

SPRING WEST MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

March 8, 2023

The Board of Directors ("Board") of Spring West Municipal Utility District ("District") met in regular session at 1300 Post Oak Boulevard, Suite 2500, Houston, Harris County, Texas, on March 8, 2023, in accordance with the duly posted notice of meeting. The meeting was also held via videoconference and teleconference pursuant to Texas Government Code Sections 551.125 and 551.127, as amended. The roll was called of the duly constituted officers and members of said Board, as follows:

Beverly F. O'Neal	President
Kim Stephens	Vice President
W. Eugene Norris, Sr.	Secretary
Scott Shelnutt	Assistant Secretary
Jerome A. Patridge	Assistant Secretary

and all persons attended the meeting, with Director Patridge participating via videoconference, thus constituting a quorum.

Also in attendance were: Jorge Diaz of McLennan & Associates, Inc. ("McLennan"); Brenda McLaughlin of Bob Leared Interests, Inc. ("Leared"); Bart Downum, of Environmental Development Partners, LLC ("EDP"); Justin Ring and Danielle Gonzalez of Odyssey Engineering Group, Inc. ("Odyssey"); Jessica Berrios Dhanani Private Equity Group ("DPEG"); Eric Badertscher of Off Cinco, LLC ("Off Cinco"); and Abraham Rubinsky, Katie Blasio and Melanie Walsh of Schwartz, Page & Harding, L.L.P. ("SPH"). Ms. Berrios participated in the meeting via teleconference.

PUBLIC COMMENTS

The Board began by opening the meeting for public comments. There being no comments from the public, the Board continued to the next item of business.

APPROVAL OF MINUTES

The Board considered approval of the minutes of the Board of Directors meeting held on February 8, 2023. Upon review, Director Shelnutt moved that the minutes of said meeting be approved as presented. Director Norris seconded said motion, which unanimously carried.

BOOKKEEPER'S REPORT

Mr. Diaz presented and reviewed with the Board the Bookkeeper's Report for the period of February 9, 2023, through March 8, 2023, a copy of which is attached hereto as **EXHIBIT A**, including the disbursements presented therein for payment from the District's various accounts. Mr. Diaz next presented and reviewed an Investment Report for the period of February 1, 2023, through February 28, 2023, a copy of which is included with the Bookkeeper's Report. Mr. Diaz then responded to various questions and comments from the Board regarding items in the Bookkeeper's Report. Mr. Rubinsky observed that the District's Current Reserve Budget for

2023 reflected on the first page of the Bookkeeper's Report decreased from approximately 30 months to 18.27 months within the last two months, which, he further noted, does not reconcile with the total projected expenses reflected in the Operating Budget for the fiscal year ending December 31, 2023. After Mr. Diaz explained that the Current Reserve Budget of 18.27 months reflects the allocation of funds for planned capital projects, the Board requested that the Bookkeeper's Report reflect operating reserves both before and after the allocation of funds for such projects going forward. Director Shelnuttt then moved that: (i) the Bookkeeper's Report and the disbursements presented therein for payment be approved; and (ii) the Investment Report for February 2023 be approved and the District's Investment Officer be authorized to execute same on behalf of the District. Director Stephens seconded said motion, which unanimously carried.

AUDIT REPORT AND CONTINUING DISCLOSURE REPORT

The Board deferred review and approval of an audit report for the District's fiscal year ended December 31, 2022, and the annual continuing disclosure report due June 30, 2023, after noting that such reports have not yet been received.

REVIEW OF ANNUAL MAINTENANCE FOR ARBITRAGE ANALYSIS REPORT

Mr. Rubinsky next presented to and reviewed with the Board an Annual Maintenance for Arbitrage Analysis Report originally dated March 6, 2006, prepared by Municipal Risk Management Group, LLC, dated February 7, 2023, which is attached hereto as **EXHIBIT B**, relative to arbitrage rebate and/or yield restriction regulations in connection with the District's various outstanding bond issues. Mr. Rubinsky advised the Board that, as reflected in the attached Annual Maintenance for Arbitrage Analysis Report, no further action is required in connection with any of the District's previous bond issues at this time.

UNCLAIMED PROPERTY

The Board next considered authorizing the preparation of an Unclaimed Property Report as of March 1, 2023, which is to be filed with the State Comptroller prior to July 1, 2023. After discussion on the matter, Director Shelnuttt moved that the District's consultants be authorized to research the District's accounts to determine the necessity of preparing an Unclaimed Property Report for the current reporting period, and, if such report is determined to be necessary, that the District's Bookkeeper be authorized to file same with the State Comptroller prior to July 1, 2023. Director Stephens seconded said motion, which unanimously carried.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. McLaughlin next presented to and reviewed with the Board the Tax Assessor/Collector's Report for the month ended February 28, 2023, which is attached hereto as **EXHIBIT C**, including the disbursements presented therein for payment from the Tax Account. Ms. McLaughlin also presented to and reviewed with the Board a Single Line Delinquent Tax Report, included with the Tax Assessor/Collector's Report, dated March 6, 2023. After discussion, Director Stephens moved that the Tax Assessor/Collector's Report be approved and that the disbursements identified in the Report be approved for payment from the Tax Account. Director Shelnuttt seconded said motion, which unanimously carried.

Ms. McLaughlin left the meeting at this time.

DELINQUENT TAX REPORT

The Board deferred consideration of a Delinquent Tax Report from Perdue after noting that a report was not due this month. Mr. Rubinsky stated that the next quarterly report will be provided in April.

OPERATOR'S REPORT

Mr. Downum presented to and reviewed with the Board the Operator's Report dated March 8, 2023, a copy of which is attached hereto as **EXHIBIT D**, and discussed various repair and maintenance items noted therein. He reported that the District's water accountability for the period ending February 2, 2023 was 89.7, with the twelve month average being 86.7%. With regard to the automobile accident adjacent to Water Plant No. 2, Mr. Downum advised the Board that EDP determined that the blow off valve located at the site was knocked open in the accident but not actually damaged and that, in fact, very little water was ultimately lost as a result. He noted that it will therefore not be necessary to file a claim with the driver's insurance company. Mr. Downum next reported that the replacement of Lift Pump Nos. 1 and 2 at Lift Station No. 2 (Hannover Springs) is now complete.

The Board considered review of the District's Identity Theft Prevention Program (the "Program"). In connection therewith, Mr. Downum presented EDP's annual report regarding the Program, a copy of which is attached to the Operator's Report, and advised the Board regarding the District's experience with identity theft during the prior year, current identity theft prevention methods, the types of accounts maintained by the District and the District's business arrangements with other entities. Mr. Downum noted that EDP recommends that no changes be made to the District's Program at this time. After discussion, Director Shelnutt moved that the District make no changes to its Identity Theft Prevention Program, as recommended by EDP. Director Norris seconded said motion, which unanimously carried.

RATIFY PRIOR APPROVAL OF RESOLUTION APPROVING SUBMITTAL OF THE WATER SMART WATER APPLICATION

The Board next considered ratifying its prior action relative to the approval and adoption of a Resolution Approving Submittal of the Water Smart Application for Inclusion in the Association of Water Board Directors Water Smart Partners Program. After discussion, it was moved by Director Shelnutt, seconded by Director Norris and unanimously carried, that such prior action be ratified and authorized in all respects. Mr. Downum advised the Board that the Water Smart Application has been submitted to the Association of Water Board Directors for consideration.

ANNUAL FILINGS OF CRITICAL LOAD STATUS FACILITIES

Mr. Rubinsky next advised the Board that Section 13.1396 of the Texas Water Code, as amended, requires that public water suppliers, such as the District, must annually submit to each electric distribution utility and each retail electric utility provider a list of its facilities which may qualify for critical load status and various emergency contact information for a determination that the facilities qualify for critical load status. After discussion on the matter, Director Shelnutt moved that the District's Operator be authorized to make such annual filing on behalf of the District. Director Norris seconded said motion, which unanimously carried.

**AMENDED AND RESTATED CONSTRUCTION AND MAINTENANCE AGREEMENT
WITH HANNOVER FOREST HOMEOWNERS ASSOCIATION**

The Board deferred consideration of the proposed Amended and Restated Construction and Maintenance Agreement (the "Amended and Restated Agreement") between the District and Hannover Forest Homeowners Association (the "Hannover Forest HOA") in connection with maintenance by the District of the Hannover Forest, Section Two Detention Pond.

Ms. Berrios left the meeting at this time.

ENGINEER'S REPORT

Mr. Ring presented and reviewed in detail with the Board a written Engineer's Report dated March 8, 2023, a copy of which is attached hereto as **EXHIBIT E**, relative to the status of various engineering and construction projects within the District, and discussed the matters contained therein, including Pay Request No. 2 and Final in the amount of \$66,430 from BRZ Coatings, Inc. ("BRZ") in connection with the 500,000 Gallon Ground Storage Tank Rehabilitation at Water Plant No. 1. Mr. Ring then responded to various inquiries from the Board.

With regard to the proposed extension of the District's water line along Holzwarth Road (the "Holzwarth Water Line Extension"), Mr. Ring presented to and discussed with the Board an exhibit prepared by Odyssey, a copy of which is attached to the Engineer's Report, depicting the proposed configuration for construction of the Holzwarth Water Line Extension.

A discussion next ensued regarding the District's updated water and wastewater capacity allocation chart. In connection therewith, Mr. Ring reported that it appears MR Newton Spring, Ltd. ("MRNS") is no longer pursuing the proposed construction of an on-site private irrigation well on the approximate 5.72 acre tract located at 21119 Interstate 45 (the "Nursery Tract") and instead has submitted an updated request for 110 equivalent single-family connections ("esfcs") of water and wastewater treatment capacity to serve the proposed development of a wholesale nursery on the Nursery Tract. Noting that MRNS' original request was for approximately 37 esfcs and that the 110 esfcs being requested appears to be excessive, the Board directed Odyssey to contact MRNS to determine whether it is considering any plans for water reuse or conservation and to request more information to support its calculation of 110 esfcs. The Board deferred acting on MRNS' updated capacity request pending Odyssey's receipt of a response to such inquiry.

In connection with Turphin Ventures, LLC's ("Turphin") request that a public sanitary sewer line be constructed to serve the proposed development of a Top Soap Car Wash on its property located at 2020 FM 2920 (the "Top Soap Tract") rather than a private on-site lift station, Mr. Ring presented to and reviewed with the Board two (2) exhibits prepared by Odyssey, copies of which are attached to the Engineer's Report (the "Sanitary Sewer Extension Exhibits"), depicting several proposed configurations for construction of public sanitary lines to serve the Top Soap Tract as well as the proposed annexation and development of (a) the approximate 27.7 acre tract located at the southwest corner of Spring Stuebner Road and Holzwarth Road (the "DPEG Panjwani Tract") and (b) the approximate 16.2 acre tract located south of Spring Stuebner Road, on the west side of the intersection of Holzwarth Road and Wuensche Road (the "Stream Tract"). After a lengthy discussion, the Board requested that Odyssey prepare cost

estimates for both the construction of the public sanitary sewer lines depicted in the Sanitary Sewer Extension Exhibits and the construction of a private lift station by Turphin for review at its next meeting.

With regard to the Spring Pines Detention Pond (the "SPSC Pond"), Mr. Ring reported that the contractor for DD Holzwarth 10.26, LLC ("DDH 10.26") has completed all of the necessary repairs to the pond and certain outfall pipes at the site. He advised that Odyssey has inspected said repairs and recommends that the Board accept the work as complete. A discussion next ensued regarding a previous proposed arrangement to grant DDH 10.26 a variance to the provisions set forth in Section 3.06 of the District's Rate Order by rolling back the rate charged to DDH 10.26 to Month 4 after initial connection to the District's water system and adjust DDH 10.26's account accordingly subject to completion of the subject repairs. After noting that such arrangement has since expired, the Board requested that Odyssey contact DDH 10.26 to obtain a formal request for a variance and documentation in support of such request.

Having concluded the discussion regarding matters contained within the Engineer's report, Director Shelnutt moved that said Report be approved and certain action items listed therein be approved, specifically: (i) approval of Pay Request No. 2 and Final from BRZ, as detailed above; (ii) approval of Odyssey's proposed configuration for construction of the Holzwarth Water Line Extension; and (iii) acceptance of the SPSC Pond repairs performed by DDH 10.26, all as recommended by the District's Engineer. Director Stephens seconded the motion, which unanimously carried.

ANNUAL REVIEW OF SURVEY OF WAGE RATE SCALES

The Board next considered the adoption of prevailing wage rate scales for various types of construction projects and the adoption of a Resolution in connection therewith. In that regard, Mr. Rubinsky advised that SPH is recommending that the District adopt the United States Department of Labor ("DOL") wage rate scales applicable for Harris County, Texas, as permitted under Section 2258.022 of the Texas Government Code. After discussion on the matter, Director Shelnutt moved that the Resolution Adopting Prevailing Wage Rate Scale for Construction Projects, attached hereto as **EXHIBIT F**, be adopted, and that the President and Secretary be authorized to execute same on behalf of the Board and the District. Director Norris seconded said motion, which unanimously carried.

NOTICE OF APPLICATION OF UNDINE TEXAS LLC ("UNDINE") TO AMEND ITS CERTIFICATE OF CONVENIENCE AND NECESSITY ("CCN")

The Board next considered the status of Undine's application to the Public Utility Commission to amend its water CCN and the District's intervention in such matter due to pending annexations which would be adversely impacted. In connection therewith, Mr. Rubinsky summarized proceedings of the mediation hearing conducted on Friday, March 3, 2023, in which SPH participated on behalf of the Board and the District, along with the Carlton Law Firm, as previously authorized by the Board. He reported that, ultimately, Undine demanded a total of \$75,000 to release the approximate 0.5069 acre tract located at 1731 Spring Cypress Road (the "Starbucks Tract") and the approximate 0.61 acre tract (Lots 26, 27 and 28) located at 20615 Sleepy Hollow Lane (the "Sleepy Hollow Tract"). After discussion, the Board concurred with Mr. Rubinsky's recommendation that, in the event the owners and/or representatives of the Starbucks Tract and/or the Sleepy Hollow Tract choose not to pay Undine

for the release of either of their respective tracts, the District should withdraw itself from the proceedings related to this CCN and stop the proposed annexation of such tracts, allowing the landowners to pursue the Undine matter on their own, if they so choose.

STATUS OF PROPOSED ANNEXATIONS

The Board next considered the status of the proposed annexation and development of various tracts into the boundaries of the District. With regard thereto, Mr. Rubinsky summarized the status of each of the pending annexations for the Board, noting in particular that MCRT Investments, LLC ("MCRT") is considering the purchase of an approximate 1.21 acre tract (the "Sewer Line Tract") adjacent to and north of the approximate 19.7221 acre tract located at 2324 Louetta Road (the "Louetta Road Tract") for the purpose of constructing a private sanitary sewer line required to serve development of the Louetta Road Tract. He then inquired whether the Board wishes to require that MCRT annex the Sewer Line Tract into the District. Upon discussion, the Board concurred that it does not wish to require that MCRT annex the Sewer Line Tract into the District if it is not being developed and will not be platted together with the Louetta Road Tract. Mr. Rubinsky next reported that SPH is in the process of revising the annexation documents for execution by DPEG's development entity rather than the current owner of the property, as previously discussed with the Board.

STATUS OF FEASIBILITY REPORT RELATIVE TO PROPOSED ANNEXATION AND DEVELOPMENT OF THE STREAM TRACT

With regard to the request for annexation of and water and sanitary sewer capacity to serve the Stream Tract, Mr. Ring reported that the \$15,000 deposit required to cover any costs the District may incur in connection with the preparation of the annexation feasibility report has been received and that Odyssey is proceeding with same.

APPROVAL OF UTILITY DEVELOPMENT AGREEMENT ("UDA") AND WAIVER AGREEMENT BETWEEN THE DISTRICT AND MCRT

The Board deferred consideration of a UDA and a Waiver Agreement between the District and MCRT in connection with the proposed annexation and development of the Louetta Road Tract.

ISSUANCE OF UTILITY COMMITMENTS

The Board considered requests for Utility Commitments. With regard to the proposed Utility Commitment to Alliance Residential Company ("Alliance") for water and sanitary sewer service to serve approximate 10.25 acre property located at 2525 FM 2920, Mr. Rubinsky advised the Board that SPH sent said Commitment to Alliance for review on March 1, 2023. He reported that Alliance has provided various comments to the Commitment, including a request for a revised date, which SPH will further discuss with Alliance.

DEVELOPERS' REPORTS

The Board deferred consideration of the Developers' Reports, noting that no developer representatives were in attendance at today's meeting whose matter had not already been addressed by the Board.

ATTORNEY'S REPORT

The Board next considered the Attorney's Report. In connection therewith, Mr. Rubinsky advised that he had nothing further to report of a legal nature that was not included under another agenda item.

CLOSED SESSION

The Board determined that it would not be necessary to meet in Closed Session at this time.

OTHER MATTERS

The Board considered items to be placed on future agendas. Except as may be reflected above, there were no additional agenda items requested other than routine, and ongoing matters.

ADJOURNMENT

There being no further business to come before the Board, Director Shelnuttt moved that the meeting be adjourned. Director Norris seconded said motion, which unanimously carried.


Secretary, Board of Directors



EXHIBITS

March 8, 2023

- Exhibit A: Bookkeeper's Report; Investment Report
- Exhibit B: Annual Maintenance of Arbitrage Analysis Report prepared by Municipal Risk Management Group, LLC
- Exhibit C: Tax Assessor-Collector's Report; Single Line Delinquent Tax Report
- Exhibit D: Operator's Report
- Exhibit E: Engineer's Report
- Exhibit F: Resolution Adopting Prevailing Wage Rate Scale for Construction Projects