

## REID ROAD MUNICIPAL UTILITY DISTRICT NO. 2

### Minutes of Meeting of Board of Directors September 20, 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 September 20, 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, except for Director Norris, thus constituting a quorum.

Also present were Pat Cieslewitz, Carla Christensen, Bob Brengel and Gilbert De La Cruz of the Reid Road Municipal Utility District No. 1 ("RR1") 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 Perry of Myrtle Cruz, Inc. ("Myrtle"); Deputy Curry and Deputy Blackledge of Harris County Constable Pct. 4 ("HCCP4"); Debbie Shelton of Hilltop Securities ("Hilltop"); Frank Mitchell, Shaila Shah, and Jonathan Roach of Roach & Mitchell, PLLC ("RMPLLC"); and Michael Murr of Park Rangers, LLC ("Park Rangers"), who arrived later in the meeting.

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")

Director Cieslewitz briefly reviewed the damage from Hurricane Harvey in both the RR1 and the District (collectively the "Districts").

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 start date for the sludge haul pilot program the Board approved at the August meeting was delayed due to Hurricane Harvey and should begin on Monday, September 25, 2017. The No. 1 Board then approved the JSTP operations report. Director Allen moved to accept the JSTP operations report. Director Owen seconded said motion, which passed unanimously. Mr. Montgomery then presented a brief oral report on the general damage from Hurricane Harvey.

Mr. Montgomery then discussed the new Texas Commission on Environmental Quality ("TCEQ")

mercury level regulations and noted that the new waste discharge permit limit is .000005ug/L but that recent tests have shown approximately .002 ug/L of mercury in the wastewater effluent. Discussion ensued regarding the District's mercury levels history and the new regulation. Mr. Montgomery stated that a sample has not yet been sent to the TCEQ after the new regulation was released but that MOC will continue to sample the wastewater effluent and will have to follow up with the TCEQ on the Districts' levels of mercury in the wastewater effluent.

### BOOKKEEPING REPORT AND INVOICES (JSTP)

Mrs. Perry presented the bookkeeper's report for the JSTP, 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 Phillips then moved that the Board accept the JSTP bookkeeping report. Director Austin seconded said motion, which carried unanimously.

### ENGINEERING REPORT (JSTP)

Mr. Hughes presented the engineer's report for the JSTP. He noted that construction on the rehabilitation and expansion projects was delayed due to Hurricane Harvey. He then inquired as to any update with Sunny Sky, and Mr. Montgomery noted that there was no new information to report.

### JOINT CONSTABLE PATROL REPORT

Deputy Curry gave the joint patrol report and noted the service calls to which they had responded.

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

### APPROVE PREVIOUS MINUTES

The Board considered approving the minutes of the August 16, 2017 regular meeting. Mr. Roach noted that Director Allen's comments were incorporated into the revised minutes presented for approval/execution. Upon motion by Director Allen, seconded by Director Austin, the Board voted unanimously to approve the minutes of the August 16, 2017 regular meeting, as amended.

### CONSTABLE PATROL REPORT

Deputy Blackledge provided an oral report of the thefts and other incidents within the District for the month of August. After brief discussion, the Board thanked the officers for their continued service to the District.

### 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 end of August, the District was approximately 99.6% 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 Austin made a motion, which was seconded by Director Allen, and passed unanimously, to approve the tax

assessor-collector report and payment of checks reflected therein.

### DELINQUENT TAX COLLECTIONS ATTORNEY REPORT

There was no report.

### REVIEW STATUS OF DISTRICT WEBSITE, DIRECTOR E-MAIL ADDRESSES AND RELATED IT MATTERS

Mr. Roach provided the URL for the District website and requested that the Directors view the website and provide any comments to RMPLLC which will be presented to Off Cinco for incorporation. Mr. Roach then provided each Director with their new e-mail address to conduct District business.

### 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 D. He also noted that a required Notice for the Rate Order Amendment would be published in the Houston Business Journal and requested approval of additional check no. 9328 for publishing costs. Mr. Roach stated that the approximate cost would be \$528, but that RMPLLC had not received the final invoice. He then presented his recommendations for investing in a Certificate of Deposit ("CDs") at United Texas Bank for one (1) year with an interest rate of 1.05%. Mr. Banos also noted that the Armadillo Glass annexation matter was added to his report. Mr. Roach then noted that a letter was sent requesting the deposit and that he had followed up but had not received any response. After brief discussion, Director Owen moved to approve the bookkeeper's report, payment of invoices, and investment in the CDs as recommended. Director Austin seconded the motion, which carried unanimously.

Mr. Murr entered during the Bookkeeper's Report.

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

Mr. Murr presented his report on the next phase of the Park, a copy of which is attached hereto as Exhibit E, and noted that the minor flood damage from Hurricane Harvey was repaired and that there was no significant damage to report. He stated that the exercise equipment and table arrived and would be installed. Mr. Murr also noted that the contractor for KGA DeForest Design, LLC ("KGA") sealed 40% of the asphalt at the park. He then stated that he would work with the contractor to clean up the site and take over the maintenance.

Mr. Roach then presented the KGA written report, a copy of which is attached hereto as Exhibit F. He presented Pay Application No. 3 in the amount of \$95,808.60, and he noted that KGA would like to schedule the walk-through with the Board so interested Directors should email Bob DeForest about attending. Mr. Murr stated that he would like to attend. Upon motion by Director Owen, seconded by Director Austin, the Board voted unanimously to approve Pay Application No. 3. Director Owen then mentioned the plaques that were to be added at the Park. Brief discussion also ensued regarding the upcoming National Night Out.

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

Mr. Roach provided an update regarding the DCT detention pond conveyance. He noted that Director Allen signed the documents and that he is currently waiting on the developers to do the same.

ENGINEERING REPORT

Mr. Hughes presented to the Board a written engineering report, a copy of which is attached as Exhibit G. Mr. Hughes stated that he is completing the review of the sanitary sewer televising report. He noted that he will then begin design of the sanitary sewer rehabilitation project that will encompass applicable sections of Harvest Bend The Village, The Meadows, and the commercial areas. Mr. Hughes next noted that he is waiting for an update from RMPLLC regarding the Series 2017 Bond Application. Mr. Hughes also provided an update on the Homewood Suites construction, stating that the utilities are completed and that the contractual completion date is April 2018. He then reported that a pre-construction meeting was held with Panorama Construction for the Water Plant No. 1 generator and storage building. He noted that the construction is scheduled to begin October 1, 2017. Mr. Hughes also updated the Board regarding the 5.85-acre tract at Windfern Road but reported that they are no longer interested in obtaining District utilities.

RECEIVE FINANCIAL ADVISOR'S TAX RATE RECOMMENDATION

Ms. Shelton reviewed with the Board an assessed valuation and tax rate analysis for the District's proposed 2017 tax rates, a copy of which is attached hereto as Exhibit H. Ms. Shelton reviewed the District's tax collections history, the outstanding debt, and the rollback rate. After discussion regarding the maintenance and operations tax rate, Director Allen made a motion to accept the recommendation for the proposed 2017 tax rate of \$0.35 per \$100 of assessed valuation, comprised of \$0.15 for debt service and \$0.20 for maintenance and operations, and to authorize publication of said proposed tax rate and corresponding public hearing to occur at the next Board meeting. Director Austin seconded the motion, which carried unanimously.

STATUS OF SERIES 2017 BONDS (ISSUE NO. 7) AND RELATED MATTERS, INCLUDING APPROVAL OF UPDATED ORDER AUTHORIZING APPLICATION TO TCEQ

Mr. Roach noted that he anticipated the Series 2017 Bond Application will be submitted to the TCEQ as a non-expedited application in the near future. He stated that TCEQ approval is anticipated by about April or May of 2018. Ms. Shelton briefly discussed the status of municipal bond market interest rates and timing.

Mr. Roach then presented the updated Order Authorizing Application to the TCEQ, noting that the dates had been updated to be more in line with the submission date of the application since it had been originally approved by the Board earlier this year. Upon motion by Director Allen, seconded by Director Owen, the Board voted unanimously to authorize execution of the updated Order Authorizing Application to the TCEQ.

## OPERATIONS AND MAINTENANCE REPORT

Mr. Martin presented and reviewed with the Board the operations report, a copy of which is attached as Exhibit I. Mr. Martin noted that West Harris County Municipal Utility District No. 21 (“WHCMUD21”) was on interconnect with the District until September 19, 2017. Mr. Martin presented the uncollectible list to the Board and the Board then proceeded to discuss the water payments for the residents in the District after Hurricane Harvey. The Board agreed to suspend the door tags and execution of the cutoff list for one month before proceeding with termination of water. Mr. Martin also provided an update on Hurricane Harvey, noting that none of the facilities failed or had any major issues. The Board briefly discussed the manholes in the District and the options to raise them to prevent future excess inflow. The Board next discussed the contract with WHCMUD21. Mr. Roach noted that the contract expired on September 1, 2017 and that RMPLLC and MOC are working on the repayments and will then open negotiations for the new contract. Additional discussion ensued regarding the agreement with WHCMUD21. Mr. Martin also discussed the TCEQ mercury regulations, stating that the mercury levels could be due to Sherwin Williams Paint, the auto mechanic shop, or other commercial properties in the District. He noted that additional samples would be taken from Lift Stations No. 1 and 2. Mr. Martin next reported that there are four (4) more sinkholes at the DCT pond and that MOC will repair them since the District had agreed to accept the facility. Mr. Martin then gave an update on the pump repairs at Lift Station No. 1. After no further questions or discussion, Director Allen made a motion to approve: (1) the Operator’s Report; (2) movement of the accounts to the uncollectible roll; and (3) allowing residents an additional month to pay their water bills before proceeding with the termination process. Director Austin seconded the motion, which passed unanimously.

## DIRECTOR'S REPORTS

Director Owen stated that she did not attend the September West Harris County Regional Water Authority meeting and did not have anything to report.

## ATTORNEY'S REPORT

Mr. Roach presented the Industrial Waste Order and discussed the changes that were made. Upon motion by Director Allen, seconded by Director Austin, the Board voted unanimously to accept the Industrial Waste Oder, as presented. Mr. Roach also reminded the Board that RMPLLC is in the process of implementing DocuSign for electronic signatures. Mr. Roach then stated that the results of the legislative session were e-mailed to the Board and posted on the Virtual Office Environment. He briefly discussed some of the relevant laws that passed.

## EXECUTIVE SESSION

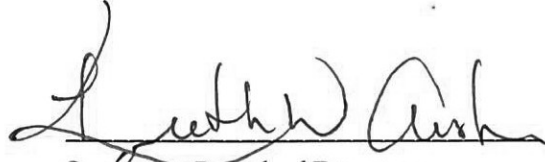
The Board did not enter executive session during this meeting.

## FUTURE AGENDA ITEMS AND PENDING BUSINESS

The Board briefly discussed the Board Christmas dinner. The Board agreed to schedule the dinner on December 20, 2017. Director Allen noted that he will coordinate the dinner.

ADJOURNMENT

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

  
Secretary, Board of Directors

(SEAL)



## 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	Bookkeeper's Report
Exhibit E	Park Rangers' Report
Exhibit F	KGA Report
Exhibit G	Engineer's Report
Exhibit I	Financial Advisor's Tax Recommendation
Exhibit I	O&M Report