

## REID ROAD MUNICIPAL UTILITY DISTRICT NO. 2

### Minutes of Meeting of Board of Directors February 20, 2019

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 February 20, 2019, 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

all of said members were present, except for Director Phillips who arrived later in the meeting.

Also present were Pat Cieslewitz, Carla Christensen, Bob Brengel, Gilbert De La Cruz, and Robert Sumpter of the Reid Road Municipal Utility District No. 1 Board of Directors (the "No. 1 Board"); Vicky Sullivan of Equi-Tax Inc. ("Equi-Tax"); Robin Goin of Bob Leared Interests ("Bob Leared"); John Montgomery and Jared Martin of Municipal Operations and Consulting, Inc. ("MOC"); Lenny Hardoin of Champions Hydro-Lawn ("Champions"); Charlie LaConti of Municipal Accounts & Consulting, L.P. ("MA&C"); Debbie Shelton of Masterson Advisors, LLC ("Masterson"); Erin Garcia of Myrtle Cruz, Inc. ("Myrtle Cruz"); Scott Blisett and Julian Garza Jr. of Landev Engineers, Inc. ("Landev"); Jim Murdaugh of Smith, Murdaugh, Little & Bonham, L.L.P. ("SMLB"); Deputy Martinez and Deputy Blackledge of Harris County Constable Pct. 4 ("HCC4"); Jonathan Roach and Joshua Zientek of Roach & Mitchell, PLLC ("RMPLLC"); Neal Atkinson of Atkinson Engineers ("Atkinson"); Michael Murr (late) of Park Rangers, LLC ("Park Rangers"); Justin Bennett of Phelan-Bennett Development ("Phelan"); Neal Atkinson of Atkinson Engineers ("Atkinson"); and Susan Norris, a resident of the District.

#### 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. There was discussion regarding permit expiration and the TCEQ review process. Mr. Montgomery reviewed and discussed the JSTP's maintenance projects. After no further discussion or questions, the No. 1 Board approved the Operations and Maintenance Report for the JSTP. Director Owen, seconded by Director Allen, then moved to approve the Operations and Maintenance Report for the JSTP. The motion passed unanimously (4-0).

#### BOOKKEEPER'S REPORT FOR JSTP

Ms. Garcia presented and reviewed the bookkeeping report, a copy of which is attached hereto as Exhibit B. Additionally, she presented the proposed draft budget for the Boards to review. After no questions, the No. 1 Board approved the Bookkeeper's Report for the JSTP,

including payment of the checks presented therein. Director Allen, seconded by Director Owen, then moved to approve the Bookkeeper's Report for the JSTP, including payment of the checks presented therein. The motion passed unanimously (4-0).

### ENGINEERING REPORT FOR THE JSTP AND JOINT FACILITIES

Mr. Blissett presented the Engineering Report for the JSTP and joint facilities. He reported that the work on the draft discharge permit is complete. Mr. Blissett next reported that there was an issue with the control panel of one of the blowers at the JSTP resulting in the temporary use of an old blower. He reported that he is working on correcting this issue. After no additional questions, the No. 1 Board approved the Engineering Report for the JSTP and joint facilities. Director Owen, seconded by Director Allen, then moved to approve the Engineering Report for the JSTP. The motion passed unanimously, with Director Phillips being absent for the vote.

### STATUS OF EFFLUENT RE-USE AGREEMENT, PERMIT, AND RELATED APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY ("TCEQ") (WITH THE LAKESIDE CLUB)

Mr. Roach reviewed and explained the Effluent Re-Use Agreement and Permit ("Agreement and Permit"). He reported that Mr. Tom Williams of The Lakeside Club had contacted the TCEQ regarding a request for an amendment to The Lakeside Club's own water rights permit which may impact the Agreement and Permit. Mr. Roach stated that he will follow up on the matter accordingly.

### JOINT CONSTABLE PATROL REPORT

Deputy Martinez gave the Joint Constable Patrol Report and reviewed incidents which occurred in the District. After no further discussion or questions, the No. 1 Board approved the Joint Constable Patrol Report. Director Owen, seconded by Director Allen, then moved to approve the Joint Constable Patrol Report. The motion passed unanimously, with Director Phillips being absent for the vote.

Director Phillips arrived after the Joint Constable Patrol's Report. At this time the No. 1 Board and the consultants for the No. 1 Board exited the meeting. Deputy Martinez also exited the meeting at this time.

### APPROVE MINUTES OF PRIOR BOARD OF DIRECTORS MEETING(S)

The Board considered approving the minutes of the January 9, 2019 special meeting and the January 16, 2019 regular meeting. The Board deferred approving the minutes.

### CONSTABLE PATROL REPORT

Deputy Blackledge provided an oral report and reviewed incidents which occurred in the District for the month of January 2019. The Board took no action at this time.

## DISCUSSION OF POSSIBLE ANNEXATIONS

Mr. Bennett presented a possible annexation and reimbursement request to the Board. Specifically he stated that there are ten (10) acres adjacent to the District's northern boundary along Windfern Drive where he would like to build a warehouse facility that would be approximately 170,000 sq. ft. He informed the Board that the development he is proposing may add \$13-\$14 million dollars of taxable value to the District. Mr. Garza next explained the infrastructure that Mr. Bennett would potentially need to add at his own expense or in some cases with the possibility of reimbursement from the District if determined feasible. The Board then discussed the possibility of annexing the property. Mr. Garza then informed the Board that Mr. Bennett previously inquired about out-of-District service and that, if such service could be provided, then annexation may not be necessary. Mr. Bennett also informed the Board that he could seek service from Aqua Texas but asked the Board that they consider a possible reimbursement agreement in the future. Mr. Roach stated that the District cannot provide reimbursement unless it is for a public facility, and he explained some options related to the detention pond and related facilities in order for them to be considered public. Mr. Roach also generally reviewed the costs associated with a bond issue and reimbursement agreement and advised that a reimbursement agreement may or may not be feasible due to costs associated with the project and possible bond issue. Mr. Roach then reviewed with the Board certain time and cost requirements associated with annexation. Mr. Garza also generally addressed additional projects that could be added in order to make a future bond issue more feasible.

Mr. Roach reported that there is still an annexation deposit on file with the District from Zurg LLC, and the Board requested an utility/annexation feasibility deposit request letter be sent to Phelan. Director Allen then made a motion, seconded by Director Austin, to authorize RMPLLC to proceed with preparing and sending utility/annexation feasibility deposit request letter to Phelan. The motion passed unanimously.

Mr. Murr arrived at this time. Mr. Atkinson and Mr. Bennett thanked the Board for their time and then exited the meeting.

## UPDATE ON HARVEST BEND-THE VILLAGE HOMEOWNER'S ASSOCIATION ("HBVHOA") FOR PARK/PLAYGROUND REHABILITATION/UPGRADE

Mr. Roach presented an update on HBVHOA's request for assistance for their park/playground rehabilitation/upgrade project. He reported that the Delinquent Tax Attorney confirmed the delinquent taxes had been paid through foreclosure proceedings by Bank of America. The Board then concurred to release the check for HBVHOA's park/playground rehabilitation/upgrade project, subject to the terms in the letter agreement from 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 reported that 96% of the taxes have been collected. Ms. Sullivan next presented an update on the Strategic Partnership Agreement ("SPA") report. Upon no further discussion and a motion by Director Austin, seconded by Director Owen, the Board voted unanimously to approve the Tax Assessor-Collector Report, including payment of checks

contained therein.

### **DELINQUENT TAX COLLECTIONS ATTORNEY REPORT**

Mrs. Sullivan presented the Delinquent Tax Collections Attorney Report and noted that there was no action required this month.

Mrs. Sullivan exited the meeting at this time.

### **REVIEW DRAFT OPERATING BUDGET FOR FISCAL YEAR ENDING MARCH 31, 2020**

Mr. LaConti presented the Draft Operating Budget for fiscal year ending March 31, 2020 to the Board. The Board discussed whether the water and sewer should be reviewed for possible adjustments. Mr. Roach stated that the prior major rate change was approved by the Board on June 17, 2018, effective July 2018. Mr. LaConti reported that, in response to a request from Director Owen, an invoice has not been received from the Harris Galveston Subsidence District ("HGSD") regarding the annual Water Wise Program. The Board requested that MA&C and RMPLLC follow up on the issue.

### **STATUS OF FINAL AUDIT AND EXECUTION OF DEVELOPER RECIEPTS**

Mr. Roach reported that all the developers have signed off on their Receipts for reimbursement from the Series 2018 Bonds and all bond proceeds have now been disbursed. The Board took no action at this time.

### **REVIEW PROPOSED SERIES 2019 REFUNDING BONDS**

Ms. Shelton presented options for a possible series of refunding bonds (the "Bonds") which would save the District over the next approximately twenty years. She reviewed the interest rates at the time of the report and the possible savings for the District by issuing the Bonds. She explained the refunding bond process and presented the Preliminary Official Statement ("POS") and Notice of Sale ("NOS"). Mrs. Shelton discussed the list of underwriters who have been bidding on the District's bonds and noted Samco Capital Markets had just purchased the District's Series 2018 Bonds. Mr. Roach then explained the Board can either proceed as a designated sale, where the Board President is given authority to execute the Bonds sale transaction, or schedule a special meeting to proceed with the transaction. Ms. Shelton recommended the District use Regions Bank as paying agent/registrar for the transaction if it chooses to proceed. The Board discussed scheduling a special meeting to review the bond purchase agreement and associated sale documents. After additional discussion of the savings amount and percentage for the District, Director Allen moved, seconded by Director Owen, to approve: (1) completion and distribution of the POS and NOS, subject to review by the District's consultants and incorporation of final comments; (2) designation of Regions Bank as the paying agent and escrow agent, as necessary, for the Bonds including any corresponding agreements for same; (3) designation of Samco Capital Markets as the initial purchaser of the Bonds, subject to verification at the proposed special sale meeting; (4) issuance of a check to the Attorney General ("AG") in the amount of 1/10% of the Bonds for the AG review fee; (4) preparation of other necessary documentation and any other matters related to the sale of the Bonds; and (5) scheduling the special sale meeting for March 6,

2019 at 6:30pm. The motion passed unanimously.

### **BOOKKEEPER'S REPORT**

Mr. LaConti presented and reviewed the Bookkeeper's Report, a copy of which is attached hereto as **Exhibit D**. Mr. LaConti reported that the Pioneer Bank CD is maturing, and discussed options for reinvesting the funds in the Pioneer Bank CD. After extensive discussion, Director Allen moved, seconded by Director Owen, to approve the Bookkeeper's Report including checks listed therein and to invest the proceeds of the Pioneer Bank CD by reinvesting \$120,000 and an additional \$120,000 in the Pioneer Bank CD for one (1) year at 2.71% interest and investing \$120,000 for one (1) year in Bancorp South CD at 2.75%. The motion passed unanimously.

Director Phillips and Ms. Shelton exited the meeting after the Bookkeeper's Report.

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

Mr. Roach stated there is nothing new to report on Peltier Windfern, L.L.C. ("Peltier") or Zurg, LLC/G.L. Machine Works at this time.

### **ENGINEERING REPORT**

Mr. Garza presented to the Board a written Engineering Report, a copy of which is attached as **Exhibit E**. He reported that he received a phone call from Ms. Colette Lange whose primary complaint was regarding a wireless internet tower located near one of the District's lift station sites. Mr. Garza next reported that there appears to be some ground settlement around the lift station no. 2 site, and recommended checking for cracks in the wet well. There were no questions and the Board took no action at this time.

### **OPERATIONS AND MAINTENANCE REPORT**

Mr. Martin presented and reviewed with the Board the Operations and Maintenance Report, a copy of which is attached as **Exhibit F**. He discussed the Water Smart program and presented an agreement for the Board to sign. Mr. Martin explained and presented the District's Red Flag Policy and presented MOC's Red Flag Policy Annual Report Letter for the Board to review. Next, Mr. Martin reviewed the North Harris County Regional Water Authority ("NHCRWA") rate change from \$3.40 per 1,000 gallons to \$3.85 per 1,000 gallons on groundwater and \$3.85 per 1,000 gallons to \$4.30 per 1,000 gallons on surface water effective on April 1, 2019. Mr. Roach confirmed the District's current Rate Order provides for an automatic pass through plus water accountability factor of 10%.

Mr. Martin then reviewed the repairs and replacements that were completed during the month. He some basic washout cleaning, shrub trimming and ground repair routine maintenance invoices. Mr. Martin next informed the Board that fluoride will no longer be added to the District's water and stated that this change will show on the next annual Consumer Confidence Report ("CCR"). Mr. Martin then requested that the Board authorize mowing as needed on

various District property. The Board then discussed options for mowing of the drainage easement which is located north of the Water Plant and south of Fallbrook Drive. Mr. Martin stated that the drainage easement is owned by Harris County and is their responsibility to maintain.

Mr. Martin then reviewed quotes for fence repair and electric gate installation of between \$4,000 and \$7,000. The Board concurred in requesting additional quotes. The Board also discussed pending electrical and related updates at the JSTP. The Board also discussed having a schedule of quarterly walk-through inspections with the District's operator and designating a different Director to do so each calendar quarter. After no further discussion, Director Allen moved, seconded by Director Austin, to approve the Operations and Maintenance Report including movement of accounts to the uncollectible roll and the cutoff list. The motion passed unanimously.

### **REVIEW ANNUAL SURVERY OF WAGE RATE SCALES**

Mr. Roach noted the requirement for the District to adopt a set of wage rate scales for construction projects within the District. He advised that the District has historically adopted the City of Houston's wage rate scales but did have the option of choosing a different set of wage rate scales. After no further discussion, Director Allen moved, seconded by Director Austin, to adopt a Resolution approving use of the City of Houston wage rate scales, subject to RMPLLC's final review of the new scales. The motion passed unanimously.

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

Mr. Murr reported on the status of Park management and maintenance. He stated that the irrigation will be turned back on if rain subsides. He next reported that due to the recent rains, the maintenance schedule has been reduced. Mr. Murr advised that some of the plants will need to be replanted in the Spring. Then, Mr. Murr reported that the park bench/table discussed at the last meeting was repaired with real wood. The Board discussed the possible installation of bollards that can be unlocked and/or pushed down at the front and back gates of the Park. Mr. Murr explained the installation process for the bollards and he estimated the cost to be approximately \$2,975, plus installation. Mr. Murr further explained the locking mechanism on the proposed bollards and maintenance that will be required. The Board asked for formal quotes for consideration at an upcoming meeting.

### **DIRECTOR'S REPORTS**

Ms. Owen noted she did not attend the NHCRWA meeting and there were no updates at this time

### **REVIEW EMERGENCY COMMUNICATIONS PROTOCOL**

Mr. Roach noted this item is on the agenda in case the Board wants to discuss any emergency communication procedures and protocols as hurricane season is approaching in June. There was no action at this time.

## **REVIEW INVESTMENT POLICY**

This item was deferred.

## **FILING OF DISTRICT'S FINANCIAL REPORT WITH COMPTROLLER**

Mr. Roach noted this new state law requirement for additional financial information filing and advised that RMPLLC has already filed the required information with the Office of the State Comptroller on behalf of the District so the District is in compliance.

## **REVIEW OF INSURANCE POLICIES (*expires March 31, 2019 - AquaSurance-AJG*)**

Mr. Roach noted that the District's current insurance policies through AquaSurance, now AJ Gallagher (AJG"), will expire on March 31, 2019. He noted that the proposed premiums under AquaSurance from the prior have decreased in this year's AJ Gallagher renewal proposal. Mr. Roach also explained optional coverages for cyber liability and workers compensation. After no further discussion, Director Allen moved, seconded by Director Austin, moved to approve the AJG proposal without optional coverages for cyber liability or workers compensation. The motion passed unanimously.

## **REVIEW ETHICS POLICY**

This item was deferred.

## **REVIEW COMPUTER USAGE POLICY, DIRECTOR DEVICE ISSUES, AND WEBSITE UPDATES**

This item was deferred.

## **ATTORNEY'S REPORT**

Mr. Roach stated there was nothing new to report of a legal nature not already addressed under specific agenda items.

## **2019 DIRECTORS ELECTION MATTERS**

Mr. Roach stated this item was inadvertently included on the agenda and would be removed.

## **EXECUTIVE SESSION**

The Board did not enter executive session during the meeting.

**DISCUSSION REGARDING PENDING OR FUTURE BUSINESS**

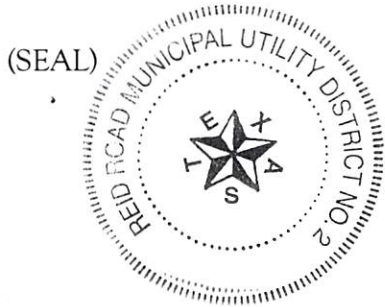
There was discussion regarding pending business and matters for possible placement on future agendas. Ms. Norris noted that the community would like to have the pool open beginning Memorial Day weekend.

**ADJOURNMENT**

After no further discussion, Director Austin moved to adjourn the meeting. Director Allen seconded said motion, which carried unanimously.

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Approved on 03/20/19



Secretary, Board of Directors

LIST OF ATTACHMENTS

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|-----------|--|
| Exhibit A | Operations and Maintenance Report for JSTP |
| Exhibit B | Bookkeeper's Report for JSTP               |
| Exhibit C | Tax Assessor/Collector Report              |
| Exhibit D | Bookkeeper's Report                        |
| Exhibit E | Engineering Report                         |
| Exhibit F | Operations and Maintenance Report          |