

REID ROAD MUNICIPAL UTILITY DISTRICT NO. 1

Minutes of Special Meeting of Board of Directors

October 2, 2024

The Board of Directors (“Board”) of Reid Road Municipal Utility District No. 1 (“District”) held a special meeting on Wednesday, October 2, 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; Mr. Mason Mueller, District engineer; 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 properly come before it.

1. The Board initially discussed pending business, specifically the July 30, 2024 failure of the District’s ground storage tank (GST) at Water Plant No. 2 and the resulting damage to the two homes adjacent to the plant site. Earlier today the District received copies of letters from the defense counsel hired by the District’s liability carrier to represent the District. The letters are written to the affected homeowners in connection with their property damage claims under the District’s liability policy. The letters indicate that the District’s governmental immunity from liability under the Texas Tort Claims Act is not waived in this instance, and therefore there is no basis for payment of the homeowners’ claims under the District’s liability policy.

The Board discussed defense counsel’s communication with Ms. Parks. She generally described governmental immunity and the Texas Tort Claims Act’s waiver of immunity from liability in limited situations. The insurance carrier has determined that the District’s governmental immunity was not waived under the circumstances of the GST failure upon which the homeowners’ claims are based. The defense counsel had informed Ms. Parks that the carrier’s determination is based on the results of the investigation by the forensic engineer it engaged to review the incident. The District has not received a copy of this report, and the Board asked Ms. Parks to request it so that the Board can review the results. The Board was also interested in obtaining additional advice on the matter from either the defense counsel or another insurance attorney.

The Board discussed its interest in preventing a recurrence of this incident upon construction of a new GST. It will seek such information in the report of the insurance company's experts and/or an expert which the District may engage to study the incident.

Ms. Parks reported that since the Board's September 18 meeting, the District's property, boiler & machinery and liability insurance carriers had indicated their release of the plant site after their investigations. To that end, Mr. Taylor reported that the demolition contractor would require an asbestos inspection before starting demolition and removal of the tank. The Board authorized the operator to obtain the inspection but agreed to delay the demolition until the Board decides whether to pursue further investigation of the tank failure.

2. The Board discussed the District's capital improvements plan (CIP) and the funding of projects using proceeds from the Series 2015 Bonds. The Board reviewed the projects in the CIP and discussed funding through use of a combination of available Series 2015 bond proceeds, general funds, and proceeds from future bond issues.

The Board reviewed the Texas Commission on Environmental Quality (TCEQ) memorandum issued in July, 2015 approving the District's application for issuance of bonds for construction of various District projects. The Board discussed the approved projects listed in the memorandum in order to identify which had been completed and funded, and which had not. The District's attorney, bookkeeper and engineer agreed to review their files for additional information to clarify amounts previously expended by the District on these projects. It would be necessary to precisely determine these amounts before the Board can make final decisions about funding current projects. The Board's goal is to spend all 2015 bond proceeds first, then utilize available surplus operating funds, and finally, as necessary, issue additional bonds. The Board also discussed establishment of a "renewal and replacement fund" in the District's operating account.

The Board then reviewed projects listed in the CIP and discussed the District's expenditure earlier this year of \$235,864 in operating funds for construction and engineering costs of the emergency rehabilitation of water well No. 2. It seemed such a project would have been eligible for funding under TCEQ rules for use of surplus capital projects funds. After discussion, the Board agreed to consider adoption of a resolution authorizing use of surplus capital projects funds in the amount spent on the completed project and thereafter transferring such surplus funds to the operating account.

The Board further discussed CIP projects, including the proposed Phase One waterline replacement project. This project is in design, and the remaining engineering and construction costs are estimated to amount to \$1,161,719. To use available Series 2015 bond proceeds for this project it would be necessary for the District to apply to TCEQ for change in project scope and authorization to use funds previously programmed for a different project. The Board also discussed the order of completion of the Phase Two waterline replacement project and the sanitary sewer evaluation and rehabilitation projects. The Board requested the District's engineer to consider this matter and update the CIP to include a prioritization timeline.

The Board then contacted District bookkeeper Erin Garcia by telephone conference call and relayed the above discussions to her. The Board noted its intent to schedule another special

meeting in a few months after the bookkeeper, attorney and engineer have gathered and analyzed the information outlined above.

3. The Board agreed there was no need at this time to discuss another application to the TCEQ for use of surplus funds and change in project scope. The Board had adopted such an application in May, 2024 pertaining to the Phase One waterline replacement project but has not yet submitted it to TCEQ pending the outcome of the above discussions.

4. The Board then discussed two additional matters of pending business. First, Mr. Taylor asked the Board if John Montgomery had previously mentioned considering an increase in the capacity of the digester at the joint sewage treatment plant. If Mr. Montgomery had not, then Mr. Taylor wanted to discuss the subject with the Board, as he noted there were occasions when management of solids at the plant can become difficult. The Board did not recall such discussions with Mr. Montgomery. Mr. Taylor thereafter suggested that the Board at some point consider authorizing the District's engineer to amend the CIP to include an increase in digester capacity or adding a digester with a thickener.

Ms. Parks reported that in connection with the Sunny Sky litigation of Reid Road No. 2, an attorney for Sunny Sky had recently made a public information request of the Harris County Flood Control District (HCFCD). The request was for documents and communications in HCFCD's files from January 1, 2016 to the present related to the District and Reid Road No. 2. The District became aware of the request because HCFCD wrote a letter to the District's current and former engineers asking if they objected to the release of the information. Cobb Fendley contacted Ms. Parks about this, and she in turn contacted Reid Road No. 2's general and litigation attorneys. At this point, there is no action for the District to take.

5. The Board opened the floor for public comments, but none were offered.

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

Secretary