

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

24 June 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 24th day of June, 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, 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; Chris Zilko of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Bill Blich of Blich Associates, Inc., the District's Financial Advisor; Roger Schuett, Office Manager for the District; Deputy L. Doria 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 27 MAY 2021

The Directors first considered approval of the minutes of the meeting of the Board held on 27 May 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 meeting of 27 May 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.

SALE OF SERIES 2021 BONDS

The President recognized Mr. Blich, who announced that five bids were received for the purchase of the District's \$2,810,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2021 (the "Bonds"). He informed the Board that Moody's Investors Service had assigned an underlying rating of "A2" to the District and the outstanding unenhanced debt of the District. Mr. Blich stated that the Bonds were expected to receive an insured rating of "AA" from S&P Global Ratings based on a financial guaranty policy by Build America Mutual Assurance Company at the time of delivery of the Bonds.

Mr. Blich stated that he had received a "good faith" check in connection with the sale of the Bonds in the amount of \$56,200. He explained that the good faith check will be held until the closing of the Bonds and returned to the purchaser once the sale is complete. In the event the purchaser fails to provide the necessary funding to purchase the Bonds at the closing, he continued, the District is entitled to retain these funds.

Mr. Blich reported that the bids were received electronically. He then reviewed with the Board the official bid tabulation and read that the bidders listed as follows had offered the respective net effective interest rates indicated:

(1)	UMB Bank, N.A.	1.897116
(2)	SAMCO Capital Markets, Inc.	1.907670
(3)	Hilltop Securities	1.907670
(4)	Robert W. Baird & Co., Inc.	2.010019
(5)	Raymond James & Associates, Inc.	2.164628

A copy of the official bid tabulation is attached hereto and shall be considered part of these minutes. Mr. Blich recommended that the Board accept the bid submitted by UMB Bank, N.A. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the bid of UMB Bank, N.A. and to award the sale of the Bonds to same. A copy of the Official Bid Form submitted by UMB Bank, N.A. is attached hereto as an exhibit to these minutes.

Mr. Yale then reviewed with the Board the RESOLUTION AUTHORIZING THE ISSUANCE OF \$2,810,000 UNLIMITED TAX BONDS, SERIES 2021 (the "Bond Resolution"). He explained that the Bond Resolution is a contract between the District and the bondholders which governs the relationship and contains numerous actions the District agrees to take to pay off the principal and interest on the Bonds. He explained further that the Bond Resolution stipulates that the District is required to provide financial information on an annual basis to each nationally recognized municipal securities information repository, as well as the State information depository, so that buyers or sellers of the Bonds can have access to the financial condition of the District.

After discussion and further review of the Bond Resolution, upon a motion duly made and seconded, the Board voted unanimously to adopt the Bond Resolution. A certified copy of the Bond Resolution is included in the transcript of the proceedings of the sale of the Bonds. Next, the Board approved the Official Statement for the sale of the Bonds and adopted the ORDER ADOPTING AND AUTHORIZING THE EXECUTION AND DISTRIBUTION OF OFFICIAL STATEMENT AND RATIFYING DISTRIBUTION OF PRELIMINARY OFFICIAL STATEMENT.

Next, Mr. Yale told the Board that it would be necessary for the Board to approve and execute a Paying Agent Agreement. He stated that the Paying Agent Agreement is between the District and UMB Bank, N.A. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve and execute the Paying Agent Agreement.

The Board then reviewed the General Certificate to be submitted to the Attorney General of Texas with the bound transcript for approval of the sale. Mr. Yale pointed out that the General Certificate provided a history of the District since the previous bond sale. Upon a motion duly made and seconded, the Board voted unanimously to approve the General Certificate and authorize Directors Gobbell and Allard to execute same. The General Certificate will be included in the transcript of proceedings for the sale of the Bonds.

Mr. Yale then submitted the Signature Identification and No-Litigation Certificate in connection with the Bonds. He explained that the signatures of the President and Secretary of the Board would be verified for the Attorney General by notarization. Mr. Yale also submitted other certificates and letters for execution by Directors Gobbell and Allard. Mr. Yale then said it would be necessary for the Board to authorize the officers and agents of the District to perform whatever actions are required to accomplish the bond sale transaction. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the Directors and District's consultants to execute documents and take all additional actions necessary to complete the sale and delivery of the Bonds.

DETENTION AND DRAINAGE FACILITIES REPORT

The President recognized Mr. Schuett, who presented the Detention and Drainage Facilities Report (the "Detention Facilities Report") prepared by Champions Hydro-Lawn, Inc. ("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. The Directors noted that, according to CHL, 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 98.8% 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 10 checks written on the District's tax account, said checks including the transfer of \$3,784.81 in revenues from the tax for maintenance and operations to the District's Operating Fund.

Preliminary Report of Appraised & Taxable Values. Ms. Andel then informed the Board that Wheeler had received the Preliminary Report of Appraised & Taxable Values for the District for the 2021 tax year as prepared by the Harris County Appraisal District ("HCAD"). Ms. Andel noted that according to HCAD, the initial taxable value for the District for the 2021 tax year totals approximately \$413,962,476.

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.

UNCOLLECTIBLE ACCOUNTS

Consideration was then given to moving certain delinquent tax accounts involving personal property (the "Accounts") to the Uncollectible Tax Roll. The President recognized Ms. Andel, who submitted to and reviewed with the Board a List of Uncollectible Accounts as prepared by the District's Tax Assessor/Collector. A copy of the List of Uncollectible Accounts is attached hereto as an exhibit to these minutes. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Tax Assessor/Collector to move the Accounts to the List of Uncollectible Accounts.

DELINQUENT TAX REPORT

Ms. Andel then submitted for the Board's review 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.

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 is continuing to address the

minor punch list items that were noted during the final inspection and expects to complete this task prior to the Board's meeting on 22 July 2021.

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 on 17 June 2021 the District's Engineer had received the certificate of completion for the Risk Assessment from the EPA and has now commenced preparation of the Emergency Response Plan for the District. Mr. Bishop noted that certification of the Emergency Response Plan is due to the EPA six months from the date of the certification of the Risk Assessment (17 December 2021).

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.

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. Yale presented the Attorney's Report.

Depository Pledge Agreement / Central Bank. The Board considered a Depository Pledge Agreement between the District and Central Bank (the "Bank") for the District's Operating Fund Account, Debt Service Fund, and Capital Projects Fund (collectively, the "Accounts"). Mr. Yale explained to the Board that the purpose of the Depository Pledge Agreement is to ensure that the depository bank will pledge collateral to secure any funds on deposit in the Accounts that exceed the \$250,000 limit for coverage by the Federal Deposit Insurance Corporation. The Directors expressed their desire to designate Claudia Redden and Sarah Redden of Claudia Redden & Associates, LLC, the District's Bookkeeper, as authorized representatives of the District empowered to direct the Bank with regard to collateral pledges, releases, and substitutions in the joint safekeeping account referenced in the Depository Pledge Agreement.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Depository Pledge Agreement. A copy of the Depository Pledge Agreement as approved by the Board is attached hereto and is made part of 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 8 June 2021, a copy of which is attached hereto.

Status of Invoices for Telecommunication Service. The Board discussed matters regarding the invoices received from AT&T Texas (the "Invoices") for telecommunication service at the District's facilities (the "Telecommunication Service"). Mr. Bishop stated that he had reviewed the Invoices for the past year and noted that the average monthly amount billed to the District exceeds \$1,200. He expressed his view that the amount being billed to the District for the Telecommunication Service appears to be very high. Mr. Bishop noted that four of the District's accounts for the Telecommunication Service are for cellular cards connected to the auto-dialing units at the District's Water Plants Nos. 1 and 2 and Lift Stations Nos. 2 and 3, with the fifth account apparently being for a telephone line at the District Office. He remarked that the District was being billed more than \$250 each month for service on each of the cellular cards when the cost should be closer to \$40 each month for each cellular card.

Mr. Bishop recommended that (1) the District's Operator verify the telephone numbers and accounts for each auto-dialing unit; (2) Mr. Schuett confirm that the fifth account is for a telephone line at the District Office; and (3) the District cancel the accounts for the Telecommunications Service and either obtain Telecommunications Service with a different carrier or negotiate a better service agreement with AT&T. Mr. Zilko stated that he would review the Invoices and look into possible options for the Telecommunications Service.

Cyber Security Training. Mr. Yale reported on the status of the annual cyber security training program for the Directors (the "Training") pursuant to House Bill 3834 as approved by the 86th Texas Legislature (Regular Session – 2019). He stated that on 15 June 2021 the District's Attorney had reported the Training status to the Texas Department of Information Resources (the "TDIR"). Attached hereto as an exhibit to these minutes is a copy of an electronic mail message from the TDIR confirming receipt of the Training certification for the District for 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 (the "Accountability Rate") was 113.1% and that the District has 895 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 14 May 2021. Mr. Zilko explained that a malfunction of the NHCRWA's water meter resulted in the unusually high Accountability Rate for the reporting period.

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.

Fire Hydrant Survey. Mr. Zilko reviewed with the Board the Notice of Water System Flushing (the "Notice") that will be sent to District's customers in advance of the annual survey of the fire hydrants in the District (the "Survey"). A copy of the Notice is included with the Operator's Report. Mr. Zilko stated that the Survey is scheduled for the week of 19 July 2021.

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. Mr. Schuett stated that he was conferring with Brookway Horticultural Services, Inc. regarding the proposed replacement of certain plants at the District Office site that were freeze damaged during the February 2021 winter weather event. Director Gobbell discussed with Mr. Schuett the possibility of having wi-fi access at the District Office. Then Director Gobbell discussed with Mr. Schuett possible improvements to the parking lot at the District Office.

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 ("KJPB")

Director Fratangelo presented a report on the activities of the KJPB. A copy of the draft minutes of the KJPB meeting held on 2 June 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 later this month or in early July 2021 the Pool will be drained so that the crack in the plaster in lane No. 5 of the Pool can be patched. Later this year, he continued, the entire pool will be replastered. Director Gobbell noted that Blue Water Pool Service is planning to install a liquid disinfection system for the Pool.

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 24 June 2021
Attachments

1. Peace Officer Report;
2. Bid Tabulation for Bonds;
3. Bid submitted by UMB Bank, N.A.;
4. Detention and Drainage Facilities Report;
5. Tax Assessor/Collector's Report;
6. List of Uncollectible Accounts;
7. Delinquent Tax Report;
8. Engineer's Report;
9. Depository Pledge Agreement / Central Bank;
10. P3 Newsletter;
11. Email from Texas Department of Information Resources;
12. Operator's Report;
13. District Office Report;
14. Bookkeeper's Report; and
15. Draft minutes of KJPB meeting.