

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1

Minutes of Meeting of Board of Directors

September 20, 2023

The Board of Directors (“Board”) of Reid Road Municipal Utility District No. 1 (“District”) met on Wednesday, September 20, 2023, at 11245 Harvest Bend Boulevard, Houston, Harris County, Texas, in accordance with the duly posted notice of said meeting, with a quorum of Directors present, as follows:

Patrick Cieslewitz, President
Carla Christensen, Vice President
Robert Sumpter, Secretary
Karen Brengel, Treasurer and Assistant Secretary
Ed Swannie, Director

and the following absent:

None.

Also present were Ms. Debbie Shelton, District financial advisor; Ms. Robin Goin, tax assessor-collector for the District; Mr. John Montgomery, District operator; Mr. Mason Mueller, District engineer; Ms. Erin Garcia of Myrtle Cruz Inc; Mr. Erik Scott and Mr. Robert Garcia of Champions Hydro-Lawn; Sergeant A. Martinez of the Harris County Precinct 4 Constable’s office; a quorum of the Board of Directors of Reid Road MUD No. 2 and appropriate consultants of that district; and Ms. Melissa J. Parks, attorney for the District.

The President called the meeting to order and declared it open for such business as might regularly come before it.

1. Mr. Montgomery presented the joint sewage treatment plant operations report, noting there had been no violations of the waste discharge permit and that the plant had operated at 43% of permitted capacity. Mr. Montgomery reported on continued monitoring and testing for any unauthorized discharges of Reid Road MUD No. 2 customer Sunny Sky and again confirmed thus far no harm to the joint sewage treatment plant from same. Mr. Montgomery reviewed the remainder of the monthly report and thereafter, upon motion by Director Christensen, seconded by Director Swannie, the Board voted unanimously to approve the operator’s report.

2. Ms. Garcia presented the joint plant bookkeeper’s report, copy attached. She reviewed income received and disbursements made at or after the last Board meeting and presented checks for payment of current bills totaling \$62,121.42. Ms. Garcia reviewed the joint plant budget comparison report for the first five months of the fiscal year ending March 31, 2024. After further discussion, upon motion by Director Swannie, seconded by Director Christensen, the Board voted unanimously to approve the bookkeeper’s report as presented and authorized payment of the checks listed thereon.

3. Mr. Mueller presented the attached joint plant engineer’s report. The engineers continue to address comments from Harris County regarding proposed changes to the wastewater treatment plant outfall and, given the lack of response, will escalate communications with the County. Mr. Mueller next reported he contractor for the odor mitigation construction

project should mobilize for work by mid-October. He indicated the contractor will be submitting a change order for the contract completion date related to delays in procurement of materials. The Board discussed engineering inspection services for this project, and Mr. Mueller confirmed the cost of such services at \$18,800, which had not been included in the original proposal or budget. The Board agreed such services were necessary and appropriate. To that end, the Board agreed the joint plant operating budget should be amended to reflect this amount and the June 21, 2023 odor mitigation payment agreement between the District and Reid Road MUD No. 2 be amended as well. Finally, Mr. Mueller confirmed that the engineer's proposed fees for preparation of an application for renewal of the waste discharge permit had been presented to the Board and approved in May, 2023 in the total amount of \$45,000. The Board agreed the plant operating budget should be amended to reflect such expense and agreed to review and act on same at the next meeting. After further discussion, the Board voted unanimously to approve the engineer's report.

4. The Board reviewed a written report on law enforcement activities occurring during the month. Sergeant A. Martinez discussed the report with the Board and provided additional detail. The Board inquired about car thefts occurring at the apartment complex on Windfern, and Sergeant Martinez stated law enforcement is aware of the situation. Thereafter, the Boards opened the floor for public comment, but no public comment was offered. The Board and consultants of Reid Road MUD No. 2 then exited the meeting.

5. Debbie Shelton of Masterson Advisors LLC addressed the Board and presented a cash flow analysis and recommendation with respect to the District's 2023 tax rate. The Board reviewed these materials which among other information reflected a 2023 taxable value of \$435,317,868, including the owners' opinion of uncertified value. The Board also reviewed the 2023 voter approval tax rate worksheet. The Board considered the attached Resolution Finding District to be Low Tax Rate, Developed, Developing, or Developed District in a Declared Disaster Area, Calling Public Hearing on 2023 Tax Rate, and Authorizing Tax Assessor-Collector to Prepare and Publish Notice of Public Hearing. After discussion, upon motion duly made, seconded, and unanimously carried, the Board found that the District is a developed district and adopted the attached Resolution so stating. The Board also authorized publication of a notice of a public hearing at which the Board will consider adoption of a total 2023 tax rate of \$0.409 per \$100 assessed valuation, consisting of a debt service tax of \$0.165 and a maintenance tax of \$0.244. The attorney noted that after considering a proposed tax rate, the District must update the internet posting required by Tax Code §26.18 and Government Code §2051.202. The Board unanimously authorized the tax assessor-collector to post the required materials in compliance with these laws.

6. The Board opened the floor for public comment, but none were offered.

7. The Board considered the minutes of its meetings held July 19 and August 16, 2023. Upon motion by Director Christensen, seconded by Director Sumpter, the Board voted unanimously to approve the July 19 minutes. Thereafter, upon motion by Director Brengel, seconded by Director Swannie, the Board unanimously approved the August 16 minutes.

8. Robin Goin presented the tax assessor/collector's report, copy attached, which showed that through August 31, the District's 2022 taxes were 98.595% collected. Ms. Goin presented checks for payment of current bills which upon release would leave a balance of \$75,971.67 in the tax account. The Board reviewed a list of delinquent accounts and was

informed by Ms. Goin of the status of two installment payment agreements. Upon motion by Director Brengel, seconded by Director Christensen, the Board voted unanimously to approve the tax assessor-collector's report as presented and authorized release of the checks listed thereon.

9. Ms. Parks reported that in connection with amendments to the Texas Water Code enacted during the 2023 legislative session, the form of the Notice to Purchasers document required to be given to all purchasers of real property located in a water district had been modified and must be posted on the internet along with other documents that districts are required to post under the Texas Water and Government codes. She noted the District's notice has been so modified and posted. Ms. Parks now requested Board execution of an Amendment to Statement of Directors containing the updated form for recording in the Harris County real property records, and the Board executed same.

10. Ms. Garcia reviewed the bookkeeper's report, copy attached, discussing activity and ending balances in all District accounts. As requested by the Board, the bookkeeper is tracking the amount of fees of office paid to directors. Further on that subject, the Board unanimously agreed that fees of office would not be paid for director attendance at homeowner association meetings. Ms. Garcia next reviewed checks written for payment of current bills and then presented an operating budget comparison report showing activity during the first five months of the fiscal year ending March 31, 2024. The Board noted that at the next meeting an updated budget should be presented for review to address changes to purchased sewer expense, maintenance tax revenues, and a reduction in annual utilities expenses. Regarding utilities expenses, the bookkeeper and operator reported that the District's agreement with AT&T for copper telephone lines would soon be terminated, as the lines between the water plants were no longer operational and AT&T will not repair them. This will result in a substantial savings to the District. Such communications will now be via radio frequency. Finally, the Board reviewed the monthly investment report. Thereafter, upon motion by Director Christensen, seconded by Director Swannie, the Board voted unanimously to approve the bookkeeper's report as presented and authorized release of the checks listed thereon.

11. Mr. Montgomery presented the operator's report, copy attached, reflecting 93% water accountability. Mr. Montgomery reported a large amount of flushing due to six water main breaks and seven service line leaks. He noted the operators are compiling data on the locations of various water line breaks for Board consideration of a pipe replacement project, as discussed last month. Regarding such project, Mr. Montgomery noted the costs of associated road repairs will likely be quite high since any damaged areas would have to be repaired using current road construction standards. He also noted that some of the broken water lines repaired recently were damaged by fiberoptic contractor Ezee Fiber, and repair costs are being backcharged to that company.

Mr. Montgomery reported the North Harris County Regional Water Authority implemented Stage 2 drought measures under its drought contingency plan, and as a result the District has implemented its Stage 2 measures. There was a brief discussion of surcharges under the District's Drought Contingency Plan, but it was noted surcharges only become applicable under Stage 3 drought measures. Further regarding the NHCRWA, the operator confirmed the Authority had lowered its groundwater pumpage and surface water rates by \$0.50 each, effective October 1, and the Board agreed that this reduction should be passed through to District customers in accordance with the District's Rate Order and Fee Schedule.

Mr. Montgomery discussed account delinquencies and noted two accounts in the total amount of \$244.36 which the operators recommended for write-off and sending to collections. The Board unanimously agreed with this recommendation. Thereafter, the operator submitted a list of accounts subject to termination of utility service. The customers on the list had been given written notification of the opportunity to appear, either in person or in writing, at the Board meeting to contest, explain, or request correction of the charges, services, or disconnection. The customers had neither attended the Board meeting nor contacted the operator's office or the District, and after discussion, upon motion duly made, seconded, and unanimously carried, the Board authorized the operator to proceed with termination of utility service to said accounts pursuant to provisions of the District's Rate Order.

Since the last Board meeting, the District's operator and engineer had met with Dr. Jean Pierre Truong concerning actions he has taken to remediate mercury in the wastewater discharge from his dental office. Dr. Truong has installed a closed system for the purpose of capturing the mercury and preventing its discharge. The District will continue to monitor the discharge and also review manifest sheets from the company hauling away the discharge. If the discharge of mercury is reduced or eliminated in compliance with the District's Industrial Waste Order, then it may be the case that surcharges will no longer be necessary. After further discussion, the Board approved the operator's report as presented.

12. Erik Scott addressed the Board and introduced new Champions Hydro-Lawn employee Robert Garcia. Mr. Scott then presented the monthly parks report, copy attached, noting the most recent facility inspection was completed on September 13. The amount of irrigation has been reduced as much as possible, save for keeping the trees alive. Mr. Scott reported that repair of the irrigation system at Park on the Bend is almost complete, and he requested Board approval and execution of a proposal for this work. The Board reviewed and unanimously approved the proposal. Mr. Scott then reported that the talk tube at Penny Park had been moved by vandals. He was not aware of when or how this happened but recommended removal of the tube, and the Board unanimously agreed. After discussion, the Board unanimously approved Mr. Scott's report.

13. Mr. Mueller presented the engineer's report, copy attached. He reported the engineers had completed design of water well No. 4. As discussed last month, the Board confirmed that the engineers should not proceed with obtaining agency approvals of the plans at this time, in order to allow for Board consideration of undertaking a water pipe replacement project instead. Mr. Mueller generally discussed estimated costs of such a project, which could later be incorporated into the District's capital improvements project plan. Mr. Mueller then noted Phase 3 sanitary sewer smoke testing is complete. The engineers are reviewing test results and will recommend appropriate action at an upcoming meeting.

Mr. Mueller discussed construction of facilities by the NHCRWA to convert the District's water disinfection system to chloramines. Mr. Mueller still has received no details from the Authority's design engineer on final plan approval or confirmed dates to advertise for bids or award the contract. Mr. Mueller will follow up on this as well as on construction of the Authority's water supply line.

Mr. Mueller presented pay estimate No. 4 of CF McDonald Electric Inc. in the amount of \$159,125 for the MCC project at Water Plant No. 1. The contractor had also

submitted change order No. 2 in the amount of \$1,400 for removable bollards at the building. Mr. Mueller recommended approval of both items and upon unanimous vote, the Board approved same. After further discussion, the Board unanimously approved the engineer's report.

14. The Board discussed a request for out of District service for proposed baseball fields to be constructed by Cy-Hope Ballfields along Windfern Road west of Bobcat Drive. This matter was discussed at the previous meeting and the project engineers have since been informed that the Board is willing to provide the service upon payment of a capacity buy-in fee and out-of-District rates for monthly water and sewer service, both of which would be calculated and established by the District. The project engineer had indicated Cy-Hope understood the general requirements and would agree to pay all such costs. Furthermore, the project engineer will provide evidence of the tax exempt/non-profit status of the ballfield entity. To that end, after discussion, the Board authorized the District's engineer and attorney to work together to calculate a capacity fee, determine a service rate, and prepare an out of District agreement and to determine their fees for same, to be paid, preferably in advance, by the requesting entity. Mr. Muller then reported that he had received contacts from persons interested in possible development of a multi-family project on the Mulligan's tract within the District. Mr. Mueller will keep the Board apprised as and if these requests proceed.

15. The Board generally discussed matters related to the NHCRWA and took note of a September 12 press release about the \$0.50 reduction in Authority rates, as mentioned earlier.

16. Ms. Parks noted that the District's insurance policies would expire December 15, 2023, and her office would request proposals for renewed coverage for Board review in November.

17. The Board discussed the District's policies and procedures for the reservation and use of the District's administration building adopted in June, 2023. The Board discussed administration of these policies and procedures and agreed they should be made effective as of January 1, 2024. Director Brengel agreed to speak with Ms. Chris Arispe about administration of the policies and the proper persons to contact at the District's operator's and tax assessor-collector's offices to ascertain necessary information about in-District applicants.

18. The Board discussed additional pending business. Ms. Parks reported that the new patrol contract with the Harris County Precinct 4 Constable had been received and found to be in order. It had since been executed by the Board and submitted to the County for execution. The District's engineers continue to prepare maps and other materials necessary for the District's application to the City of Houston seeking consent to District annexation of the 1.98-acre Jones Road/Kismet & Fate Limited Partnership tract. Finally, the Board discussed its December meeting and arrangements for the Christmas party.

There being no further business to come before the Board, the meeting was adjourned.

Secretary