

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

24 March 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 March 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, thus constituting a quorum.

Also present were: René Andel and Autumn Clark of Wheeler & Associates, Inc. ("Wheeler"), the Tax Assessor/Collector for the District; Jeffrey Bishop, P.E., and Pam Madrigal, P.E., of Quiddity Engineering, LLC ("Quiddity"), Engineer for the District; Andy Phelps 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 with Harris County Precinct 4 Constable's Office (the "Constable's Office"); Luis Guerrero, an interested party; and Will Yale and David Green of Coats Rose, P.C. ("Coats Rose"), Attorney for the District.

Director Gobbell called the meeting to order.

HEAR FROM THE PUBLIC

The President recognized Mr. Guerrero, who addressed the Board regarding the possibility of obtaining water service from the District to serve his property at 16327 Lyons School Road that is located outside the boundaries of the District (the "Guerrero Tract"). Mr. Bishop explained to Mr. Guerrero the actions that would need to be taken and the probable expenses that Mr. Guerrero would incur in order for the Guerrero Tract to be annexed by the District and for a District water line to be extended to the Guerrero Tract. After further discussion, Mr. Guerrero stated that he would not

pursue the annexation of the Guerrero Tract by the District. He then departed from the meeting.

MINUTES OF THE MEETING OF 24 FEBRUARY 2022

The minutes of the meeting of the Board held on 24 February 2022, previously distributed to the Board, 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 24 February 2022, as written.

PEACE OFFICER'S REPORT

The President recognized Sergeant Gonzales, 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 requested authorization for CHL to proceed with the spring overseeding and fertilization of the Detention Pond (the "Overseeding") at an estimated cost of \$3,500. After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Detention Facilities Report; and (2) authorize CHL to proceed with the Overseeding.

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 95.9% 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 11 checks written on the District's tax account, and two transfers by wire as follows: a transfer of \$20,447.64 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$65,000 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.

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. Andel then reviewed with the Board the calculation of (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 (collectively, the "Payments"). Attached hereto as exhibits to these minutes are copies of letters dated 17 March 2022 from Wheeler regarding the calculation of the Payments to Cypress Forest PUD and Harris County MUD No. 24. The Board noted that the Payments for the 2021 tax year totaled \$21,130.67 for Cypress Forest PUD and \$30,801.90 for Harris County MUD No. 24. Mr. Yale commented that the checks for the Payments would be drawn from the District's Operating Fund Checking Account and could be approved by the Board later in the meeting during the presentation of the Bookkeeper's Report.

DELINQUENT TAX REPORT

Ms. Andel then submitted for the Board's review the Delinquent Tax Report as prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P., the District's Delinquent Tax Attorney. A copy of the Delinquent Tax Report is attached hereto.

ENGINEER'S REPORT

The President then recognized 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. Ms. Madrigal reported that Quiddity held the pre-construction meeting with Insituform and issued the Notice to Proceed dated 16 March 2022 for the Phase 2 Rehabilitation, a copy of which is included with the Engineer's Report. She stated that Insituform was expected to mobilize in April 2022 and would begin issuing the required door hangers and notices prior to accessing sanitary sewer facilities located on private property. Ms. Madrigal noted that the Phase 2 Rehabilitation project is scheduled to be substantially complete in 210 days pursuant to the contract with Insituform and that final completion is expected in October 2022.

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 called the Board's attention to the Private Water Well – Summary of Regulations and Conditions Governing Use and Compliance as prepared by Quiddity (the "Summary") that references certain sections and provisions of (1) the District's Consolidated Rate Order; and (2) the rules promulgated by the Harris-Galveston Subsidence District (the "Subsidence District") as they apply to the Private

Well. A copy of the Summary is included with the Engineer's Report. She pointed out to the Board that the Summary also lists the Tasks for Compliance by Parties as applicable to the Association, the District's Operator, and the District in connection with the operation of the Private Well.

Five-year Inspection of Sanitary Sewer Lift Stations. Ms. Madrigal submitted to and reviewed with the Board the report dated 11 March 2022 as prepared by Quiddity (the "Lift Station Inspection Report") in connection with the mechanical and electrical inspections conducted on 4 January 2022 of Lift Stations Nos. 2 and 3. A copy of the Lift Station Inspection Report is attached hereto as an exhibit to these minutes. Ms. Madrigal discussed certain electrical improvements that the District's Engineer is recommending for Lift Station No. 2 (the "Electrical Improvements"). She explained that (1) the manual transfer switch and generator receptacle at Lift Station No. 2 do not meet the NEC Code with regard to accessibility; and (2) the service entrance installation does not meet the current NEC Code, nor does it meet the standards of CenterPoint Energy Houston Electric, LLC. She called the Board's attention to the Engineer's Opinion of Probable Cost for Construction of the Electrical Improvements as included with the Inspection Report. The Board noted that the estimated cost for the Electrical Improvements, including engineering cost and contingencies, totaled \$279,700. Ms. Madrigal then reviewed with the Board the Recommended Operator-Coordinated Work for items at Lift Stations Nos. 2 and 3 as included with the Inspection Report. She explained that the work items in this category could be implemented through the District's Operator and would not require engaging a general contractor.

A discussion ensued regarding the Inspection Report and the condition of Lift Station 2. Director Guerrero expressed his concern that the replacement and repositioning of the components at Lift Station No. 2 that was performed by Electrical Field Services, Inc. ("EFS") in 2018 in response to the flooding event in the Houston area during Hurricane Harvey in August 2017 (the "Flood Mitigation Project") was not in compliance with the NEC Code. The Board directed the District's Engineer to coordinate with EDP to review the history of the Flood Mitigation Project performed by EFS. The Directors then deferred further discussion regarding the proposed Electrical Improvements to a future meeting of the Board.

Capital Improvement Plan. Ms. Madrigal and Mr. Bishop reviewed with the Board the 10-year Capital Improvement Plan for the District as prepared by Quiddity, a copy of which is included with the Engineer's Report. They discussed certain potential projects that the Board would need to consider in future years, such as improvements at Water Plant No. 2 and the replacement of certain water line segments in the Kleinwood Subdivision. In response to comments from Director Guerrero, Ms. Madrigal stated that she would prepare a summary of the information in the Capital Improvement Plan for 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 ("HCWCID 119"). She stated that, according to the engineer for the KJPB, there is sufficient interest and available Capacity among the member water districts in the KJPB to sell the requested Capacity totaling 800,000 gallons per day to HCWCID 119.

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 transmit the Summary to the Association. 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.

Proposal for Insurance Coverage. The Board reviewed the Proposal for Insurance Coverage (the "Insurance Proposal") for the policy term of 30 April 2022 through 30 April 2023 as submitted by Arthur J. Gallagher & Co. ("Gallagher"). The Board noted that the premium for the insurance coverage to be provided under the Insurance Proposal would total \$35,507, which represents a 5.1% increase from the premium for the current policy term. Mr. Yale remarked that, according to Gallagher, the premium reflected the increase in the estimated replacement value of the District's facilities as calculated by the District's Engineer. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Insurance Proposal. A copy of the Insurance Proposal as accepted by the Board is attached hereto and shall be considered to be a part of these minutes. Mr. Yale noted that the insurance policies being provided to the District under the Insurance Proposal would be forwarded to the District's Attorney at a later date.

Power Supply Issues / Public Power Pool ("P3"). Next, the Directors discussed matters pertaining to the aggregate purchase of electricity under the auspices of the P3. Mr. Yale distributed copies of a newsletter from P3 dated 8 March 2022, a copy of which is attached hereto.

Texas Comptroller / Special Purpose District Report. Mr. Yale reported that on 11 March 2022 the District's Attorney had filed the Special Purpose District Report (the "SPD Report") with the Texas Comptroller's Office pursuant to Senate Bill 625 as approved by the 85th Texas Legislature (Regular Session – 2017). He reviewed with the Board the SPD Report Confirmation and Summary, copies of which are attached hereto as exhibits to these minutes.

Groundwater Credits / Subsidence District. The Board discussed the status of the District's groundwater credits (the "Credits"). Mr. Yale reported that the Subsidence District had recently issued Groundwater Credit Certificate No. GWB2022-5259 to the District in the amount of 3,276,000 gallons. A copy of Certificate GWB2022-5259 is attached hereto as an exhibit to these minutes. After discussion, the Board directed the

District's Attorney to prepare a table that lists the Credits currently available for sale by the District.

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. Phelps, who submitted to and reviewed with the Board the Operator's Report as follows:

Water Plant Operations. Mr. Phelps reported that the billed to pumped ratio for the prior month was 93.8% and that the District has 895 service connections, including two vacant single-family residences. He noted that surface water received from the North Harris County Regional Water Authority (the "NHCRWA") accounted for 92% of the water distributed to the District's customers during the period ending 14 February 2022.

Utility Operator's Report. Mr. Phelps 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. Phelps reviewed with the Board the EDP Invoice and Bill Direct Statement dated 14 March 2022, a copy of which is included with the Operator's Report.

Annual Commercial Water Meter Testing. Mr. Phelps reported that the annual testing had been conducted on the commercial water meters (the "Meters") at 78 locations in the District. All of the Meters, he told the Board, were found to be accurately registering the flow of water and that no repairs to the Meters were being recommended by EDP.

Inspection at Water Plant No. 1 (the "Water Plant Inspection"). Mr. Phelps reported on the Water Plant Inspection conducted on 13 January 2022 by the Texas Commission on Environmental Quality (the "Commission"). He called the Board's attention to the summary of the Water Plant Inspection as prepared by the Commission, a copy of which is included with the Operator's Report. The Commission noted certain minor violations during the Water Plant Inspection, said Mr. Phelps, including some lines of the barbed wire on the top of the perimeter fence at the Water Plant No. 1 that were not tilted at the required 45-degree angle and vegetation growing on the perimeter fence at certain locations. Mr. Phelps stated that the District's Operator will correct the noted deficiencies prior to the 10 May 2022 completion date.

Critical Load Status. Mr. Phelps reported that the District's Operator had updated and submitted to Harris County, the Public Utility Commission of Texas, and other regulatory agencies a list of the District's facilities that qualify for critical load status (the

"Critical Load List") pursuant to Senate Bill 361 as passed by the 81st Texas Legislature (2009). A copy of the Critical Load List 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. Phelps discussed with the Board possible alternatives to AT&T Texas for the Telecommunication Service, such as using cellular telephone service for the autodialing units at the District's facilities.

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. Phelps, 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.

Paving Projects. Mr. Schuett discussed with the Board the status of 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. He recalled that on 24 February 2022 the Board had accepted the proposals from Post Oak Paving (called "POP") to (1) construct an asphalt overlay on the Parking Lot (the "Parking Lot Overlay") at a cost of \$16,527; and (2) construct an asphalt overlay on the Walking Trail (the "Walking Trail Overlay") at a cost of \$28,712. Upon his review of the insurance coverage maintained by POP, said Mr. Schuett, he discovered that POP did not have Workers Compensation insurance coverage. He continued that an attorney with Coats Rose who specializes in construction law advised him that the District could not accept a waiver on the Workers Compensation insurance coverage as requested by POP and accordingly the POP proposals were rejected. Mr. Schuett then reviewed with the Board the proposals (the "Proposals") submitted by Craig & Heidt, Inc., A&L Asphalt, and CCC Blacktopping to perform the Parking Lot Overlay and the Walking Trail Overlay. Copies of the Proposals are included with the District Office Report. After discussion, the Directors expressed their intent to accept the A&L Asphalt Proposals to construct the Parking Lot Overlay, including re-striping, at a cost of \$29,800 and to construct the Walking Trail Overlay at a cost of \$16,527. Director Gobbell reminded the Board that

the Kleinwood Maintenance Fund (the "KMF") would contribute \$7,250 to the cost for the Parking Lot Overlay project.

Request for Use of District Office. Mr. Schuett then informed the Board that he had received a request for the use of the District Office to host a breakfast and egg hunt on 9 April 2022. He reminded that Board that, pursuant to the District's established policy, no parties for children would be permitted at the District Office. The Board then directed Mr. Schuett to deny the request for the use of the District Office.

Then, 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 A&L Asphalt to perform the Parking Lot Overlay and the Walking Trail Overlay.

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. Also reviewed by the Board was the list of revenues and expenditures for the District's Operating Account for the fiscal year ending 31 March 2022. A discussion ensued regarding the rates charged by the District's consultants for their professional services rendered to the District (the "Service Rates"). Director Guerrero expressed his view that any increase in the Service Rate requested by a consultant of the District should not exceed the annual increase in the Consumer Price Index.

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"), a copy of which is attached hereto as an exhibit. After review, upon a motion duly made and seconded, the Board voted unanimously to adopt the Budget, as presented.

ANNUAL REVIEW OF UNCLAIMED PROPERTY

Then Mr. Yale mentioned that the District was required to escheat unclaimed funds, such as uncashed customer refunds, to the Texas Comptroller of Public Accounts after one year (and after three years for unclaimed funds in the District's Tax Account). He explained that checks issued but returned to the District or left uncashed for the period from 1 March 2020 through 28 February 2021 would have to be escheated to the State by 1 July 2022. After discussion, upon a motion duly made and

seconded, the Board voted unanimously to authorize the District's Bookkeeper and Tax Assessor/Collector to escheat the unclaimed funds as described above to the Comptroller.

KLEINWOOD DOLPHINS SWIM TEAM (the "Swim Team")

The Board then considered purchasing a sponsorship for the Swim Team for the 2022 season (the "Sponsorship"). After discussion, upon a motion duly made and seconded, the Board voted unanimously to purchase a Sponsorship at a cost of \$500.

KJPB

Director Fratangelo presented a report on the activities of the KJPB. Director Fratangelo informed the Board that the KJPB would host an "Open House" at the Kleinwood Regional Wastewater Treatment Plant on Tuesday, 26 April 2022, at 5:30 p.m. A copy of the draft minutes of the KJPB meeting held on 2 March 2022 is attached hereto as an exhibit

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 24 March 2022
Attachments

1. Peace Officer's Report;
2. Detention Facilities Report;
3. Tax Assessor/Collector's Report;
4. Letters from Wheeler & Associates / payments due to Cypress Forest PUD and Harris County MUD No. 24;
5. Delinquent Tax Report;
6. Engineer's Report;
7. Lift Station Inspection Report;
8. Accepted Insurance Proposal from Arthur J. Gallagher & Co.;
9. P3 Newsletter;
10. SPD Report Confirmation and Summary;
11. Groundwater Credit Certificate;
12. Operator's Report;
13. District Office Report;
14. Bookkeeper's Report;
15. Operating Budget for FYE 3/31/2023; and
16. Draft KJPB minutes.