

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

23 September 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 23rd day of September 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; Chris Zilko of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Roger Schuett, Office Manager for the District; Les Griffith representing Champions Hydro-Lawn, Inc. ("CHL"); Sergeant M. Gonzalez and Deputy L. Doria with Harris County Precinct 4 Constable's Office (the "Constable's Office"); and David Green of Coats Rose, P.C. ("Coats Rose"), Attorney for the District.

Attending the meeting by teleconference were Jeffrey Bishop, P.E., of Jones & Carter, Inc. ("J&C"), Engineer for the District; Bill Blich with Blich Associates, Inc., the District's Financial Advisor; and Will Yale of Coats Rose.

Director Gobbell called the meeting to order.

MINUTES OF THE MEETING OF 26 AUGUST 2021

The minutes of the meeting of the Board held on 26 August 2021 were presented for consideration and approval. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 26 August 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.

DETENTION AND DRAINAGE FACILITIES REPORT

The President recognized Mr. Griffith, who submitted to and reviewed with the Board 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 remarked 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 President recognized Ms. Anadel, who submitted to and reviewed with the Board 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 99% 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 five checks written on the District's tax account. 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.

HEARING ON PROPOSED TAX RATE

The Board then convened a public hearing to discuss the proposed tax rate for the 2021 tax year (the "Tax Rate"). The Directors noted that there were no taxpayers of the District in attendance who desired to address the Board regarding the Tax Rate.

ADOPT ORDER LEVYING TAXES

Next, the Directors reviewed an ORDER LEVYING TAXES as prepared by Coats Rose, P.C., the District's Attorney. Then, upon a motion duly made and seconded, the Board voted unanimously to adopt a debt service tax rate of \$0.27 per \$100 of assessed valuation. The Board then, upon a motion duly made and seconded, voted unanimously to adopt a maintenance tax rate of \$0.14 per \$100 of assessed valuation and to adopt the ORDER LEVYING TAXES, a copy of which is attached hereto and shall be considered a part of these minutes.

AMENDMENT TO INFORMATION FORM

The Board then considered an Amendment to the District's Information Form (the "Amendment") that states the District's most recent tax rate and which will be filed with the Texas Commission on Environmental Quality (the "Commission") and in the Official Public Records of Real Property of Harris County, Texas. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Amendment and to authorize filing of same. A copy of the Amendment as approved is attached hereto and shall be considered part of these minutes.

DEPOSITORY PLEDGE AGREEMENT / ALLEGIANCE BANK

The Board next considered a Depository Pledge Agreement between the District and Allegiance Bank (the "Bank") for the District's Tax Accounts (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 Wheeler & Associates, Inc., the District's Tax Assessor/Collector, as an authorized representative 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.

AMENDMENT TO AGREEMENT FOR SERVICES OF TAX ASSESSOR AND COLLECTOR

Mr. Yale then reviewed with the Board the proposed Amendment to the Agreement between the District and Wheeler for Services of Tax Assessor and Collector (the "Wheeler Amendment"). Under the Wheeler Amendment, he told the Board, Wheeler would maintain on its website certain information for the District as required of certain governmental entities pursuant to Section 2051.202 of the Texas Government Code.

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

ENGINEER'S REPORT

The President then recognized Mr. Bishop, who presented the Engineer's Report as follows:

Proposed Rehabilitation of Sanitary Sewer System – Phase 2 (the "Phase 2 Rehabilitation"). Mr. Bishop reported that J&C was proceeding with the design of the Phase 2 Rehabilitation. He stated that bidding on the Phase 2 Rehabilitation was expected to take place in November 2021.

Water Plant No. 1 / Perimeter Fence and Landscaping. The Board discussed with Mr. Bishop the condition of the Water Plant No. 1 site. Mr. Bishop called the Board's attention to (1) an aerial photograph that denotes the boundaries of the Water Plant No. 1 site; and (2) a listing of options for the replacement of the perimeter fence (the "Fence Replacement"), including photographs and estimated cost, copies of which are included with the Engineer's Report. He recommended that the Fence Replacement be handled by the District's Operator but noted that J&C could oversee the project if the Board so desires. The Directors deferred action on this matter to a future meeting of the Board.

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.

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 stated that J&C was working with the District's Operator to schedule the mechanical and electrical inspection of the District's Water Plant Nos. 1 and 2 in October 2021.

Public Roadways in the District (the "Roadways"). The Board briefly discussed the condition of certain Roadways. Director Fratangelo remarked that the pavement on Squyres Road was becoming increasingly rough and that a pothole had developed in the pavement near the Klein Volunteer Fire Station. He added that the concrete ring around a storm sewer manhole located near the intersection at Champion Forest Drive and Hertz Road was broken.

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

ATTORNEY'S REPORT

The President recognized Mr. Yale, who presented the Attorney's Report.

Proposal for Arbitrage Compliance Program. Mr. Yale reviewed with the Board the proposal (the "ACSI Proposal") submitted by Arbitrage Compliance Specialists, Inc. for preparing the Arbitrage Report as required by the U.S. Treasury Department and the U.S. Internal Revenue Service in connection with the 10th year computation period for the District's Series 2011 Refunding Bonds. The Directors noted that the estimated cost for the Arbitrage Report as presented in the ACSI Proposal totaled \$2,950. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the ACSI Proposal and to authorize Director Gobbell to execute same. A copy of the ACSI Proposal as accepted by the Board is attached hereto and shall be considered to be part of these minutes.

Legislative Update / House Bill 872 ("HB 872"). Mr. Yale discussed with the Board HB 872 as passed by the 87th Texas Legislature – Regular Session (2021) pertaining to the voluntary disclosure of utility customer information. He told the Board that HB 872 makes customer information automatically confidential and requires action on the part of the customer to allow disclosure of such information. Under HB 872, he continued, the following information is now confidential and no longer subject to disclosure under a public record request unless the customer has requested such information to be disclosed: (1) information that is collected for usage, services, and billing, including amounts billed or collected; (2) whether an account is delinquent or eligible for disconnection; and (3) whether services have been disconnected by the District.

Mr. Yale stated that under HB 872 the District is required to include with the bills distributed to the District's customers or post on its internet website: (1) a notice of the customer's right to request disclosure of their information (the "Notice"); and (2) a form by which the customer may request disclosure by marking an appropriate box and returning to the District by mail or electronic mail (the "Form"). Attached hereto as an exhibit to these minutes is a copy of an electronic mail message from the District's Attorney regarding HB 872.

Mr. Zilko informed the Board that EDP was placing the Notice and Form on the back of the bills that are distributed to the District's customers.

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 14 September 2021, a copy of which is attached hereto.

Advanced Review of Compliance History. Mr. Yale reviewed with the Board the TCEQ Advanced Review of Compliance History ("ARCH") report for the District, a copy of which is attached hereto as an exhibit to these minutes. He explained that the

Commission rates the compliance history of all organizations under Title 30, Texas Administrative Code, Chapter 60, evaluates the compliance history of each site, and classifies each site as "High," "Satisfactory," "Unsatisfactory," or "Unclassified." Mr. Yale stated that the District's Attorney had registered as an ARCH user for the District and had forwarded copies of the ARCH reports for the District to the District's Engineer and Operator.

Reschedule Board of Directors Meetings. Consideration was then given to rescheduling the 25 November 2021 Board meeting in view of the Thanksgiving holiday. After discussion, the Directors agreed to meet on Thursday, 2 December 2021. The Directors then considered rescheduling the 23 December 2021 Board meeting in view of the Christmas holiday. After discussion, the Directors agreed to meet on 23 December 2021 as scheduled.

Then, after review, 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 94.7% 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 17 August 2021. A discussion ensued regarding the quantity of surface water supplied to the District from the NHCRWA versus the quantity of groundwater produced by the District's water wells (the "Wells"). The Directors expressed their desire for the District's Operator to increase the run time of the Wells so that the Wells are adequately exercised.

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 dated 13 September 2021, a copy of which is included with the Operator's 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 AT&T Texas had evidently applied a significant credit to the District's accounts for the Telecommunication Service.

Water Well Performance Testing. Mr. Zilko 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. According to G-M, he told the Board, the Wells appear to be operating within the acceptable parameters. Copies of the Performance Testing Reports on the Wells as prepared by G-M are included with the Operator's Report.

Fire Hydrant Flow Testing. Mr. Zilko reported on the inspection and flow testing performed during July 2021 on the fire hydrants (the "Hydrants") in the District. He reviewed with the Board the Fire Hydrant Inspection Report as prepared by the District's Operator, a copy of which is included with the Operator's Report. Mr. Zilko informed the Board that 23 Hydrants needed to be repaired and 27 Hydrants needed reflectors replaced at a total estimated cost of \$8,050.75 (collectively, the "Hydrant Repairs"). After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Operator to proceed with the Hydrant Repairs.

Electronic Lockbox Payment Services / Central Bank. Mr. Zilko discussed with the Board matters relating to EDP's electronic lockbox payment services for the payment of water bills by the District's customers (the "Payment Services"). He then presented for the Board's approval the following documents relating to the Payment Services: (1) a RESOLUTION APPROVING CENTRAL BANK'S ELECTRONIC LOCKBOX PAYMENT SERVICES FOR DISTRICT CUSTOMERS; (2) an Addendum to Service Agreement between the District and EDP (the "Addendum"); and (3) the Processing Agreement between the District and Central Bank (the "Processing Agreement"). After discussion, upon a motion duly made and seconded, the Board voted unanimously to adopt the Resolution and approve the Addendum and the Processing Agreement; and authorize Director Gobbell to execute same. Copies of the Resolution, Addendum, and Processing Agreement as approved by the Board are attached hereto as exhibits to these minutes.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Operator's Report, a copy of which is attached hereto.

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 attached hereto.

REPORT ON OPERATION OF DISTRICT OFFICE

The President recognized Mr. Schuett, who presented the report concerning the District Office (the "Office Report"), a copy of which is attached hereto.

Landscaping at District Office. Mr. Schuett discussed with the Board the proposed removal and replacement of the landscaping at the District Office that had died during the February 2021 winter weather event (the "Landscaping Replacement"). He stated that Brookway Horticultural Services, Inc. ("Brookway") had submitted proposals to remove and replace the Indian Hawthorn plants at the front of the District Office. Copies of the Brookway proposals are included with the Office Report. The Directors expressed their desire for Brookway to use freeze-resistant plants, if possible, for the Landscaping Replacement.

Proposed Paving Projects. Mr. Schuett reported that he had received price quotes from Post Oak Paving to resurface the trail in the Walking Garden at a cost of \$23,780; and resurface the parking lot at the District Office at a cost of \$14,530. Copies of the price quotes are included with the Office Report. Mr. Schuett stated that he planned to obtain price quotes from other vendors for these projects. The Directors deferred further discussion of this matter to a future meeting of the Board.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Office Report; (2) authorize Mr. Schuett to notify Brookway to proceed with the Landscaping Replacement as described above at a cost not to exceed \$1,500.

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 1 September 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 23 August 2021
Attachments

1. Peace Officer Report;
2. Detention Facilities Report;
3. Tax Assessor/Collector's Report;
4. ORDER LEVYING TAXES;
5. Amendment to District's Information Form;
6. Depository Pledge Agreement;
7. Amendment to Agreement for Services of Tax Assessor and Collector;
8. Engineer's Report;
9. Proposal for Arbitrage Compliance Program;
10. Coats Rose email / HB 872;
11. P3 Newsletter;
12. TCEQ Advanced Review of Compliance History;
13. Operator's Report;
14. Resolution Approving Central Bank's Electronic Lockbox Payment Services for District Customers;
15. Addendum to Operator Service Agreement;
16. Processing Agreement with Central Bank;
17. District Office Report;
18. Bookkeeper's Report; and
19. Draft Minutes of KJPB meeting.