

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

27 July 2023

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 July 2023, 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:

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

and all of said persons were present, with Director Guerrero attending by teleconference, thus constituting a quorum. The Board noted that Director Guerrero could participate in the discussions but could not vote on matters before the Board at this meeting, pursuant to Section 551.127 of the Texas Government Code.

Also present were René Andel of Wheeler & Associates, Inc. ("Wheeler"), the Tax Assessor/Collector for the District; Suzanne Villarreal of McCall Gibson Swedlund Barfoot, PLLC ("McCall"), Auditor for the District; Bill Blich representing Blich Associates, Inc., Financial Advisor for the District; Pam Madrigal, P.E., of Quiddity Engineering, LLC ("Quiddity"), Engineer 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"); Pam Mahalec representing the Champion Pines Condominiums Association (the "Association"); Dick Yale and David Green of Coats Rose, P.C. ("Coats Rose"), Attorney for the District; and the following residents of the District: Sheila Shook and Shelby Shook.

Director Fratangelo called the meeting to order.

**HEAR FROM THE PUBLIC**

The President recognized Ms. Shook, who addressed the Board regarding a foreclosure notice that she had received from the Kleinwood Maintenance Fund (the "KMF"). Director Gobbell advised Ms. Shook to attend the next meeting of the KMF on

14 August 2023 and to contact Chaparral Management Company, Inc., the management company for the KMF.

Ms. Mahalec addressed the Board regarding the storm sewer lines at the Champion Pines Condominiums (the "Condominiums"). She stated that a technician had advised the Association that the storm sewer lines needed to be resized from 8 inches to 18 inches. Ms. Madrigal remarked that the storm sewer lines on the Condominiums property are private utilities and as such are not owned or maintained by the District. She recommended that the Association authorize a televised inspection of the storm sewer lines. Mr. Zilko recommended that the Association contact Source Point Solutions, LLC, to perform the televised inspection of the storm sewer lines.

### **MINUTES OF THE MEETING OF 15 JUNE 2023**

The minutes of the meeting of the Board held on 15 June 2023, previously distributed to the Board, were presented for consideration and approval. Director Gobbell requested minor revisions to pages 4 and 5 of the minutes. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 15 June 2023, as amended.

### **FINANCIAL ADVISOR'S REPORT**

The President recognized Mr. Blich, who addressed the Board on matters relating to the future sale of bonds by the District to fund certain capital improvement projects in the District, including the proposed rebuilding of Water Plant No. 1 (the "Water Plant Rebuilding"). He stated that the initial estimate for the Bond Issue Requirement for the Bond Application Report No. 9 was approximately \$6,190,000. He submitted to and reviewed with the Board a set of schedules prepared by Blich for the proposed Series 2023 Bonds (the "Bond Sale Schedules"), a copy of which is attached hereto as an exhibit to these minutes. A discussion ensued regarding the information in the Bond Sale Schedules. Ms. Madrigal discussed with the Board the necessity for the Water Plant Rebuilding project. Mr. Blich stated that this matter could be deferred to the Board's meeting on 28 September 2023 when the proposed tax rate for the 2023 tax year will be discussed. The Directors agreed to defer discussion regarding the proposed bond issue to a future meeting of the Board.

### **PEACE OFFICER'S REPORT**

Mr. Yale distributed copies of the Peace Officer's Report as prepared by the Harris County Precinct 4 Constable's Office (the "Constable's Office"). A copy of the Peace Officer's Report is attached hereto. The Directors then discussed security related issues. Director Gobbell expressed his concern regarding the visibility of the contract officers who are conducting patrols in the District. 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. Anzel, 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 97.3% of its 2022 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto. Ms. Anzel noted that Wheeler was requesting approval for five checks written on the District's tax account, and the transfer by wire of \$1,667.04 in revenues from the tax for maintenance and operations to the District's Operating 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.

## **ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED 31 MARCH 2023**

The President recognized Ms. Villarreal, 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 2023 (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. Villarreal 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 2023, subject to review and comment by District's Directors and consultants; (2) authorize Ms. Villarreal 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 an exhibit to these minutes is a copy of 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.

## **ENGINEER'S REPORT**

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

Lift Station No. 2 / Electrical Improvements. The Board discussed the contract with McDonald Municipal and Industrial ("McDonald") for the electrical improvements for Lift Station No. 2 (the "Electrical Improvements"). Ms. Madrigal reported that the issuance of the Notice to Proceed and the preconstruction conference with McDonald will be scheduled in the coming weeks. Then Mr. Yale submitted for the Board's review a memorandum from the District's Attorney regarding the bonds and insurance submitted by McDonald in connection with the Electrical Improvements 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 McDonald were found to be in order. Ms. Madrigal presented the Board with execution drafts of the contract for the Electrical Improvements (the "McDonald Contract"). Director Fratangelo then executed the McDonald Contracts.

Champion Woods Lift Station No. 3. Ms. Madrigal reported that the design of the proposed rehabilitation of Lift Station No. 3 (the "Lift Station Rehabilitation") was in progress. She reviewed with the Board the proposed schedule for the Lift Station Rehabilitation as detailed in the Engineer's Report, and noted that the recommendation for the award of the contract would be presented at the Board's meeting in November 2023. Ms. Madrigal stated that the costs for the project could be paid partially from surplus construction funds.

5-Year Capital Improvement Plan (the "CIP") Update. Ms. Madrigal called the Board's attention to the updated CIP that was previously reviewed at the Board's meeting on 15 June 2023. She noted that the CIP had been provided to the District's Financial Advisor. Ms. Madrigal remarked that the proposed bond sale would utilize the \$6,190,000 bond authorization remaining from the Commission's Order Authorizing the Issuance of Bonds by the District in the amount of \$9,000,000 dated 20 April 2021.

The Falls at Champion Forest Property Owners Association, Inc. (the "Association") / Private Water Well. The Board discussed matters regarding the private water well (the "Private Well") at the stormwater detention facility maintained by the Association. Ms. Madrigal noted that no water was produced from the Private Well

during the period of 13 June to 24 July 2023. She called the Board's attention to the status table detailing the Association's monthly water usage for the period of 1 January through 24 July 2023, as detailed in the Engineer's Report.

Request for Annexation of and Service to 9.7-acre Tract / Cypresswood Drive and Stuebner Airline Road. The Board discussed request from Makaan Parkview Apartments, LLC for annexation of and service to a certain 9.7-acre tract located at Cypresswood Drive and Stuebner Airline Road (the "Makaan Tract"). Ms. Madrigal reported that the developer had informed Quiddity that they had engaged an engineer to further evaluate the stormwater drainage in the Makaan Tract and to update the site plan accordingly.

Proposed Utility Line Extensions to Serve the Champion Forest Center (the "Extensions"). Ms. Madrigal briefly discussed with the Board the proposed Extensions for the District to provide water and sanitary sewer service to the Champion Forest Center. She recalled that Quiddity had provided the District's Financial Advisor with copies of the Preliminary Cost estimates for the Extensions that were reviewed at the Board's meeting on 25 May 2023. Ms. Madrigal stated that the construction of new water and sanitary sewer lines to serve the Champion Forest Center was determined to be unfeasible because of the complexity of the existing conditions and utility locations.

Lead and Copper Service Line Inventory. Ms. Madrigal reported that Quiddity was proceeding with the initial inventory of the service lines in the District (the "Inventory") in order to comply with the revised Lead and Copper Rule promulgated by the U.S. Environmental Protection Agency. She called the Board's attention to the project schedule for the Inventory as detailed in the Engineer's Report.

Proposed Rehabilitation of Residential Roadways in the District (the "Roadways"). Ms. Madrigal reported that on 24 July 2023 she met with Director Fratangelo to view certain sections of the Roadways that were considered to be in need of rehabilitation. She distributed to the Board photographs taken of the sections of the Roadways that were areas of concern. Copies of the photographs are attached here to as exhibits. She stated that the office of Harris County Precinct 3 Commissioner Tom Ramsey had indicated to Quiddity a possible interest in a partnership with the District to repair certain sections of the Roadways.

Kleb Middle School ("KMS"). Ms. Madrigal reported that Quiddity had reviewed the plans for the interior remodeling to be undertaken at the KMS campus (the "Remodeling"). She noted that the Remodeling includes certain upgrades to the school building as well as an additional gymnasium space, and will not require any additional water supply or sanitary sewer capacity from the District.

Request for Service / HteaO Commercial Development. Ms. Madrigal reported that the District's Engineer had received an Application for Service for the proposed HteaO commercial development to be located at 8217 Louetta Road. A copy of the Application for Service is included with the Engineer's Report. Ms. Madrigal stated that

the District has sufficient water supply and sanitary sewer capacity to serve the proposed development.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Engineer's Report; and (2) approve the Application for Service for the HteaO commercial development.

## **ATTORNEY'S REPORT**

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

Resolution Regarding Fees of Office. Mr. Yale reported that House Bill 2815 ("HB 2815") as approved by the 88th Texas Legislature (2023 – Regular Session) amends Section 49.060 of the Texas Government Code, which would allow the Directors of the District to be paid a fee of office in an amount equal to the amount set by the Texas Ethics Commission for members of the Texas Legislature, which is currently \$221 per day. He noted that the annual limit for fees of office that may be paid to the Directors would remain at \$7,200. Mr. Yale stated that it would be necessary for the Board to adopt a RESOLUTION REGARDING FEES OF OFFICE in order to increase the amount of the fees of office pursuant to HB 2815. He then presented the Board with a RESOLUTION REGARDING FEES OF OFFICE as prepared by the District's Attorney.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to adopt the Resolution with an effective date of 18 June 2023 (the date on which the HB 2815 was signed into law by the Texas Governor). A copy of the Resolution thus adopted is attached hereto and shall be considered to be part of these minutes.

Legislative Update / 88th Texas Legislature (2023 – Regular Session). Mr. Yale then reviewed with the Board a memorandum from the District's Attorney that summarizes certain bills approved by the Texas Legislature during the 2023 Regular Session that could affect the operation of water districts. A copy of the memorandum is attached hereto and shall be considered to be part of these minutes.

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 2023-2024 school year at Greenwood Forest Elementary School (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 Fratangelo to

execute same. A copy of the HGSD Agreement is attached hereto as an exhibit to these minutes.

Security Service Contract. The Board then considered approval of the Security Service Contract for the term of 1 October 2023 through 30 September 2024. Mr. Yale noted that Harris County would likely provide the document in mid-August and would require the District to sign and return it shortly thereafter. The Board noted that the Harris County Commissioners Court had approved a 5% increase in the rates to be charged under the Security Service Contract, to be effective 1 October 2023.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Security Service Contract and to authorize Director Fratangelo to execute same, subject to review by the District's Attorney.

Resolution Regarding Use of Surplus Funds. Mr. Yale submitted for the Board's review and approval a RESOLUTION REGARDING USE OF SURPLUS FUNDS WITHOUT FURTHER APPROVAL BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY. Ms. Yale explained that, pursuant to the rules of the Commission, the District may use remaining surplus funds from the District's prior bond issues (approximately \$639,534) without further approval of the Commission to help finance the costs of the Electrical Improvements at Lift Station No. 2 and the Lift Station Improvements at Lift Station No. 3.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to adopt the Resolution, a copy of which is attached hereto and shall be considered part of these minutes.

Oath of Office. The Board considered approval of the Oath of Office and the Statement of Officer as executed and submitted by Director Guerrero.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Oath and Statement for Director Guerrero. A copy of the executed Oath and Statement are attached hereto as exhibits to these minutes.

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 presented the Board with copies of (1) the monthly P3 newsletter dated 11 July 2023; and (2) the updated Forward Budget Report for the period of January 2023 through December 2025 as prepared by P3 to assist the District in anticipating its future budgetary needs with respect to the cost for electric service. Copies of the newsletter and the updated Forward Budget Report are attached hereto as exhibits.

Proposed Depository Pledge Agreement / Frost Bank. The Board next discussed the proposed a Depository Pledge Agreement between the District and Frost Bank for the District's Tax Accounts (the "Agreement"). Mr. Yale recalled that at the Board's meeting on 15 June 2023, the Directors had voted to approve the Agreement and authorize execution of same, conditionally subject to a conference between the District's

Attorney and Tax Assessor/Collector. Ms. Andel then confirmed to the Board that Wheeler would monitor the actions of Frost Bank under the Agreement and ensure that inadequate securities were not substituted.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to formally authorize the execution of the Agreement.

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 93.1% 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 81% of the water distributed to the District's customers during the period ending 15 June 2023.

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 July 2023, a copy of which is included with the Operator's Report.

Request for Adjustment to Water Bill. Mr. Zilko reviewed with the Board a request letter from Pathlight Property Management for an adjustment to the water service account for a residence located at 7919 Annola Lane. A copy of the request letter is included with the District's Operator Report. According to the letter, said Mr. Zilko, Pathlight was requesting the adjustment to the water service account for the May through July 2023 billing periods because of a leaking toilet flapper that resulted in excessive water usage during that time period. The Board declined to take any action on this matter.

Ultrasonic Water Meters. The Board discussed the status of the replacement of the existing water meters on the service connections in the District with Badger ultrasonic water meters (the "Meters"). Mr. Zilko reported that, according to Accurate Meter & Supply, the delivery of the Meters has been delayed due to supply chain issues. The estimated shipping date for the 1.5-inch and 2-inch commercial Meters is November 2023, he told the Board. The residential Meters, he continued, are scheduled for delivery in January 2024.

Water Quality Issues. Mr. Zilko reported that the District's Operator had received comments from District customers regarding the taste and odor of the drinking water



supplied by the District. He stated that, according to the NHCRWA, taste and odor issues in drinking water might be caused by an algae bloom in Lake Houston during the summer months, which is a common occurrence when the temperature in Lake Houston rises.

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.

### **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. Mr. Schuett reviewed with the Board a proposal from UTTM to cut down and remove a dead tree from the Walking Garden on Litchfield Drive at a cost of \$1,115 (which includes stump grinding). He then reviewed with the Board a proposal from Brookway Horticultural Services, Inc. ("Brookway") to remove the dead vines from wooden fence at the Walking Garden at a cost of \$2,505. Copies of the proposals from UTTM and Brookway are included with the Office Report.

After review, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Office Report; and (2) accept the proposals from UTTM and Brookway.

### **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 7 July 2023 is attached hereto as an exhibit. He then briefly discussed with the Board matters relating to the sale of reclaimed water from the Kleinwood Regional Wastewater Treatment Plant pursuant to the Reclaimed Water Supply Agreement dated 1 November 2017.

**KMF**

Director Gobbell presented a report on the activities of the KMF.

**SALES AND USE TAX ALLOCATION REPORT**

Mr. Yale submitted to and reviewed with the Board the Sales and Use Tax Allocation Report dated July 2023 (the "Sales Tax Report") prepared by Sales Revenue, Inc. 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 Sales Tax Report is attached hereto as an exhibit to these minutes.

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 27 July 2023  
Attachments

1. Sign-in sheet for meeting guests;
2. Bond Sale Schedules;
3. Peace Officer's Report;
4. Detention Facilities Report;
5. Tax Assessor/Collector's Report;
6. Letter of Representation;
7. Resolution Evidencing Review of Investment Policy;
8. Engineer's Report;
9. Memo from Coats Rose / review of bonds and insurance;
10. Photographs / general pavement conditions examples;
11. Resolution Regarding Fees of Office;
12. Memo from Coats Rose / Legislative Update;
13. Interlocal Agreement / Harris-Galveston Subsidence District;
14. Resolution Regarding Use of Surplus Funds;
15. Oath of Office and Statement of Officer / David Guerrero;
16. P3 Newsletter;
17. P3 Forward Budget Report;
18. Operator's Report;
19. District Office Report;
20. Bookkeeper's Report;
21. Draft minutes of KJPB meeting; and
22. Sales Tax Report.