

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1

Minutes of Meeting of Board of Directors

August 21, 2024

The Board of Directors (“Board”) of Reid Road Municipal Utility District No. 1 (“District”) met on Wednesday, August 21, 2024, 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 Mr. John Taylor, District operator; Ms. Erin Garcia, District bookkeeper; Mr. Mason Mueller, District engineer; Sergeant A. Martinez of the Harris County Precinct 4 Constable’s office; Ms. Robin Goin, tax assessor-collector for the District; Mr. Robert Garcia of Champions Hydro-Lawn; a quorum of the Board of Directors of Reid Road MUD No. 2 (“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. Taylor presented the joint sewage treatment plant operations report. The plant operated at 50% of permitted capacity during the month. Mr. Taylor discussed an e. Coli violation and two mercury excursions listed on the monthly Discharge Monitoring Report. The operators are sampling and testing at the lift station and at the dentist’s office. They will also perform a dye test at the dentist’s office to determine whether the lines have been reconfigured. Mr. Taylor will report back to the Board next month. After further discussion of operating matters, upon unanimous vote, the Board approved the operator’s report as presented.

2. Ms. Garcia presented the joint plant bookkeeper’s report, copy attached. She reviewed checks presented for payment of current bills. She also presented two checks (No. 1469 payable to NWDL for \$24,486.50, and No. 1470 to Eastex Environmental Labs for \$9,876) which were not listed on the report. She reviewed a budget comparison report for the first four months of the fiscal year ending March 31, 2025. After further discussion of bookkeeping matters, upon motion by Director Christensen, seconded by Director Swannie, the Board voted unanimously to approve the report as presented, and authorized release of the checks listed thereon plus checks No. 1469 and 1470.

3. Mason Mueller presented the attached joint plant engineer’s report. PLD Construction LLC has removed and replaced the two outfalls at the wastewater treatment plant and the project is almost complete. Mr. Mueller presented and recommended payment of PLD’s pay estimate No. 1 for this project in the amount of \$77,355.

Mr. Mueller then presented and recommended payment of pay estimate No. 8 of \$18,625.78 from JTR Constructors Inc. for the odor mitigation project. He also presented Change Order No. 2 of \$1,140 for a blower pulley and belt reconfiguration. This work is needed because the blower manufacturer did not provide accurate information, and Mr. Mueller noted the contractor is not charging for labor, only for materials.

Mr. Mueller discussed renewal of the District's waste discharge permit, noting the final permit should be received in the near future. After further discussion of the engineer's report, upon motion by Director Christensen, seconded by Director Swannie, the Board unanimously authorized payment of the pay estimates and change order and approved the monthly report as presented.

4. Regarding renewal and restatement of the joint wastewater treatment plant agreement, Mr. Roach now presented Ms. Parks with comments on the document. It was confirmed the districts continue operating under the existing agreement on a month-to-month basis until the new agreement is finalized and executed.

5. Sergeant Martinez addressed the boards concerning law enforcement patrol within the districts. He reviewed a written report on activities that had occurred in July.

6. The Boards opened the floor for public comment, but no public comments were offered. The board and consultants of Reid Road No. 2 then exited the meeting.

7. The Board deferred review of the minutes of its meetings held July 17 and August 14 until the next Board meeting.

8. The Board opened the floor for public comments. No comments were offered.

9. Robin Goin presented the tax assessor-collector's report, copy attached. Through July 31, the District's 2023 taxes were 98.701% collected, leaving \$22,810.22 outstanding. Ms. Goin reviewed checks for payment of current bills and noted that upon their release, the balance in the tax account would stand at \$77,548.54. Ms. Goin then briefly reviewed delinquent accounts, including those subject to installment payment agreements as well as those which the delinquent tax collection attorneys had identified for service termination. After discussion, upon motion by Director Brengel, seconded by Director Christensen, the Board unanimously approved the tax assessor-collector's report as presented, authorized release of the disbursements listed thereon, and authorized termination of service as recommended for collection of the identified outstanding accounts.

10. Erin Garcia presented the bookkeeper's report, copy attached. She reviewed the debt service and capital projects fund accounts. The bookkeeper stated she will communicate further with the engineer and attorney about an additional breakdown of construction and engineering costs originally programed for funding projects with proceeds of the District's Series 2015 bonds. Ms. Garcia then presented checks written for payment of current operating bills and reviewed activity and ending balances in all accounts. She noted that Reid Road No. 2 will be

billed for its share of the sewage treatment plant outfall project which the District had paid in full tonight to PLD via its check no. 2064. Next, Ms. Garcia reviewed a budget comparison report reflecting activity during the first four months of the fiscal year ending March 31, 2025. She discussed the monthly investment report and noted that for the certificate of deposit that is soon to mature, the bookkeepers would seek a good interest rate for a new certificate in which to invest the funds. After further discussion, upon unanimous vote, the Board approved the bookkeeper's report as presented and authorized release of the checks listed thereon.

11. The Board discussed arbitrage-related matters and reviewed an arbitrage rebate and yield restriction compliance report prepared by Arbitrage Compliance Specialists, Inc. (ACS). The report reflected that proceeds from the District's Series 2015 bond issue on deposit in the District's capital projects fund were not spent below the minor portion of \$100,000 before September 17, 2018, nor have they been to date. For the four-year period ending 9/17/22, the capital projects fund rate of return did not exceed the materially higher yield, but since November, 2022, the investments have been earning above that yield. ACS recommended that in the near future, the District spend the project funds in excess of \$100,000. The Board noted its plans to do so. Further, as it may be that a liability is accruing, ACS recommended the District authorize it to prepare a capital projects fund yield restriction calculation. The Board reviewed a proposal from ACS to prepare such calculation for \$2,950. Thereafter, upon motion by Director Christensen, seconded by Director Sumpter, the Board unanimously accepted the proposal and engaged ACS.

12. John Taylor presented the operator's report, copy attached. Water accountability for the month was 100%. The District is supplying water to its customers from its wells no. 2 and 3 at Water Plant No. 1. Mr. Taylor will check on the run times of these wells and inform the Board if necessary to implement the District's drought contingency plan. Mr. Taylor noted the District has existing interconnects with Reid Road MUD No. 2 and that all of No. 2's wells are operational. Mr. Taylor reported there had been a fire in the District during the month, and noted the fire department had used a significant amount of water to extinguish it.

Mr. Taylor reviewed customer billing and collections data and presented seven closed delinquent accounts in the amount of \$834.47 eligible for write-off and sending to collections. He next submitted a list of 41 accounts subject to termination of utility service for delinquency. All 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. No customers had attended the Board meeting or contacted the operator's office or the District about their outstanding accounts. After discussion, upon unanimous vote, the Board authorized the operator to proceed with termination of utility service to the remaining delinquent accounts pursuant to provisions of the District's Rate Order, and to write off and send the seven closed accounts to collections.

Mr. Taylor reported on communications from White Oak Bend MUD concerning issues with a District interconnect invoice it paid in February, 2024 when the interconnect had been found partially open. The operators had provided information requested by White Oak Bend and would report back to the Board if the matter required further action.

The Board discussed the failure of the District's ground storage tank (GST) at Water Plant No. 2, and Mr. Taylor followed up on discussions at the special meeting last week on the subject. He had obtained a proposal of \$19,500 to replace the damaged original fencing around the plant site and had obtained verbal authorization from the insurance carrier to proceed with the work. He reported on other activity and further inspections conducted by persons engaged by the insurance carriers. The Board discussed methane testing and asked about a July 1, 2024 line item on the operator's invoice presented this month indicating an inspection for methane gas on that date. Mr. Taylor stated the item was inaccurate and the operators had been inspecting for lost water. He noted the operators will correct the item. The Board then requested that Mr. Taylor check into regular methane testing at District wells and provide information on pricing and recommended frequency of testing.

The Board asked that next month Mr. Taylor provide follow up information on the leak detection study and an possible incorrect invoice from NTS for rental of a lift station pump. After further discussion of operating matters, upon unanimous vote, the Board approved the report as presented.

13. Mason Mueller presented the engineer's report, copy attached. He addressed the proposed Phase I water line rehabilitation project and noted the engineers have addressed comments for resubmittal to Harris County. He noted this was the project which may be constructed through use of the BuyBoard system, and that the Board has discussed funding this and other projects with Series 2015 bond proceeds that were originally planned for a different use.

Mr. Mueller discussed information received from No. 2's engineer for a proposed waterline extension along Windfern Road. No. 2 needs the extension to avoid a dead end water line in connection with serving the P&N Machine tract that it annexed. No. 2 would like the District to pay a pro-rata share of the costs of the extension, as the extended line could provide an additional interconnect between the districts. The Board understood the idea but desired more information and a formal request from No. 2.

Mr. Mueller next reported on the status of construction of the North Harris County Regional Water Authority's (NHCRWA) project 31A facilities. He had received a preliminary timeline from the construction contractor indicating it will begin work at the District's plant site in January, 2025. Mr. Mueller will communicate with this contractor about the status of the District's No. 2 water plant.

Mr. Mueller reported that the motor control center contractor had obtained the cabinets and is now working on installation. There was no pay estimate for Board consideration at this time.

Mr. Mueller reported on the status of various projects requesting utility service from the District. There was no update on the out-of-District Cy-Hope Ballfields project, but Board members have observed signs on the property indicating the project is proceeding. In connection with its commercial project within the District on the Mulligan's tract, Holt-Lunsford needs to obtain District consent for an encroachment onto a District easement. The engineers have received and are reviewing revised plans from the engineer for the Perry Road Office/Warehouse recently annexed by the District. Finally, Mr. Mueller confirmed that a utility commitment has been sent

by the District's attorneys in connection with remodel of a former Whataburger into a Sichuan Pepper Express restaurant. After further discussion of engineering matters, upon unanimous vote, the Board approved the report as presented.

14. The Board addressed the District's capital improvements plan and the funding of projects, including those planned for water and sewer line rehabilitation. The Board agreed to defer further consideration of these matters until it sets a special meeting on the subject. The Board will invite the District's financial advisor to such meeting and will also discuss an application to the Texas Commission on Environmental Quality for use of surplus construction funds and change in project scope.

15. Robert Garcia of Champions Hydro-Lawn addressed the Board and presented the monthly parks report, copy attached. Mr. Garcia reviewed the report and noted the most recent inspection of facilities was completed on August 15. At the Board's request, Champions will check on operation of the irrigation system in areas where there is dead grass. Mr. Garcia reported that tree limbs had fallen in several areas, including near Water Plant No. 2, and he provided photographs of the affected areas. These limbs had fallen before the recent hurricane, and Champions will prepare a proposal for their pickup and removal. After further discussion, the Board unanimously approved Mr. Garcia's report.

16. The Board considered matters related to the NHCRWA and the most recent meeting of the Authority's board. The Board briefly discussed the Authority's plans to upgrade the District's well meters at no cost to the District in advance of the NHCRWA's provision of surface water to the District.

17. The Board undertook its annual review of the District's Rate Order and Fee Schedule. The operators will compare amounts charged by the District to its customers and by the operator to the District and confirm whether the District's charges to its customers result in net revenue. The Board then conducted its annual review of the District's Code of Ethics and agreed that no additions or revisions were necessary, especially given the latest amendment of the document in April, 2023.

18. The Board discussed pending business. Ms. Parks provided an update on the correspondence received earlier in the month from Liberty Mutual, the District's boiler & machinery insurance carrier. The correspondence was a denial of coverage for damage to the District's vertical turbine line shaft motor which occurred soon after the May, 2024 derecho storm. The loss had originally been reported to the boiler and machinery carrier, since the cause of loss was unknown at the time. As that carrier has determined that the loss was not due to a power surge, the District's agent has since reported the loss to the property carrier for handling.

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

Secretary