

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 2

Minutes of Meeting of Board of Directors September 18, 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 September 18, 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 Director Phillips, thus constituting a quorum.

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"); Vickey Sullivan of Equi-Tax, Inc. ("Equi-Tax"); Jared Martin and John Montgomery 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"); Scott Blissett and Julian Garza, Jr., of Landev Engineers, Inc. ("Landev"); Sergeant Lee, Captain Ener, and Captain Blackledge (late) of the Harris County Pct. 4 Constable's Office ("HCC4"); Jonathan Roach, Joshua Zientek, and William Colley of Roach & Mitchell, PLLC ("RMPLLC"); Richard Morrison of Smith, Murdaugh, Little & Bonham, L.L.P. ("SMLB"); Robin Goin of Bob Leared Interests ("Bob Leared"); Justin Bennett (late) of Phelan-Bennett Development ("Phelan"); and Debbie Shelton of Masterson Advisors, LLC ("Masterson").

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 then discussed repairs made to the JSTP to address inefficiencies in the system. The Board discussed resident complaints regarding a bad odor emanating from the JSTP. Mr. Montgomery stated that there are plans for future maintenance, possibly including smoke testing, installing larger blowers, and/or exchanging the current blowers. After brief discussion, the No. 1 Board approved the Operations and Maintenance Report for the JSTP and authorized MOC and Landev to collaborate on repairing 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. Garcia presented and reviewed the Bookkeeper's Report for the JSTP, a copy of which is attached hereto as **Exhibit B**. Additionally, she discussed the budget for the JSTP and possible amendments. 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.

Mr. Bennett and Captain Blackledge arrived at this time.

ENGINEERING REPORT FOR THE JSTP AND JOINT FACILITIES

Mr. Blissett presented the Engineering Report for the JSTP and Joint Facilities. He then provided an update on the status of the new blowers and said that, due to the current high temperatures, the new blowers are being supplemented by the old blowers. Mr. Blissett then further discussed maintenance and repairs that could improve inefficiencies in the system, stating that Landev will collaborate with MOC to find a solution. He also made recommendations that could help with the odor issue previously discussed.

JOINT CONSTABLE PATROL REPORT

Captain Blackledge gave the Joint Constable Patrol Report and reviewed incidents which occurred in the District(s).

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 24, 2019, special meeting and the August 21, 2019, regular meeting. After brief discussion, the Board opted to defer approval of each set of minutes until the next regularly scheduled meeting.

CONSTABLE PATROL REPORT

Captain Blackledge presented the Constable Patrol Report and reviewed incidents which occurred in the District for the preceding month. He then discussed the current pay rate for deputies working the extra patrol job for the District, requesting that the Board agree to raise the pay from

\$35 per hour, which was set in 2008, to \$45 per hour. Mr. LaConti said that the increase would amount to an additional approximately \$31,000 annually, which is within the District's budget capability. Director Norris asked for clarification on which kind of patrol is provided, and Captain Blackledge explained the patrol locations and coverage. He then advised that deputies on extra patrol would respond to emergency calls, but all others should be directed to the Harris County Sheriff's Office ("HCSO"). The Board then discussed the differences in the response times between HCC4 and HCSO. The Board agreed to revisit the topic at the next regularly scheduled meeting.

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 Owen, 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

Mr. Roach presented the Delinquent Tax Collections Attorney Report and noted there are currently three (3) accounts requiring action at this time. Mr. Roach then advised that the District can terminate water service on those accounts and explained the legal requirements for so doing. Director Allen made a motion to approve the Delinquent Tax Collections Attorney Report and to authorize the operator to send out termination notices. Director Norris seconded the motion, which carried unanimously.

REVIEW 2019 TAX RATE RECOMMENDATIONS

Ms. Shelton reminded the Board of the process for authorizing the publication and setting of a tax rate. She then reviewed in detail Senate Bill 2 ("SB2") with the Board, explaining how it may affect tax rates. After lengthy discussion, Director Norris made a motion to authorize Ms. Sullivan to publish notice of a tax rate hearing indicating the Board's intention to set a 2019 tax rate of \$0.33 per \$100 of assessed valuation. Director Austin seconded said motion, which passed unanimously.

Ms. Sullivan exited 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 13(C)

Mr. Bennett discussed the bid process for construction of the Phelan-Bennett Development utilities and presented the bid recommendation to the Board. Mr. Garza reviewed each bid with the Board and concurred with Mr. Bennett's selection of Curry Excavation & Site Work, Inc. ("Curry Excavation") as the low bidder on the project. After review, Director Austin made a motion, seconded by Director Norris, to concur in the developer's award of the construction contract to

Curry Excavation in the amount of \$614,811.40, subject to verification of the requisite payment and performance bonds and insurance requirements. The motion passed unanimously.

Mr. Bennett then discussed options for development and reimbursement including financing considerations for the Annexation, Development and Financing Agreement including the payment-in-lieu-of-taxes (“PILT”) process and advised the Board that his development is already under contract for a sale date in May 2020. Mr. Bennett stated that he is willing to pay certain costs up-front to help expedite the reimbursement process and would like to work with Ms. Shelton and Mr. Roach on structuring an agreement accordingly. After discussion, the Board concurred that Mr. Bennett should work with Mr. Roach and Ms. Shelton to coordinate the necessary agreement revisions.

Mr. Bennett exited the meeting at this time.

BOOKKEEPER'S REPORT

Mr. LaConti presented the Bookkeeper’s Report, a copy of which is attached hereto as **Exhibit D**. He then explained CD investment recommendations as indicated in the Bookkeeper’s Report. Mr. LaConti advised that none of the Directors were signed up for the Association of Water Board Directors (“AWBD”) winter conference at this time. Mr. Roach then advised the Board that, prior to exiting the meeting, Mr. Bennett submitted a \$10,000 check as the balance towards estimated annexation feasibility fees. After further review, Director Norris made a motion, seconded by Director Owen, to approve the Bookkeeper’s Report, including invoices and investment of CDs as discussed and outlined in the Bookkeeper’s Report. The motion carried unanimously.

REVIEW OPTIONS FOR RENEWAL/EXTENSION OF ELECTRICITY CONTRACT

Mr. LaConti explained the District’s current electricity contract and options for an extended pooled purchase of electricity through 2029 to secure the current low rates. After brief discussion, Director Norris made a motion to authorize MA&C to work with Acclaim Energy on aggregating the District’s electricity accounts with the proposed pool extension and to adopt a Resolution in that regard. Director Austin seconded the motion, which passed unanimously.

ENGINEERING REPORT

Mr. Garza advised that there were no significant engineering updates at this time. The Board then discussed the acquisition of a new aerial photograph of the District. The Board concurred with Landev ordering a new aerial photograph of the District.

FINANCING/REIMBURSEMENT REQUESTS, SITE/FACILITY CONVEYANCES, ANNEXATION STATUS, POSSIBLE AMENDMENT OF UTILITY DEVELOPMENT AGREEMENT(S) AND OTHER DEVELOPMENT MATTERS – SECTIONS 13(A) & (B)

Mr. Roach advised the Board on the status of annexation of the development by Zurg, LLC

("Zurg"), stating that Zurg is working on obtaining consent from all lienholders on his property. He also explained that a PILT payment from Zurg should be forthcoming.

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 discussed bottom-cleaning Lift Station No. 5 (the "Lift Station"). He advised that the sewer line can be smoke tested, and that bottom-cleaning will more than likely begin soon due to an excess build-up of sand and mud from rain, which can damage the Lift Station's motors. Mr. Martin said he will re-analyze the current state of the Lift Station and report back to the Board.

Mr. Martin then discussed options for purchase of an extra fuel tank for the portable generator. He advised placing the extra fuel tank at the JSTP for easier access when needed. Mr. Martin then discussed the upcoming Water Smart event on October 6, 2019, as well as National Night Out ("NNO"). After brief discussion, the Board then addressed options for payback of the unbilled North Harris County Regional Water Authority ("NHCRWA") fee. After discussion, Director Austin moved, seconded by Director Norris, to approve a Rate Order amendment which accounts for the increase in the NHCRWA fee to residents by \$0.14 until April 2020 and then re-evaluate to accommodate for the previously unbilled amount. The motion carried unanimously. Director Allen then made a motion to approve the Operations and Maintenance Report and any associated collectibles. Director Austin seconded the motion, which passed unanimously.

Ms. Shelton exited the meeting at this time.

RESOLUTION AUTHORIZING USE OF SURPLUS CONSTRUCTION FUNDS

Mr. Roach advised that RMPLLC is still working with Landev, MOC, and MA&C to prepare a resolution authorizing use of surplus construction funds. This item was deferred at this time.

STATUS OF PARK MANAGEMENT/MAINTENANCE FOR THE PARK AT WILLBERN

Director Owen advised the Board that Mr. Michael Murr of Park Rangers LLC ("Park Rangers") emailed an update on the status of repairs to various park equipment. The Board discussed a bollard which was repaired and repairs that could be made to a broken picnic table. Director Owen advised she would relay the information to Mr. Murr.

DIRECTORS' REPORTS

Director Owen provided an update from the North Harris County Regional Water Authority ("NHCRWA") meeting.

REVIEW CURRENT DISTRICT POLICIES

Director Owen advised that she emailed Shannon Waugh with Off Cinco about help with her iPad and that, during the conversation, Ms. Waugh advised Director Norris' iPad had been given to RMPLLC before she was re-appointed to the Board. Mr. Roach said RMPLLC will look into the matter.

STATUS OF FILING OF CONTINUING DISCLOSURE REPORT

Mr. Roach briefly explained the process of filing of the annual Continuing Disclosure Report and advised the Board that it has been completed by the District's disclosure counsel.

ATTORNEY'S REPORT

Mr. Roach briefly discussed the 2019 legislative update and advised the Board that a summary of the update has been provided to the Directors. Mr. Roach then introduced Mr. Colley, who gave a detailed explanation of law enforcement coverage in the District and answered the Board's questions regarding contract negotiations. The Board agreed to revisit this item at the next regular meeting. Mr. Roach discussed a cyber security form and advised that the information will be forwarded to Mr. Martin for review.

EXECUTIVE SESSION

The Board did not enter executive session during the meeting.

DISCUSSION REGARDING PENDING OR FUTURE BUSINESS

There was no discussion regarding pending or future business.

ADIJOURNMENT

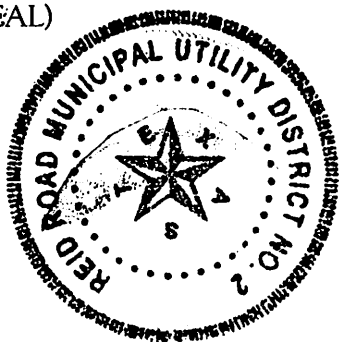
After no further discussion, Director Norris moved to adjourn the meeting. Director Allen seconded said motion, which carried unanimously.

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Approved on October 16, 2019


Secretary, Board of Directors

(SEAL)



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 |