

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 2

Minutes of Meeting of Board of Directors August 21, 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 August 21, 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, thus constituting a quorum.

Also present were Pat Cieslewitz, Carla Christensen, Gilbert De La Cruz, 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"); Charlie LaConti of Municipal Accounts & Consulting, L.P. ("MA&C"); Erin Garcia of Myrtle Cruz, Inc. ("Myrtle Cruz"); Julian Garza, Jr. of Landev Engineers, Inc. ("Landev"); Deputy Martinez and Captain Blackledge of the Harris County Pct. 4 Constable's Office ("HCC4"); Jonathan Roach and Joshua Zientek of Roach & Mitchell, PLLC ("RMPLLC"); Jim Murdaugh of Smith, Murdaugh, Little & Bonham, L.L.P. ("SMLB"); Robin Goin of Bob Leared Interests ("Bob Leared"); Kim Cosco of Champions Hydro-Lawn ("Champions"); Justin Bennett of Phelan-Bennett Development ("Phelan"); Michael Murr (late) of Park Rangers, LLC ("Park Rangers"); and Guy Mullen (late) of Zurg, LLC ("Zurg").

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**. After brief discussion, the No. 1 Board approved the Operations and Maintenance Report for the JSTP. Director Allen then moved, seconded by Director Norris, to approve the Operations and Maintenance Report for the JSTP. The motion passed unanimously.

BOOKKEEPER'S REPORT FOR JSTP

Ms. Garcia presented and reviewed the Bookkeeper's Report for the JSTP, a copy of which is attached hereto as **Exhibit B**. After brief discussion, the No. 1 Board approved the Bookkeeper's Report for the JSTP, including payment of the checks presented therein. Director Norris then

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

ENGINEERING REPORT FOR THE JSTP AND JOINT FACILITIES

Mr. Garza presented the Engineering Report for the JSTP and Joint Facilities. Mr. Garza advised that there were no engineering updates since the last special JSTP meeting. After brief discussion, the No. 1 Board approved the Engineering Report for the JSTP and Joint Facilities. Director Norris then moved, seconded by Director Allen, 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.

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

Mr. Roach advised that there were no updates 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 July 17, 2019, regular meeting. After brief discussion, Director Owen moved, seconded by Director Phillips, to approve the minutes of the July 17, 2019, regular meeting. The motion passed unanimously.

CONSTABLE PATROL REPORT

Captain Blackledge presented the Constable Patrol Report and reviewed incidents which occurred in the District for the preceding month.

FINANCING/REIMBURSEMENT REQUESTS, SITE/FACILITY CONVEYANCES, ANNEXATION STATUS, POSSIBLE AMENDMENT OF UTILITY DEVELOPMENT AGREEMENT(S) AND OTHER DEVELOPMENT MATTERS - SECTION 12(C)

Mr. Bennett discussed his development plans and advised that he would like his property to be annexed as soon as possible. Mr. Roach advised that RMPLLC has been working with Phelan to prepare the annexation documents and explained the minimum threshold for reimbursement under Texas Commission on Environmental Quality ("TCEQ") rules. Mr. Roach then reviewed the Phelan estimates of total build-out value and reimbursement requirements for the public utility portions of

the development , stating that the District's financial advisor will need to review this information and aid with tax rate and reimbursement recommendations.

Mr. Bennett then reviewed the process for solicitation of bids and choosing a general contractor for management of the project. Mr. Roach advised that the Board previously discussed a commercial tap fee as stated in the agreement. Mr. Bennett then stated that Phelan is requesting the capacity reservation and annexation deadline in the initial draft agreement to be extended. Mr. Roach advised that both changes will affect the annexation process. Mr. Bennett informed the Board that he has a purchaser under contract for his development who agrees with the annexation and reimbursement process and timeline.

Mr. Murr arrived at this time.

Mr. Roach said that the paperwork for annexation will not be ready before the September 1, 2019 deadline to submit to the City of Houston and cautioned against any further delays, as it may adversely affect the annexation, tax revenue and eventual reimbursement timelines. Mr. Roach also advised that he is working through lienholder issues on the property at this time and explained how the annexation process would work were it to be completed in 2019. Mr. Roach then discussed the option of a Payment in Lieu of Taxes ("PILT") agreement, and Mr. Bennett stated that he would be willing to enter into a PILT agreement.

Mr. Mullen arrived and Mr. Cosco exited the meeting at this time.

Mr. Roach advised that the use of surplus construction funds could be handled for up-front reimbursement in the same manner as a bond issue, but on a much smaller scale. The Board then discussed a possible condition for this agreement that Phelan pay out-of-District rates until the annexation is complete. The Board also expressed its preference that annexation be completed in 2019 if possible. After further discussion, Director Norris moved, seconded by Director Owen, that the Board approve the following: (1) preparation of a PILT agreement by RMPLLC subject to incorporation of revisions by the District's consultants and Phelan; (2) authorizing Phelan's use of a general contractor in the development, subject to Board review; (3) Phelan paying out-of-District rates until annexation is complete; (4) Phelan paying the in-District commercial tap fee at cost; (5) and reimbursement scenarios to be provided for in the final annexation and reimbursement agreement contingent on the District financial advisor's recommendation and approval. The motion passed unanimously.

Mr. Bennett left the meeting at this time.

FINANCING/REIMBURSEMENT REQUESTS, SITE/FACILITY CONVEYANCES, ANNEXATION STATUS, POSSIBLE AMENDMENT OF UTILITY DEVELOPMENT AGREEMENT(S) AND OTHER DEVELOPMENT MATTERS - SECTION 12(B)

Mr. Roach advised the Board on the status of the Zurg annexation, stating that after title review it was discovered that the property had several owners and lienholders. Mr. Roach further

advised that annexation is not likely to occur prior to the September 1, 2019 City deadline and reminded the Board that, should annexation not be finalized prior to the deadline, out-of-District rates will be imposed. After discussion by the Board regarding whether Zurg should be billed back for prior years of receiving in-district rates, Mr. Roach advised that, while RMPLLC will continue to work toward annexation, a PILT agreement could be arranged. The Board discussed in detail the ability of one (1) entity to enter into a PILT agreement and make one (1) payment on behalf of all site ownership entities involved. At this time, Director Austin moved, seconded by Director Owen, to authorize: (1) proceeding with annexation; (2) RMPLLC to draft a PILT agreement subject to incorporation of revisions by the District's consultants and Zurg; (3) approve the District's operator to charge Zurg out-of-District rates and waive past out-of-District rates not paid by Zurg at this time, subject to subsequent annexation being timely completed. The motion passed unanimously.

Director Norris then moved, seconded by Director Owen, to authorize Landev to prepare a Utility Commitment Letter ("UCL") for Zurg's proposed new phase of development with the understanding that Zurg will continue to pay out-of-District rates until annexation is completed. The motion passed unanimously.

Mr. Mullen left the meeting at this time.

TAX ASSESSOR'S REPORT

Ms. Sullivan provided the Board with a written Tax Assessor-Collector Report, a copy of which is attached hereto as Exhibit C. Ms. Sullivan next presented an update on the Strategic Partnership Agreement ("SPA") report. After no further discussion and upon 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

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

STATUS OF PARK MANAGEMENT/MAINTENANCE FOR THE PARK AT WILLBERN

Mr. Murr presented an update on the status of park management and maintenance for the Park at Willbern including needed maintenance for a recently installed wooden picnic table. The Board concurred.

RECEIVE FINANCIAL ADVISOR 2019 TAX RATE RECOMMENDATIONS

Mr. Roach informed the Board that the District's financial advisor is still preparing the 2019 tax rate recommendation and requested that the Board defer taking any action at this time.

BOOKKEEPER'S REPORT

Mr. LaConti presented the Bookkeeper's Report, a copy of which is attached hereto as **Exhibit D**. Mr. LaConti then reviewed CD investment recommendations from MA&C as detailed in the report. He recommended that \$100,000 in the CD at Veritex Community Bank be combined with \$140,000 from the Texas Class money market account and invested in a CD for one (1) year with Texas Regional Bank at 2.25%. Mr. LaConti then noted a correction in the Bookkeeper's Report relating to the second CD recommendation. The recommendation, as corrected, was to invest \$240,000 from Allegiance Bank in a CD for one (1) year with Wallis State Bank at 2.20%. After the Board's discussion, Director Austin moved, seconded by Director Phillips, to: (1) approve the Bookkeeper's Report including checks listed therein; (2) approve investing \$100,000 from the Veritex Community Bank CD and \$140,000 from Texas Class money market together in a CD for one (1) year at Texas Regional Bank at 2.25%; and (3) approve investing \$240,000 from Allegiance Bank in a CD for one year at Wallis State Bank at 2.20%. The motion passed unanimously.

ENGINEERING REPORT

Mr. Garza informed the Board that a call had been received from developers who are considering developing property in the District, and District plans relating to the location of District facilities were requested and provided.

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 reported that the interconnect with West Harris County Municipal Utility District No. 21 ("WHCMUD21") is closed, and water is neither being received nor distributed. Mr. Martin next presented the cut-off list and also discussed the water accountability for the month. The Board then discussed amending the WHCMUD21 interconnect agreement and possible options for alternative agreements including adding terms that include WHCMUD21 paying for installation of a water meter to track their usage. The Board requested that, prior to expiration of the current interconnect agreement, WHCMUD21 be contacted and advised that if a new interconnect agreement is not reached, no water will be distributed and the interconnect permanently locked. Mr. Martin then advised the Board on the costs associated with abandoning the current interconnect agreement once a new agreement begins. Mr. Roach advised that RMPLLC will work with MOC and Landev to draft a terms letter.

The Board then discussed an increase in North Harris County Regional Water Authority ("NHCRWA") fees that were not reflected in prior rate changes, resulting in an approximately \$29,000 loss in fees not collected from customers. The Board discussed its options for recouping the loss and concurred to defer taking any action at this time. After discussion, Director Allen moved, seconded by Director Norris, to approve the Operations and Maintenance Report and the cut-off list. The motion passed unanimously.

RESOLUTION AUTHORIZING USE OF SURPLUS CONSTRUCTION FUNDS

• Mr. Roach advised that RMPLLC is working with Landev, MOC, and MA&C to prepare a resolution authorizing use of surplus construction funds.

DIRECTORS' REPORTS

Director Owen provided an update from the Texas Water Development Board workshop.

REVIEW CURRENT DISTRICT POLICIES

This item was deferred until a later date.

REVIEW AND APPROVE WATERWISE PROGRAM RENEWAL CONTRACT

Mr. Roach explained the WaterWise Program and the terms of the proposed renewal contract. After brief discussion, Director Norris moved, seconded by Director Phillips, to approve the WaterWise Program renewal contract. The motion passed unanimously. Mr. Martin then advised the Board that the District needs to participate in at least one more event for the year. The Board concurred with setting up a table at National Night Out ("NNO").

STATUS OF FILING OF CONTINUING DISCLOSURE REPORT

This item was deferred.

ATTORNEY'S REPORT

Mr. Roach discussed the 2019 legislative update. Mr. Roach then advised the Board that personal data devices of elected officials are now increasingly subject to the Texas Open Meetings Act ("TOMA") if they are used for government business and reminded the Board that RMPLLC recommends that Directors not use any personal data devices for government business or they may be subject to TOMA requests. The Board discussed email issues, and Mr. Roach advised that RMPLLC will discuss the matter with Off Cinco. The Board then discussed different options for receiving notifications of meetings and requested that each Board member be contacted to verify availability for special meetings. Mr. Roach stated that the full legislative update will be sent to the Director's e-mail addresses.

EXECUTIVE SESSION

The Board did not enter executive session during the meeting.

DISCUSSION REGARDING PENDING OR FUTURE BUSINESS

Director Norris advised that the Harvest Bend-The Village Homeowner's Association ("Harvest Bend HOA") cancelled their contract with HCC4 and hired a private security company. Mr. Roach stated RMPLLC will follow up to obtain the security company's name. Director Norris also said that she needs an iPad for District use and Mr. Roach informed her that RMPLLC will follow-up with Off Cinco.

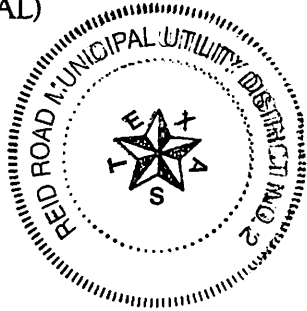
ADJOURNMENT

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

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Approved on October 16, 2019

(SEAL)



Secretary, Board of Directors

LIST OF ATTACHMENTS

- 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