

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

23 March 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 March 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, 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; Brian Toldan of McCall Gibson Swedlund Barfoot, PLLC ("McCall"), Auditor 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"); Sergeant M. Gonzales 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: Wayne Goodrick and Tom Liewer. Attending the meeting by teleconference was Dick Yale of Coats Rose.

Director Gobbell called the meeting to order.

MINUTES OF THE MEETING OF 23 February 2023

The minutes of the meeting of the Board held on 23 February 2023, previously distributed to the Board, were presented for consideration and approval. Mr. Green remarked that page 4 of the minutes had been corrected as recommended by Ms. Madrigal. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 23 February 2023, as amended.

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.

ENGAGE AUDITOR

The President recognized Mr. Toldan, who presented to the Directors for their review a proposal (the "Proposal") from McCall to audit the financial statements of the District for the fiscal years ending 31 March 2023 and 31 March 2024 (the "Fiscal Years"). Mr. Toldan estimated that the fees to be charged to the District for the audit of the financial statements would range from \$18,000 to \$20,000 for each Fiscal Year.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Proposal and engage McCall to audit the District's financial statements for the Fiscal Years ending 31 March 2023 and 31 March 2024. A copy of the Proposal as approved 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. Mr. Griffith remarked that there was a dead tree on the Detention Pond site that needed to be removed. 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 removal of the dead tree.

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 95.3% of its 2022 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 one transfer by wire of \$19,052.72 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.

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. Anzel then reviewed with the Board the calculation of (1) the property tax revenue due to Cypress Forest PUD for the 2022 tax year; and (2) the property tax revenue due to Harris County MUD No. 24 for the 2022 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 21 March 2023 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 2022 tax year totaled \$21,722.09 for Cypress Forest PUD and \$32,938.05 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. The Board then directed the District's Attorney to review the termination dates of the respective contracts between the District and Cypress Forest PUD and Harris County MUD No. 24.

DELINQUENT TAX REPORT

Ms. Anzel 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 Insituform had completed the outstanding manhole rehabilitation work. The final inspection with the contractor and the District's Operator was scheduled for 22 March 2023, she told the Board. The final Pay Estimate for the Phase 2 Rehabilitation project will be presented at the Board's meeting on 27 April 2023, said Ms. Madrigal. She continued that the final contract amount, after addressing all of the final quantity adjustments, is projected to total \$770,726, which would result in surplus construction funds totaling \$412,874 for the project.

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 received another set of comments from Harris County (the "County") and Harris County Flood Control District ("HCFCD") as part of the final agency approval. She stated that the County and HCFCD were requiring additional documentation related to the existing detention and mitigation pond associated with Lift Station No. 2 and the CVS Pharmacy tract. Ms. Madrigal

stated that the District's Engineer is coordinating with HCFCD to address this final comment.

Annual Water Plant Inspections. Ms. Madrigal reported that Quiddity had completed the annual inspection of Water Plants Nos. 1 and 2 on 8 March 2023. In general, she told the Board, only minor touch-ups and improvements to the facilities at both water plant sites were identified. She stated that the final Evaluation Reports from the inspection of Water Plants Nos. 1 and 2 would be presented at the Board's meeting on 27 April 2023 and will include the updated cost estimates and timeline for future repairs.

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 Texas Commission on Environmental Quality (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. Despite the stated concerns of the District's Engineer regarding the stormwater drainage issues for the Makaan Tract, said Ms. Madrigal, the developer requested that Quiddity proceed with completing the Feasibility Study. Ms. Madrigal stated that the Feasibility Study would be presented at the Board's meeting on 27 April 2023.

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 800 gallons of water was produced from the Private Well during the period of 20 February 2023 to 20 March 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 March 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.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Engineer's Report; and (2) authorize Quiddity to advertise for bids for the Electrical Improvements, contingent on agency approval of the plans for the project. 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.

Directors Election. The Board reviewed an ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE in connection with the 6 May 2023 Directors Election. Mr. Yale noted that according to the Texas Election Code, the District has the authority to declare unopposed candidates to be elected to office since Coats Rose, P.C., the District's Attorney, has certified in writing that the candidates to be listed on the ballot for the referenced election are unopposed, and to cancel the election set for 6 May 2023. A copy of the Certificate Regarding Unopposed Candidates executed by the District's Attorney is attached hereto as an exhibit. Upon a motion duly made and seconded, the Board voted unanimously to adopt the Order, a copy of which is attached hereto and shall be considered to be a part of these minutes.

Annual Review of Unclaimed Property. Mr. Yale then 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 2021 through 28 February 2022 would have to be escheated to the State by 1 July 2023. 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.

Arbitrage Rebate and Project Fund Yield Restriction Compliance Service Program. Mr. Yale submitted to and reviewed with the Board the Arbitrage Rebate and Project Fund Yield Restriction Compliance Service Program Review (the "Review") dated 14 February 2023 as prepared by Arbitrage Compliance Specialists, Inc. ("ACSI") in connection with its review of the District's (1) Series 2020 Refunding Bonds; and (2) Series 2021 Bonds. A copy of the Review is attached hereto as an exhibit to these minutes. With regard to the Series 2020 Refunding Bonds, Mr. Yale noted that the Review stated that they were subject to arbitrage rebate but not subject to project fund yield restriction. He continued that the Series 2021 Bonds were not subject to arbitrage rebate but are potentially subject to project fund yield restriction if the project fund balance remaining on 24 July 2024 was \$100,000 or more. According to the Review, said Mr. Yale, the project fund balance totaled \$1,385,812.22 as of 31 October 2022.

Proposal for Arbitrage Compliance Services. Mr. Yale reviewed with the Board the proposal (the "ACSI Proposal") submitted by ACSI, for the arbitrage compliance and project fund yield restriction compliance program (the "Compliance Program") as required by the U.S. Treasury Department and the U.S. Internal Revenue Service (the "IRS") with regard to the District's Series 2020 Refunding Bonds and Series 2021 Bonds. The Directors noted that the estimated cost for the Compliance Program as presented in the ACSI Proposal totals \$675. 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 P3. Mr. Yale distributed copies of a newsletter from P3 dated 14 March 2023, a copy of which is attached hereto.

Texas Comptroller / Special Purpose District Report. Mr. Yale reported that on 10 March 2023 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.

Proposal for Insurance Coverage. The Board reviewed the Proposal for Insurance Coverage (the "Insurance Proposal") for the policy term of 30 April 2023 through 30 April 2024 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 \$37,247, which represents an increase of \$1,920 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.

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 89.3% (the "Ratio") 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 63% of the water distributed to the District's customers during the period ending 15 February 2023.

A discussion ensued regarding the Ratio. Mr. Zilko reported that a clogged sensor line in a ground storage tank resulted in an overflow. He stated that EDP had instructed the technicians to clean the sensor line on a quarterly basis.

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

Critical Load Status. Mr. Zilko reported that the District's Operator had updated and submitted to the 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.

Identity Theft Prevention Program. Mr. Zilko reviewed with the Board the annual report prepared by EDP in connection with its Identity Theft Prevention Program. A copy of the report is included with the Operator's Report. Mr. Zilko stated that no "red flags" had been raised during the past year and that all of the procedures were working smoothly for EDP.

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 delivery of the shipment of Badger Meters was expected in May or early June 2023. He recommended that the installation of the Badger Meters commence in the oldest part of the District, which is Kleinwood Subdivision, Section 1. Mr. Zilko stated that EDP would place door hangers at residences with instructions for customers to register for their online accounts so that they can monitor their water usage in real time.

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. 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.

OPERATING BUDGET FOR FISCAL YEAR ENDING 31 MARCH 2024

Mr. Schuett distributed copies of the draft Operating Budget for the District for the fiscal year ending 31 March 2024 (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.

KLEINWOOD DOLPHINS SWIM TEAM (the "Swim Team")

The Board then considered purchasing a sponsorship for the Swim Team for the 2023 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.

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 March 2023 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 March 2023
Attachments

1. Peace Officer's Report;
2. Engagement Letter with McCall Gibson Swedlund Barfoot, PLLC;
3. Detention and Drainage Facilities Report;
4. Tax Assessor/Collector's Report;
5. Letters from Wheeler & Associates / payments due to Cypress Forest PUD and Harris County MUD No. 24;
6. Delinquent Tax Attorney's Report;
7. Engineer's Report;
8. Certificate Regarding Unopposed Candidates;
9. Order Declaring Unopposed Candidates Elected to Office;
10. Arbitrage Rebate and Project Fund Yield Restriction Compliance Service Program Review;
11. Engagement Letter with Arbitrage Compliance Specialists, Inc.;
12. P3 Newsletter;
13. SPD Report Confirmation and Summary;
14. Proposal for Insurance Coverage;
15. Operator's Report;
16. District Office Report;
17. Bookkeeper's Report;
18. Operating Budget for FYE 31 March 2023; and
19. Draft minutes of the KJPB meeting.