

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

22 July 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 July, 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:

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

and all of said persons were present, with Director Guerrero attending by teleconference, thus constituting a quorum.

Also present were René Andel of Wheeler & Associates, Inc. ("Wheeler"), the Tax Assessor/Collector for the District; Jennifer Day representing McCall Gibson Swedlund Barfoot, PLLC ("McCall"), the District's Auditor; Jeffrey Bishop, P.E., of Jones & Carter, Inc. ("J&C"), Engineer for the District; Chris Zilko of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Les Griffith representing Champions Hydro-Lawn, Inc. ("CHL"); Roger Schuett, Office Manager for the District; Lieutenant Michael Cohen and Sergeant Jonathan Zitzmann with Harris County Precinct 4 Constable's Office; and David Green representing Coats Rose, P.C. ("Coats Rose"), Attorney for the District. Attending the meeting by teleconference was Will Yale of Coats Rose.

Director Gobbell called the meeting to order.

**MINUTES OF THE MEETING OF 24 JUNE 2021**

The Directors first considered approval of the minutes of the meeting of the Board held on 24 June 2021. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 24 June 2021, as written.

## **DETENTION AND DRAINAGE FACILITIES REPORT**

The President recognized Mr. Griffith, who presented the Detention and Drainage Facilities Report (the "Detention Facilities Report") 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 remarked that Detention Pond was in good condition at this time.

Mr. Griffith then informed the Board that a sinkhole (the "Sinkhole") had developed in the detention pond that serves The Falls at Champion Forest Subdivision (the "Falls Detention Pond"). He estimated the cost to repair the Sinkhole at \$8,799. Director Fratangelo remarked that the District was not responsible for the maintenance of the Falls Detention Pond. The Board directed Mr. Griffith to discuss the proposed repair of the Sinkhole with the Falls at Champion Forest Property Owners Association, Inc.

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. 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 98.8% 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 eight checks written on the District's tax account, said checks including the transfer of \$205.94 in revenues from the tax for maintenance and operations to the District's Operating Fund and the transfer of \$5,000 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.

## **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 had addressed most of the punch list items identified in the final inspection. He explained that the outstanding items consist of restoration work at Water Plant No. 1, 7627 Feliciana Lane, and 17111 Lapeer Court. Mr. Bishop stated that the one-year warranty period for the Sewer Rehabilitation had commenced on 15 July 2021. Upon the completion of Phase 1 of the

Sewer Rehabilitation and the sale of the District's Series 2021 Bonds, he continued, the District's Engineer will prepare a cost estimate and construction schedule for Phase 2 for the Sewer Rehabilitation project.

Mr. Bishop then reported that TGU had submitted Pay Estimate No. 5 and FINAL in the amount of \$55,999.18 in connection with the Sewer Rehabilitation project. A copy of Pay Estimate No. 5 and FINAL is attached hereto as an exhibit to these minutes.

Emergency Response Plan (the "ERP"). Mr. Bishop reported that J&C was preparing the ERP for certification to the U.S. Environmental Protection Agency by the deadline date of 17 December 2021, pursuant to the America's Water Infrastructure Act of 2018.

Annual Water Plant Inspection. Mr. Bishop recalled that, as requested by the District's Operator, J&C has postponed the mechanical and electrical inspection of the District's Water Plant Nos. 1 and 2 until after summer.

Commercial Water Rate Analysis. Mr. Bishop reported that the District's Engineer had reviewed the water and sanitary sewer rates charged by the District (the "Rates") to commercial, irrigation, tax-exempt, and multi-family residential customers and calculated the increase in the Rates that would be necessary to cover the cost of a third contract officer to be assigned to the District under the Security Service Contract. He called the Board's attention to the summary of the Water and Sewer Revenue Analysis prepared by J&C, a copy of which is included with the Engineer's Report.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Engineer's Report; (2) authorize payment of Pay Estimate No. 5 and FINAL for the Sewer Rehabilitation project; and (3) accept the Sewer Rehabilitation project. A copy of the Engineer's Report is attached hereto as an exhibit to these minutes.

## **PEACE OFFICER'S REPORT**

The President recognized Sergeant Zitzmann, who presented the Peace Officer's Report, a copy of which is attached hereto. The Board then discussed security-related issues, including the possible assignment to the District of a third contract officer under the Security Service Contract. The Directors agreed that the assignment of a third contract officer was not necessary at this time. The Directors then expressed their desire to increase by 20% the rates charged to the commercial customers in the District for water and sanitary sewer service (the "Commercial Rates") in view of the number of security-related incidents being reported near certain commercial areas in the District. The Board then directed the District's Attorney to prepare an amendment to the District's Rate Order to revise the Commercial Rates as described above.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Peace Officer's Report.

## **ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED 31 MARCH 2021**

The President recognized Ms. Day, who submitted to and reviewed with the Board the draft Annual Financial Report for the District (the "Report") for the fiscal year ended 31 March 2021 (the "Fiscal Year"). She reviewed with the Board (1) the District's combined fund balances as of the end of the Fiscal Year; (2) the District's total net assets; (3) the District's capital assets; (4) the amount of the District's bonded debt payable; (5) the Notes to Financial Statements; and (6) the Statement of Net Position and Governmental Funds Balance Sheet. Ms. Day reviewed with the Board the draft Management Letter prepared in connection with the Report.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to: (1) approve the draft of the Annual Financial Report for the District for the fiscal year ended 31 March 2021, subject to review and comment by District's Directors and consultants; (2) authorize Ms. Day to finalize the Annual Financial Report; (3) authorize execution of the Letter of Representations to McCall; and (4) authorize Coats Rose, P.C., to file the finalized Annual Financial Report with the Texas Commission on Environmental Quality (the "Commission") and other governmental and regulatory agencies as required. A copy of the draft Annual Financial Report is filed in the permanent records of the District. Attached hereto as exhibits to these minutes are copies of (1) a letter dated 22 July 2021 from the District's Attorney in connection with the Annual Financial Report; and (2) the Letter of Representations.

### **REVIEW OF DISTRICT'S INVESTMENT POLICY**

Next, the Board reviewed the District's investment strategies, pursuant to the requirements of the Public Funds Investment Act. The Board reviewed the strategies for each of the District's accounts. The Board also reviewed the List of Authorized Brokers included as Exhibit "A" to the RESOLUTION EVIDENCING REVIEW OF INVESTMENT POLICY AND INVESTMENT STRATEGIES. After discussion, upon a motion duly made and seconded, the Board voted unanimously to adopt the Resolution, 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.

Approval of Certified Agendas. The Directors then considered approval of the certified agendas for the executive session of 18 November 2020 and 22 April 2021. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the certified agenda for the executive session of 22 April 2021, as written. The Directors deferred approval of the certified agenda for the executive session of 18 November 2020 to a future meeting of the Board.

Interlocal Agreement / Harris-Galveston Subsidence District (the "Subsidence District"). The Board considered approval of a proposed Interlocal Agreement between

the District and the Subsidence District for District sponsorship of the "Learning to be Water Wise and Energy Efficient" program ("Water Wise") for fifth grade students for the 2021-2022 school year (the "HGSD Agreement"). Mr. Yale pointed out to the Board that under the HGSD Agreement, the District would fund 130 Water Wise sponsorships at a listed cost of \$38 per student. Pursuant to the HGSD Agreement, he continued, the Subsidence District would issue to the District a groundwater credit equal to 84,000 gallons of water for each student sponsored by the District.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the HGSD Agreement and to authorize Director Gobbell to execute same. A copy of the HGSD Agreement is attached hereto as an exhibit to these minutes.

Series 2021 Bonds. The Board discussed matters pertaining to the sale of the District's Series 2021 Bonds (the "Bonds"). Mr. Yale reported that on 2 July 2021 the Transcript of Proceedings for the Bonds was forwarded to the Texas Attorney General for review. He noted that the closing of the sale of the Bonds was scheduled to take place on Thursday, 29 July 2021.

Power Supply Issues / Public Power Pool ("P3"). 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 July 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. The Directors discussed the recommendations from P3 with regard to disputing certain line loss charges in the Invoices (the "Line Loss Charges"). Mr. Yale called the Board's attention to an electronic mail message dated 20 July 2021 from David Quin of P3, a copy of which is attached hereto as an exhibit to these minutes. According to Mr. Quin, he told the Board, P3 had found no systemic billing errors in the data received from its contract retail electric providers, and accordingly P3 had concluded that the Line Loss Charges were correctly calculated. He stated that Mr. Quin was recommending that P3 members now pay their current bills for electric service in full, including the previously disputed Line Loss Charges.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize payment of the Line Loss Charges in full as recommended by P3.

## **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 91.1% and that the District has 895 service connections, including

three 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 18 June 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.

Customer Write-Off Report. Mr. Zilko reviewed with the Board the Customer Write-Off Report as prepared by the District's Operator. A copy of the Customer Write-Off Report is included with the Operations Report. The Directors noted that there were seven delinquent service accounts in the total amount of \$556.71 through 4 March 2021 that would be written off and turned over to a collection agency. After review, upon a motion duly made and seconded, the Board voted unanimously to direct the District's Operator to engage a collection agency to pursue collection of the amounts owed to the District by the delinquent utility service accounts listed in the Customer Write-Off Report.

Status of Invoices for Telecommunication Service. The Board discussed matters regarding the invoices received from AT&T Texas for telecommunication service at the District's facilities (the "Telecommunication Service"). Mr. Zilko reported that EDP was working with AT&T Texas to change the status of the accounts for the Telecommunication Service so that the District will be billed according to the rate schedule for governmental entities. Once the rate schedule has been adjusted, he continued, the monthly cost to the District for each account will be approximately \$30. Mr. Zilko stated that the adjustment to the rate schedule will likely appear on the bills to the District within one or two billing cycles.

2020 Drinking Water Quality Report. Mr. Zilko reported that the 2020 Drinking Water Quality Report for the District was delivered to the District's customers in June 2021. He stated that EDP had completed the Certificate of Delivery for the 2020 Drinking Water Quality Report and submitted same to the Commission. A copy of the Certificate of Delivery is included with the Operators Report.

Then, 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"), a copy of which is attached hereto. A discussion ensued regarding the condition of the walking trail and bridge in the Walking Garden. Mr. Schuett expressed his view that rebuilding the bridge should be given priority over repairs to the walking trail. The Directors then discussed the condition of the wooden fence (the "Fence") between the District Office site and the Spring Klein Sports facility (called "SKS") located at 16666 Kleinwood Drive. The Board directed the District's Attorney to draft a letter to SKS requesting that it undertake repairs to the Fence.

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. ("Redden"), 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.

### **AMEND OPERATING BUDGET FOR THE DISTRICT**

Consideration was then given to amending the Operating Budget for the District for the fiscal year ending 31 March 2022 (the "Budget"). Mr. Schuett reported that Redden had recommended that the Income item in the Budget for maintenance tax revenue be increased from \$350,000 to \$550,000. After discussion, upon a motion duly made and seconded, the Board voted unanimously to amend the Budget as described above.

**KLEINWOOD JOINT POWERS BOARD ("KJPB")**

Director Fratangelo presented a report on the activities of the KJPB. A copy of the draft minutes of the KJPB meeting held on 14 July 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 of the swimming pool at the District Office site (the "Pool"). He reported that the crack in the plaster in lane No. 5 of the Pool has been patched. Later this year, he continued, the KMF will take bids for replastering the entire Pool.

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

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Secretary, Board of Directors

SEAL



Kleinwood Municipal Utility District  
Meeting of 22 July 2021  
Attachments

1. Detention Facilities Report;
2. Tax Assessor/Collector's Report;
3. Engineer's Report;
4. Pay Estimate No. 5 and FINAL;
5. Peace Officer's Report;
6. Coats Rose letter – Audit;
7. Letter of Representations – Audit;
8. RESOLUTION EVIDENCING REVIEW OF INVESTMENT POLICY AND INVESTMENT STRATEGIES;
9. Interlocal Agreement – Harris-Galveston Subsidence District;
10. P3 Newsletter;
11. Email from P3;
12. Operator's Report;
13. District Office Report;
14. Bookkeeper's Report; and
15. Draft minutes of KJPB meeting.