

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 2

Minutes of Meeting of Board of Directors May 17, 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 May 17, 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
Fredrick Phillips	Assistant Secretary
Keith Austin	Secretary
Susan Norris	Director

all of said members were present, with Director Phillips entering later in the meeting, thus constituting a quorum.

Also present were Pat Cieslewitz, Marvin Fesler, Gilbert De La Cruz, Carla Christensen and Bob Bregel of the Reid Road Municipal Utility District No. 1 Board of Directors (the "No. 1 Board"); Robin Goin of Bob Leared Interests ("Bob Leared"); Vickey Sullivan 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"); David Banos of Municipal Accounts & Consulting, L.P. ("MA&C"); Christina Garcia of Myrtle Cruz, Inc.; Deputy Martinez, Deputy Curry, and Deputy Blackledge of Harris County Constable Pct. 4; Jonathan Roach, Frank Mitchell, Daniel Scruggs and Shaila Shah of Roach & Mitchell, PLLC ("RMPLLC"); Michael Murr of Park Rangers, LLC ("Park Rangers"), who arrived later in the meeting; Shawn Byron of KGA DeForest Design, LLC ("KGA"); and Debbie Shelton of Hilltop Securities ("Hilltop").

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 the drum screen at the JTSP had to be turned off for one week for cleaning and that the filtration system was repaired. Mr. Montgomery also noted that he met with Sunny Sky Products regarding the dye discharges. He stated that the discharges have not been as bad within the past 30 to 45 days. Mr. Montgomery stated that MOC will conduct another inspection soon. The No. 1 Board approved the JTSP operations report. Director Allen then moved to accept the JSTP operations report. Director Austin seconded said motion, which passed unanimously.

BOOKKEEPING REPORT AND INVOICES (JSTP)

Ms. Garcia presented the bookkeeping report, a copy of which is attached hereto as Exhibit B. After no questions, the No. 1 Board approved the bookkeeper's report for the JSTP. Director Allen then moved that the Board accept the JSTP bookkeeping report. Director Norris 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. After discussion, the No. 1 Board then accepted the JSTP engineering report. Director Allen moved that the Board accept the JSTP engineering report. Director Norris seconded said motion, which carried unanimously.

JOINT CONSTABLE PATROL REPORT

Deputy Martinez gave the joint patrol report and noted that they had responded to several calls for service. The Board asked questions regarding the robbery that occurred on May 17, 2017, and the ongoing marijuana investigation program in the area.

Director Fesler reported on the Girl Scouts' efforts in the District(s) and the corresponding contributions made.

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 March 15, 2017, April 5, 2017 (special), and April 19, 2017. Director Owen noted a couple minor revisions to same. After brief discussion, Director Norris moved to approve the minutes of the prior meetings, with amendments as discussed. Director Austin, seconded said motion, which passed unanimously.

CONSTABLE PATROL REPORT

Deputy Blackledge provided an oral report of the activities within the District for the month. He advised that there had been very few District calls over the past month. There were no questions from the Board and the Board thanked the officers for their continued service to the District.

All officers exited the meeting at this time.

REVIEW AUDIT REPORT FOR FISCAL YEAR ENDED MARCH 31, 2017

This item was deferred.

STATUS OF ANNUAL CONTINUING DISCLOSURE REPORT

This item was deferred.

Mr. Murr entered the meeting at this time.

TAX ASSESSOR-COLLECTOR REPORT

Mrs. Sullivan provided the Board with a written tax assessor-collector report, a copy of which is attached hereto as **Exhibit C**. She noted that at the start of April, the District was approximately 98.4% collected for 2016 taxes. Mrs. Sullivan then presented several checks for the Board's review. Mrs. Sullivan also presented the Strategic Partnership Agreement ("SPA") report. After no questions, Director Allen made a motion, which was seconded by Director Owen, and passed unanimously, to approve the tax assessor-collector report and payment of checks reflected therein.

DELINQUENT TAX COLLECTIONS ATTORNEY REPORT

There was no delinquent tax collections attorney report.

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

Mr. Roach stated that the review of the initial Series 2017 Bond Application Report is complete and the application is ready to be submitted to the Texas Commission on Environmental Quality ("TCEQ") for approval. He noted that the application can be submitted as an expedited application and discussed with the Board the differences in timing and requirements between an expedited application and a regular application. Mr. Hughes noted that if the application is submitted as an expedited application, there generally cannot be any errors or any additional information to be submitted. Discussion ensued regarding the outstanding issues with the developers, the DCT Industrial/Peltier tract detention pond, and the 2017 Estimate of Value. Mr. Roach noted that if the application requires additional information to be submitted to the TCEQ, the application will be processed regularly with a longer turnaround time, subject to possible minor inquiries from the TCEQ according to Ms. Shelton. Mr. Roach stated that after the engineer provides certain required information regarding the pond and the developers, and makes certain corresponding changes to the application, RMPLLC will review how to submit the application. The Board concurred to submit it expedited if possible and noted that it already approved the corresponding resolution authorizing same.

REVIEW OPTIONS FOR FUNDING OF DISTRICT FACILITIES, INCLUDING RESOLUTION AUTHORIZING USE OF SURPLUS FUNDS

Mr. Roach discussed the Resolution for Use of Surplus Funds ("Resolution") with the Board and explained the difference between the self-authorizing resolution and the TCEQ approval resolution. Mr. Roach noted that the self-authorizing resolution would include the smart meter project and the sanitary sewer televising project(s). Upon discussion and a motion by Director Austin, seconded by Director Norris, the Board voted unanimously to approve the Resolution to include the smart meters and sanitary sewer televising project(s), and a due-to-due-from notation to be made by the bookkeeper and auditor as appropriate for use of the funds.

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

Mr. Roach stated that Peltier is continuing to inquire about annexations and that RMPLLC will continue to work with them.

STATUS OF PARK MANAGEMENT/MAINTENANCE FOR THE PARK AT WILLBERN ("Park")

Mr. Byron stated that the Amerson contracts were reviewed by RMPLLC and that there were no concerns. He noted that the estimated start date for the next phase of the Park project will be at the end of May, pending the required background checks by Cypress-Fairbanks Independent School District. Mr. Murr then presented the Park Rangers report and noted that the dead tree hanging over the park had been felled and that he ordered new tree stakes for other trees in the Park. He also noted that the cracks in the picnic tables discussed at the April Board meeting were due to the recycled plastic used for the tables and that he will order new tables and speak with the manufacturer regarding the material of the tables. He then informed the Board that there was a deep hole next to the drain that will be inspected. He stated that after inspection, he will contact MOC to discuss possible remedies for the hole. He then noted that he will fix the coating that is coming off the bronze plaque and that the irrigation will be increased due to the lack of rain.

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 the Notice to Proceed was issued to Magna Flow and that they are currently televising the final phase of the sanitary sewer lines. Mr. Hughes then noted that the construction is ongoing and the contractors submitted plans for the water tap and meter to MOC and Landev for the Homewood Suites being developed in the District. Mr. Hughes also stated that the project designs are complete for the generator building and the building for storage of the chemicals and materials to be located within the Water Plant No. 1 site. He noted that Landev sent the plans to two (2) water plant construction companies for preliminary cost estimates. Mr. Hughes reported that both cost estimates came in over \$75,000 and therefore the project would need to be publicly bid, which the Board concurred in authorizing. No additional Board action was required at this time.

ADDITIONAL REVIEW OF RATE STUDY ANALYSIS, INCLUDING POSSIBLE RATE ORDER AMENDMENTS

Mr. Roach stated that RMPLLC incorporated the approved amendments to the Rate Order based on previous discussions regarding the Rate Study Analysis ("Analysis"). Mr. Martin noted that the apartments in the District were not considered in the analysis and that he contacted Mr. Givens to update same. He recommended that there should be no change to the fees associated to the apartment complexes at this time. Additional discussion ensued regarding the apartment water and sewer costs. Mr. Roach stated that he drafted a summary of the changes in the Rate Order for the bookkeeper, financial advisor and operator to review and that the changes will result in an estimated \$400,000 loss in revenue annually for the District. Mr. Roach stated that based on the budget, even with the \$400,000 loss, the District would still have a net annual surplus of approximately \$100,000. Discussion ensued regarding the impact of any

possible future decreases in value in the District, possible future tax rates, and the ongoing SPA revenues. The Board further reviewed the analysis from Mr. Givens and had numerous questions for Mr. Martin and RMPLLC regarding the amended water and sewer rates. After lengthy discussion, Director Norris made a motion to amend the residential water rate for 0 to 5,000 gallons of water to \$35.92 which includes water, sewer, and garbage but does not include the regional water authority or other administrative pass-through fees. Director Owen seconded the motion, which passed four to one (4-1), with Director Allen opposing. The four approving Directors concurred that the amendments will be effective as of June 1, 2017.

Director Phillips entered the meeting during the Rate Order analysis discussion.

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**. He noted that the smart meter invoice in the amount of \$305,030 was paid. He also noted that he received the invoice from Texas Pride Disposal after the report was prepared so it was not included this month. The Board agreed to wait until June to pay the invoice. Mr. Banos recommended investing in a Certificate of Deposit ("CD") at Texas Capital Bank for one year with an interest rate of 0.83%. Mr. Banos then noted that the application for the vendor payment by electronic funds for the SPA payments was again submitted to the City of Houston, but that he had not received a response yet. Mr. Banos also updated the Board on the status of the MAC electricity pool contract and advised that same had been extended until 2024 with the target savings achieved as previously approved by the Board, subject to execution of the appropriate contract(s) by all parties. After brief discussion, Director Norris moved to approve the bookkeeper's report, payment of invoices, and investment in the CD as recommended. Director Owen seconded the motion, which carried unanimously.

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 stated that four (4) leaks were repaired within the month. Mr. Martin noted that the water loss that he discussed with the Board in April was from water well no. 2. He stated that he scheduled a meeting with the North Harris County Regional Water Authority ("NHCRWA") to show them the issues and that if MOC can prove that the leak is a well issue, they can request a credit from NHCRWA. Mr. Martin then noted that the water system was tested by the state and the district was offered funds for a repair. Mr. Martin discussed the options of repair or constructing a new building to manage the fluoride in the water. He asked the Board if they would like to upgrade to the new safety standard pumps or to upgrade the entire system. The Board discussed the options but did not take any action. Mr. Martin also presented the Consumer Confidence Report ("CCR") to the Board. He stated that last year the CCR was distributed electronically and if the resident requested, a hard copy would be sent. After brief discussion, Director Norris moved to approve the operations report including movement of accounts to the uncollectible roll and/or action on the cutoff list, and approving the electronic distribution of the CCR once same was finalized and reviewed/approved by RMPLLC. Director Owen seconded said motion, which carried unanimously.

DIRECTOR'S REPORTS

There were no reports presented this month.

ATTORNEY'S REPORT

Mr. Roach stated that there will be a TCEQ Public Drinking Water Conference in Austin on August 8-9, 2017, and noted that the informational letter is posted on the Virtual Office Environment for reference. Mr. Roach also noted that Off Cinco is working on the District website and asked what the Board would like as their website URL and if the Directors would like individual emails. After discussion, the Board agreed for the URL to be www.rrmud2.org and approved designation of individual email addresses for the Directors to be set up by Off Cinco.

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 Phillips, seconded by Director Allen and unanimously carried, the Board adjourned the meeting.



A handwritten signature in black ink, appearing to read "Kathleen", written over a horizontal line.

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