

## REID ROAD MUNICIPAL UTILITY DISTRICT NO. 2

### Minutes of Meeting of Board of Directors March 15, 2017

The Board of Directors (the "Board") of Reid Road Municipal Utility District No. 2 (the "District" or "No. 2") met at 11245 Harvest Bend Boulevard, Houston, Texas, on March 15, 2017, in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted officers and members of said Board, as follows:

Sean Allen	President
Vicki Owen	Vice President
Keith Austin	Secretary
Fredrick Phillips	Assistant Secretary
Susan Norris	Director

all of said members were present, except for Director Phillips, thus constituting a quorum.

Also present were Pat Cieslewitz, Marvin Fesler, Gilbert De La Cruz, Carla Christensen and Bob Brengel of the Reid Road Municipal Utility District No. 1 Board of Directors (the "No. 1 Board"); Christina Garcia of Bob Leared Interests ("Bob Leared"); Cindy Oliver of Equi-Tax Inc. ("Equi-Tax"); John Montgomery and Jared Martin of Municipal Operations and Consulting, Inc. ("MOC"); Dennis Hughes and Scott Blissett of Landev Engineers, Inc. ("Landev"); Jim Murdaugh of Smith, Murdaugh, Little & Bonham, L.L.P. ("SMLB"); Christina Garcia of Myrtle Cruz, Inc. ("Myrtle"); David Banos of Municipal Accounts & Consulting, L.P. ("MA&C"); Deputy Rebeles, Deputy Curry, Deputy Ener and Deputy Rogers of Harris County Constable Pct. 4; Frank Mitchell, Josh Zientek, Daniel Scruggs, and Shaila Shah of Roach & Mitchell, PLLC ("RMPLLC"); Shawn Byron of KGA DeForest Design, LLC ("KGA"); and Debbie Shelton of Hilltop Securities.

The Board President declared the meeting to be open for such business as might come before it.

#### OPERATIONS AND MAINTENANCE REPORT FOR JOINT SEWAGE TREATMENT PLANT ("JSTP")

Mr. Montgomery presented and reviewed the operations and maintenance report for the JSTP, a copy of which is attached hereto as Exhibit A. Mr. Montgomery noted that there were no major issues to report. Mr. Montgomery also noted that the effluent samples from February 23, 2017 through March 15, 2017 tested positive for mercury and advised that additional samples will be gathered March 27, 2017 for additional testing. After discussion, the No. 1 Board approved the operations and maintenance report for the JSTP. Upon motion by Director Allen, seconded by Director Austin, the Board voted unanimously to approve the operations and maintenance report for the JTSP.

#### BOOKKEEPING REPORT AND INVOICES (JSTP)

Ms. Garcia presented a copy of the bookkeeping report and a draft of the proposed 2017-2018 budget for the JSTP, a copy of which is attached hereto as Exhibit B. Ms. Garcia stated that Mr.

Montgomery asked for some changes to the proposed budget. Ms. Garcia reviewed the updated numbers and stated that a copy will be included in the April bookkeeping report. After no questions, the No. 1 Board approved the bookkeeper's report for the JSTP and JSTP operating budget for 2017-2018. Director Allen then moved that the Board accept the JSTP bookkeeping report and budget. Director Austin seconded said motion, which carried unanimously.

### **ENGINEERING REPORT (JSTP)**

Mr. Hughes presented the JSTP engineering report to the Boards and gave updates about the ongoing rehabilitation projects. He noted that Landev received four bids for the JSTP modification. He then presented a bid from B5 Construction ("B5") in the amount of \$1,772,037 and stated that Landev recommends awarding the bid to B5 as the low bidder. Mr. Hughes discussed the alternate bid items with the Board and noted that the warranty can be extended from a two (2) year warranty to a five (5) year warranty for an additional cost. After discussion, the No. 1 Board authorized Landev to award the bid to B5 in the amount of \$1,772,037 with the addition of the five (5) year warranty for an additional \$22,505. Upon motion by Director Owen, seconded by Director Norris, the Board voted unanimously to award the bid to B5 with the addition of the five (5) year warranty.

### **ENGAGEMENT OF AUDITOR FOR JTSP AUDIT FOR FYE ENDING MARCH 31, 2017**

The Boards noted its prior two-year engagement of McCall Gibson Swedlund Barfoot PLLC ("MGSB").

### **JOINT CONSTABLE PATROL REPORT**

Deputy Rebeles gave the joint patrol report and noted that there were two robbery incidents during the month and explained the incidents to the Boards. There were no questions from the Boards.

The No. 1 Board and consultants exited the meeting at this time.

### **APPROVE PREVIOUS MINUTES**

The Board considered approving the minutes of prior meetings held on February 15, 2017 and February 22, 2017 (special). The Board noted that there was a typo in the minutes for the February 15, 2017 meeting. Upon motion by Director Norris, seconded by Director Owen, the Board voted unanimously to approve the minutes of the meetings held on February 15, 2017, as amended, and February 22, 2017.

### **CONSTABLE PATROL REPORT**

Deputy Ener provided an oral report of the activities and calls within the District for the month. There were no questions from the Board and the Board thanked the officers for their continued service to the District.

## ENGAGEMENT OF AUDITOR FOR AUDIT FOR FYE MARCH 31, 2017

The Board noted its prior two-year engagement of MGSB.

## TAX ASSESSOR-COLLECTOR REPORT

Ms. Oliver provided the Board with a written tax assessor-collector report, a copy of which is attached hereto as Exhibit C. She noted that, as of the start of March, the District is approximately 96.9% collected for 2016 taxes. Ms. Oliver then presented several checks for the Board's review. Upon motion by Director Allen, seconded by Director Norris, the Board voted unanimously to approve the tax assessor/collector report and payment of checks reflected therein.

## DELINQUENT TAX COLLECTIONS ATTORNEY REPORT

There was no report for March.

## AUTHORIZE DELINQUENT TAX ATTORNEY TO COLLECT DELINQUENT PERSONAL PROPERTY TAXES BEGINNING APRIL 1.

Mr. Mitchell stated that as of April 1, 2017, the delinquent tax attorney can begin collections on 2016 delinquent personal property accounts, with the addition of a 20% penalty authorized by statute and the contract with the District. Upon motion by Director Austin, seconded by Director Owen, the Board voted unanimously to authorize the delinquent tax attorney to begin collection of the delinquent personal property taxes as of April 1, 2017.

## AUTHORIZE REQUEST TO HARRIS COUNTY APRAISAL DISTRICT FOR ESTIMATE OF VALUE

Mr. Mitchell noted that the estimate of value will be used in conjunction with the upcoming bond issue and that RMPLLC will request a certified estimate from the Harris County Appraisal District ("HCAD"). Upon motion by Director Norris, seconded by Director Allen, the Board voted unanimously to authorize RMPLLC to request the estimate of value from HCAD.

## REVIEW PROPOSED SERIES 2017 BONDS (ISSUE NO. 7) AND RELATED MATTERS

Mr. Mitchell stated that RMPLLC is reviewing the bond application for Issue No. 7. Ms. Shelton discussed the developer reimbursements, the current interest rates, and the current value in the District. Ms. Shelton and Ms. Oliver discussed the current tax rates and the estimated future tax rates in the District upon issuance of the bonds. Mr. Mitchell then explained the bond application process to the Board. After discussion, upon motion by Director Allen, seconded by Director Austin, the Board voted unanimously to authorize RMPLLC to file the bond application with the Texas Commission on Environmental Quality ("TCEQ").

**REVIEW ADDITIONAL OPTIONS FOR FUNDING OF DISTRICT FACILITIES, INCLUDING POSSIBLE RESOLUTION AUTHORIZING USE OF SURPLUS FUNDS AND BOND ANTICIPATION NOTE (“BAN”)**

Mr. Mitchell stated that the developers have not requested issuance of a Bond Anticipation Note (“BAN”) with the upcoming bond issue. The Board discussed the status of surplus funds in the construction fund account. Mr. Mitchell stated that RMPLLC will review and determine which projects the surplus funds could be used to pay for and prepare paperwork for use of surplus funds accordingly.

**FINANCING/REIMBURSEMENT REQUESTS, SITE/FACILITY CONVEYANCES, ANNEXATION STATUS, POSSIBLE AMENDMENT OF UTILITY DEVELOPMENT AGREEMENT(S), AND OTHER DEVELOPMENT MATTERS**

Mr. Mitchell noted that RMPLLC is processing the amendments for the utility development agreements. He also noted that the District will not take possession of the DCT Industrial pond until it is repaired. Mr. Martin stated that he will follow up with DCT on the necessary repairs.

**STATUS OF PARK MANAGEMENT/MAINTENANCE FOR THE PARK AT WILLBERN (“Park”)**

Mr. Byron stated that three bids were received for the Park improvements on March 13, 2017. Mr. Byron recommended awarding the bid to the low bidder Amerson Construction, LLC (“Amerson”), with a base bid of \$164,504. Mr. Byron also recommended adding Alternate B to the bid package for 100 gallon trees, for a total construction amount of \$170,504. Mr. Byron then noted that he spoke with Amerson and requested information regarding their experience and resumes. The Board discussed the bid from Amerson and the second low bid from Landscape Art, Inc. The Board then discussed options for a plaque dedicated to Dennis Ostrom. After further discussion, upon motion by Director Owen, seconded by Director Norris, the Board voted unanimously to award the bid to the low bidder Amerson in the amount of \$170,504.

**ENGINEERING REPORT**

Mr. Hughes presented to the Board a written engineering report, a copy of which is attached as **Exhibit D**. Mr. Hughes stated that Landev had received all the sanitary sewer televising reports and videos back from Magna Flow for Harvest Bend-The Village Section 3. Mr. Hughes presented Pay Estimate No. 1 and Final in the amount of \$25,606.76. Mr. Hughes then noted that he received bids for televising the remainder of the sanitary sewer lines within the District. He presented the bids and recommended that the Board award the bid to Magna Flow in the amount of \$30,443.20. Mr. Hughes noted that Landev had completed preparation of the bond application and submitted same to RMPLLC for review.

Mr. Hughes reported that the Homewood Suites construction is ongoing. He noted that the contractor submitted the application and plans for water taps and meters to the engineer and operator. He then noted that Landev received a letter from a developer who is interested in purchasing the remaining property available near the intersection of Fallbrook and Beltway 8. Mr. Hughes noted that he informed the developer to contact RMPLLC.

Mr. Hughes stated that design for the generator building and a storage building for the hydrochlorite material to be located on the Water Plant No. 1 site is ongoing. Upon motion by Director

Allen, seconded by Director Austin, the Board voted unanimously to: (1) approve Pay Estimate No. 1 and Final from Magna Flow, (2) award the bid for the additional sanitary sewer televising to Magna Flow, and (3) approve the Engineer's Report.

### **REVIEW RATE STUDY ANALYSIS, POSSIBLE RATE ORDER AMENDMENTS, AND POSSIBLE SPECIAL MEETING.**

Mr. Mitchell stated that Mr. Givens of Superior Water Management of Texas, LLC requested that the Board schedule a special meeting to discuss the final results of the Rate Order study. The Board agreed to schedule another special meeting on April 5, 2017 at 6:30 p.m. to discuss the Rate Order study and any possible resulting amendments.

### **BOOKKEEPER'S REPORT**

Mr. Banos presented and reviewed with the Board the bookkeeper's report including the checks presented for payment, a copy of which report is attached hereto as **Exhibit E**. Mr. Banos then suggested a CD re-investment at Central Bank. Mr. Banos also presented a draft 2017-2018 operating budget for the Board's review. He reviewed the recommended amendments to the proposed budget including revisions to the Park budget. Discussion ensued regarding the Water Wise school program with the Harris Galveston Subsidence District, and the Board requested that RMPLLC follow up on the program for the current school year. Upon motion by Director Allen, seconded by Director Norris, the Board voted unanimously to approve the bookkeepers report, the payment of invoices, the re-investment of the CD at Central Bank, and to adopt the budget for 2017-2018 as amended.

### **AUTHORIZE DIRECTOR ATTENDANCE AT AWBD SUMMER CONFERENCE**

Mr. Mitchell stated that the early registration deadline for the AWBD summer conference is March 28, 2017 and interested Directors should try to register as soon as possible.

### **AUTHORIZE CONSULTANTS TO RESEARCH UNCLAIMED PROPERTY**

Mr. Mitchell stated that the District is required to research any unclaimed property related to water utility deposits, tax overpayments, and additional funds the District may be in custody of which will need to be reported and, in some cases, escheated to the State. He also advised that notice must be given by May 1, 2017 to any owners of unclaimed property valued over \$250. Upon motion by Director Norris, seconded by Director Austin, the Board voted unanimously to authorize the District's consultants to research any unclaimed property held the District and provide the necessary notice, as applicable.

### **OPERATIONS AND MAINTENANCE REPORT**

Mr. Martin presented and reviewed with the Board the Operations Report, a copy of which is attached as **Exhibit F**. He noted that he received a quote of \$12 per square foot for the addition of the asphalt drive and requested approval from the Board to authorize an amount not to exceed \$5,400 for the 15 foot by 30 foot area. Mr. Mitchell noted that RMPLLC received the interconnect agreement for West Harris County Municipal Utility District No. 21 ("WHCMUD21") and will present any necessary changes at a future Board meeting. The Board discussed the options to monitor the interconnect between the

District and WHCMUD21. Upon further discussion and a motion by Director Norris, seconded by Director Austin, the Board voted unanimously to: (1) approve the Operations Report, including movement of three accounts to Collections Unlimited of Texas; (2) authorize an expenditure of up to \$5,400 for the asphalt; and (3) to authorize MOC to begin preparation of the Consumer Confidence Report.

### DIRECTOR'S REPORTS

This item was deferred to the April meeting.

### REVIEW INSURANCE PROPOSALS

Mr. Scruggs stated that AquaSurance LLC asked that the District defer adding insurance coverage for the Park improvements once completion of the improvements was near. He noted that the policy currently includes general liability for the land or injuries occurring at the Park but does not currently cover damage to the actual improvements.

### ATTORNEY'S REPORT

Mr. Mitchell introduced Mr. Zientek and Ms. Shah as the new members of the RMPLLC team. There was some discussion related to possible creation of a District website. Mr. Mitchell asked the Board if they would like RMPLLC to request proposals for same. Upon motion by Director Norris, seconded by Director Allen, the Board voted unanimously to authorize RMPLLC to request proposals for a District website.

### EXECUTIVE SESSION

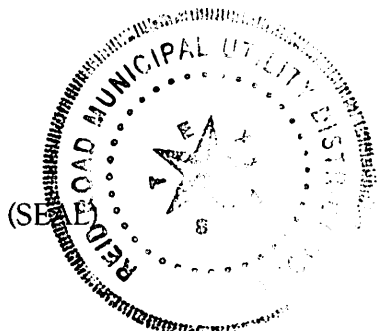
The Board did not enter executive session during this meeting.

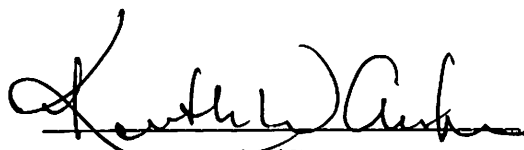
### FUTURE AGENDA ITEMS AND PENDING BUSINESS

The Board did not discuss any additional future agenda items or pending business.

### ADJOURNMENT

After no further discussion, upon motion made by Director Allen, seconded by Director Austin and unanimously carried, the Board adjourned the meeting.



  
Secretary, Board of Directors

## LIST OF ATTACHMENTS

Exhibit A	O&M Report for JSTP
Exhibit B	Bookkeeper's Report for JSTP
Exhibit C	Tax Assessor/Collector Report
Exhibit D	Engineer's Report
Exhibit E	Bookkeeper's Report
Exhibit F	Operator's Report