

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

25 March 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 March, 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; Michael Hyatt of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Brian Toldan representing McCall Gibson Swedlund Barfoot, PLLC ("McCall"), the District's Auditor; and Lieutenant Michael Cohen and Sergeant Michael Gonzalez, with Harris County Precinct 4 Constable's Office. Attending the meeting by teleconference were T.J. Cloud representing Champions Hydro-Lawn, Inc. ("CHL"); Ryan Fortner of Wheeler; and Dick Yale, Will Yale, and David Green of Coats Rose, P.C. ("Coats Rose"), Attorney for the District.

Director Gobbell called the meeting to order.

MINUTES OF THE MEETING OF 25 February 2021

The minutes of the meeting of the Board held on 25 February 2021, previously distributed to the Board, were presented for consideration and approval. After discussion, the Board voted unanimously to approve the minutes of the meeting of 25 February 2021, as written.

PEACE OFFICER'S REPORT

The Vice 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, including speeding on certain roads in the District. Sergeant Gonzalez discussed with the Board the possibility of the District installing cameras with license plate reading technology at certain locations in the District. Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Peace Officer's Report.

ENGAGE AUDITOR

The President recognized Mr. Toldan, who presented to the Directors for their review a proposal (the "Proposal") from McCall to audit the financial statements of the District for the fiscal years ending 31 March 2021 and 31 March 2022 (the "Fiscal Years"). Mr. Toldan estimated that the fees to be charged to the District for the audit of the financial statements would range from \$15,500 to \$17,000 for each Fiscal Year.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Proposal and engage McCall to audit the District's financial statements for the Fiscal Years ending 31 March 2021 and 31 March 2022. A copy of the Proposal as accepted by the Board is attached hereto as an exhibit to these minutes.

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. Andel, 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 97.2% of its 2020 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 eight checks written on the District's tax account and two transfers by wire as follows: a transfer of \$10,631.65 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$35,000 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.

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 then reviewed with the Board the calculation of (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 "Payments"). Attached hereto as exhibits to these minutes are copies of letters dated 23 March 2021 from Wheeler regarding the calculation of the Payments to Cypress Forest PUD and Harris County MUD No. 24. The Board noted that the Payments for the 2020 tax year totaled \$24,658.18 for Cypress Forest PUD and \$28,973.16 for Harris County MUD No. 24. Mr. Yale commented that the checks for the Payments would be drawn from the District's Operating Fund Checking Account and could be approved by the Board later in the meeting during the presentation of the Bookkeeper's Report.

DELINQUENT TAX REPORT

Then the Board reviewed 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.

SALES TAX REVENUE TRACKING / SURVEY OF COMMERCIAL ENTITIES AND SALES TAX AUDIT REPORT

Mr. Fortner submitted to and reviewed with the Board the Survey of Commercial Entities in the District and Sales Tax Audit Report dated 25 March 2021 (the "Survey Report") by Sales Revenue Inc. 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 Survey Report is attached hereto as an exhibit to these minutes. Director Gobbell inquired as to why the La Michoacana Meat Market was not included in the list of commercial entities in the Survey Report. Mr. Fortner stated that he would look into this.

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

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 then called the Board's attention to the "behind schedule" letter from J&C to TGU, which states that as of 2 March 2021 TGU was 18 calendar days past the contractual completion date for the Sewer Rehabilitation project. A copy of the "behind schedule" letter is included with the Engineer's Report. He noted that TGU was instructed to provide the District's Engineer with a construction schedule showing the project's legitimate construction completion date.

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 Commission approval of the BAR is expected prior to the Board's meeting on 22 April 2021.

Kleinwood Subdivision Street Inspection. Mr. Bishop reported that on 23 March 2021 the District's Engineer, accompanied by Director Fratangelo, conducted an inspection of the public roadways in the District. He focused the Board's attention on the Street Inspection Report prepared by J&C, a copy of which is included with the Engineer's Report. Mr. Bishop stated that J&C will report the problems identified in the Street Inspection Report to the Harris County Precinct 4 Community Association Department.

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.

Water Well Performance Testing. Mr. Bishop reported that G-M Inspection Services, Inc. ("G-M") had completed its scheduled performance testing of the District's Water Well Nos. 1, 2, and 3 (the "Wells"). According to G-M, he told the Board, the Wells appear to be operating within the acceptable parameters.

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

Mr. Will Yale presented the Attorney's Report.

Directors Election. The Board reviewed an ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE in connection with the 1 May 2021 Directors Election. Mr. Yale noted that according to the Texas Election Code, the District has the authority to declare unopposed candidates to be elected to office since Coats Rose,

P.C., the District's Attorney, has certified in writing that the candidates to be listed on the ballot for the referenced election are unopposed, and to cancel the election set for 1 May 2021. A copy of the Certificate Regarding Unopposed Candidates executed by the District's Attorney is attached hereto as an exhibit. Upon a motion duly made and seconded, the Board voted unanimously to adopt the Order, a copy of which is attached hereto and shall be considered to be a part of these minutes.

Cyber Security Training. Mr. Yale reminded the Board that House Bill 3834 as approved by the 86th Texas Legislature (Regular Session – 2019) requires that local government employees and public officials must complete a certified cyber security training program (the "Security Training") no later than 15 June 2021. He reviewed with the Board a memorandum from Coats Rose regarding the Security Training, a copy of which is attached hereto as an exhibit to these minutes. Upon completing the Security Training, he continued, each Director would need to complete and submit a course completion certificate to the District's Attorney.

Texas Comptroller / Special Purpose District Report. Mr. Yale reported that on 10 March 2021 the District's Attorney had filed the Special Purpose District Report (the "SPD Report") with the Texas Comptroller's Office pursuant to Senate Bill 625 as approved by the 85th Texas Legislature (Regular Session – 2017). He reviewed with the Board the SPD Report Confirmation and Summary, copies of which are attached hereto as exhibits to these minutes.

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 an electronic mail message dated 11 March 2021 from David Quin of P3; and P3 newsletters dated 9 and 23 March 2021, copies of which are attached hereto as exhibits. Mr. Yale discussed with the Board the recommendations from P3 with regard to disputing certain line loss charges (the "Line Loss Charges") in the invoices (the "Invoices") from the District's retail electric provider for the billing period that included the February 2021 Winter Weather Event (the "Weather Event"). He explained that P3 had provided language for the District to use when disputing the Line Loss Charges. Mr. Yale remarked that the District would need to dispute the Line Loss Charges within 21 days of receipt of the Invoices. He added that the District's Bookkeeper had been instructed to carefully review the Invoices and withhold payment for the Line Loss Charges, as needed.

Public Information Act. Mr. Yale discussed with the Board an article from The Houston Chronicle regarding a records request made by several news organizations to Texas Attorney General Ken Paxton pursuant to the Public Information Act. He explained that the news organizations were requesting that the Attorney General provide copies of certain work-related communications, including electronic mail messages and text messages stored on his personal devices. Mr. Yale reminded the Directors that electronic mail messages on their personal devices that pertain to the District's business are subject to the Public Information Act.

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

KLEINWOOD DOLPHINS SWIM TEAM (the "Swim Team")

The Board then considered purchasing a sponsorship for the Swim Team for the 2021 season (the "Sponsorship"). After discussion, upon a motion duly made and seconded, the Board voted unanimously to purchase a Sponsorship at a cost of \$500.

OPERATOR'S REPORT

The Vice President recognized Mr. Hyatt, who submitted to and reviewed with the Board the Operator's Report as follows:

Water Plant Operations. Mr. Hyatt reported that the billed to pumped ratio for the prior month was 98.4% and that the District has 893 service connections, including two vacant single-family residences. He noted that surface water received from the North Harris County Regional Water Authority (the "NHCRWA") accounted for 98% of the water distributed to the District's customers during the period ending 12 February 2021.

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

Identity Theft Prevention Program. Mr. Hyatt reviewed with the Board the annual report prepared by EDP in connection with its Identity Theft Prevention Program. A copy of the report is included with the Operator's Report. Mr. Hyatt stated that no "red flags" had been raised during the past year and that all of the procedures were working smoothly for EDP.

Water Well Performance Testing. Mr. Hyatt reported that G-M had completed its scheduled performance testing of the District's Water Well Nos. 1, 2, and 3 (the "Wells"). According to G-M, he told the Board, the Wells appear to be operating satisfactorily with no issues noted. Copies of the Performance Testing Reports on the Wells as prepared by G-M are included with the Operator's Report. Mr. Hyatt remarked that two well header meters (the "Meters") were found to not be registering. The Meter for Well No. 3 has been repaired and is back in service, he told the Board. The Meter for Well No. 1, said Mr. Hyatt, was replaced because it is more than 20 years old and is not repairable.

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. Hyatt, 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. Dick Yale recommended that the Board continue 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 (collectively, the "Suspension") pursuant to Order No. 51812 (the "PUC Order") as adopted by the Public Utility Commission of Texas on 21 February 2021 in connection with the Weather Event. Mr. Hyatt called the Board's attention to a letter dated 4 March 2021 from Harris County Judge Lina Hidalgo, who requested that water districts in Harris County continue the Suspension through 30 April 2021. A copy of the letter is included with the Operator's Report.

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

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 discussed with the Board the repairs made to the District Office during the past month. Mr. Schuett expressed his intent to (1) dispose of four old folding tables in the District Office and replace them with six new folding tables; and (2) replace the water dispenser in the kitchen sink with a soap dispenser. The Directors expressed their approval for the replacement of the folding tables and the installation of the soap dispenser.

Mr. Schuett then reported on the landscaping activities being performed by Brookway Horticultural Services, Inc. ("Brookway") in the Walking Garden. He stated that Brookway had presented a proposal to remove from the Walking Garden certain landscaping that died during the Weather Event, at a cost of \$1,800. Mr. Schuett requested that the Directors authorize him to approve landscaping proposals from Brookway in an amount up to \$2,000 on behalf of the Board. Director Allard proposed that the Board establish \$2,500 as the maximum amount for said authorization. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Mr. Schuett to approve landscaping proposals from Brookway in an amount not to exceed \$2,500.

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 \$36,486.17 from the City for the District's share of sales tax collections during December 2020, pursuant to the SPA 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"), a copy of which is attached hereto as an exhibit. After review, upon a motion duly made and seconded, the Board voted unanimously to adopt the Budget, as presented.

KLEINWOOD JOINT POWERS BOARD (the "KJPB")

Director Fratangelo presented a report on the activities of the KJPB. A copy of the draft minutes of the KJPB meeting held on 3 March 2021 is attached hereto as an exhibit.

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 March
Attachments

1. Peace Officer Report;
2. Proposal from McCall Gibson Swedlund Barfoot, PLLC;
3. Detention Facilities Report;
4. Tax Assessor/Collector's Report;
5. Letters from Wheeler & Associates – calculation of property tax revenue due to Cypress Forest PUD and Harris County MUD No. 24;
6. Delinquent Tax Report;
7. Survey of Commercial Entities Report;
8. Engineer's Report;
9. Certificate Regarding Unopposed Candidates;
10. ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE;
11. Coats Rose memo / Cyber Security Training;
12. Special Purpose District Report Confirmation and Summary
13. Email from P3, with P3 Technical Committee Newsletters;
14. Operator's Report;
15. Bookkeeper's Report;
16. Operating Budget for FYE 3/31/22;
17. Draft minutes of KJPB meeting.