

MINUTES OF REGULAR MEETING
ROLLING CREEK UTILITY DISTRICT
HARRIS COUNTY, TEXAS

3 May 2017

STATE OF TEXAS
COUNTY OF HARRIS

The Board of Directors (the "Board") of Rolling Creek Utility District (the "District") of Harris County, Texas, met in regular session, open to the public, on the 3rd day of May, 2017, at the offices of Coats Rose, P.C., 9 Greenway Plaza, Suite 1100, Harris County, Texas, outside the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Brian Gardner	President
Adrian Shapiro	Vice President and Investment Officer
Gary Brown	Secretary/Treasurer
Kenneth B. Levenson	Assistant Secretary
Clay Deaton	Assistant Vice President and Assistant Secretary

and all of said persons were present, thus constituting a quorum.

Also present were Patricia Rodriguez of Bob Leared Interests, Inc. ("Leared"), representing Bob Leared, the District's Tax Assessor/Collector; Karrie Kay of Myrtle Cruz, Inc., the District's Bookkeeper; Mark Eyring of Roth & Eyring, PLLC, the District's Auditor; Gregg Haan, P.E., of LJA Engineering & Surveying, Inc., the District's Engineer; Mirna Bonilla-Odums representing Severn Trent Environmental Services, Inc. ("STES"), the District's Operator; Kirti Patel representing Richfield Real Estate Corporation ("Richfield"); Richard Rue representing Woodmere Development Company, Ltd. ("Woodmere"); Nicholas Rivas representing the Pine Forest Country Club (the "Country Club"); and Dick Yale, Will Yale, Cole Konopka, and David Green of Coats Rose, P.C. ("Coats Rose"), the District's Attorney.

Director Gardner called the meeting to order.

Approval of Minutes

First, the Board considered approval of the minutes of the meeting of 5 April 2017. Upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 5 April 2017, as written.

Harris County Contract Deputy Program / Security Patrol Report

The Directors discussed matters relating to the Contract Deputy Program. Mr. Will Yale distributed to the Board copies of the Security Patrol Report for April 2017 as prepared by the Harris County Sheriff's Department (the "Sheriff's Department"). A copy of the Security Patrol Report is attached hereto as an exhibit to these minutes. A discussion ensued regarding the attendance of a representative of the Sheriff's Department at the meetings of the Board. In response to a question from Director Deaton, the Directors expressed their desire for a representative of the Sheriff's Department to attend the Board's regular meetings held in January and July of each year. Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Security Report.

Tax Assessor/Collector's Report

Next, Ms. Rodriguez submitted the Tax Assessor/Collector's Report for the Board's consideration. She summarized the activity in the District's Tax Account and noted that Leared was requesting approval for six checks written on the District's tax account, said checks including the transfer to the District's Operating Fund of \$1,118.91 in penalties and interest assessed on delinquent taxes paid to the District and the transfer of \$3,439.11 in revenues from the tax for maintenance and operations to the District's Operating Fund. Ms. Rodriguez also noted that the District's 2016 tax levy was 98.2% collected. She called the Board's attention to the list of Top Delinquent Taxpayers, a copy of which is included in the Tax Assessor/Collector's Report. In response to a question from Director Levenson, Ms. Rodriguez stated that for future Board meetings the list of Top Delinquent Taxpayers would include a separate listing for delinquent tax accounts in which the owner of the property had been granted a deferral for being over 65 years of age.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Report of the Tax Assessor/Collector and to authorize disbursement of the sums from the District's Tax Account as listed therein. A copy of the Report of the Tax Assessor/Collector is attached to and shall be considered to be part of these minutes.

Bookkeeper's Report

Next, Ms. Kay distributed the Bookkeeper's Report for the Board's review. She listed the balances in each of the District's accounts and noted investments in each account. Ms. Kay reviewed the activity in each account. She called the Board's attention to the District's bills and the checks prepared in payment thereof.

The Directors then reviewed: (1) the Operating Budget for the fiscal year ending 31 July 2017; (2) the Summary of Costs relating to the District's Series 2014 Bonds; (3) the Budget Comparison for March 2017; (4) the Cash Flow Comparison table; (5) a table listing the District's power consumption and the amount billed to the District for

electric service; and (6) the Investment Report, copies of which are included with the Bookkeeper's Report.

The Board then completed the review of the District's bills. Upon a motion duly made and seconded, the Board voted unanimously to approve the Bookkeeper's Report and to authorize payment of the District's bills. A copy of the Bookkeeper's Report is attached to and shall be considered to be part of these minutes.

Proposed Operating Budget for Fiscal Year ending 31 July 2018

Ms. Kay called the Board's attention to the proposed Operating Budget for the fiscal year starting 1 August 2017 and ending 31 July 2018 (the "2018 Budget"), a copy of which is included with the Bookkeeper's Report. The Directors deferred discussion regarding the 2018 Budget to the Board's meeting on 7 June 2017.

Solid Waste Collection Report

Mr. Yale distributed copies of the Monthly Account Summary for the District's solid waste collection service for April 2017 on behalf of Best Trash, LLC, the District's Solid Waste Collector. A copy of the Monthly Account Summary is attached hereto as an exhibit to these minutes. After review, upon a motion duly made and seconded, the Board voted unanimously to accept the Monthly Account Summary.

West Harris County Regional Water Authority

Director Gardner reported on recent activities of the West Harris County Regional Water Authority (the "Authority"). Mr. Yale submitted to and reviewed with the Board a memorandum from Coats Rose regarding the meeting held on 12 April 2017 by the Authority's board of directors. A copy of the memorandum is attached hereto as an exhibit to these minutes. Mr. Yale informed the Board that the Authority would conduct a MUD Directors' Outreach Workshop at 6:00 p.m. on Thursday, 8 June 2017, at the Fry Road Facility located at 20111 Saums Road in Katy, Texas.

Engage Auditor

Next, Mr. Eyring submitted to and reviewed with the Board a Proposal for preparation of the District's annual financial reports for the fiscal years ending 31 July 2017 and 31 July 2018 (the "Reports"). The Board noted that under the Proposal, the estimated cost to the District for the preparation of each Report would be \$10,950, for a combined total of \$21,900. After discussion, upon a motion duly made and seconded, the Board voted unanimously to: (1) accept the Proposal and (2) authorize Director Gardner to execute the engagement letter dated 3 May 2017 between the District and Roth & Eyring, PLLC. A copy of the engagement letter is attached hereto and shall be considered part of these minutes.

Identity Theft Prevention Program / Annual Review

The Board then discussed the District's Identity Theft Prevention Program (the "Program") that was adopted 1 April 2009 and effective on 1 May 2009, including the annual review of actions taken by the District's consultants in connection with the Program. Mr. Yale submitted for the Board's review the reports (the "Review Reports") prepared by the District's Operator and Tax Assessor/Collector in connection with the annual review of their implementation of the Program. Copies of the Review Reports are attached hereto as exhibits to these minutes. Mr. Yale noted that STES and Leared had implemented procedures and controls that provide for the security of accounts as required under the Program and under the Identity Theft Rules adopted by the Federal Trade Commission pursuant to the Fair and Accurate Credit Transactions Act of 2003. Mr. Yale stated that based on the Review Reports it appeared that no "red flags" had been raised during the past year and that all of the procedures were working smoothly for STES and Leared.

Engineer's Report

Next, Mr. Haan reviewed the Engineer's Report with the Board. A copy of the Engineer's Report is attached hereto as an exhibit to these minutes.

Proposed Relocation of Water Line and Sanitary Sewer Force Main on Clay Road Bridge

The Board discussed matters relating to the proposed relocation (the "Relocation Project") of the District's 12-inch water line and 10-inch sanitary sewer force main (the "District Lines") that are mounted on the side of the Clay Road Bridge over Bear Creek in the District. Mr. Haan reported that Harris County (the "County") had provided the District's Attorney with the second draft of the Interlocal Agreement between the District and the County that will facilitate the County issuing a change order on its contract with WadeCon/Menade, Inc. ("WadeCon"), the County's contractor for the widening of Clay Road and the Clay Road Bridge (the "Bridge Project"), so that WadeCon would (1) construct a temporary water line and temporary sanitary sewer force main (the "Temporary Facilities") to provide continued potable water service and sanitary sewer service to the Amesbury Park Subdivision during the course of the Bridge Project; and (2) remove the Temporary Facilities upon completion of the Bridge Project and reinstall the District Lines on the side of the Clay Road Bridge (the "Permanent Facilities"). He noted that under the Interlocal Agreement, the District was required to submit plans and specifications for the Relocation Project (the "Plans") to the County by 26 May 2017. Mr. Haan stated that the District's Engineer had prepared the Plans and would submit same to the County on 5 May 2017. Mr. Konopka then reviewed the Interlocal Agreement with the Board. He pointed out to the Board that the cost to the District for the relocation of the District Lines under the Interlocal Agreement would total \$312,213.63, consisting of \$143,933.53 for the Temporary Facilities and \$168,280.10 for the Permanent Facilities.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) approve the Interlocal Agreement and to authorize Director Gardner to execute same; and (2) authorize payment to the County in the amount of \$312,213.26 in connection with the Interlocal Agreement. A copy of the Interlocal Agreement as approved by the Board is attached hereto as an exhibit to these minutes. Also attached hereto are copies of Check Nos. 5095 and 5096 from the District's Operating Fund, payable to the County in the amount of \$143,933.53 and \$168,280.10, respectively.

Mr. Haan then informed the Board that the District's Engineer had incurred additional costs in connection with the third design of the Relocation Project in connection with the Interlocal Agreement. However, he continued, the District's Engineer would not prepare a change order to the Proposal for Engineering Services that was approved by the Board on 4 May 2016 and amended on 4 April 2017.

The Board discussed matters relating to the Relocation Project again during the presentation of the Attorney's Report.

Wastewater Treatment Plant / Proposed Expansion

The Directors next discussed matters relating to the proposed construction of a 200,000 gallon-per-day package plant Train 3 Section of the District's Wastewater Treatment Plant (the "Plant Expansion"). Mr. Haan reported that four bids were received by the District's Engineer for the Plant Expansion. He stated that the apparent low base bid for the Plant Expansion was submitted by T&C Construction, Ltd. (called "T&C"), in the amount of \$1,585,680. A copy of the bid tabulation for the Plant Expansion project is attached hereto as an exhibit to these minutes. A discussion ensued regarding the bids for the Plant Expansion. Mr. Haan stated that T&C was willing to change its subcontractor on the project to Springer & Springer Incorporated ("Springer"), which would likely reduce its bid cost for the project. Mr. Will Yale stated that the Board could award the contract for the Plant Expansion to T&C on the condition that T&C agrees to execute a change order simultaneously with the execution of the contract in order to change the subcontractor on the project to Springer and change the bid cost of the contract (the "Change Order"). Mr. Dick Yale informed the Board that Richfield would have to advance funds to the District for the cost of the Plant Expansion project before the District could execute the contract and the Change Order.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the low bid and award the contract for the Plant Expansion project to T&C, contingent on the simultaneous execution of the Change Order as described above.

Clearing and Grubbing / Sections 5 and 6 of Grand Oaks Subdivision

Next, the Board discussed the status of the contract with Crostex Construction, Inc. for the clearing and grubbing of Sections 5 and 6 of Grand Oaks Subdivision (the "Clearing"). Mr. Haan reported that the Clearing was complete.

Renewal of Wastewater Discharge Permit

Mr. Hann then informed the Board that the District's Wastewater Discharge Permit (the "Permit") would expire on 1 May 2018. He noted that the District was required to submit its application for the renewal of the Permit 180 days prior to the date of expiration. Mr. Haan stated that he would present a Proposal for Engineering Services in connection with the renewal of the Permit at the Board's meeting on 7 June 2017.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Engineer's Report.

Operations Report

Ms. Bonilla-Odums distributed the Operations Report for the Board's consideration. She reported that the District had produced 57,000 gallons of water from its own wells and had purchased 9,551,000 gallons of water from the Authority during the period of 9 March to 6 April 2017, with an accountability rate of 98.9%. Ms. Bonilla-Odums reported that the District has 1,177 active connections. She informed the Board that nine residential connections were installed during April 2017. She noted that the District's Wastewater Treatment Plant (the "Plant") operated with its average level of flow at 50% of its rated capacity during the reporting period.

Ms. Bonilla-Odums then reviewed with the Board (1) the Major Expenses Maintenance Summary for the District's water distribution and sanitary sewer systems; and (2) the Major Sewer Plant Maintenance Summary for the Plant for April 2017, copies of which are included with the Operations Report.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Operations Report. A copy of the Operations Report is attached to these minutes as an exhibit.

Pine Forest Country Club

The Board then discussed matters relating to the Country Club. Ms. Bonilla-Odums reported that the District's Operator had erroneously billed the Country Club over several years for sanitary sewer service (the "Billing"). Mr. Will Yale explained to the Board that the District provides water service to the Country Club pursuant to the Water Supply Contract dated 21 July 1995 and amended on 6 December 2000. He stated that Southwest Water Company, the District's former Operator, did not inform

STES that the District provides only water service to the Country Club. Mr. Yale noted that the Country Club receives its sanitary sewer service from Harris County Municipal Utility District No. 136 ("HCMUD 136"). Mr. Rivas then addressed the Board and explained that a recent review of invoices revealed that the Country Club had been paying both the District and HCMUD 136 for the sanitary sewer service. He stated that the Country Club was due \$27,649 from the District in connection with the Billing. Director Levenson proposed that the District's Operator review the invoices to the Country Club for the previous five years (the "Review") and provide the Country Club with a credit on its account for water service that was equivalent to the total erroneous Billing for sanitary sewer service during that time period (the "Credit"). Directors Levenson and Deaton stated that they were members of the Country Club and accordingly would abstain from voting on this matter.

After discussion, during which Directors Levenson and Deaton stated that they would abstain, upon a motion duly made and seconded, the Board voted 3 to 0 to authorize the District's Operator to perform the Review and provide the Credit to the Country Club as described above.

2016 Drinking Water Quality Report

Ms. Bonilla-Odums then reviewed with the Board the draft 2016 Drinking Water Quality Report for the District (the "DWQR") as prepared by STES, a copy of which is included with the Operator's Report. Mr. Yale reported that the District's Attorney had reviewed the draft DWQR and had provided the District's Operator with minor revisions to same. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the DWQR, as amended. A copy of the amended DWQR is attached hereto as an exhibit to these minutes.

Wastewater Treatment Plant / Renewable Energy

The Board briefly discussed matters relating to the operation of the Plant. Director Deaton expressed his desire for the District to investigate options for installing renewable energy technology (the "Technology") at the Plant site such as solar panels in order to reduce the amount of electric power being purchased for the Plant. He pointed out to the Board that the Public Power Pool was willing to assist the District with regard to investigating the options for the Technology.

Termination of Service

Ms. Bonilla-Odums then requested that the Board authorize termination of services to the accounts delinquent in the payment of invoices from the District for water and sewer services. A copy of the Termination Letter list is included with the Operations Report. Ms. Bonilla-Odums said that all of the accounts on the list had been provided with the required notifications pursuant to the District's Consolidated Rate Order. She noted that 37 letters had been sent out with a due date of 10 May 2017. The Board observed that there were no persons present to protest their billings from the

District. Upon a motion duly made and seconded, the Board voted unanimously to authorize termination of services to the accounts that remain unpaid on the deadline date.

Customer Write-Off Report

Ms. Bonilla-Odums reviewed with the Board the list of delinquent utility service accounts to be written off (the "Customer Write-Off Report") as prepared by the District's Operator. A copy of the Customer Write-Off Report is included with the Operations Report. The Board noted that there was one delinquent service account in the total amount of \$100.50 that would be written off and turned over to a collection agency. After review, upon a motion duly made and seconded, the Board voted unanimously to write-off the delinquent utility service accounts and direct the District's Operator to engage a collection agency to pursue collection of the amounts owed to the District by the delinquent utility service accounts listed in the Customer Write-Off Report.

Developer's Report

Next, Mr. Rue presented a brief report on development Grand Oaks Subdivision ("Grand Oaks"). He noted that Woodmere had closed on the sale of 35 houses in Sections 10 and 11 in Grand Oaks so far this year.

Then, after discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Developer's Report.

Attorney's Report

Mr. Yale presented the Attorney's Report.

Proposed Relocation of Water Line and Sanitary Sewer Force Main on Clay Road Bridge, continued

The Directors returned to their earlier discussion regarding the Relocation Project. Mr. Will Yale remarked that the Board could determine that an emergency situation exists and undertake the Relocation Project without the delay involved with advertising for competitive bids pursuant to §49.274 of the Texas Water Code. He noted that the County requires the immediate relocation of the District Lines because the situation is holding up the commencement of the Bridge Project, and the County's contractor has threatened litigation if the District Lines are not moved promptly. Furthermore, he continued, failure to quickly relocate the District Lines could disrupt water and sanitary sewer service to the District's customers in the Amesbury Park Subdivision and might decrease fire protection to this portion of the District. Therefore, he continued, the situation meets the description of an emergency in §49.274, i.e., a serious health hazard or unreasonable economic loss to the District that requires immediate corrective action. He noted that §49.274 allows the District to commence

work prior to receipt of approval from the Texas Commission on Environmental Quality (the "Commission").

Mr. Yale then submitted for the Board's review and approval a letter from the District to the Commission, stating that an emergency situation exists and requesting approval for the District to undertake the Relocation Project without the delay involved with advertising for competitive bids so that the County's contractor may proceed with the Bridge Project, which would include the construction of the Temporary Facilities and reinstallation of the Permanent Facilities. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the letter and to authorize Director Gardner to execute same. A copy of the letter is attached hereto and shall be considered to be part of these minutes.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Attorney's Report.

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

Secretary, Board of Directors

SEAL

Rolling Creek UD
Meeting of 3 May 2017
Attachments

1. Visitor Sign-in Sheet;
2. Security Patrol Report;
3. Tax Assessor/Collector's Report;
4. Bookkeeper's Report;
5. Best Trash Monthly Account Summary;
6. Coats Rose memo / WHCRWA;
7. Engagement letter with Roth & Eyring, PLLC;
8. Letter from Bob Leared Interests / Identity Theft Prevention Program;
9. Letter from Severn Trent Environmental Services, Inc. / Identity Theft Prevention Program;
10. Engineer's Report;
11. Interlocal Agreement with Harris County;
12. Copies of Check Nos. 5095 and 5096;
13. Bid Tab / Phase 3 Expansion of Wastewater Treatment Plant;
14. Operations Report;
15. 2016 Drinking Water Quality Report; and
16. Letter from Rolling Creek UD to TCEQ / Request for Approval of Emergency Relocation of Main Water Line and Sanitary Sewer Force Main.