY ("NHCRWA")

Mr. Yale distributed copies of a memorandum from the District's Attorney regarding the 1 June 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 9 June 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 101.3% 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 95% of the water distributed to the District's customers during the period ending 15 May.

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 12 June 2020, a copy of which is included with the Operator's Report.

Hurricane Preparedness / Auxiliary Generators. Mr. Zilko reviewed with the Board the test report prepared by Worldwide Power Products in connection with the annual load bank test that was performed on 27 May 2020 on the Generator at Water Plant No. 1. A copy of the test report is included with the Operator's Report. Mr. Zilko stated that the load bank testing for the Generator at the Lift Station is scheduled for 24 July 2020.

Annual Fire Hydrant Survey. Mr. Zilko reported that the annual testing and survey of the fire hydrants in the District is scheduled for the week of 13 July 2020. He called the Board's attention to the Notice of Water System Flushing (the "Notice") that will be included with the bills distributed to the District's customers. The Board directed the District's Attorney to have the Notice posted on the District's internet website.

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.

Shutters on District Office (the "Shutters"). Mr. Schuett reported that he was continuing to investigate options for replacing the Shutters.

Walking Garden. Mr. Schuett discussed with the Board the repairs that will be made to the bridge in the Walking Garden.

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 \$29,628.79 from the City of Houston (the "City") for the District's share of sales tax collections during March 2020, pursuant to the Strategic Partnership Agreement with the City for limited purpose annexation of commercial property in the District. He then reported that unclaimed funds totaling \$47.50 had been escheated to the Texas Comptroller's Office by the District's Bookkeeper.

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.

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. He then inquired as to the design of the canopy on the east side of the District Office building (the "Canopy"). Mr. Schuett explained that the Canopy was designed to be a separate structure from the District Office.

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 June 2020
Attachments

1. Peace Officer's Report;
2. Letter Agreement with McCall, Parkhurst & Horton L.L.P.;
3. RESOLUTION REGARDING APPROVAL OF CONTINGENT FEE CONTRACTS
4. Detention Facilities Report
5. Tax Assessor/Collector's Report;
6. Delinquent Tax Attorney's Report;
7. Engineer's Report;
8. Amendment to Agreement for Services of Tax Assessor/Collector;
9. Memo / Cyber Security Training;
10. Email from TDIR / Cyber Security Training;
11. Memo / Senate Bill 2 exception of 3.5% cap on property tax increases;
12. Memo / NHCRWA;
13. P3 Newsletter;
14. Operator's Report;
15. District Office Report; and
16. Bookkeeper's Report.