

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

26 October 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 26th day of October 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 the exception of Director Gobbell, thus constituting a quorum.

Also present were Ashlie Whittemore of Wheeler & Associates, Inc. ("Wheeler"), the Tax Assessor/Collector for the District; Bill Blich of Blich Associates, Inc., Financial Advisor for the District; Pam Madrigal, P.E., and David Warner, P.E., of Quiddity Engineering, LLC ("Quiddity"), Engineer for the District; Chris Zilko and Johnson Ashcraft 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 and Deputy J. Gomez with Harris County Precinct 4 Constable's Office (the "Constable's Office"); and Will Yale and David Green of Coats Rose, P.C., Attorney for the District.

Director Fratangelo called the meeting to order.

MINUTES OF THE MEETING OF 28 SEPTEMBER 2023

The minutes of the meeting of the Board held on 28 September 2023, previously distributed to the Board, were presented for consideration and approval. Ms. Madrigal requested a revision to page 2 of the minutes. 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 28 September 2023, as amended.

PEACE OFFICER'S REPORT

The President recognized Deputy Gomez, 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.

SERIES 2024 BONDS

The Board discussed matters relating to the proposed sale of the District's Series 2024 Bonds (the "Bonds"). Mr. Blich recalled that on 20 April 2021 the Texas Commission on Environmental Quality (the "Commission") had issued an Order approving the issuance of Bonds in the amount of \$9,000,000 (the "TCEQ Order") and by letter dated 29 January 2023 had approved the District's request for a two-year time extension for the sale of bonds pursuant to the TCEQ Order. He submitted to and reviewed with the Board the Draft Preliminary Official Statement (the "Draft POS") for the sale of the Bonds in the amount of \$6,190,000. A copy of the Draft POS is filed in the permanent records of the District. He reviewed with the Board the contents of the Draft POS and explained the schedule of events pertaining to the sale of the Bonds. He called attention to the Notice of Sale and the bid forms. He noted that the proposed sale had been submitted for a rating and for bond insurance. Mr. Blich reviewed the Selected Financial Information in detail. He noted that the debt-to-value ratios for the District after the proposed sale of the Bonds were favorable. The numbers demonstrate that the District does not require any growth in assessed valuation to amortize its outstanding bonds and the proposed Bonds, Mr. Blich told the Board.

Mr. Blich recommended that the District have UMB Bank, N.A., serve as the paying agent/registrar for the Bonds. He then recommended that Orrick, Herrington & Sutcliffe LLP serve as the disclosure counsel for the issue. The Directors agreed to review the bids for the sale of the Bonds at the Board's meeting on 30 December 2023.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) approve the Draft POS, subject to further review by the District's consultants; and (2) adopt the RESOLUTION ADOPTING OFFICIAL NOTICE OF SALE, PRELIMINARY OFFICIAL STATEMENT, AND BID FORM; AUTHORIZING DISTRIBUTION THEREOF; AND AUTHORIZING PUBLICATION OF NOTICE OF SALE. A copy of the Resolution is attached hereto and shall be considered to be part of 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. Whittemore, 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 2022 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto. Ms. Whittemore noted that Wheeler was requesting approval for 10 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.

HEARING ON PROPOSED TAX RATE

The Board then convened a public hearing to discuss the proposed tax rate for the 2023 tax year (the "Tax Rate"). The Directors noted that there were no taxpayers of the District in attendance who desired to address the Board regarding the Tax Rate.

ADOPT ORDER LEVYING TAXES

Next, the Directors reviewed an ORDER LEVYING TAXES as prepared by the District's Attorney. Then, upon a motion duly made and seconded, the Board voted unanimously to adopt a debt service tax rate of \$0.288 per \$100 of assessed valuation. The Board then, upon a motion duly made and seconded, voted unanimously to adopt a maintenance tax rate of \$0.122 per \$100 of assessed valuation and to adopt the ORDER LEVYING TAXES, a copy of which is attached hereto and shall be considered a part of these minutes.

AMENDMENT TO INFORMATION FORM

The Board then considered an Amendment to the District's Information Form (the "Amendment") that states the District's most recent tax rate and which will be filed with the Commission and in the Official Public Records of Real Property of Harris County, Texas. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Amendment and to authorize filing of same. A copy of the Amendment as approved is attached hereto and shall be considered part of these minutes.

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 commenced work on the Electrical Improvements and the installation of the fence

for the lift station site. She added that McDonald had removed the elevated stairs to the existing control panel.

Champion Woods Lift Station No. 3. Ms. Madrigal reported that Quiddity was finalizing the design for the proposed rehabilitation of Lift Station No. 3 (the "Lift Station Rehabilitation"). She reviewed with the Board the proposed schedule for the Lift Station Rehabilitation as detailed in the Engineer's Report attached hereto, and noted that construction of the Lift Station Rehabilitation was projected to commence in February 2024. Ms. Madrigal requested authorization from the Board to advertise for bids for the Lift Station Rehabilitation.

5-Year Capital Improvement Plan (the "CIP") / Water Plant Improvements. Ms. Madrigal recalled that the CIP had been revised to include the Water Plant Improvements project, which will consist of (1) the addition of a 20,000-gallon hydropneumatic tank at Water Plant No. 2 (the "HPT Addition"); and (2) the rebuilding of Water Plant No. 1. She reviewed with the Board the 5-year construction schedule for the CIP, a copy of which is included with the Engineer's Report. Ms. Madrigal then reviewed with the Board the Engineer's Opinion of Probable Construction Cost for the HPT Addition, a copy of which is attached hereto as an exhibit to these minutes. The Board noted that the estimated total cost for the HPT Addition was \$451,000, consisting of \$313,000 for construction; \$31,000 for contingencies; and \$107,000 in fees for engineering services. Ms. Madrigal then presented the Board with a proposal from the District's Engineer (the "Quiddity Proposal") to provide design, bidding, and construction administration services in connection with the HPT Addition.

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.

Lead and Copper Service Line Inventory. Ms. Madrigal reported that Quiddity was continuing with the initial inventory of the service lines in the District 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.

Proposed Rehabilitation of Residential Roadways in the District (the "Roadways"). Ms. Madrigal reported that Harris County will further investigate the areas of concern on the Roadways as listed by the District's Engineer and plans to perform various street repairs in the District prior to 31 December 2023. She stated that Quiddity will contact Jennifer Almonte, the director of the Road & Bridge Department in Harris County Commissioner Precinct 3, to confirm the schedule for the repairs to the Roadways.

Water Line on Theiss Mail Route. Ms. Madrigal reported that Quiddity is coordinating with Ms. Almonte and the Road & Bridge Department 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 stated that she had nothing new to report regarding the review of plans for the interior remodeling to be undertaken at the KMS campus.

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 second 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 stated that she had nothing new to report his month regarding the 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; (2) authorize the District's Engineer to advertise for bids for the Lift Station Rehabilitation; (3) accept the Quiddity Proposal; and (4) authorize the District's Engineer to design the HPT Addition. A copy of the Quiddity Proposal as accepted by the Board is attached hereto and shall be considered to be part of these minutes.

ATTORNEY'S REPORT

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

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 October 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 90.9% 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 20% of the water distributed to the District's customers during the period ending 13 September 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 October 2023, a copy of which is included with the Operator's Report.

Security Deposits for District Customers (the "Deposits"). The Directors then discussed the proposed implementation of Deposits that the District's customers would be required to place with the District's Operator when a service account is established. Mr. Yale pointed out to the Board that the District's Rate Order currently does not include a provision requiring the District's customers to place a Deposit with the District when establishing a service account. Mr. Zilko distributed to the Board a report prepared by EDP that compares the security deposits that are being charged by six water districts in the vicinity of the District (the "Deposit Report"). A copy of the Deposit Report is attached hereto as an exhibit to these minutes. A discussion ensued as to whether the Board should require the payment of a Deposit from the District's current customers. Directors Fratangelo and Ehmann observed that each year there were comparatively few closed-out service accounts in the District that had to be written off and sent to collections for non-payment (the "Write-Offs"). After further discussion, the Board directed Mr. Zilko to investigate the difference in Write-Offs between residential and commercial customers of the District.

Installation of Electronic Water Meters (the "Smart Meters"). Mr. Zilko reported that 548 of the residential-size Badger Bronze E-Series Smart Meters had been delivered to the District's Operator. He then presented that Board with the price quote from Inframark LLC (the parent company of EDP) for the installation of 810 Smart Meters at a cost of \$60,750. A copy of the price quote is attached hereto as an exhibit to these minutes. The Board noted that the monthly subscription charge for the electronic reading of 810 connections (at a cost of \$0.89 per Smart Meter) would total \$720.90, plus a \$100 monthly billing interface fee.

NHCRWA / Drought Contingency Plan. Mr. Zilko reported that on 9 October 2023 the NHCRWA had rescinded Stage 2 of its Drought Contingency Plan. He informed the Board that a statement from the NHCRWA regarding the rescission of Stage 2 had been posted on the District's internet website and that EDP was replacing the signage in the District regarding Stage 2 with signage regarding the resumption of Stage 1 of the Drought Contingency Plan (voluntary conservation measures).

Water Well Performance Testing. Mr. Zilko reported that G-M Inspection Services, Inc. ("G-M") had completed its scheduled performance testing of the District's Water Well Nos. 1, 2, and 3 (the "Wells"). According to G-M, he told the Board, the Wells appear to be operating within the acceptable parameters. Copies of the Performance Testing Reports on the Wells as prepared by G-M are included with the Operator's Report.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Operator's Report; and (2) accept the price quote for the installation of the Smart Meters.

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 reported that pressure-washing of the District Office would commence later this month. He stated that later this month he would begin the installation of the fence at the Walking Garden. Mr. Schuett then mentioned that the backflow prevention device on the water service connection for the District Office had been stolen. He added that an incident report had been filed with the Constable's Office.

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.

PUBLIC FUNDS INVESTMENT ACT TRAINING

Director Guerrero then presented the District's Attorney with his Certificate of Completion for successfully completing the Texas Public Funds Investment Act training on 21 October 2023. A copy of the Certificate of Completion is attached hereto as an exhibit to these minutes. Then Director Guerrero discussed with the Board certain matters relating to the District's Investment Policy. He recommended that the Board invite an expert in investments for water districts to attend a future meeting of the Board.

Director Ehmann departed from the meeting at this time to attend to a personal commitment.

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 4 October 2023 is attached hereto as an exhibit. Mr. Yale presented the Board with copies of the Annual Financial Statements for the KJPB for the fiscal year ended 31 May 2023 as prepared by Mark C. Eyring, CPA, PLLC. A copy of the Financial Statements is attached hereto as an exhibit to these minutes.

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 26 October 2023
Attachments

1. Peace Officer Report;
2. Resolution Adopting Official Notice of Sale and Preliminary Official Statement;
3. Detention Facilities Report;
4. Tax Assessor/Collector's Report;
5. Order Levying Taxes;
6. Amendment to Information Form;
7. Engineer's Report;
8. Engineer's Opinion of Probable Construction Cost for the HPT Addition;
9. Proposal from Quiddity for contract management services;
10. P3 Newsletter;
11. Operator's Report;
12. Deposit Report;
13. Price Quote of installation of Badger meters;
14. District Office Report;
15. Bookkeeper's Report;
16. Certificate of Completion / PFIA Training;
17. Draft minutes of KJPB meeting; and
18. Annual Financial Statements for KJPB.