

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 2

Minutes of Meeting of Board of Directors

July 17, 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 June 19, 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
Susan Norris	Director

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

Also present were Pat Cieslewitz, Bob Brengel, and Robert Sumpter of the Reid Road Municipal Utility District No. 1 Board of Directors (the "No. 1 Board"); Vickey Sullivan of Equi-Tax Inc. ("Equi-Tax"); Jared Martin of Municipal Operations and Consulting, Inc. ("MOC"); David Baños of Municipal Accounts & Consulting, L.P. ("MA&C"); Erin Garcia of Myrtle Cruz, Inc. ("Myrtle Cruz"); Scott Blissett, Julian Garza Jr., and Li Chen of Landev Engineers, Inc. ("Landev"); Deputy Martinez and Deputy Blackledge of Harris County Constable Pct. 4 ("HCC4"); Jonathan Roach and Joshua Zientek of Roach & Mitchell, PLLC ("RMPLLC"); Jim Murdaugh of Smith, Murdaugh, Little & Bonham, L.L.P. ("SMLB"); Odett McMullan of Bob Leared Interests ("Bob Leared"); Lenny Hardoin of Champions Hydro-Lawn ("Champions"); and Brian Tolden and Jake Wright of McCall Gibson Swedlund Barfoot PLLC ("MGSB").

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

Mr. Martin presented and reviewed the Operations and Maintenance Report for the JSTP, a copy of which is attached hereto as Exhibit A. Mr. Montgomery provided updates on the status of maintenance and repairs to the JSTP. After discussion, the No. 1 Board approved the Operations and Maintenance Report for the JSTP. Director Norris then moved, seconded by Director Allen, to approve the Operations and Maintenance Report for the JSTP. The motion passed unanimously.

BOOKKEEPER'S REPORT FOR JSTP

Ms. McMullan presented and reviewed the Bookkeeping Report for the JSTP, a copy of which is attached hereto as Exhibit B. The Board deferred amending the budget until more updates are received from MOC. The No. 1 Board then approved the Bookkeeper's Report for the JSTP,

including payment of the checks presented therein. Director Allen then moved, seconded by Director Norris, to approve the Bookkeeper's Report for the JSTP, including payment of the checks presented therein. The motion passed unanimously.

JSTP AUDIT REPORT FOR FYE MARCH 31, 2019

Mr. Tolden thoroughly reviewed the JSTP Audit Report for fiscal year ended ("FYE") March 31, 2019 and answered questions from the Boards. After discussion, the No. 1 Board approved the JSTP Audit Report for FYE March 31, 2019 subject to any revisions by the Districts' consultants. Director Allen then moved, seconded by Director Owen, to approve the JSTP Audit Report for FYE March 31, 2019 subject to any revisions by the Districts' consultants. The motion passed unanimously.

ENGINEERING REPORT FOR THE JSTP AND JOINT FACILITIES

Mr. Blissett presented the Engineering Report for the JSTP and Joint Facilities. Mr. Blissett also reviewed and made recommendations relating to items that need attention due to inefficient operations at the JSTP, specifically the blowers, which were identified during a recent inspection. He informed the Board that \$10,000 was spent in additional services for diagnostics. He recommended cleaning the blower intake manifolds once a week as recommended by manufacturer specifications. Next, he provided a proposal for a contractor to repair and replace any faulty systems within the JSTP and Joint Facilities. The Boards discussed replacing the old blowers but deferred taking any action until Mr. John Montgomery of MOC is present to advise on the matter. The Boards discussed and expressed concerns with design flaws and fundamental inefficiencies in the original design of the JSTP. After discussion, the No. 1 Board approved the Engineering Report for the JSTP and Joint Facilities, with Director Brengal voting against approval. Director Allen then moved, seconded by Director Owen, to approve the Engineering Report for the JSTP and Joint Facilities. The motion passed unanimously.

JOINT CONSTABLE PATROL REPORT

Deputy Martinez gave the Joint Constable Patrol Report and reviewed incidents which occurred in the Districts.

Director Phillips entered the meeting and Mr. Chen exited the meeting at this time.

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

Mr. Roach reported there is nothing new to report on this matter at this time.

The No. 1 Board and the consultants for the No. 1 Board then exited the meeting.

APPROVE MINUTES OF PRIOR BOARD OF DIRECTORS MEETING(S)

The Board considered for approval the minutes of the June 19, 2019 regular meeting. After discussing requested revisions, Director Norris moved, seconded by Director Phillips, to approve the minutes of the June 19, 2019 regular meeting with the requested revisions. The motion passed unanimously.

CONSTABLE PATROL REPORT

Sergeant Blackledge provided an oral report and reviewed incidents which occurred in the District for the preceding month including an investigation by the Houston Police Department (“HPD”) of an attempted homicide.

AUDIT FOR FYE MARCH 31, 2019

Mr. Tolden thoroughly reviewed the District’s Audit Report for FYE March 31, 2019 and answered questions by the Board. After discussion, Director Norris moved, seconded by Director Phillips, to approve the Audit Report for FYE March 31, 2019 subject to any revisions by the District’s consultants. The motion passed unanimously.

Next, Mr. Roach explained a request for final reimbursement of land costs paid by GSL/Levey Group. He informed the Board that there are remaining bond proceeds that could be disbursed which are available and that MGSB reviewed and confirmed the necessary audit-related documentation had been submitted by the developer to support disbursement of the funds being requested. After discussion, Director Phillips moved, seconded by Director Austin, to approve disbursement of funds in the requested amount of \$20,000 to GSL/Levey Group for additional Site Costs per the Utility Development Agreement with GSL/Levey. The motion passed unanimously.

Mr. Tolden and Mr. Wright exited the meeting at this time.

STATUS OF CONTINUING DISCLOSURE REPORT

Mr. Roach requested that this item be deferred until after the audit report for fiscal year ended March 31, 2019, is completed.

TAX ASSESSOR’S REPORT

Mrs. Sullivan provided the Board with a written Tax Assessor-Collector Report, a copy of which is attached hereto as Exhibit C. Mrs. Sullivan next presented an update on the Strategic Partnership Agreement (“SPA”) report. Upon no further discussion and a motion by Director Norris, seconded by Director Phillips, the Board voted unanimously to approve the Tax Assessor-Collector Report and SPA report, including payment of checks contained therein.

DELINQUENT TAX COLLECTIONS ATTORNEY REPORT

Mrs. Sullivan presented the Delinquent Tax Collections Attorney Report and noted there were no action items at this time.

BOOKKEEPER'S REPORT

Mr. Baños presented and reviewed the Bookkeeper's Report, a copy of which is attached hereto as Exhibit D. Mr. Baños discussed a previously voided check to Seaback Maintenance Inc. ("Seaback") and informed the Board that a new check, check number 10112, was issued in its place. Mr. Baños discussed investing the funds in a Cadence Bank CD that the District currently has in a Preferred Bank CD for one (1) year at 2.65% interest rate. Next, the Board discussed attendance at the winter Association of Water Board Directors ("AWBD") conference. Additionally, the Board discussed researching the status of property ownership of a Svabic-Armadillo annexation previously proposed to determine the status of ownership and potential annexation. The Board concurred with authorizing RMPLLC to research the issue. Next, the Board discussed a credit for Homewood Suites prior utility capacity feasibility deposit. After the Board's discussion, Director Norris moved, seconded by Director Phillips to: (1) approve the Bookkeeper's Report including checks listed therein; (2) void check number 10103 to Seaback Maintenance and replace it with check number 10112 in the amount of \$533; and (3) invest funds in a Cadence Bank CD from a maturing Preferred Bank CD for one (1) year at 2.65% interest rate as discussed. The motion passed unanimously.

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

Mr. Roach informed the Board that RMPLLC is working with Phelan-Bennett Development ("Phelan") to complete the proposed annexation and development agreement for future presentation and approval by the Board. Mr. Roach then informed the Board that Zurg LLC ("Zurg") had contacted Landev to discuss capacity availability for Phase Three of Zurg's development. Mr. Roach informed the Board that the prior capacity letter was conditioned upon annexation by the District. He further informed the Board that a new utility capacity letter could be prepared for Zurg and be conditioned upon their completion of the annexation into the District, which had not yet been completed due to some prior lienholder issues on the property. Mr. Garza confirmed that, the day after the prior Board meeting, he informed the developer for Zurg that he is out-of-District. Mr. Martin confirmed that he is paying in-District rates. After further discussion, Director Norris moved, seconded by Director Austin, to authorize the conditional commitment letter to Phelan if/as needed but to defer the conditional commitment letter to Zurg, pending further review of the annexation matter. The motion passed unanimously. After further discussion, Director Austin moved, seconded by Director Norris, to increase the rates for Zurg to out-of-District rates if the annexation is not ready for submission to the City of Houston for its September 1, 2019 consent review deadline. The motion passed unanimously.

ENGINEERING REPORT

Mr. Garza informed the Board that there was nothing further to report other than was reported previously during the meeting.

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 E. Mr. Martin next reported that the District has completed receiving water from, as payment back in-kind for water previously provided by the District to, West Harris County Municipal Utility District No. 21 ("WCHCMUD21") but that 1.2 million gallons of water still remain unaccounted for so a leakage investigation is being conducted. Mr. Roach informed the Board that the interconnect agreement with WCHCMUD21 expires December 31, 2019, and that RMPLLC will work with MOC to negotiate a new interconnect agreement with WCHCMUD21. The Board concurred with authorizing RMPLLC to work with MOC to negotiate a new interconnect agreement with WCHCMUD21. Mr. Roach informed the Board that, as part of the negotiations, the District could require that a water meter be installed to prevent the water loss/accountability issue(s) and that WCHCMUD21 could be asked to pay for same. Next, Mr. Martin explained in detail a refund of \$1,500 provided by Seaback for maintenance that was not completed. Mr. Martin then informed the Board that new Water Smart signs were ordered. Next, Mr. Martin thoroughly reviewed estimates for rehabilitation of various facilities within the District. The Board discussed the rehabilitation options in detail. After discussion, Director Allen moved, seconded by Director Norris, to approve replacement of the 12" booster pump and 12" gate valve and check valve with a cost not to exceed \$20,000. The motion passed unanimously. After further discussion, Director Allen moved, seconded by Director Norris, to approve the Operations and Maintenance Report and the cut-off list. The motion passed unanimously

STATUS OF PARK MANAGEMENT/MAINTENANCE FOR THE PARK AT WILLBERN

There was no update at this time.

RESOLUTION AUTHORIZING USE OF SURPLUS CONSTRUCTION

Mr. Roach discussed additional projects that could be the subject of a Resolution Authorizing Use of Surplus Construction Funds and asked the Board to authorize RMPLLC to work with Landev, MOC, and MA&C to research the issue further. The Board concurred with the subject review of possible additional surplus construction funds projects.

DIRECTORS' REPORTS

Mr. Roach informed the Board that RMPLLC received the WaterWise Program renewal contract for the 2019-2020 term. The Board asked RMPLLC to review the contract and add same to the agenda for approval at the next scheduled regular meeting.

REVIEW CURRENT DISTRICT POLICIES

Mr. Roach informed the Board that there was nothing additional to review at this time.

AUTHORIZE EXECUTION OF VOTING SYSTEM ANNUAL FILING FORM

Mr. Roach noted that, after further research, the District is not required to file the voting system annual filing form at this time as it held no election during the current reporting year.

FILING OF HB1378 LOCAL GOVERNMENT DEBT/FINANCIAL REPORT

Mr. Roach explained the recently legislated House Bill 1378 (“HB1378”) which requires local governmental entities to file certain debt/financial report(s) by the end of September every year. After discussion, Director Norris moved, seconded by Director Owen, to authorize RMPLLC to complete and file the HB1378 local government debt/financial report. The motion passed unanimously.

ATTORNEY'S REPORT

Mr. Roach advised that RMPLLC is now working to finalize the 2019 legislative update for presentation at a future Board meeting.

EXECUTIVE SESSION

The Board did not enter executive session during the meeting.

DISCUSSION REGARDING PENDING OR FUTURE BUSINESS

The Board discussed the scheduling of the next regularly scheduled Board meeting and noted items previously requested for inclusion on the agenda.

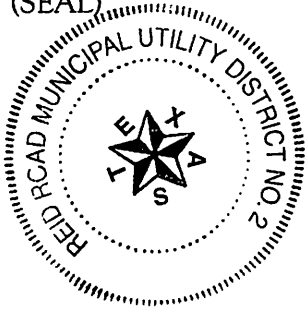
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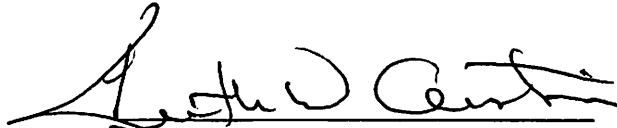
After no further discussion, Director Phillips moved to adjourn the meeting. Director Austin seconded said motion, which carried unanimously with Director Norris being absent for the vote.

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Approved on August 21, 2019

(SEAL)




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's Report |
| Exhibit D | Bookkeeper's Report |
| Exhibit E | Operations and Maintenance Report |