

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

24 September 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 24th day of September, 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; Roger Schuett, Office Manager for the District; Sergeant Michael Gonzalez with the Harris County Precinct 4 Constable's Office (the "Constable's Office"); Jeffrey Bishop, P.E., and Ryan Schilhab, E.I.T., of Jones & Carter, Inc. ("J&C"), Engineer for the District; and Bill Blich of Blich Associates, Inc., Financial Advisor for the District. Attending the meeting by teleconference were Andy Phelps of Environmental Development Partners, L.L.C. ("EDP"), Operator 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., Attorney for the District.

Director Guerrero called the meeting to order.

MINUTES OF THE MEETINGS OF 14 AND 27 AUGUST 2020

The minutes of the meetings of the Board held on 14 August 2020 and 27 August 2020, previously distributed to the Board, were presented for consideration and approval. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meetings of 14 August 2020 and 27 August 2020, as written.

PEACE OFFICER'S REPORT

The President recognized Sergeant Gonzalez, 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

The Board discussed matters relating to the Security Service Contract (the "Contract") with Harris County. Mr. Will Yale reviewed with the Board a letter dated 31 August 2020 from the office of Harris County Precinct 4 Constable Mark Herman regarding the renewal of the Contract for the term beginning on 1 March 2021. A copy of the letter is attached hereto as an exhibit to these minutes. Mr. Yale inquired if the Board desired to continue to have two Deputy Constables assigned to the District on a 70% basis for the Contract term beginning on 1 March 2021. The Board replied in the affirmative.

CONSIDER SETTING TAX RATE FOR 2020

Next, the Board discussed the proposed tax rate for the 2020 tax year (the "Tax Rate"). Mr. Blich submitted to and reviewed with the Board a copy of the 2020 Tax Rate Analysis as prepared by Blich. A copy of the 2020 Tax Rate Analysis is attached hereto as an exhibit to these minutes. Mr. Blich recommended that the Board consider setting a debt service tax rate of \$0.276 per \$100 of assessed valuation for the 2020 tax year. He then discussed with the Board the approximate amount of maintenance tax revenue that would be generated by a maintenance tax when levied at certain rates ranging from \$0.119 to \$0.155 per \$100 of assessed valuation at a collection rate of 98%. A discussion ensued regarding the Tax Rate. Mr. Blich 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. Dick Yale then reviewed the procedures that the District would have to follow in setting the 2020 tax rate for the District. He reminded the Board that Senate Bill 2 (called "SB 2") as approved by the 86th Texas Legislature – Regular Session (2019) 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 remarked 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 by the Texas Governor.

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).

After discussion, the Directors expressed their desire to levy a maintenance tax rate of \$0.154 per \$100 valuation.

Then, upon a motion duly made and seconded, the Board voted 4 to 1, with Directors Guerrero, Gobbell, Fratangelo, and Allard voting in favor, and Director Ehmann opposed, 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 \$0.154 per \$100 valuation for a combined tax rate of \$0.43 per \$100 valuation. The Board agreed that the tax rate hearing would be held on 22 October 2020.

TAX ASSESSOR/COLLECTOR'S REPORT

The President recognized Ms. Anadel, who 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 99.2% 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 four 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. Anadel 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.

DETENTION AND DRAINAGE FACILITIES REPORT

The President recognized Mr. Cloud, who reviewed 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.

ENGINEER'S REPORT

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

Rehabilitation of Sanitary Sewer System – Phase 1 (the "Sewer Rehabilitation"). The Board discussed the contract with T. Gray Utility & Rehab Co., LLC (called "TGU") for the Sewer Rehabilitation. Mr. Bishop reported that TGU was proceeding with the necessary submittals for review by J&C and plans to begin issuing on 28 September 2020 the required door hangers and notices prior to accessing the sanitary sewer lines located on residential property in the District. He added that TGU was expected to commence construction activity on the Sewer Rehabilitation on 12 October 2020.

Capital Improvements Plan ("CIP") and Summary of Costs for Bond Issue No. 9. Mr. Bishop reviewed with the Board the District's 5-year CIP and a draft Summary of Costs for a potential bond application report (the "BAR") to be prepared by J&C for submission to the Texas Commission on Environmental Quality. Copies of the CIP and the Summary of Costs are included with the Engineer's Report. Mr. Bishop discussed with the Board the projects to be included in the BAR, as follows: (1) Sanitary Sewer Rehabilitation, Phases 2 and 3; (2) overhaul of Water Plant No. 1 and the addition of a hydropneumatic tank at Water Plant No. 2; (3) payment of the District's pro-rata share of the capital cost for the construction by the Kleinwood Joint Powers Board (the "KJPB") of its Reclaimed Water System Project (the "RWS Project"); and (4) the purchase and installation of electronic water meters on the residential and commercial connections in the District.

After discussion, the Board directed the District's Engineer to add certain projects to the Summary of Costs. The Directors then agreed to review the revised Summary of Costs at a future meeting of the Board, at which time they would also consider authorizing the preparation of the BAR.

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 approved the revised plans for the Reeves Tract. A copy of the plan approval letter from the District's

Engineer to Freeland Turk Engineering Group in connection with the Reeves Tract 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, a copy of which is attached hereto as an exhibit to these minutes.

ATTORNEY'S REPORT

The President recognized Mr. Yale, who presented the Attorney's Report.

RESOLUTION AUTHORIZING ACTION BY A KLEINWOOD JOINT POWERS BOARD MEMBER

The Board then discussed matters relating to the Kleinwood Regional Wastewater Treatment Plant. Mr. Yale recalled that, to date, the directors of Champions Municipal Utility District, Cy-Champ Public Utility District, and Harris County Water Control & Improvement District No. 114 had presented written authorization for the construction by the KJPB of the proposed RWS Project at an estimated cost of \$2,926,804. Mr. Yale noted that pursuant to the Agreement for the Ownership, Operation, Maintenance and Expansion of the Kleinwood Regional Wastewater Facilities (the "Plant Agreement"), as amended, each party to the Plant Agreement would be required to provide written authorization for the RWS Project. Mr. Yale then submitted for the Board's review and approval a RESOLUTION AUTHORIZING ACTION BY A KLEINWOOD JOINT POWERS BOARD MEMBER (the "Resolution"). He pointed out to the Board that the Resolution includes a provision stating that the District would pay no more than its pro rata share for the cost of the RWS Project, pursuant to the terms of the Plant Agreement.

After discussion, upon a motion duly made and seconded, the Board voted 4 to 1, with Directors Guerrero, Gobbell, Fratangelo, and Allard voting in favor, and Director Ehmann opposed, to (1) authorize the RWS Project; and (2) adopt the Resolution. A copy of the Resolution is attached hereto and shall be considered to be part of these minutes.

PROPOSAL FOR ARBITRAGE COMPLIANCE PROGRAM

Next, Mr. Yale reviewed with the Board the proposal (the "ACSI Proposal") submitted by Arbitrage Compliance Specialists, Inc., for the arbitrage compliance and project fund yield restriction compliance program that addresses requirements of the U.S. Treasury Department and the U.S. Internal Revenue Service with regard to the District's Series 2020 Refunding Bonds. Mr. Yale stated that the estimated cost for the initial analysis under the ACSI Proposal is \$450. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the ACSI Proposal and to authorize Director Guerrero to execute same. A copy of the ACSI Proposal as accepted by the Board is attached hereto and shall be considered to be part of these minutes.

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY ("NHCRWA")

Mr. Yale distributed copies of a memorandum from the District's Attorney regarding the 14 September 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 8 September 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. Phelps, who submitted to and reviewed with the Board the Operator's Report as follows:

Water Plant Operations. Mr. Phelps reported that the billed to pumped ratio for the prior month was 99.9% and that the District has 893 service connections, including two vacant single-family residences. He noted that surface water received from the NHCRWA accounted for 81% of the water distributed to the District's customers during the period ending 18 August 2020.

Utility Operator's Report. Mr. Phelps 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. Phelps reviewed with the Board the EDP Invoice and Bill Direct Statement dated 10 September 2020, a copy of which is included with the Operator's Report.

Fire Hydrant Flow Testing. Mr. Phelps reported on the annual inspection and flow testing performed during July 2020 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. Phelps informed the Board that 38 Hydrants need to be repaired at an estimated cost of \$10,733.50 (the "Hydrant Repairs"). He added that reflectors need to be installed on 45 Hydrants at an estimated cost of \$646.88 (the "Reflector Installation"), and all of the Hydrants need to be blast-cleaned and recoated at an estimated cost of \$7,774.00 (the "Hydrant Recoating").

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, the Reflector Installation, and the Hydrant Recoating.

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. Phelps, 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").

Walking Garden. Mr. Schuett reported on the condition of the Walking Garden, including the status of the planting of the ground cover and the repairs to the bridge on the walking trail.

Conference Telephone for District Office. Consideration was given to purchasing a conference telephone to be used for meetings of the Board in which certain Directors or District consultants attend by teleconference.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Mr. Schuett to purchase the conference telephone at a cost not to exceed \$500.

District Office / Pool Deck Canopy. Director Gobbell reported that the Kleinwood Maintenance Fund (the "KMF") had obtained price quotes for proposed improvements to (1) the pool deck canopy; (2) the gutters on the District Office; and (3) the doors and columns on the east side of the District Office (collectively, the "Office Improvements"). Director Gobbell stated that the estimated cost for the Office Improvements was \$14,000. The Directors considered authorizing a contribution from the District to the KMF to help fund the construction of the Office Improvements (the "Contribution").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the Contribution in an amount equal to 50% of the cost for the Office Improvements.

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 \$33,507.48 from the City of Houston (the "City") for the District's share of sales tax collections during June 2020, 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). The Board, considering the possible sale of bonds by the District to fund certain capital improvement projects, declined to take any action on this matter.

KJPB

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

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



Secretary, Board of Directors

Kleinwood Municipal Utility District
Meeting of 24 September 2020
Attachments

1. Peace Officer's Report;
2. Letter from Precinct 4 Constable;
3. 2020 Tax Rate Analysis;
4. Tax Assessor/Collector's Report;
5. Delinquent Tax Report;
6. Detention and Drainage Facilities Report;
7. Engineer's Report;
8. RESOLUTION AUTHORIZING ACTION BY A KLEINWOOD JOINT POWERS BOARD MEMBER;
9. ACSI Proposal;
10. Memorandum / NHCRWA;
11. P3 Newsletter;
12. Operator's Report; and
13. Bookkeeper's Report.