

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

27 May 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 27th day of May, 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 Director Gobbell attending by teleconference, 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; Bill Blicht of Blicht Associates, Inc., the District's Financial Advisor; Roger Schuett, Office Manager for the District; and Deputy L. Doria with Harris County Precinct 4 Constable's Office. Attending the meeting by teleconference were Les Griffith representing Champions Hydro-Lawn, Inc. ("CHL"); Chris Zilko of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Ryan Schilhab, E.I.T., of J&C; 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 MEETINGS OF 25 MARCH 2021 AND 22 APRIL 2021

The Directors first considered approval of the minutes of the meetings of the Board held on 25 March 2021 and 22 April 2021. After discussion, during which Director Ehmann stated that he would abstain upon a motion duly made and seconded, the Board voted 4 to 0 in favor of approving the minutes of the meetings of 25 March 2021 and 22 April 2021, as written.

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.

SERIES 2021 BONDS

The Board discussed matters relating to the proposed sale of the District's Series 2021 Bonds (the "Bonds"). Mr. Blich reported that the Texas Commission on Environmental Quality (the "Commission") had issued the Staff Memorandum recommending approval of the Bonds in the amount of \$9,000,000. He submitted to and reviewed with the Board the Draft Preliminary Official Statement (the "Draft POS") for the sale of the Bonds in the amount of \$2,810,000. A copy of the Draft POS is filed in the permanent records of the District. He reviewed with the Board the contents of the Draft POS and explained the schedule of events pertaining to the sale of the Bonds. He called attention to the Notice of Sale and the bid forms. He noted that the proposed sale had been submitted for a rating and for bond insurance. Mr. Blich reviewed the Selected Financial Information in detail. He noted that the debt-to-value ratios for the District after the proposed sale of the Bonds were favorable. The numbers demonstrate that the District does not require any growth in assessed valuation to amortize its outstanding bonds and the proposed Bonds, Mr. Blich told the Board.

Mr. Blich recommended that the District have UMB Bank, N.A., serve as the paying agent/registrar for the Bonds. He then recommended that Orrick, Herrington & Sutcliffe LLP serve as the disclosure counsel for the issue. The Directors agreed to review the bids for the sale of the Bonds at the Board's meeting on 24 June 2021.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) approve the Draft POS, subject to further review by the District's consultants; and (2) adopt the RESOLUTION ADOPTING OFFICIAL NOTICE OF SALE, PRELIMINARY OFFICIAL STATEMENT, AND BID FORM; AUTHORIZING DISTRIBUTION THEREOF; AND AUTHORIZING PUBLICATION OF NOTICE OF SALE. A copy of the Resolution is attached hereto and shall be considered to be part of these minutes.

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. 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 98.1% 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 nine checks written on the District's tax account, said checks including the transfer of \$3,680.24 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$7,500 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.

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 the final inspection of the Sewer Rehabilitation was conducted on 13 May 2021. He noted that TGU is addressing the minor punch list items that were noted during the final inspection. Mr. Bishop then reported that TGU had submitted Pay Estimate No. 4 in the amount of \$53,814.60 in connection with the Sewer Rehabilitation project. A copy of Pay Estimate No. 4 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. 4.

Bond Application Report (the "BAR") / Bond Issue No. 9. Mr. Bishop reported that the Commission had issued the final Order approving the BAR and authorizing the issuance of \$9,000,000 unlimited tax and revenue bonds by the District (the "TCEQ Order"). Copies of the TCEQ Order and Staff Memorandum are included with the Engineer's Report.

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 added that J&C has commenced preparation of the Emergency Response Plan for the District, which is due 31 December 2021.

Annual Water Plant Inspection. Mr. Bishop discussed with the Board the status of the mechanical and electrical inspection of the District's Water Plant Nos. 1 and 2 (the "Water Plant Inspection"). He pointed out to the Board that Water Plant No. 2 would have to be removed from service for the Water Plant Inspection because the one hydropneumatic tank at that facility must be drained this year. Because of water demand concerns from having only Water Plant No. 1 in service, he continued, the District's Operator requested that the Water Plant Inspection be conducted in October 2021 when the District's water demand will be less than during the summer months. Accordingly, he continued, J&C has postponed the Water Plant Inspection until after summer.

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.

Oaths of Office. The Board considered approval of the Oaths of Office and the Statements of Officers as executed and submitted by Directors Allard and Ehmann. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Oaths and Statements. Mr. Yale told the Board that the Public Employee Blanket Bond covering the five positions of Director of the District would continue in force and effect. Copies of the executed Oaths and Statements are attached to these minutes as exhibits. Also attached hereto as exhibits are copies of the Statements of Director – Disclosure of Address and Telephone Number as executed by Directors Allard and Ehmann.

Election of Officers. The Directors next considered the need to reconstitute the Board of Directors, pursuant to the requirements of Section 49.054(b), Texas Water Code. After discussion, upon a motion duly made and seconded, the Board voted unanimously to elect the Directors to the offices indicated:

Jeff Gobbell	President
Joe Fratangelo	Vice President
Sherry Allard	Secretary/Treasurer
Robert Ehmann	Assistant Vice President & Assistant Secretary
David C. Guerrero	Assistant Secretary

Then, upon a motion duly made and seconded, the Board voted unanimously to authorize Coats Rose to prepare a revised District Registration Form and file same with the Commission.

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 11 May 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 discussed with the Board the recommendations from P3 with regard to disputing certain line loss charges in the Invoices (the "Line Loss Charges"). He stated that P3 was recommending that water districts continue to deduct the cost for the Line Loss Charges from the payments to Cavallo. He reviewed with P3's Recommendations to Members regarding the Invoices, a copy of which is attached hereto as an exhibit.

House Bill 3693 Compliance / Electricity Consumption. Mr. Yale reminded the Board that Chapter 2265 of the Texas Government Code requires Texas political subdivisions to record and make available their utility usage and costs pursuant to House Bill 3693 ("HB 3693") as approved by the 80th Texas Legislature in 2007. He then submitted for the Board's review the HB 3693 Report for the District for calendar year 2020 as prepared by P3. A copy of the HB 3693 Report is attached hereto as an exhibit to these minutes.

Status of Invoices for Telecommunication Service. Mr. Dick Yale discussed with the Board matters regarding 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. He recommended that the Board and the District's Bookkeeper closely monitor the invoices for the Telecommunication Service (the "AT&T Invoices"). Mr. Yale then requested that the District's Bookkeeper provide the District's Attorney, Operator, and Engineer copies of the AT&T Invoices from the past year for review.

Cyber Security Training. Mr. Will 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.

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 94.1% 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 99% of the water distributed to the District's customers during the period ending 15 April 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.

2020 Drinking Water Quality Report (the "DWQR"). Mr. Zilko reviewed with the Board the draft DWQR as prepared by EDP. A copy of the draft DWQR is included with the Operator's Report. After review, upon a motion duly made and seconded, the Board voted unanimously to approve the DWQR, subject to review by the District's Attorney. A copy of the DWQR is attached hereto as an exhibit to these minutes.

"Where My Water Bill Payments Go" Chart. 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. The Board directed the District's Attorney to post the Chart on the District's internet website. A copy of the Chart is attached hereto as an exhibit to these minutes.

Bills for Water and Sewer Service. Director Allard proposed that the bills being sent to the District's customers for water and sewer service include a message encouraging prompt payment of the amount due to the District. The Board agreed with Director Allard's proposal.

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 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.

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 5 May 2021 is attached hereto as an exhibit.

KLEINWOOD MAINTENANCE FUND ("KMF")

Director Gobbell presented a report on the activities of the KMF, including the condition the swimming pool at the District Office site (the "Pool"). He reported that the KMF was considering contractors to repair a crack that had developed in the plaster in lane No. 5 of the Pool. He stated that the Pool is closed pending completion of the plaster repairs except for use by the Kleinwood Dolphins swim team, which has agreed not to swim in lane No. 5. Director Gobbell then reported that the KMF had engaged Blue Water Pool Service to service the Pool effective 1 June 2021.

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 27 May 2021
Attachments

1. Peace Officer's Report;
2. RESOLUTION ADOPTING OFFICIAL NOTICE OF SALE, PRELIMINARY OFFICIAL STATEMENT, AND BID FORM; AUTHORIZING DISTRIBUTION THEREOF; AND AUTHORIZING PUBLICATION OF NOTICE OF SALE;
3. Detention Facilities Report;
4. Tax Assessor/Collector's Report;
5. Engineer's Report;
6. Pay Estimate No. 4 / Sewer Rehabilitation;
7. Oath of Office and Statement of Director / Sherry Allard;
8. Oath of Office and Statement of Director / Robert Ehmann;
9. P3 Newsletter;
10. P3 recommendation regarding electricity invoices;
11. HB 3693 Report;
12. Operator's Report;
13. 2020 Drinking Water Quality Report;
14. "Where My Water Bill Payments Go" Chart;
15. Bookkeeper's Report; and
16. Draft minutes of KJPB meeting;