

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

26 August 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 26th day of August 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; Magen Fischer of Sales Revenue Inc. (called "SRI"); Jeffrey Bishop, P.E., of Jones & Carter, Inc. ("J&C"), Engineer for the District; Michael Hyatt of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Bill Blitch with Blitch Associates, Inc. ("Blitch"), the District's Financial Advisor; Les Griffith representing Champions Hydro-Lawn, Inc. ("CHL"); Roger Schuett, Office Manager for the District; Deputy L. Doria with Harris County Precinct 4 Constable's Office; David Green representing Coats Rose, P.C. ("Coats Rose"), Attorney for the District; and Dale Ceren, a resident of the District. Attending the meeting by teleconference were Dick Yale and Will Yale of Coats Rose.

Director Gobbell called the meeting to order.

HEAR FROM THE PUBLIC

The President recognized Mr. Ceren, who addressed the Board regarding issues involving vehicular traffic and parking in the District. Deputy Doria remarked that the Constable's Office was conducting traffic initiatives in the District.

MINUTES OF THE MEETING OF 22 July 2021

The Directors next considered approval of the minutes of the meeting of the Board held on 22 July 2021. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 22 July 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 Board 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 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. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Detention Facilities Report.

DEVELOPMENT STATUS OF THE DISTRICT

Mr. Yale informed the Board that pursuant to Section 49.236 of the Texas Water Code as amended by Senate Bill 2 ("SB 2") as approved by the 86th Texas Legislature – Regular Session (2019), the District must determine whether it is a "developed district" or a "developing district" with regard to the Truth-In-Taxation requirements promulgated by SB 2. He stated that the District's Engineer had confirmed that the District was a developed district because to date the District has financed, completed, and issued bonds to pay for all land, works improvements, and appliances necessary to serve at least 95% of the projected build-out of the District. Mr. Yale submitted for the Board's review and approval a RESOLUTION DECLARING DEVELOPMENT STATUS OF DISTRICT FOR 2021 TAX YEAR. He explained that the Resolution states that the Board has declared the District to be a developed district as defined by Section 49.23602 of the Texas Water Code for the 2021 tax year. 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 to be part of these minutes.

CONSIDER SETTING TAX RATE FOR 2021

Next, the Board discussed the proposed tax rate for the 2021 tax year (the "Tax Rate"). Mr. Blich submitted to and reviewed with the Board a copy of the 2021 Tax Rate Analysis as prepared by Blich. A copy of the 2021 Tax Rate Analysis is attached hereto

as an exhibit to these minutes. Mr. Blich recommended that the Board consider setting a debt service tax rate of \$0.27 per \$100 of assessed valuation for the 2021 tax year. He then discussed with the Board the approximate amount of maintenance tax revenue that would be generated by a maintenance tax when levied at a rate of \$0.14 per \$100 of assessed valuation at a collection rate of 98%. A discussion ensued regarding the Tax Rate.

Mr. Dick Yale then reviewed the procedures that the District would have to follow in setting the 2021 tax rate for the District. He reminded the Board that SB 2 amended Section 49.236(a) of the Texas Water Code and added Section 49.23601 through 49.23603 to the Texas Water Code. Mr. Yale remarked that Section 49.23602 of the Texas Water Code provides that, should a board of a developed district adopt a combined debt service, contract, and operation and maintenance tax rate that exceeds 1.035 times the amount of property tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district that year, an election must be held by the qualified voters of the district to determine whether to approve the adopted tax rate. He noted that this rule caps a developed district's annual property tax increase at 3.5% above the previous year.

After discussion, the Directors expressed their desire to levy a maintenance tax rate of \$0.14 per \$100 valuation.

Then, upon a motion duly made and seconded, the Board voted unanimously to authorize publication of the tax rate calculation showing a debt service rate of \$0.27 per \$100 valuation and a maintenance tax rate of \$0.14 per \$100 valuation for a combined tax rate of \$0.41 per \$100 valuation. The Board agreed that the tax rate hearing would be held on 23 September 2021.

TAX ASSESSOR/COLLECTOR'S REPORT

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 98.9% 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.

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.

SURVEY OF COMMERCIAL ENTITIES AND SALES TAX AUDIT REPORT

Next, the President recognized Ms. Fischer, who submitted to and reviewed with the Board the Survey of Commercial Entities in the District and Sales Tax Audit Report

dated August 2021 (the "Survey Report") prepared 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 Mr. Bishop, who presented the Engineer's Report as follows:

Rehabilitation of Sanitary Sewer System – Phase 1 (the "Sewer Rehabilitation"). The Board discussed matters relating to the contract with T. Gray Utility & Rehab Co., LLC for the Sewer Rehabilitation. Mr. Bishop reported that J&C had completed the post-project reconciliation to true-up the shared costs for the Sewer Rehabilitation (the "Shared Costs") between the District, Klein Independent School District ("Klein ISD"), and Harris County Water Control & Improvement District No. 114 ("WCID 114"). He stated that J&C had determined that WCID 114 owes the District an additional \$5,021 and Klein ISD owes the District an additional \$915 with regard to the Shared Costs. Mr. Bishop stated that J&C is coordinating with both entities for payment of their respective Shared Costs due to the District.

Proposed Rehabilitation of Sanitary Sewer System – Phase 2 (the "Phase 2 Rehabilitation"). Mr. Bishop reviewed with the Board the Engineer's Opinion of Probable Construction Cost for the proposed Phase 2 Rehabilitation, a copy of which is included with the Engineer's Report. The Directors noted that the estimated cost for the Phase 2 Rehabilitation totals \$1,294,000, which amount includes contingencies, engineering fees, and reimbursable expenses. Mr. Bishop then reviewed with the Board a memorandum from J&C that describes the scope of work for the Phase 2 Rehabilitation. A copy of the memorandum is included with the Engineer's Report.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to proceed with preparation of plans and specifications for the Rehabilitation – Phase 2 project.

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.

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 stated that he would obtain options for the replacement of the perimeter fence and improvements to the landscaping at the Water Plant No. 1 site for consideration at a future meeting of the Board.

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 to these minutes.

ATTORNEY'S REPORT

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

Amendments to Rate Order. Consideration was then given to amending the District's Consolidated Rate Order (the "Rate Order") with regard to the rates charged for water supply and sanitary sewer service to (1) commercial customers; (2) car wash facilities; (3) multi-family residential customers; and (4) non-taxable entities in the District (collectively, the "Service Rates"). Mr. Yale reviewed with the Board the calculation prepared by the District's Engineer that reflects a 20% increase in the Service Rates (the "Rate Calculation"). A copy of the Rate Calculation is attached hereto as an exhibit.

After discussion, upon a motion duly made and seconded, the Board voted 4 to 1, with Directors Gobbell, Fratangelo, Allard, and Ehmann voting in favor, and Director Guerrero opposed, to (1) revise the Service Rates in Sections 3.02, 3.05, 3.06, and 3.08 of the Rate Order pursuant to the Rate Calculation attached hereto; and (2) amend the Rate Order as described above. A copy of the amended Rate Order is on file in the permanent records of the District.

Amendment to Information Form. Then Mr. Yale submitted for the Board's review and approval an Amendment to the District's Information Form (the "Amendment"). He explained that the Amendment states the aggregate initial principal amount of all bonds and refunding bonds payable in whole or in part from taxes that have been previously issued by the District, including the District's Series 2021 Bonds (the sale of which was completed on 29 July 2021). Mr. Yale noted that the Amendment will be filed with the Texas Commission on Environmental Quality 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.

Proposal for Arbitrage Compliance Program. Mr. Yale reviewed with the Board the proposal (the "Proposal") submitted by Arbitrage Compliance Specialists, Inc. for the arbitrage compliance and project fund yield restriction compliance program that addresses requirements of the U.S. Treasury Department and the U.S. Internal

Revenue Service with regard to the District's Series 2021 Bonds. Mr. Yale stated that the estimated cost for the initial analysis is \$450. 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.

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.

Legislative Update / House Bill 1154. Mr. Yale reviewed with the Board a memorandum from the District's Attorney regarding House Bill 1154 ("HB 1154") as passed by the 87th Texas Legislature – Regular Session (2021), a copy of which is attached hereto as an exhibit. He discussed with the Board the requirements under HB 1154 for the posting of certain information relating to the District on a readily accessible internet website. He remarked that the information required under HB 1154 could possibly be posted on the webpage for the District maintained by Wheeler on its website in addition to the District's website hosted by The Texas Network, LLC. Mr. Yale pointed out to the Board that the online information posting requirements under HB 1154 would be effective on 1 September 2021.

Legislative Changes to Incorporate Into Public Bid Contracts. Mr. Yale reported that the 87th Texas Legislature had enacted additional verifications (the "Verifications") that must be included in the bid and contract process for the District. The Verifications are similar to the Anti-Terrorism and No Boycott of Israel provisions enacted a few years ago, he told the Board. Effective 1 September 2021, said Mr. Yale, bidders on public bid contracts that exceed \$100,000 must verify that they will not participate in boycotts of energy companies and will not discriminate against firearm entities or trade associations. On all public bid contracts, he continued, the bidders will have to verify that the bidder is not owned or controlled by (1) individuals who are citizens of China, Iran, North Korea, Russia, or any designated country; or (2) a company or other entity, including a governmental entity, that is owned or controlled by citizens of or is directly controlled by the government of China, Iran, North Korea, Russia, or any designated country the Governor designates as a threat to critical infrastructure. Attached hereto as an exhibit to these minutes is a copy of a memorandum from Coats Rose regarding the Verifications.

OPERATOR'S REPORT

The President recognized Mr. Hyatt, who submitted to and reviewed with the Board the Operator's Report as follows:

Water Plant Operations. Mr. Hyatt reported that the billed to pumped ratio for the prior month was 93.5% and that the District has 895 service connections, including four 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 19 July 2021. A discussion ensued regarding the operation of the District's water wells. Mr. Bishop recommended that that water wells be exercised by running them for a minimum of an hour each week.

Utility Operator's Report. Mr. Hyatt 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. Hyatt reviewed with the Board the EDP Invoice and Bill Direct Statement, 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. Hyatt reported that AT&T Texas had converted the accounts for the Telecommunication Service to "Texas Rates" status, a rate plan for governmental entities. He stated that the monthly charge for each account under the Texas Rates plan would be approximately \$35.

Request for Adjustment to Service Account. Mr. Hyatt reported that Klein ISD had requested an adjustment to its service account with the District in connection with water usage at Klein High School, Mittelstadt Elementary School, Kleb Intermediate School, and Memorial Stadium during the February 2021 winter weather event. He called the Board's attention to a letter from Melissa Crizer of Klein ISD, a copy of which is included with the Operator's Report. According to Ms. Crizer, he told the Board, water usage had increased during the billing period because of freeze damage to water pipes and backflow prevention devices at the aforementioned Klein ISD campuses. After discussion, the Board declined to take any action on this matter.

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. Hyatt, 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. 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. Mr. Yale reviewed with the Board a draft letter from the District's Attorney to the owners of SKS (the "Letter") requesting that they undertake repairs to the Fence.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Office Report; and (2) authorize the District's Attorney to transmit the Letter to SKS. A copy of the Letter is attached hereto as an exhibit to these minutes

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.

CAPITAL IMPROVEMENTS ALLOCATION ACCOUNT

Consideration was then given to transferring funds from the District's Operating Fund to the District's Capital Improvements Allocation Account (a sub-account in the District's Operating Fund for the purpose of funding certain capital expenditure items, herein the "CIA Account"). The Directors discussed at length the amount to be transferred to the CIA Account.

After discussion, upon a motion duly made and seconded, the Board voted 4 to 1, with Directors Gobbell, Fratangelo, Allard, and Guerrero voting in favor, and Director Ehmann opposed, to transfer \$250,000 to the CIA Account.

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 11 August 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 26 August 2021
Attachments

1. Peace Officer Report;
2. Detention Facilities Report;
3. RESOLUTION DECLARING DEVELOPMENT STATUS OF DISTRICT FOR 2021 TAX YEAR
4. Tax Rate Analysis;
5. Tax Assessor/Collector's Report;
6. Sales Tax Audit Report;
7. Engineer's Report;
8. Rate Order Calculation;
9. Amendment to Information Form;
10. Proposal from Arbitrage Compliance Specialists, Inc.;
11. P3 Newsletter;
12. Coats Rose memo / HB 1154;
13. Coats Rose memo / requirements for public bid contracts;
14. Operator's Report;
15. District Office Report;
16. Letter to Spring Klein Sports;
17. Bookkeeper's Report; and
18. Draft minutes of KJPB meeting.