

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

22 April 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 22nd day of April, 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, 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., 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 L. Doria with Harris County Precinct 4 Constable's Office. Attending the meeting by teleconference were Les Griffith and T.J. Cloud representing Champions Hydro-Lawn, Inc. ("CHL"); Bill Blicht of Blicht Associates, Inc., the District's Financial Advisor; Ryan Schilhab, E.I.T., of J&C; and Dick Yale, Will Yale, David Green, and Will Johnson of Coats Rose, P.C. ("Coats Rose"), Attorney for the District.

Director Guerrero called the meeting to order.

MINUTES OF THE MEETING OF 25 MARCH 2021

The Directors first considered approval of the minutes of the meeting of the Board held on 25 March 2021. The Directors deferred approval of the minutes of 25 March 2021 to a future meeting of the Board.

FINANCIAL ADVISOR'S REPORT / PROPOSED BOND SALE

The President recognized Mr. Blicht, who presented the Financial Advisor's Report. Mr. Blicht reviewed with the Board a set of pro forma schedules for the

proposed sale of the District's Series 2021 Bonds in the amount of \$2,820,000. A copy of the set of schedules is attached hereto as an exhibit to these minutes. Mr. Bishop discussed with the Board the projects to be funded from the proceeds of the sale of the Series 2021 Bonds: (1) Rehabilitation of Sanitary Sewer System – Phases 1 and 2; and (2) payment of the District's pro-rata share of the cost for construction of the Reclaimed Water System Project by the Kleinwood Joint Powers Board (the "KJPB").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Financial Advisor to prepare a Preliminary Official Statement for the proposed sale of the Series 2021 Bonds for review at the Board's meeting on 27 May 2021.

PEACE OFFICER'S REPORT

The President recognized Deputy Doria, 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 President recognized Mr. Griffith, 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. Griffith 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

Next, the President recognized Ms. Anzel, 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 97.6% of its 2020 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto. Ms. Anzel noted that Wheeler was requesting approval for 12 checks written on the District's tax account, said checks including the transfer of \$19.95 in revenues from the tax for maintenance and operations to the District's Operating Fund. She then reported that unclaimed funds totaling \$10.08 had been escheated to the Texas Comptroller's Office by Wheeler.

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.

STRATEGIC PARTNERSHIP AGREEMENT

The Board briefly discussed matters relating to the Strategic Partnership Agreement (the "SPA") between the District and the City of Houston for the limited purpose annexation of commercial property in the District (the "LPA"). Mr. Green reviewed with the Board an electronic mail message from Ryan Fortner of Wheeler, which includes an SPA Boundary Map of the District. Copies of the electronic mail message and SPA Boundary Map are attached hereto as exhibit to these minutes. According to Mr. Fortner, said Mr. Green, the La Michoacana Meat Market is located in the LPA for Harris County Emergency Services District No. 16 and accordingly cannot be included in the District's SPA.

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 continuing with the lead repairs, point repairs, and the rehabilitation of certain sanitary sewer manholes. He then reported that TGU had submitted Pay Estimate No. 3 in the amount of \$36,405.00 in connection with the Sewer Rehabilitation project. A copy of Pay Estimate No. 3 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. 3.

Bond Application Report (the "BAR") / Bond Issue No. 9. Mr. Bishop reported that on 15 April 2021 J&C received the draft Order from the Texas Commission on Environmental Quality (the "Commission") approving the BAR. The draft Order was forwarded to the District's Financial Advisor and Attorney for review, he continued, and receipt of the final Order is anticipated soon.

Kleinwood Subdivision Street Inspection. Mr. Bishop stated that J&C had notified the Harris County Precinct 4 Community Association Department (the "Precinct 4 CAD") of the problems identified during the inspection conducted earlier this year of the public roadways in the Kleinwood Subdivision. He added that J&C was awaiting a response from the Precinct 4 CAD.

Risk and Resilience Assessment. Mr. Bishop 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 (the "EPA") by 30 June 2021. He stated that J&C had completed the Risk Assessment and plans to obtain the certificate of completion from the EPA by 30 June 2021. Mr. Bishop stated that J&C plans to proceed next month with the preparation of the Emergency Response Plan for the District.

Annual Water Plant Inspection. Mr. Bishop recommended that the Board authorize J&C to perform a mechanical and electrical inspection of the District's Water Plant Nos. 1 and 2 (the "Water Plant Inspection"). He reviewed with the Board a memorandum from J&C that lists the scope of work for the Water Plant Inspection. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to proceed with the Water Plant Inspection.

Commercial Developments. Mr. Bishop reported that J&C received a request for information from a developer in connection with the proposed construction of a car wash facility in the tract located at 8220 Louetta Road. He stated that J&C provided the developer with the District's Application for Service and explained to the developer the process for obtaining water and sanitary sewer service from the District.

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.

Identity Theft Prevention Program. The Board next discussed the District's Identity Theft Prevention Program that was adopted 28 May 2009 and was effective 1 May 2009. Mr. Yale presented letters from Wheeler and EDP stating that both Wheeler and EDP had implemented procedures and controls that provide for the security of accounts as required under the District's Identity Theft Program and under the Identity Theft Rules adopted by the Federal Trade Commission. He stated that, based on the reports, it appeared that no "red flags" had been raised during the past year and that all of the procedures were working smoothly for Wheeler and EDP. Copies of the letters 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 a newsletter from P3 dated 13 April 2021, a copy of which is attached hereto. Then the Board discussed the invoices (the "Invoices") from Cavallo Energy Texas LLC ("Cavallo") for the billing period that included the February 2021 Winter Weather Event. Mr. Yale called the Board's attention to a letter dated 26 March 2021 from the District's Attorney to Cavallo, stating that the District was disputing the legal and factual basis for the calculation of charges for Transmission and Distribution Losses and Unaccounted For Energy (UFE) (collectively, the "Line Loss Charges") during the month of February 2021. A copy of the letter is attached hereto as an exhibit to these minutes. Mr. Yale stated that Cavallo had responded by letter dated 8 April 2021, a copy of which is attached hereto, in which it maintained that the charges in the Invoices were accurate. Mr. Dick Yale recommended that the District's Bookkeeper prepare checks for payment of the disputed Line Loss

Charges, to be transmitted to Cavallo as needed. The Directors agreed with Mr. Yale's recommendation.

Status of Invoices for Telecommunication Service. Mr. Yale recommended that the Board and the District's Bookkeeper monitor the invoices received from AT&T Texas for telecommunication service at the District's facilities (the "Telecommunication Service"). He explained that another water district client of Coats Rose had experienced a significant increase in the rates charged by AT&T Texas for the Telecommunication Service.

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 no later than 15 June 2021.

After discussion, 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 89.5% and that the District has 894 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 55% of the water distributed to the District's customers during the period ending 17 March 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.

Inframark, LLC. Mr. Zilko reported that EDP had recently been acquired by Inframark, LLC. He stated that the District's Operator would continue to operate under the name of Environmental Development Partners.

Texas Water Development Board ("TWDB") / 2020 Water Audit Report ("Water Audit Report"). The Directors discussed the status of the Water Audit Report due to the TWDB by 1 May 2021. Mr. Zilko reviewed with the Board the Water Audit Report for the District as prepared by EDP. He stated that the District's Operator had filed the Water Audit Report with the TWDB. A copy of the Water Audit Report is included with the Operator's Report.

Critical Load Status. Mr. Zilko reported that the District's Operator had updated and submitted to Harris County, the Public Utility Commission of Texas, and other regulatory agencies a list of the District's facilities that qualify for critical load status (the "Critical Load List") pursuant to Senate Bill 361 as passed by the 81st Texas Legislature (2009). A copy of the Critical Load List is included with the Operator's Report.

Annual Tier 2 Emergency and Hazardous Chemical Inventory Forms. Mr. Zilko reported that the District's Operator had submitted the Inventory Forms for the District's water plants to the Commission. Copies of the Inventory Forms are included with the Operator's Report.

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 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.

REPORT ON OPERATION OF DISTRICT OFFICE

The President recognized Mr. Schuett, who presented a brief report concerning the condition of the District Office and the Walking Garden (the "Office Report"). After discussion, 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. Mr. Schuett listed the balances in each of the District's accounts and reviewed the activity in each account. The Directors reviewed certain invoices for payment by the Board, as well as the Investment Report.

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.

KLEIN HIGH SCHOOL BAND (the "Band") / FUNDRAISING PROJECT

Consideration was then given to participating in a fundraising project by the Band involving the temporary placement of United States flags during certain holidays at the entrances to the District (the "Fundraising Project"). The Board noted that the Kleinwood Maintenance Fund (the "KMF") had expressed its desire to participate with the District in the cost for the Fundraising Project. The Directors then agreed that the District and the KMF would each contribute \$200 for their respective share of the cost for the Fundraising Project.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize payment to the Band in the amount of \$200 for the Fundraising Project.

KLEINWOOD JOINT POWERS BOARD

Director Fratangelo presented a report on the activities of the KJPB. A copy of the draft minutes of the KJPB meeting held on 7 April 2021 is attached hereto as an exhibit.

KLEINWOOD MAINTENANCE FUND ("KMF")

Director Gobbell presented a report on the activities of the KMF.

EXECUTIVE SESSION

The Board went into executive session, pursuant to the Open Meetings Act, Section 551.071, Government Code, at 8:05 p.m. to discuss security-related matters. The Board returned to open session at 8:15 p.m.

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 22 April 2021
Attachments

1. Email from Bill Blitch with pro forma schedules for possible sale of bonds;
2. Peace Officer's Report;
3. Detention Facilities Report
4. Tax Assessor/Collector's Report;
5. Email from Ryan Fortner with SPA Boundary Map;
6. Engineer's Report;
7. Pay Estimate No. 3 / Sanitary Sewer Rehabilitation;
8. Letter from Wheeler / ID Theft Prevention Program;
9. Letter from EDP / ID Theft Prevention Program;
10. P3 Newsletter;
11. Coats Rose Letter to Cavallo;
12. Letter from Cavallo;
13. Operator's Report;
14. Bookkeeper's Report; and
15. Draft minutes of KJPB meeting.