

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

23 February 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 23rd day of February 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:

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

and all of said persons were present with the exception of Director Guerrero, thus constituting a quorum.

Also present were René Andel of Wheeler & Associates, Inc. ("Wheeler"), the Tax Assessor/Collector for the District; Pam Madrigal, P.E., of Quiddity Engineering, LLC ("Quiddity"), Engineer for the District; Bill Blich of Blich Associates, Inc., the District's Financial Advisor; Chris Zilko of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Roger Schuett, Office Manager for the District; Derek Michael of Sales Revenue, Inc. ("SRI"); Sergeant M. Gonzales and Corporal L. Doria with Harris County Precinct 4 Constable's Office (the "Constable's Office"); Mark Ramsey, P.E., representing the North Harris County Regional Water Authority (the "NHCRWA"); 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. Goodrick, who stated that he was continuing to experience problems with an excavation forming in his yard as the result of the flushing of a fire hydrant by the District's Operator. Mr. Zilko discussed this matter with Mr. Goodrick.

MINUTES OF THE MEETING OF 28 JANUARY 2023

The minutes of the meeting of the Board held on 28 January 2023, 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 January 2023, as written.

PEACE OFFICER'S REPORT

The President recognized Corporal Doria, who presented the Peace Officer's Report, a copy of which is attached hereto. The Directors then discussed security related issues. Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Peace Officer's Report.

DETENTION AND DRAINAGE FACILITIES REPORT

Ms. Madrigal distributed to the Board copies of the Detention and Drainage Facilities Report (the "Detention Facilities Report") prepared by Champions Hydro-Lawn, Inc. 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. Ms. Anandel reported that the District had collected 93.9% of its 2022 taxes as of this date. 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 11 checks written on the District's tax account, and two transfers by wire as follows: a transfer of \$279,090.96 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$560,000 to the Debt Service Fund.

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

RESOLUTION CONCERNING TAX EXEMPTIONS FOR 2022

Next, Mr. Yale submitted a draft RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION for the Board's consideration. Mr. Yale noted that the resolution had been prepared with the same exemptions that had been offered for 2022, that is \$25,000.00 for persons who are disabled or who are sixty-five years of age or older and a 20% general residential homestead exemption (collectively, the "Exemptions"). Mr. Blich submitted to and reviewed with the Board the Homestead Exemption Study dated 21 February 2023 as prepared by the District's Financial

Advisor. A copy of the Homestead Exemption Study is attached hereto as an exhibit. Mr. Blich offered his recommendation that the District should continue to offer the same Exemptions for 2023 as it did for 2022. After discussion, upon a motion duly made and seconded, the Board voted unanimously to grant the following Exemptions for 2023 and to adopt a RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION: (1) \$25,000.00 exemption for individuals who are disabled or sixty-five years of age or older; and (2) a 20% general residential homestead exemption. A copy of the Resolution is attached hereto and shall be considered to be part of these minutes.

AGREEMENT FOR DELINQUENT TAX COLLECTION SERVICES

Mr. Yale then explained that the Board could impose a statutory charge (the "Collection Charge") of up to 20% on all 2022 taxes, penalties, and interest delinquent on 1 July 2023 for real property (and on 1 April 2023 for personal property), said Collection Charge to be used to finance the costs of collection of the delinquent taxes. In order to do so, he continued, the Board must first confirm its agreement (the "Agreement") for delinquent tax attorney services with Perdue, Brandon, Fielder, Collins & Mott, L.L.P. He explained further that under the Agreement, the amount paid by the District to the District's Delinquent Tax Attorney for the collection of delinquent 2022 taxes would be equal to the additional collection charge as approved by the Board on all 2022 taxes, penalties, and interest delinquent on the applicable dates, up to the statutory maximum of 20%, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code. After discussion, upon a motion duly made and seconded, the Board voted unanimously to confirm its Agreement with the District's Delinquent Tax Attorney.

COLLECTION CHARGE ON ALL DELINQUENT 2022 TAXES, PENALTIES, AND INTEREST

Consideration was then given to imposing the Collection Charge as described above. After discussion, upon a motion duly made and seconded, the Board voted unanimously to impose a 20% Collection Charge on all 2022 taxes, penalties, and interest that are due and remain delinquent as of the applicable dates, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code. A copy of the CERTIFICATE OF BOARD ACTION related to this matter is attached hereto as an exhibit to these minutes.

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 had identified 13 manholes that needed additional work or correction by Insituform. She

stated that the remaining work on the Phase 2 Rehabilitation was expected to be completed within the next month.

Ms. Madrigal then reported that Insituform had submitted Pay Estimate No. 8 in the amount of \$108,472.50 in connection with the Phase 2 Rehabilitation project. A copy of Pay Estimate No. 8 is included with 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 earlier this week Quiddity had submitted the final plans for the Electrical Improvements for agency review. She stated that Quiddity plans to request authorization to advertise and bid the project at the Board's meeting on 23 February 2023.

Annual Water Plant Inspections. Ms. Madrigal reported that Quiddity performed the annual inspection of Water Plant No. 1 on 8 February 2023, which included the interior inspection of Hydropneumatic Tank No. 3 ("HPT 3"). She stated that the coating system on HPT 3 was generally in good condition except for a few minor touch-ups that were required at the penetration points in the tank. The District's Operator addressed the touch-ups to the coating system while HPT 3 was offline, she continued, and is now working to return HPT 3 to service. Ms. Madrigal stated that the inspection of Water Plant No. 2 has been rescheduled to 8 March 2023.

Application to the Texas Commission on Environmental Quality for Approval of Project and Bonds. Ms. Madrigal recalled that the Bond Application Report (the "BAR") for the District's Series 2023 Bonds was submitted to the Texas Commission on Environmental Quality (the "Commission") on 19 December 2022. She reported that the Commission had approved the request from the District for a two-year extension of the bond authorization that was originally approved pursuant to the Commission's Order dated 20 April 2021 (the "Extension"). She called the Board's attention to the letter dated 29 January 2023 from the Commission regarding the Extension, a copy of which is included with the Engineer's Report. The Directors noted that the Extension would be effective through 20 April 2024.

Compliance with Revised Lead and Copper Rule. Ms. Madrigal recalled that, as previously discussed, the District is required to perform a lead service line inventory of public and private water systems, to be submitted to the Commission by 16 October 2024. She stated that Quiddity was coordinating with the District's Operator to obtain the preliminary field data that is on file.

Request for Annexation of and Service to 9.7-acre Tract / Cypresswood Drive and Stuebner Airline Road. Ms. Madrigal discussed with the Board matters relating to the request from Makaan Parkview Apartments, LLC ("Makaan") for annexation of and service to a certain 9.7-acre tract located at Cypresswood Drive and Stuebner Airline Road (the "Makaan Tract"). She stated that Quiddity was preparing the Feasibility Study in connection with the proposed annexation of the Makaan Tract. Ms. Madrigal stated that the District's Engineer notified the developer that the Board had requested that the

Feasibility Study be expanded to include a general review of stormwater drainage requirements from Harris County and development within the floodplain. She noted that Quiddity had requested an additional developer deposit from Makaan in connection with the expanded Feasibility Study. A discussion ensued regarding the proposed development in the Makaan Tract. Ms. Madrigal reviewed with the Board a rendering of the proposed development in the Makaan Tract, a copy of which is attached hereto as an exhibit. She remarked that project in the Makaan Tract as depicted would require storm water detention totaling three acres, which would require significant modifications to the plans for the development.

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 23 January to 20 February 2023. 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 20 February 2023, as detailed in the Engineer's Report. Ms. Madrigal stated that the District's Engineer contacted the Association again this month to discuss the use of the Private Well.

NHCRWA Surface Water vs. Pumped Groundwater Costs. Ms. Madrigal submitted to and reviewed with the Board a table prepared by Quiddity (the "Table") that compares the District's cost to purchase surface water from the NHCRWA with the cost to produce groundwater from the District's water wells (which includes the estimated production cost and the groundwater pumpage fee levied by the NHCRWA). A copy of the Table is attached hereto as an exhibit to these minutes. At this time, she told the Board, the District's cost to purchase surface water from the NHCRWA is \$4.55 per 1,000 gallons ("k/gal"), whereas the District's cost to produce groundwater is calculated at \$4.64 per k/gal. She pointed out to the Board that a water district located in the NHCRWA that refused to accept surface water would be liable for a disincentive fee of \$10.78 per k/gal.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Engineer's Report; and (2) authorize payment of Pay Estimate No. 7 to Insituform.

SALES AND USE TAX ALLOCATION REPORT

Mr. Michael submitted to and reviewed with the Board the Sales and Use Tax Allocation Report dated February 2023 (the "Sales Tax Report") prepared by SRI in connection with the limited purpose annexation of commercial property in the District (the "LPA") under the Strategic Partnership Agreement between the District and the City of Houston (the "City"). A copy of the Sales Tax Report is attached hereto as an exhibit to these minutes. Mr. Michael then reported that SRI had provided the City with an updated list of commercial entities that are located within the LPA area.

ATTORNEY'S REPORT

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

Directors Election. The Board discussed matters relating to the 6 May 2023 Directors Election required for the District. Mr. Yale reported that as of this date the candidates to be listed on the ballot for the referenced election were unopposed and accordingly the District's Attorney would prepare an ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE for adoption at the Board's meeting on 23 March 2023.

Power Supply Issues / Public Power Pool ("P3"). 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 14 February 2023, a copy of which is attached hereto.

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 91.4% and that the District has 895 service connections, including three vacant single-family residences. He noted that surface water received from the NHCRWA accounted for 61% of the water distributed to the District's customers during the period ending 17 January 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 8 February 2023, a copy of which is included with the Operator's Report.

Write-Off Report. Mr. Zilko reported that that there were six closed service accounts with balances due to the District totaling \$2,503.61 that would be written off and turned over to a collection agency.

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 "Badger Meters"). Mr. Zilko reported that due to an administrative error, the Badger Meters were not ordered as previously reported and accordingly the delivery of the Badger Meters from the manufacturer was not expected for another four months.

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 stated that he discussed the condition of the flower beds at the District Office and the Walking Garden with Brookway Horticultural Services, Inc. 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.

NHCRWA

The President recognized Mr. Ramsey, who addressed the Board on matters relating to the NHCRWA. The Directors noted that in November 2022 Mr. Ramsey was elected to the board of directors of the NHCRWA (the "NHCRWA Board") and is serving as the president of the NHCRWA Board.

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 1 February 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 23 February 2023
Attachments

1. Peace Officer's Report;
2. Detention Facilities Report;
3. Tax Assessor/Collector's Report;
4. Homestead Exemption Study;
5. Resolution Concerning Exemption of Residence Homesteads From Taxation;
6. Certificate of Board Action / 20% charge on delinquent taxes;
7. Engineer's Report;
8. Rendering of Proposed Apartments;
9. Table / Costs of Surface Water vs. Groundwater;
10. Sales Tax Report;
11. P3 Newsletter;
12. Operator's Report;
13. District Office Report;
14. Bookkeeper's Report; and
15. Draft minutes of KJPB meeting (1 February 2023).