

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

25 February 2021

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 February, 2021, 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 Guerrero, thus constituting a quorum.

Also present were René Andel 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; Roger Schuett, Office Manager for the District; Chris Zilko of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; and Lieutenant Michael Cohen, Sergeant Michael Gonzalez, and Deputy Jennifer Gomez with Harris County Precinct 4 Constable's Office. Attending the meeting by teleconference were 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 Gobbell called the meeting to order.

MINUTES OF THE MEETING OF 28 JANUARY 2021

The minutes of the meeting of the Board held on 28 January 2021, 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 3 to 0 in favor of approving the minutes of the meeting of 28 January 2021, as written.

PEACE OFFICER'S REPORT

The Vice President recognized Deputy Gomez, 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.

DETENTION AND DRAINAGE FACILITIES REPORT

The Vice President recognized Mr. Cloud, who presented the Detention and Drainage Facilities Report (the "Detention Facilities Report") prepared by CHL in connection with the maintenance of the Champion Woods Estates Detention Pond. A copy of the Detention Facilities Report is attached hereto as an exhibit to these minutes. Mr. Cloud reported to the Board that the Detention Pond was in good condition at this time. 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 Vice President recognized Ms. Anadel, who presented 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 95.9% of its 2020 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 10 checks written on the District's tax account and two transfers by wire as follows: a transfer of \$310,537.57 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$575,000 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 2021

Next, Mr. Will 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 \$25,000.00 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"). The Board reviewed the Homestead Exemption Study dated 24 February 2021 as prepared by Blich Associates, Inc. ("Blich"), the District's Financial Advisor. A copy of the Homestead Exemption Study is attached hereto as an exhibit. Mr. Dick Yale stated that Blich advised against increasing the Exemptions in view of the proposed sale of the District's Series 2021 Bonds later this year.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to grant the following Exemptions for 2021 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 2020 taxes, penalties, and interest delinquent on 1 July 2021 for real property (and on 1 April 2021 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 2020 taxes would be equal to the additional Collection Charge as approved by the Board on all 2020 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 2020 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 2020 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.

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. Anzel reported that Wheeler was calculating (1) the property tax revenue due to Cypress Forest PUD for the 2020 tax year; and (2) the property tax revenue due to Harris County MUD No. 24 for the 2020 tax year, pursuant to the respective contracts with those districts (collectively, the "Tax Payments"). She stated that Wheeler was recommending that approval of the Tax Payments be deferred to the Board's meeting on 25 March 2021.

ENGINEER'S REPORT

The Vice 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 continuing with the lead repairs, point repairs, and the rehabilitation of certain sanitary sewer manholes. He stated that J&C had reviewed and accepted the post-rehabilitation videos and photographs of the completed lead repairs and manhole rehabilitation for this month.

Mr. Bishop then reported that TGU had submitted Pay Estimate No. 2 in the amount of \$109,338.12 in connection with the Sewer Rehabilitation project. A copy of Pay Estimate No. 2 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. 2.

Bond Application Report (the "BAR") / Bond Issue No. 9. Mr. Bishop reported that J&C had submitted the BAR to the Texas Commission on Environmental Quality (the "Commission") on 18 February 2021. He added that the Commission had notified J&C that the BAR had been received and was deemed to be administratively complete.

Squyres Road near 7802 Kleingreen Lane. Mr. Bishop reported that J&C had submitted a work order request to the Harris County Precinct 4 Community Assistance Department in connection with the settling section of street pavement on Squyres Road. He added that J&C was awaiting a response from Precinct 4.

Condition of Public Roadways in the District (the "Roadways"). Mr. Bishop reported that the District's Engineer plans to conduct an inspection of the Roadways with Director Fratangelo in March 2021.

Risk and Resilience Assessment. Mr. Bishop briefly discussed with the Board the status of the Risk and Resilience Assessment for the District (the "Risk Assessment") to be certified to the U.S. Environmental Protection Agency by 30 June 2021. He stated that J&C was proceeding with the preparation of the Risk Assessment.

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.

ATTORNEY'S REPORT

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

Proposal for Insurance Coverage. The Board reviewed the Proposal for Insurance Coverage (the "Proposal") for the policy term of 30 April 2021 through 30 April 2022 as submitted by Arthur J. Gallagher & Co. ("Gallagher"). The Board noted that the premium for the insurance coverage to be provided under the Proposal would total \$33,768, which represents a 3.5% increase from the premium for the current policy term. Mr. Yale remarked that, according to Gallagher, the premium reflected the increase in the estimated replacement value of the District's facilities as calculated by the District's Engineer. A discussion then ensued regarding the optional insurance coverage listed on page 26 of the Proposal (the "Acceptance Sheet"). The Board noted that Cyber Security Liability was listed on the Acceptance Sheet both as an existing coverage to be renewed and as an optional coverage that could be selected or rejected by the District. The Board, noting that the District does not currently have the Cyber Security Liability coverage, directed Mr. Green to contact Gallagher and request a clarification.

Then, After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) conditionally accept the Proposal pending the clarification by Gallagher regarding the Cyber Security Liability coverage; and (2) authorize Director Gobbell to act as deemed necessary with regard to the Proposal. Mr. Yale noted that the insurance policies being provided to the District under the Proposal would be forwarded to the District's Attorney at a later date.

[Subsequent to this meeting, Gallagher confirmed to the District's Attorney that the Cyber Security Liability coverage was erroneously listed as an existing coverage on the Acceptance Sheet and that binding coverage for same would cost an additional premium of \$2,221. Director Gobbell rejected the Cyber Security Liability coverage and executed a revised Acceptance Sheet. A copy of the Proposal as accepted by the District is attached hereto as an exhibit to these minutes.]

Directors Election. The Board discussed matters relating to the 1 May 2021 Directors Election required for the District. Mr. Yale reported that as of this date the candidates to be listed on the ballot for the referenced election were unopposed and accordingly the District's Attorney would prepare an ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE for adoption at the Board's meeting on 25 March 2021.

North Harris County Regional Water Authority ("NHCRWA") / Updated Pricing Policy. Mr. Yale reviewed with the Board a letter dated 2 February 2021 from the NHCRWA regarding the Updated Pricing Policy from the NHCRWA regarding the increases in the well pumpage fee and the surface water delivery fee that were approved by the NHCRWA board of directors (the "NHCRWA Board") on 7 December 2020. Copies of the letter and the Updated Pricing Policy are attached hereto as exhibits. Mr. Yale pointed out to the Directors that the NHCRWA Board had voted to (1) increase the groundwater pumpage fee from \$4.25 per 1,000 gallons ("k/gal") of groundwater pumped by water districts in its jurisdiction to \$4.60 per k/gal; and (2) increase the surface water delivery fee from \$4.70 per k/gal to \$5.05 per k/gal of

surface water purchased from the NHCRWA (collectively, the "Fee Increases"). He stated that the Fee Increases would be effective on 1 April 2021.

Power Supply Issues / Public Power Pool. The Directors discussed matters pertaining to the aggregate purchase of electricity under the auspices of the Public Power Pool ("P3"). Mr. Yale distributed copies of a newsletter from P3 dated 9 February 2021, a copy of which is attached hereto.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Attorney's Report.

OPERATOR'S REPORT

The Vice 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 102.2% 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 98% of the water distributed to the District's customers during the period ending 14 January 2021.

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

NHCRWA Updated Pricing Policy. The Directors returned to their earlier discussion regarding the Updated Pricing Policy. The Board directed the District's Operator to prepare an updated chart for distribution to the District's customers that details the charges on the District's bills for water and sewer service, said charges including the NHCRWA surface water assessment fee.

February 2021 Winter Weather Event. Mr. Zilko discussed with the Board the operation of the District's facilities during the extended hard freeze that occurred in Harris County during the week of 14 February 2021. He reported that the District's facilities were not adversely affected by the freezing conditions. Mr. Zilko noted that EDP assisted the District's customers who called in to report frozen residential water pipes and requested that their water service be turned off so that repairs could be made.

EDP Water Districts with Badger Beacon AMI Water Meters (the "Badger Meters"). Mr. Zilko reported that during the Weather Event EDP was able to run reports of its other water district clients that have implemented district-wide use of Badger Meters. Those reports identified customers with continuous water usage that likely

resulted from broken pipes, he told the Board. EDP investigated at those customers' addresses in the field and turned off water to service to prevent excessive water usage due to broken residential water pipes or backflow prevention devices, he told the Board.

Klein Independent School District ("Klein ISD"). Mr. Zilko reported that Klein ISD had informed the District's Operator that it was not permitted to use an auto-pay arrangement with EDP for payment of the Klein ISD service accounts with the District. He continued that Klein ISD was going to send its payments to EDP via FEDEX delivery.

After review, upon a motion duly made and seconded, the Board voted unanimously to accept the Operator's Report.

TERMINATION OF SERVICE

Consideration was then given to the termination of water and sewer service to certain delinquent accounts. The Vice 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.

Mr. Yale then reviewed with the Board (1) Order No. 51812 (the "PUC Order") adopted by the Public Utility Commission of Texas on 21 February 2021 in connection with the February 2021 Winter Weather Event; and (2) a draft memorandum from the Association of Water Board Directors – Texas (the "AWBD") summarizing the content of PUC Order. Copies of the Order and the memorandum are attached hereto as exhibits to these minutes. He explained that the PUC Order temporarily suspends various sections of 30 Texas Administrative Code 24 and accordingly water districts are directed to suspend the termination of service and the implementation of penalties and interest for the non-payment of invoices for water and sanitary sewer service. Mr. Yale remarked that the attorneys for the AWBD are strongly recommending that water districts comply with the provisions of the PUC Order.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to suspend for this month the termination of service and the implementation of penalties and interest pursuant to the PUC Order.

REPORT ON OPERATION OF DISTRICT OFFICE

The Vice President recognized Mr. Schuett, who presented the report concerning the District Office and the Walking Garden (the "Office Report"). He informed the Board that approximately nine water pipes in the District Office were damaged by freezing temperatures during the Winter Weather Event. He then reported that the bridge in the Walking Garden would be rehabilitated prior to the summer months. After review, upon a motion duly made and seconded, the Board voted unanimously to accept the Office Report.

BOOKKEEPER'S REPORT

Mr. Schuett presented the Bookkeeper's Report on behalf of Claudia Redden & Associates, L.L.C., the District's Bookkeeper. A copy of the Bookkeeper's Report is attached hereto as an exhibit to these minutes. The Directors 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 \$24,245.21 from the City of Houston (the "City") for the District's share of sales tax collections during November 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.

OPERATING BUDGET FOR FISCAL YEAR ENDING 31 MARCH 2022

Mr. Schuett distributed copies of the draft Operating Budget for the District for the fiscal year ending 31 March 2022 (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 Directors then deferred adoption of the Budget to a future meeting of the Board.

KLEINWOOD JOINT POWERS BOARD (the "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.

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

Secretary, Board of Directors

SEAL

Kleinwood Municipal Utility District
Meeting of 25 February 2021
Attachments

1. Peace Officer's Report;
2. Detention Facilities Report
3. Tax Assessor/Collector's Report;
4. Homestead Exemption Study;
5. RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION;
6. CERTIFICATE OF BOARD ACTION / collection charge on delinquent taxes;
7. Engineer's Report;
8. Pay Estimate No. 2;
9. Proposal for Renewal of District's Insurance Coverage;
10. Letter from NHCRWA with Updated Pricing Policy;
11. P3 Newsletter;
12. Operator's Report;
13. PUC Order No. 51812;
14. AWBD-Texas Memorandum; and
15. Bookkeeper's Report.