

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

25 August 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 25th day of August 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 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 Anandel 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; Chris Zilko of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Derek Michael of Sales Revenue, Inc. ("SRI"); Roger Schuett, Office Manager for the District; Les Griffith representing Champions Hydro-Lawn, Inc. ("CHL"); Sergeant M. Gonzales and Deputy L. Doria with Harris County Precinct 4 Constable's Office (the "Constable's Office"); Will Yale and David Green of Coats Rose, P.C. ("Coats Rose"), Attorney for the District; and the following residents of the District: Tom Liewer and Wayne Goodrick. Attending by teleconference was Dick Yale of Coats Rose.

Director Gobbell called the meeting to order.

HEAR FROM THE PUBLIC

The President recognized Mr. Liewer, who addressed the Board regarding recent water quality issues in Northwest Harris County Municipal Utility District No. 24 ("NHCMUD 24"). Director Gobbell assured Mr. Liewer that the District's water distribution system was entirely separate from the water distribution system of

NHCMUD 24. Then the President recognized Mr. Goodrick, who addressed the Board regarding the status of the proposed replacement of the existing water meters on service connections in the District with electronic water meters (the "Smart Meters"). The Board discussed the Smart Meters later in the meeting during the presentation of the Engineer's Report.

MINUTES OF THE MEETING OF 28 JULY 2022

The minutes of the meeting of the Board held on 28 July 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 28 July 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.

SECURITY SERVICE CONTRACT

The Board then considered approval of the Security Service Contract with Harris County for the term of 1 October 2022 through 30 September 2023 (the "Contract"). After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Contract and to authorize Director Gobbell to execute same. A copy of the Contract as executed by the Board is attached hereto as an exhibit to these minutes.

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. Anandel, who submitted to and reviewed with the Board the Tax Assessor/Collector's Report. A copy of the Tax Assessor/Collector's Report is attached hereto. The Board noted that the District had collected 99.2% of its 2021 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto. Ms. Anandel noted that Wheeler was requesting approval for five checks written on the District's tax account.

Then, after discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Tax Assessor/Collector's Report and to authorize payment of the checks listed therein.

DEVELOPMENT STATUS OF THE DISTRICT

Mr. Will 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 2022 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 2022 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.

SALES AND USE TAX ALLOCATION REPORT

Mr. Michael submitted to and reviewed with the Board the Sales and Use Tax Allocation Report dated August 2022 (the "Sales Tax 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 Sales Tax Report 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:

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 the cured-in-place piping repairs and the rehabilitation of certain manholes were in progress. She stated the Quiddity was reviewing the post-repair videos of the sanitary sewer lines as provided by Insituform.

Ms. Madrigal then reported that Insituform had submitted Pay Estimate No. 2 in the amount of \$71,462.60 in connection with the Phase 2 Rehabilitation project. A copy of Pay Estimate No. 2 is included with the Engineer's Report.

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 reported that Quiddity had offered to provide the Association with additional information regarding the Private Well and the Water Well Permit for same. It was the understanding of the District's Engineer that the Harris-Galveston Subsidence District is reviewing the information provided by Quiddity for possible violations of the Water Well Permit, including exceeding the annual water withdrawal limit, she told the Board. Ms. Madrigal noted that no water was produced from the Private Well during the period of 20 July to 22 August 2022. She called the Board's attention to the status table detailing the Association's monthly water usage for the period of 27 December 2021 through 22 August 2022, as detailed in the Engineer's Report.

Lift Station No. 2 / Proposed Electrical Improvements. The Board discussed the proposed electrical improvements for Lift Station No. 2 (the "Electrical Improvements"). Ms. Madrigal stated that the design phase of the Electrical Improvements was continuing. She remarked that Quiddity had obtained a preliminary cost estimate for replacing the existing perimeter fence at the Lift Station No. 2 site (the "Perimeter Fence"). Ms. Madrigal stated that the estimated cost for the replacing the Perimeter Fence with an 8-foot chain link fence with privacy slats was \$20,000 and the estimated cost for constructing an 8-foot cedar panel fence was \$14,000. She recommended replacing the Perimeter Fence with the chain link fence with privacy slats.

Kleinwood Joint Powers Board (the "KJPB") / Electrical Modifications – Phase 3 at Kleinwood Regional Wastewater Treatment Plant (the "Plant"). Ms. Madrigal reviewed with the Board the Project Summary and Preliminary Cost Estimate for the proposed Electrical Modifications – Phase 3 (the "Electrical Modifications") at the Plant, copies of which are included with the Engineer's Report. She pointed out to the Board that total estimated project cost for the Electrical Modifications was \$1,643,000. She added that the District's estimated pro rata share of the project cost was \$246,450. The Board discussed this matter again during the presentation of the Attorney's Report.

Capital Improvement Plan / Five-Year Summary. Ms. Madrigal reviewed with the Board the Five-Year Summary of the Capital Improvement Plan for the District (the "Summary") as prepared by Quiddity, a copy of which is included with the Engineer's Report. She remarked that the Summary had been updated to include (1) the most recent cost estimate for the replacement of water meters in the District with Smart Meters; and (2) the District's pro rata share of the cost for the Electrical Modifications.

Ms. Madrigal then submitted to and reviewed with the Board the Upcoming Projects and Potential Funding Sources exhibit as prepared by Quiddity, which lists the Electrical Improvements, the Smart Meters, and the Electrical Modifications as the upcoming capital projects for the District. A copy of the Upcoming Projects and Potential Funding Sources exhibit is attached hereto.

A discussion then ensued regarding the Smart Meters. Director Allard proposed that the District's Operator install the Smart Meters at no up-front cost to the District's customers (the "Smart Meter Installation"). After discussion, upon a motion duly made and seconded, the Board voted 2 to 1 in favor of authorizing the Smart Meter Installation, with Directors Gobbell and Sherry voting in favor and Director Fratangelo opposed, and with Director Ehmann abstaining. For lack for the required majority of three votes, the motion failed.

Lead and Copper Rule / Summary of Revisions. Ms. Madrigal focused the Board's attention on the Summary of Revisions prepared by Quiddity in connection with the revisions to the Lead and Copper Rule promulgated by the U.S. Environmental Protection Agency (the "EPA"). A copy of the Summary of Revisions is included with the Engineer's Report. Ms. Madrigal remarked that all public water systems must comply with the requirement to submit a lead service line inventory and replacement plan by 16 October 2024.

Schedule of Hourly Rates and Reimbursable Expenses (the "Schedule"). Ms. Madrigal informed the Board that J&C had updated its Schedule to be effective 1 August 2022 pursuant to the Engineering Agreement between the District and J&C dated 28 February 2019. A copy of the updated Schedule attached hereto as an exhibit to these minutes.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Engineer's Report; (2) authorize payment of Pay Estimate No. 2 to Insituform; (3) authorize the KJPB to proceed with the Electrical Modifications; and (4) accept the updated Schedule.

ATTORNEY'S REPORT

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

Resolution Authorizing Action by a Kleinwood Joint Powers Board Member. Mr. Yale focused the Board's attention on an electronic mail message dated 4 August 2022 from Mark Brooks of Young & Brooks, Attorneys at Law, the attorney for the KJPB, regarding the proposed Electrical Modifications. A copy of the electronic mail message is attached hereto as an exhibit to these minutes. The Board noted that the Electrical Modifications would include removing Motor Control Centers B, C and D and replacing them with new units to be centrally located inside the new control building. Mr. Yale remarked that pursuant to the Agreement for the Ownership, Operation, Maintenance and Expansion of the Kleinwood Regional Wastewater Facilities (the "Plant Agreement"), as amended, each party to the Plant Agreement would be required to provide written authorization for the Electrical Modifications. Mr. Yale then submitted for the Board's review and approval a RESOLUTION AUTHORIZING ACTION BY A KLEINWOOD JOINT POWERS BOARD MEMBER (the "Resolution"). He pointed out to the Board that the Resolution includes a provision stating that the District would pay no

more than its pro rata share for the cost of the Electrical Modifications, pursuant to the terms of the Plant Agreement.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) authorize the Electrical Modifications; and (2) adopt the Resolution. A copy of the Resolution is attached hereto and shall be considered to be part of these minutes.

Continuing Disclosure. Mr. Yale reported that the District's consultants were preparing the necessary materials to fulfill the continuing disclosure requirements of the Securities and Exchange Commission ("SEC") pursuant to SEC Rule 15c2-12 prior to the deadline of 30 September 2022.

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") including P3's upcoming procurement of electric power supply for the period beginning 1 January 2023. Mr. Yale distributed copies of a newsletter from P3 dated 25 August 2022, a copy of which is attached hereto. He then submitted to and reviewed with the Board the Revised 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 noted that P3 would begin the competitive procurement process on 6 September 2022.

Lead and Copper Rule Revision. Mr. Yale then reviewed with the Board a memorandum from the District's Attorney summarizing the revision to the Lead and Copper Rule promulgated by the EPA. A copy of the memorandum is attached hereto as an exhibit to these minutes. He explained to the Board that the most recent revision to the Lead and Copper Rule will require public water systems such as the District to: (1) create a lead service line ("LSL") inventory database; (2) meet new public notification requirements; (3) update the sampling protocols; and (4) develop a program for the replacement of LSLs. He pointed out to the Board that the EPA had established a deadline of 16 October 2024 for compliance with the revised Lead and Copper Rule.

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

OPERATOR'S REPORT

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

Water Plant Operations. Mr. Zilko reported that the billed to pumped ratio for the prior month was 94.5% 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 26% of the water distributed to the District's customers during the period ending 14 July 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 15 August 2022, a copy of which is included with the Operator's Report.

Fire Hydrant Flow Testing. Mr. Zilko reported on the inspection and flow testing performed during July 2022 on the fire hydrants (the "Hydrants") in the District. He reviewed with the Board the Fire Hydrant Inspection Report as prepared by the District's Operator, a copy of which is attached hereto as an exhibit. Mr. Zilko informed the Board that 46 Hydrants needed to be repaired and 50 Hydrants needed reflectors replaced at a total estimated cost of \$16,571.50 (collectively, the "Hydrant Repairs"). After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Operator to proceed with the Hydrant Repairs.

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.

Bridge in Walking Garden. Mr. Schuett reported that the contractor who was contacted about rebuilding the Bridge had missed his appointment. Mr. Schuett stated that he plans to rebuild the Bridge himself in September 2022.

Landscaping in Walking Garden. Mr. Schuett reported that the shrubberies in the Walking Garden are in poor condition even though the irrigation system is operating. He stated that he would discuss this matter with Brookway Horticultural Services, Inc. ("Brookway"). Director Fratangelo then remarked that several shrubberies at the Water Plant No. 1 site were also in poor condition or dying. Mr. Zilko recommended the replanting of the landscaping along the section of the perimeter fence at Water Plant

No. 1 that was relocated earlier this year (the "Replanting"). The Board directed Mr. Schuett to contact Brookway regarding options for the Replanting.

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.

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). After considerable discussion, the Directors declined to take any action on this matter.

KJPB

Director Fratangelo presented a report on the activities of the KJPB. A copy of the draft minutes of the KJPB meeting held on 3 August 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.

Secretary, Board of Directors

SEAL

Kleinwood Municipal Utility District
Meeting of 25 August 2022
Attachments

1. Peace Officer Report;
2. Security Service Contract;
3. Detention Facilities Report;
4. Tax Assessor/Collector's Report;
5. RESOLUTION DECLARING DEVELOPMENT STATUS OF DISTRICT FOR 2022 TAX YEAR;
6. Sales Tax Report;
7. Engineer's Report;
8. Upcoming Projects and Potential Funding Sources;
9. Schedule of Hourly Rates and Reimbursable Expenses;
10. Email from Young & Brooks;
11. RESOLUTION AUTHORIZING ACTION BY A KLEINWOOD JOINT POWERS BOARD MEMBER;
12. P3 Newsletter;
13. Revised Procurement Proposal for Electric Power Supply;
14. Coats Rose memo / Revisions to Lead and Copper Rule;
15. Operator's Report;
16. Fire Hydrant Inspection Report;
17. District Office Report;
18. Bookkeeper's Report; and
19. Minutes of KJPB meeting.