

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

24 February 2022

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 February 2022, 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 the exception of Director Allard, thus constituting a quorum.

Also present were: René Anandel of Wheeler & Associates, Inc. ("Wheeler"), the Tax Assessor/Collector for the District; Pam Madrigal, P.E., of Jones & Carter, Inc. ("J&C"), Engineer for the District; Derek Michael representing Sales Revenue, Inc. (called "SRI"); 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 Michael Gonzales 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 J&C; and Dick Yale, Will Yale, and Christopher Hsu of Coats Rose.

Director Gobbell called the meeting to order.

**MINUTES OF THE MEETING OF 27 JANUARY 2022**

The minutes of the meeting of the Board held on 27 January 2022, previously distributed to the Board, were presented for consideration and approval. After discussion, during which Director Ehmann stated that he would abstain, upon a motion duly made and seconded, the Board voted 3 to 0 in favor of approving the minutes of the meeting of 27 January 2022 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. 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 93.4% of its 2021 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, and two transfers by wire as follows: a transfer of \$249,172.39 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$425,000 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.

## **RESOLUTION CONCERNING TAX EXEMPTIONS FOR 2022**

Next, Mr. Will Yale submitted a draft RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION for the Board's consideration. Mr. Yale noted that the resolution had been prepared with the same exemptions that had been offered for 2021, that is \$25,000.00 for persons who are disabled or who are sixty-five years of age or older and a 20% general residential homestead exemption (collectively, the "Exemptions"). After discussion, upon a motion duly made and seconded, the Board voted unanimously to grant the following Exemptions for 2022 and to adopt a RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION: (1) \$25,000.00 exemption for individuals who are disabled or sixty-five years of age or older; and (2) a 20% general residential homestead exemption. A copy of the Resolution is attached hereto and shall be considered to be part of these minutes.

## **AGREEMENT FOR DELINQUENT TAX COLLECTION SERVICES**

Mr. Yale then explained that the Board could impose a statutory charge (the "Collection Charge") of up to 20% on all 2021 taxes, penalties, and interest delinquent on 1 July 2022 for real property (and on 1 April 2022 for personal property), said Collection Charge to be used to finance the costs of collection of the delinquent taxes. In order to do so, he continued, the Board must first confirm its agreement (the "Agreement") for delinquent tax attorney services with Perdue, Brandon, Fielder, Collins & Mott, L.L.P. He explained further that under the Agreement, the amount paid by the District to the District's Delinquent Tax Attorney for the collection of delinquent 2021 taxes 2021 be equal to the additional Collection Charge as approved by the Board on all 2020 taxes, penalties, and interest delinquent on the applicable dates, up to the statutory maximum of 20%, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code. After discussion, upon a motion duly made and seconded, the Board voted unanimously to confirm its Agreement with the District's Delinquent Tax Attorney.

## **COLLECTION CHARGE ON ALL DELINQUENT 2021 TAXES, PENALTIES, AND INTEREST**

Consideration was then given to imposing the Collection Charge as described above. After discussion, upon a motion duly made and seconded, the Board voted unanimously to impose a 20% Collection Charge on all 2021 taxes, penalties, and interest that are due and remain delinquent as of the applicable dates, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code. A copy of the CERTIFICATE OF BOARD ACTION related to this matter is attached hereto as an exhibit to these minutes.

## **TAX REVENUES DUE TO CYPRESS FOREST PUBLIC UTILITY DISTRICT ("Cypress Forest PUD") AND HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 24 ("Harris County MUD No. 24")**

Ms. Anzel reported that Wheeler was calculating (1) the property tax revenue due to Cypress Forest PUD for the 2021 tax year; and (2) the property tax revenue due to Harris County MUD No. 24 for the 2021 tax year, pursuant to the respective contracts with those districts.

## **SALES TAX REVENUE TRACKING / SURVEY OF COMMERCIAL ENTITIES AND SALES TAX AUDIT REPORT**

Mr. Michael submitted to and reviewed with the Board the Survey of Commercial Entities in the District and Sales Tax Audit Report dated February 2022 (the "Survey Report") by SRI in connection with the limited purpose annexation of commercial property in the District under the Strategic Partnership Agreement between the District and the City of Houston. A copy of the Survey Report is attached hereto as an exhibit to these minutes. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Survey Report.

## **ENGINEER'S REPORT**

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

Rehabilitation of Sanitary Sewer System – Phase 2 (the "Phase 2 Rehabilitation"). The Board discussed the contract with Insituform Technologies, LLC ("Insituform") for the Phase 2 Rehabilitation. Mr. Yale submitted for the Board's review a memorandum from the District's Attorney regarding the bonds and insurance submitted by Insituform in connection with the Phase 2 Rehabilitation project. A copy of the memorandum is attached hereto as an exhibit to these minutes. Mr. Yale remarked that the bonds and insurance submitted by Insituform were found to be in order. Ms. Madrigal presented the Board with execution drafts of the contract for the Phase 2 Rehabilitation (the "Insituform Contract"). Director Gobbell then executed the Insituform Contracts.

The Falls at Champion Forest Property Owners Association, Inc. (the "Association") / Private Water Well. The Board then discussed matters regarding the private water well (the "Private Well") at the stormwater detention facility maintained by the Association. Ms. Madrigal reported that the District's Engineer had contacted the management representative for the Association, who confirmed that they had received the letter dated 20 January 2022 from the District's Attorney regarding the operation of the Private Well by the Association. The management representative, she told the Board, indicated that the Association intends to comply with the terms of the permit issued by the Harris-Galveston Subsidence District for the Private Well (the "Well Permit") and the requirements of the District. She called the Board's attention to a copy of the Well Permit as included with the Engineer's Report. Ms. Madrigal recommended that the Board authorize J&C to prepare a summary of the Well Permit conditions as well as any associated requirements of the District with respect to the operation of the Private Well (the "Summary") for reference by the Association and the District's consultants. Mr. Yale reviewed with the Board an electronic mail message dated 15 February 2022 from Joy Freeman of Chapparal Management Company to the District's Attorney regarding the Private Well and the Well Permit. A copy of the electronic mail message is attached hereto as an exhibit to these minutes.

Five-year Inspection of Sanitary Sewer Lift Stations (the "Lift Station Inspection"). Ms. Madrigal reported that J&C had conducted the inspection of the District's two sanitary sewer lift stations on 4 January 2022 and was finalizing the recommendations and cost estimates. She stated that a report on the Lift Station Inspection would be presented at the Board's meeting on 24 March 2022.

Capital Improvement Plan. Ms. Madrigal reported that J&C was preparing the update to the 10-year Capital Improvement Plan for the District and would present same at a future meeting of the Board.

Kleinwood Regional Wastewater Treatment Plant (the "Plant") / Capacity Analysis. Ms. Madrigal reported on matters relating to the request from the Kleinwood Joint Powers Board (the "KJPB") to analyze the District's available capacity in the Plant (the "Capacity") and possible interest in selling available excess Capacity to Harris County Water Control & Improvement District No. 119. She stated that J&C had informed the engineer for the KJPB that the District was willing to sell its available excess Capacity in an amount up to 267,000 gallons per day.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Engineer's Report; and (2) authorize the District's Engineer to prepare the Summary. A copy of the Engineer's Report is attached hereto as an exhibit to these minutes.

### **ATTORNEY'S REPORT**

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

Proposed Agreement for Services for Sales Tax Monitoring (the "SRI Agreement"). Mr. Yale reviewed with the Board the proposed SRI Agreement between the District and SRI. He noted that under the proposed SRI Agreement the Survey Reports would be generated and presented to the Board by SRI on a quarterly basis rather than semiannually. Mr. Yale stated that the monthly cost to the District under the proposed SRI Agreement would be \$700. Mr. Michael responded to questions from the Board regarding the proposed SRI Agreement. Director Fratangelo presented a motion to approve the SRI Agreement. The motion died for lack of a second. The Directors then tabled the discussion regarding the SRI Agreement.

Arbitrage Rebate and Project Fund Yield Restriction Compliance Service Program. Mr. Yale submitted to and reviewed with the Board the Arbitrage Rebate and Project Fund Yield Restriction Compliance Service Program Review (the "Review") dated 7 February 2022 as prepared by Arbitrage Compliance Specialists, Inc. ("ACSI") in connection with its review of the District's (1) Series 2011 Refunding Bonds; (2) Series 2020 Refunding Bonds; and (3) Series 2021 Bonds. A copy of the Review is attached hereto as an exhibit to these minutes. With regard to the Series 2011 Refunding Bonds, he told the Board that they were still subject to arbitrage rebate and project fund yield restriction, and that the next report filing date is the final arbitrage rebate report due within 60 days of 22 August 2022. With regard to the Series 2020 Refunding Bonds, he noted that the Review stated that they were subject to arbitrage rebate but not subject to project fund yield restriction. He continued that the Series 2021 Bonds were not subject to arbitrage rebate but are potentially subject to project fund yield restriction if the project fund balance remaining on 24 July 2024 was \$100,000 or more. According to the Review, said Mr. Yale, the project fund balance totaled \$2,619,438.86 as of 31 October 2021.

Proposal for Arbitrage Compliance Program. Mr. Yale reviewed with the Board the proposal (the "ACSI Proposal") submitted by ACSI for the Arbitrage Report as

required by the U.S. Treasury Department and the U.S. Internal Revenue Service in connection with the final computation for the District's Series 2011 Refunding Bonds. Mr. Yale stated that the estimated cost for the Arbitrage Report as presented in the ACSI Proposal relating to the Series 2011 Refunding Bonds totaled \$950. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the ACSI Proposal and to authorize Director Gardner 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.

Renewal of Insurance Coverage. The Board discussed matters relating to the renewal of the District's insurance policies (the "Insurance Policies"), which expire on 30 April 2022. Mr. Yale remarked that Arthur J. Gallagher & Co. was working to prepare a proposal for the renewal of the Insurance Policies.

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"), including P3's upcoming procurement of electric power supply for the period beginning 1 January 2023 (the "Procurement"). Mr. Yale distributed copies of a newsletter from P3 dated 8 February 2022, a copy of which is attached hereto. He then submitted to and reviewed with the Board the Procurement Proposal for Electric Power Supply Beginning 1 January 2023 as prepared by P3, a copy of which is attached hereto as an exhibit to these minutes. Mr. Yale remarked that the District's Bookkeeper would need to confirm that the ESI numbers for the District's electric service accounts as presented in the Procurement Proposal were accurate. Mr. Yale mentioned that the District would continue its P3 membership through the Procurement cycle and contract period unless the Board voted to provide notice to P3 of its intent to withdraw from P3 on or before 15 April 2022. The Directors expressed their desire for the District to continue its P3 membership.

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 92.4% 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 84% of the water distributed to the District's customers during the period ending 14 January 2022.

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 14 February 2022, a copy of which is included with the Operator's Report.

Water Plant No. 1 / Perimeter Fence Replacement (the "Fence Replacement"). Mr. Zilko discussed the status of the Fence Replacement as authorized at the Board's meeting on 2 December 2021. He stated that Foster Fence LTD had completed the Fence Replacement project.

Permits For District Facilities / 2018 International Fire Code (the "2018 IFC"). Mr. Zilko informed the Board that the Harris County Fire Marshal had adopted the 2018 IFC, which includes a requirement for certain operating permits applicable to the District's Water Plants. He requested authorization for EDP to complete and submit the applications to obtain the Unincorporated Harris County Operating Permits (the "Operating Permits").

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 was again billing the District at an exorbitant rate for the Telecommunication Service. He stated that EDP would investigate this matter.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Operator's Report, a copy of which is attached hereto; and (2) authorize EDP to prepare and submit the applications for the Operating Permits.

## **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 the report concerning the District Office (the "Office Report"), a copy of which is attached hereto.

Proposed Paving Projects. Mr. Schuett reviewed with the Board the proposals (the "Proposals") received from Post Oak Paving (called "POP") and Craig & Heidt, Inc. (called "C&H") for the proposed projects to (1) resurface or repave the trail (the "Walking Trail") in the Walking Garden; and (2) resurface or repave the parking lot at the District Office. Copies of the Proposals submitted by POP and C&H are included with the Office Report. Mr. Schuett expressed his preference for the Board to select one contractor to perform both projects. After discussion, the Directors expressed their intent to accept the POP Proposal to construct an asphalt overlay on the Parking Lot at a cost of \$16,527 and to accept the POP Proposal to construct an asphalt overlay on the Walking Trail at a cost of \$28,712. Mr. Schuett remarked that POP would require the District to pay 50% of the cost for both projects at start-up (the "Down Payments") with the balance due on completion.

After discussion, upon a motion duly made and seconded, the Board voted 3 to 1, with Directors Gobbell, Fratangelo, and Ehmann voting in favor, and Director Guerrero opposed, to accept the POP Proposals for constructing the asphalt overlays on the Parking Lot and the Walking Trail, contingent on POP agreeing to forego the Down Payments and instead accept full payment upon completion of each project.

Then, after review, 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.

### **OPERATING BUDGET FOR FISCAL YEAR ENDING 31 MARCH 2023**

Mr. Schuett distributed copies of the draft Operating Budget for the District for the fiscal year ending 31 March 2023 (the "Budget"). He pointed out certain Expense items in the Budget to be reviewed by the District's Operator, Engineer, and Attorney. A discussion then ensued regarding the Budget. The Directors then deferred adoption of the Budget to a future meeting of the 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 February 2022 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.

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Secretary, Board of Directors

SEAL

Kleinwood Municipal Utility District  
Meeting of 24 February 2022  
Attachments

1. Peace Officer's Report;
2. Detention Facilities Report;
3. Tax Assessor/Collector's Report;
4. RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION;
5. Certificate of Board Action / 20% additional charge on delinquent taxes;
6. Survey of Commercial Entities in the District and Sales Tax Audit Report;
7. Engineer's Report;
8. Coats Rose memo / bonds and insurance on contract with Insituform Technologies, LLC;
9. Email from Chapparral Management Company;
10. Arbitrage Rebate and Project Fund Yield Restriction Compliance Service Program Review;'
11. Proposal from Arbitrage Compliance Specialists, Inc.;
12. P3 Newsletter;
13. Procurement Proposal for Electric Power Supply;
14. Operator's Report;
15. District Office Report;
16. Bookkeeper's Report; and
17. Draft minutes of KJPB meeting.