

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

28 September 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 28th day of September 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:

Joe Fratangelo	President
Sherry Allard	Vice President
Robert Ehmann	Secretary/Treasurer
David C. Guerrero	Assistant Vice President & Assistant Secretary
Jeff Gobbell	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; Bill Blich of Blich Associates, Inc. ("Blich"), Financial Advisor for the District; Pam Madrigal, P.E., and David Warner, P.E., of Quiddity Engineering, LLC ("Quiddity"), Engineer for the District; Jackson Ashcraft of Environmental Development Partners, L.L.C. ("EDP"), Operator 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., Attorney for the District; and Tom Liewer, a resident of the District. Attending the meeting by teleconference was Dick Yale of Coats Rose.

Director Fratangelo called the meeting to order.

HEAR FROM THE PUBLIC

The President recognized Mr. Liewer, who addressed the Board regarding the status a certain tract of land located outside the District's boundaries at 17047 Stuebner Airline Road, adjacent to the H-E-B supermarket (the "Tract"). Ms. Madrigal responded that the Tract had recently been purchased. She stated that Quiddity had informed the realtor and the purchaser that the Tract was located outside the District and that there

were no easements in place that would allow the District to extend utility service to the Tract.

MINUTES OF THE MEETING OF 24 AUGUST 2023

The minutes of the meeting of the Board held on 23 August 2023, previously distributed to the Board, were presented for consideration and approval. After discussion, during which Director Ehmann stated that he would abstain, upon a motion duly made and seconded, the Board voted 3 to 0 to approve the minutes of the meeting of 23 August 2023, 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.

CONSIDER SETTING TAX RATE FOR 2023

Next, the Board discussed the proposed tax rate for the 2023 tax year (the "Tax Rate"). Mr. Blich submitted to and reviewed with the Board a copy of the 2023 Tax Rate Analysis as prepared by Blich. A copy of the 2023 Tax Rate Analysis is attached hereto as an exhibit to these minutes. Mr. Blich presented two recommendations with regard to the debt service tax rate for the 2023 tax year: (1) setting a debt service tax rate of \$0.288 per \$100 of assessed valuation if the Board intends to sell bonds to fund the proposed major improvements to the District's Water Plant No. 1 (the "Water Plant Improvements"); or (2) setting a debt service rate of \$0.235 per \$100 of assessed valuation if the Board does not sell bonds in the coming year.

A discussion then ensued regarding the Water Plant Improvements as recommended by the District's Engineer. Ms. Madrigal reviewed with the Board the Water Plant No. 1 Rebuild Options Summary (the "Options Summary") as prepared by Quiddity, a copy of which is attached hereto and shall be considered to be part of these minutes. Option A, she told the Board, would consist of rebuilding Water Plant No. 1 in a single project at an estimated cost of \$5,712,000, and would require the sale of bonds in the approximate amount of \$6,190,000 (the "Bonds"). Under Option B, she told the Board, construction of the Water Plant Improvements would be undertaken in three separate phases at an estimated combined cost of \$9,253,000. Ms. Madrigal stated that the phased construction under Option B could not be funded through the District's Operating Account and bonds would still need to be sold. In response to questions from the Board, Ms. Madrigal stated that the District must operate two water plants in order to comply with the state regulations for drinking water. She added that Water Plant No. 2 does not have sufficient capacity by itself to meet the District's water demand during the summer months. After further discussion, the Directors expressed their agreement that the District should sell the Bonds as described above to fund the construction of the Water Plant Improvements as one project rather than in phases.

Mr. Will Yale then reviewed the procedures that the District would have to follow in setting the 2023 tax rate for the District. He reminded the Board that Senate Bill 2 ("SB 2") as approved by the 86th Texas Legislature – Regular Session (2019) amended Section 49.236(a) of the Texas Water Code and added Section 49.23601 through 49.23603 to the Texas Water Code. Mr. Yale remarked that Section 49.23602 of the Texas Water Code provides that, should a board of a developed district adopt a combined debt service, contract, and operation and maintenance tax rate that exceeds 1.035 times the amount of property tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district that year, an election must be held by the qualified voters of the district to determine whether to approve the adopted tax rate. He noted that this rule caps a developed district's annual property tax increase at 3.5% above the previous year. After discussion, the Directors expressed their desire to levy a maintenance tax rate of \$0.122 per \$100 valuation.

Then, upon a motion duly made and seconded, the Board voted unanimously to authorize publication of the tax rate calculation showing a debt service rate of \$0.288 per \$100 valuation and a maintenance tax rate of \$0.122 per \$100 valuation for a combined tax rate of \$0.41 per \$100 valuation. The Board agreed that the tax rate hearing would be held on 26 October 2023.

Then, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Financial Advisor to prepare the Preliminary Official Statement for the proposed sale of the District's Series 2023 Bonds.

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 99.1% of its 2022 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 10 checks written on the District's tax account, said checks including the transfer of \$46.83 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.

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.

UNCOLLECTIBLE ACCOUNTS

Consideration was then given to moving certain delinquent tax accounts involving personal property (the "Accounts") to the Uncollectible Tax Roll. The President recognized Ms. Anzel, who submitted to and reviewed with the Board a List of Uncollectible Accounts as prepared by the District's Tax Assessor/Collector. A copy of the List of Uncollectible Accounts is attached hereto as an exhibit to these minutes. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Tax Assessor/Collector to move the Accounts to the List of Uncollectible Accounts.

ENGINEER'S REPORT

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

Lift Station No. 2 / Electrical Improvements. The Board discussed the contract with McDonald Municipal and Industrial ("McDonald") for the electrical improvements for Lift Station No. 2 (the "Electrical Improvements"). Ms. Madrigal reported that McDonald had mobilized for the project and had obtained the work permit from Harris County. She added that the Electrical Improvements project is scheduled to be completed in December 2023.

Ms. Madrigal then reported that McDonald had submitted Pay Estimate No. 1 in the amount of \$13,500.00 in connection with the Electrical Improvements project. A copy of Pay Estimate No. 1 is included with the Engineer's Report.

Champion Woods Lift Station No. 3. Ms. Madrigal reported that the design of the proposed rehabilitation of Lift Station No. 3 (the "Lift Station Rehabilitation") was continuing. She reviewed with the Board the proposed schedule for the Lift Station Rehabilitation as detailed in the Engineer's Report, and noted that the recommendation for the award of the contract would be presented at the Board's meeting in December 2023. She added that the preliminary estimated cost for the Lift Station Rehabilitation was \$225,700.

5-Year Capital Improvement Plan (the "CIP") Update. Ms. Madrigal called the Board's attention to the updated CIP, a copy of which is included with the Options

Summary. She stated that the CIP had been revised to include the Water Plant Improvements project.

Request for Annexation of and Service to 9.2-acre Tract / Cypresswood Drive and Stuebner Airline Road. Ms. Madrigal stated that she had nothing new to report with regard to the request from Makaan Parkview Apartments, LLC for annexation of and service to a certain 9.2-acre tract located at Cypresswood Drive and Stuebner Airline Road. She remarked that Quiddity had notified Harris County that an unknown party had dumped dirt on the property. She added that the developer had erected a fence on the property to prevent further unauthorized dumping.

Lead and Copper Service Line Inventory. Ms. Madrigal reported that Quiddity was continuing with the initial inventory of the service lines in the District (the "Inventory") in order to comply with the revised Lead and Copper Rule promulgated by the U.S. Environmental Protection Agency. She stated that the records research and compilation of the District's service lines was 95% complete. Ms. Madrigal stated that Quiddity was currently reviewing the field verification records provided by the District's Operator. She called the Board's attention to the project schedule for the Inventory as detailed in the Engineer's Report.

Proposed Rehabilitation of Residential Roadways in the District (the "Roadways"). Ms. Madrigal reported that the District's Engineer had communicated with Jennifer Almonte, the director of the Road & Bridge Department in Harris County Commissioner Precinct 3 ("Precinct 3"), regarding the condition of the Roadways. According to Ms. Almonte, she told the Board, Harris County will further investigate the areas of concern listed by the District's Engineer. She added that the Road & Bridge Department aims to perform the various street repairs prior to 31 December 2023.

Water Line on Theiss Mail Route. Ms. Madrigal reported that Quiddity is coordinating with the Harris County regarding the possible reimbursement of certain expenses related to the repair of a 1.5-inch water service line on the north side of Theiss Mail Route which was damaged in late summer 2022 by a Harris County crew that was regrading the roadside drainage ditch.

Kleb Middle School ("KMS"). Ms. Madrigal reported that Quiddity had completed the second review of the plans for the interior remodeling to be undertaken at the KMS campus and is awaiting receipt of the revised plans.

HteaO Commercial Development. Ms. Madrigal reported on matters relating to the proposed HteaO commercial development to be located at 8217 Louetta Road. She stated that Quiddity had completed the first review of the plans for the commercial development and had provided comments to the developer's engineer.

Request for Service / IDS Car Wash. Ms. Madrigal reported that Quiddity had completed the first review of the plans for the proposed IDS Car Wash to be located at 8101 Louetta Road and had provided comments to the developer's engineer.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Engineer's Report; and (2) authorize payment of Pay Estimate No. 1 to McDonald. A copy of the Engineer's Report is attached hereto as an exhibit.

ATTORNEY'S REPORT

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

Arbitrage Rebate Calculation Report / Series 2020 Refunding Bonds. Mr. Yale submitted to and reviewed with the Board the Arbitrage Rebate Calculation Report dated 29 August 2023 (the "Calculation Report") as prepared by Arbitrage Compliance Specialists, Inc. ("ACSI") in connection with the interim computation period for the District's Series 2020 Refunding Bonds. A copy of the Calculation Report is attached hereto as an exhibit to these minutes. Mr. Yale informed the Board that ACSI prepared computations pertaining to the amount of the rebate installment payment with respect to the Series 2020 Refunding Bonds that might be due from the District to the U.S. Internal Revenue Service. ACSI determined that the District does not owe any payments with respect to the Series 2020 Refunding Bonds and is not subject to filing requirements regarding arbitrage rebate as of the date of the Calculation Report, he told the Board.

Reschedule Board of Directors Meetings. Consideration was then given to rescheduling the 23 November 2023 Board meeting in view of the Thanksgiving holiday. After discussion, the Directors agreed to meet on Thursday, 30 November 2023. The Directors then considered rescheduling the 28 December 2023 Board meeting in view of the Christmas holiday. After discussion, the Directors agreed to meet on Thursday, 21 December 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 12 September 2023, a copy of which is attached hereto.

Security Service Contract. The Board then discussed the status of the Security Service Contract with Harris County for the term of 1 October 2023 through 30 September 2024 (the "Contract"). Mr. Yale noted that Director Fratangelo had to execute the Contract on 30 August 2023 so that it could be returned to the Constable's Office prior to this date. A copy of the fully executed Contract is attached hereto as an exhibit to these minutes.

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

Water Plant Operations. Mr. Ashcraft reported that the billed to pumped ratio for the prior month was 96.6% 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 15% of the water distributed to the District's customers during the period ending 14 August 2023.

The Directors noted that the District's Operator had received reports from 18 customers of the District regarding an unusual odor in the drinking water. Mr. Ashcraft explained that the odor was caused by a naturally occurring element in the surface water provided by the NHCRWA.

Utility Operator's Report. Mr. Ashcraft 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. Ashcraft reviewed with the Board the EDP Invoice and Bill Direct Statement dated 13 September 2023, a copy of which is included with the Operator's Report.

NHCRWA / Drought Contingency Plan. Mr. Zilko reported that on 24 August 2023 the NHCRWA had implemented Stage 2 of its Drought Contingency Plan. He noted that the statement from the NHCRWA regarding implementation of Stage 2 (the "Stage 2 Statement") had been posted on the District's internet website. A copy of the Stage 2 Statement is included with the Operator's Report.

NHCRWA / Reduction of Water Rates. Mr. Ashcraft then reviewed with the Board an electronic correspondence from the NHCRWA regarding reductions in the groundwater pumpage fee and the surface water delivery fee that were approved by the NHCRWA's board of directors (the "NHCRWA Board") on 11 September 2023. A copy of the electronic correspondence is included with the Operator's Report. Mr. Ashcraft pointed out to the Directors that the NHCRWA Board had voted to (1) decrease the groundwater pumpage fee from \$4.10 per 1,000 gallons ("k/gal") of groundwater pumped by water districts in its jurisdiction to \$3.60 per k/gal; and (2) decrease the surface water delivery fee from \$4.55 per k/gal to \$4.05 per k/gal of surface water purchased from the NHCRWA (collectively, the "Fee Reductions"). He stated that the Fee Reductions would be effective on 1 October 2023.

Security Deposits for District Customers (the "Deposits"). The Directors then discussed the amount of the Deposits that the District's customers are required to place with the District's Operator when a service account is established. The Board directed the District's Operator to compare the Deposits with the security deposits that are required by other water districts in the vicinity of the District.

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. Ashcraft, 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. Green, who presented the report concerning the District Office (the "Office Report") on behalf of Roger Schuett, Office Manager for the District. A copy of the Office Report is attached hereto.

Request for Use of District Office. Mr. Green reported that The Falls at Champion Forest Property Owners Association, Inc. (the "Association") had requested the use of the District Office for hosting its National Night Out event on Tuesday, 3 October 2023.

After review, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Office Report; and (2) approve the request from the Association for the use of the District Office.

BOOKKEEPER'S REPORT

The Board next reviewed Bookkeeper's Report submitted by 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. The Directors examined the balances in each of the District's accounts and reviewed the activity in each account. The Directors then 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 6 September 2023 is attached hereto as an exhibit

KLEINWOOD MAINTENANCE FUND ("KMF")

Director Gobbell presented a report on the activities of the KMF.

WEBSITE FOR THE DISTRICT (the "Website").

Finally, the Board discussed the information posted on the Website. The Board directed the District's Attorney to notify The Texas Network to list information on the Website for reporting poor road conditions in the District to Precinct 3.

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 28 September 2023
Attachments

1. Peace Officer's Report;
2. 2023 Tax Rate Analysis;
3. Water Plant No. 1 Rebuild Options Summary;
4. Detention Facilities Report;
5. Tax Assessor/Collector's Report;
6. Delinquent Tax Report;
7. List of Uncollectible Accounts;
8. Engineer's Report;
9. Arbitrage Calculation Report;
10. P3 Newsletter;
11. Security Service Contract;
12. Operator's Report;
13. District Office Report;
14. Bookkeeper's Report; and
15. Minutes of KJPB meeting.