

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

25 May 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 25th day of May 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; Chris Zilko and Johnson Ashcroft 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"); Corporal L. Doria with Harris County Precinct 4 Constable's Office (the "Constable's Office"); Wayne Goodrick and Reagan McKinney, residents of the District; and Will Yale and David Green of Coats Rose, P.C. ("Coats Rose"), Attorney for the District. Attending by teleconference was Dick Yale of Coats Rose.

Director Gobbell called the meeting to order.

MINUTES OF THE MEETING OF 27 APRIL 2023

The minutes of the meeting of the Board held on 27 April 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 27 April 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.

SECURITY SERVICE CONTRACT

Mr. Yale submitted to and reviewed with the Board a letter dated 22 May 2023 from the Constable's Office regarding the increase in the rates to be charged to entities that enter into a Security Service Contract with Harris County (the "Contract"). A copy of the letter is attached hereto as an exhibit to these minutes. According to the Constable's Office, he told the Board, the Harris County Commissioners Court had approved a 5% increase in the rates to be charged under the Contract, to be effective 1 October 2023.

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. 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 96.5% 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 two checks written on the District's tax account.

Preliminary Report of Appraised & Taxable Values. Ms. Anadel then informed the Board that Wheeler had received the Preliminary Report of Appraised & Taxable Values for the District for the 2023 tax year as prepared by the Harris County Appraisal District ("HCAD"). Ms. Anadel noted that according to HCAD, the initial taxable value for the District for the 2023 tax year totals approximately \$508,835,385.

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.

ENGINEER'S REPORT

The President then recognized Ms. Madrigal, who presented the Engineer's Report as follows:

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 Quiddity had received agency approval from the City of Houston for the plans for the Electrical Improvements. She stated that the Electrical Improvements project is being advertised with the bid opening scheduled for 6 June 2023. The bid results will be presented at the Board's meeting on 15 June 2023, she told the Board.

Champion Woods Lift Station No. 3. Ms. Madrigal discussed with the Board the proposed rehabilitation of Lift Station No. 3 (the "Lift Station Rehabilitation"). She stated that Quiddity had calculated a preliminary estimated construction cost of approximately \$230,000 for the Lift Station Rehabilitation. Ms. Madrigal stated that the costs for the project could be paid partially from surplus construction funds and also from the District's Capital Improvement Allocation Account (a sub-account in the District's Operating Fund). She requested approval from the Board for the District's Engineer to commence the design for the Lift Station Rehabilitation project.

Scope of Service Memorandum / Off-Site Lift Station Rehabilitation. Ms. Madrigal then presented a Scope of Service Memorandum from the District's Engineer in connection with the Electrical Improvements and the Lift Station Rehabilitation projects, for approval by the Board.

Annual Inspection Report for Water Plants Nos. 1 and 2 (the "Inspection Report"). Ms. Madrigal distributed copies of the Inspection Report dated May 2023 as prepared by the District's Engineer. A copy of the Inspection Report is attached hereto as an exhibit to these minutes. Ms. Madrigal stated that she would review the Inspection Report in detail at a future meeting of the Board when Director Guerrero is in attendance.

5-Year Capital Improvement Plan (the "CIP") Update and Funding Source Summary. Ms. Madrigal reported that Quiddity had updated the CIP to include the most recent project estimates and timelines and had prepared a Funding Source Summary for the Board's review. Copies of the updated CIP and the Funding Source Summary are 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 noted that no water was produced from the Private Well during the period of 24 April to 22 May 2023. She called the Board's attention to the status table detailing the Association's monthly water usage for the period of 1 January through 22 May 2023, as detailed in the Engineer's Report. Ms. Madrigal stated that on 12 May 2023 the District's Engineer held a meeting with representatives of the Association in which she reviewed the regulations associated with the well permit issued by the Harris-Galveston Subsidence District for the Private Well. Based on the discussion at the meeting, she continued, the Association apparently plans to resubmit its documents this month for the renewal of the well permit. Ms. Madrigal added that,

based on the discussion at the meeting, the Association plans to adjust usage of the Private Well to meet the 80/20 rule.

Proposed Utility Line Extensions to Serve the Champion Forest Center (the "Extensions"). Ms. Madrigal discussed with the Board the proposed Extensions for the District to provide water and sanitary sewer service to the Champion Forest Center. She distributed to the Board copies of the Preliminary Cost Estimates, Options 1 and 2, for the Extensions as prepared by the District's Engineer. Copies of the Preliminary Cost Estimates are attached hereto as exhibits. She stated that the estimated cost to construct the Extensions ranged from \$986,000 under Option 2 to \$1,310,000 under Option 1. Ms. Madrigal remarked that the District's Engineer did not recommend the construction of the Extensions. Mr. Dick Yale proposed that the Preliminary Cost Estimates be forwarded to Bill Blich of Blich Associates, Inc., the District's Financial Advisor, who could then determine whether it might be worthwhile for the District to present a proposal to Cypress Forest Public Utility District and Harris County Municipal Utility District No. 24 regarding an adjustment to the financial arrangements between the District and those water districts relating to the provision of water supply and sanitary sewer service to the Champion Forest Center. Ms. Madrigal stated that she would forward the Preliminary Cost Estimates to Mr. Blich.

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 reported to the Board that Quiddity had provided Makaan with a copy of the draft Feasibility Study for the Makaan Tract and explained to the owner that the District would not take any further action on this matter until certain action items included in the Feasibility Study were addressed.

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 commence the design of the Lift Station Rehabilitation;

ATTORNEY'S REPORT

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

Oaths of Office. The Board considered approval of the Oaths of Office and the Statements of Officers as executed and submitted by Directors Fratangelo and Gobbell. The Board noted that Director Guerrero was not in attendance at this meeting and had not executed and submitted the Oath of Office and Statement of Officer for his term of office.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Oaths and Statements for Directors Fratangelo and Gobbell. Mr. Yale told the Board that the Public Employee Blanket Bond covering the

five positions of Director of the District would continue in force and effect. Copies of the executed Oaths and Statements are attached to these minutes as exhibits.

Election of Officers. The Directors next considered the need to reconstitute the Board of Directors, pursuant to the requirements of Section 49.054(b), Texas Water Code. After discussion, upon a motion duly made and seconded, the Board voted unanimously to elect the Directors to the offices indicated:

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

Then, upon a motion duly made and seconded, the Board voted unanimously to authorize Coats Rose to prepare a revised District Registration Form and file same with the Texas Commission on Environmental Quality.

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 9 May 2023, a copy of which is attached hereto.

House Bill 3693 Compliance / Electricity Consumption. Mr. Yale reminded the Board that Chapter 2265 of the Texas Government Code requires Texas political subdivisions to record and make available their utility usage and costs pursuant to House Bill 3693 ("HB 3693") as approved by the 80th Texas Legislature in 2007. He then submitted for the Board's review the HB 3693 Report for the District for calendar year 2022 as prepared by P3. A copy of the HB 3693 Report is attached hereto as an exhibit to these minutes.

The Falls at Champion Forest Property Owners Association, Inc. (the "Association") / Maintenance of Restricted Reserve Tracts. Mr. Yale reviewed with the Board a letter dated 28 April 2023 from Arif Amjad, president of the Association, a copy of which is attached hereto as an exhibit to these minutes. In the letter, Mr. Yale told the Board, Mr. Amjad was requesting that the District assume the responsibility and cost for maintaining Restricted Reserves A, B, and E of Section 1 of The Falls at Champion Forest Subdivision (called "The Falls") and Restricted Reserve C of Section 2 of The Falls (collectively, the "Reserves"). Mr. Yale stated that the District's Attorney had reviewed the ownership information for the Reserves as provided through the Harris County Appraisal District ("HCAD") online database and had confirmed that, according to HCAD, the Reserves tracts were owned by the District. Ms. Madrigal noted that she had informed the Association that at its meeting on 12 August 2010 the Board had discussed matters relating to the maintenance of the detention ponds serving The Falls (the "Detention Ponds") and had voted at that time to withdraw the District's offer to the Association for an Agreement relating to the maintenance of the Detention Ponds.

After discussion, the Board directed the District's Attorney to draft a letter to the Association: (1) declining the Association's request for the District to assume the maintenance of the Reserves tracts and the Detention Pond therein; and (2) inviting representatives of the Association to attend a future meeting of the Board to discuss this matter.

Proposed Depository Pledge Agreement / Frost Bank. The Board next considered a Depository Pledge Agreement between the District and Frost Bank for the District's Tax Accounts (collectively, the "Accounts"). Mr. Dick Yale explained to the Board that the purpose of the Depository Pledge Agreement is to ensure that the depository bank will pledge collateral to secure any funds on deposit in the Accounts that exceed the \$250,000 limit for coverage by the Federal Deposit Insurance Corporation. Mr. Yale then reviewed the form Depository Pledge Agreement prepared by Frost Bank and pointed out to the Board certain provisions therein that the District's Attorney considers to be unequal and disadvantageous to the District, to wit: (1) the jurisdiction of a state or federal court in Bexar County, Texas, in connection with any dispute arising from or relating to the Depository Pledge Agreement; (2) the District would waive its right to a jury trial; (3) the District would waive its right to consequential damages; (4) allowing the substitution of collateral by Frost Bank; and (5) under the Third Party Custodian Agreement that is incorporated into the Depository Pledge Agreement, The Bank of New York Mellon Trust Company, N.A. (the Custodian Bank) would not be responsible for determining or monitoring the eligibility of collateral for deposit. A discussion ensued regarding the Depository Pledge Agreement. Ms. Andel stated that Wheeler would be responsible for monitoring the pledged securities for the District in connection with the Depository Pledge Agreement with Frost Bank. The Directors then deferred further discussion of this matter to a future meeting of the Board.

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 92.7% 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 80% of the water distributed to the District's customers during the period ending 14 April 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 12 May 2023, a copy of which is included with the Operator's Report.

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, according to Accurate Meter & Supply, there was a shortage of the necessary parts for the manufacturer to construct the Badger Meters. The District's Operator will commence the installation of the Badger Meters in the District when they become available, he told the Board.

2022 Drinking Water Quality Report (the "DWQR"). Mr. Zilko reviewed with the Board the draft DWQR as prepared by EDP. A copy of the draft DWQR is included with the Operator's Report. Mr. Zilko stated that the DWQR would be posted on the District's internet website and that EDP would provide the District's customers with a link for viewing the DWQR on EDP's website.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Operator's Report; and (2) approve the DWQR, subject to review by the District's Attorney. Copies of the Operator's Report and the final DWQR are attached hereto as exhibits to these minutes.

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. He informed the Board that the issues with the air conditioning system had been resolved. 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.

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 3 May 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 25 May 2023
Attachments

1. Peace Officer Report;
2. Letter from Precinct 4 Constable;
3. Detention Facilities Report;
4. Tax Assessor/Collector's Report;
5. Engineer's Report;
6. Inspection Report for Water Plant Nos. 1 and 2;
7. Preliminary Cost Estimates / Extensions to serve Champion Forest Center;
8. Scope of Service Memorandum;
9. Oath of Office and Statement of Officer / Joe Fratangelo;
10. Oath of Office and Statement of Officer / Jeff Gobbell;
11. P3 Newsletter;
12. HB 3693 Report;
13. Letter from The Falls at Champion Forest Property Owners Association, Inc.;
14. Operator's Report;
15. 2022 Drinking Water Quality Report;
16. District Office Report;
17. Bookkeeper's Report; and
18. Draft minutes of KJPB meeting.