

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

7 November 2018

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 7th day of November, 2018, at the offices of Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, 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 representing Roth & Eyring, PLLC, the District's Auditor; Patrick Newton, P.E., and Jason Kelly, P.E., of LJA Engineering & Surveying, Inc. ("LJA"), the District's Engineer; Janet Dolan representing Inframark LLC ("Inframark"), the District's Operator; Kirti Patel representing Richfield Real Estate Corporation ("Richfield"); Andrew Rue representing Woodmere Development Company, Ltd. ("Woodmere"); and Dick Yale, Will Yale and David Green of Coats Rose, P.C., the District's Attorney.

Director Gardner called the meeting to order.

Approval of Minutes

The Board first considered approval of the minutes of the meeting of 3 October 2018. Upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 3 October 2018, as written.

Harris County Contract Deputy Program / Security Patrol Report

The Directors discussed matters relating to the Contract Deputy Program. Mr. Dick Yale stated that, to date, the Harris County Sheriff's Department had not

provided the District's Attorney with the Security Patrol Report for October 2018. The Directors agreed to review the Security Patrol Report for October 2018 at the Board's meeting on 5 December 2018.

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 \$276.45 in penalties and interest assessed on delinquent taxes paid to the District, and two transfers by wire as follows: \$12,494.35 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$20,000.00 to the District's Debt Service Fund. Ms. Rodriguez also noted that the District's 2017 tax levy was 99.5% collected and the 2018 tax levy was 1.8% 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.

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.

Aerial Photograph of District

Next, Ms. Rodriguez inquired if the Directors desired a new aerial photograph of the District (the "Photograph"). After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Tax Assessor/Collector to order the Photograph.

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. Ms. Kay informed the Board that there were six checks written on the District's Operating Fund checking account totaling \$340.50 that had not been processed and accordingly would be escheated to the Texas Comptroller.

The Directors then reviewed: (1) the Operating Budget for the fiscal year ending 31 July 2019; (2) the Summary of Costs relating to the District's Series 2014 Bonds; (3) the Budget Comparison for September 2018; (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.

Solid Waste Collection Report

Mr. Yale distributed copies of the Monthly Account Summary for the District's solid waste collection service for October 2018 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 Solid Waste Collection Report.

West Harris County Regional Water Authority

Director Gardner reported on recent activities of the West Harris County Regional Water Authority (the "Authority"). He informed the Board that the Authority had produced a documentary titled "Partners in Progress" (the "Documentary") that focuses on (1) the Authority's efforts to secure a long-term water supply; (2) future sources of water and the cost to procure same; and (3) an analysis of the rates charged by the Authority for its Groundwater Reduction Plan Fee and the Surface Water Fee. Mr. Yale reviewed with the Board an electronic mail message from Off Cinco, the District's Webmaster, stating that an internet link to the Documentary could be placed on the District's internet website (the "Website"). A copy of the electronic mail message is attached hereto. After discussion, the Board directed the District's Attorney to instruct Off Cinco to place an internet link to the Documentary on the Website.

Series 2018 Bonds / Bond Application Report

Then the Board discussed matters relating to the proposed sale of the District's Series 2018 Bonds (the "Bonds"). Mr. Yale recalled that the District's Bond Application Report had been received by the Texas Commission on Environmental Quality (the "Commission") and had been declared to be administratively complete of 14 August 2018. He stated that, to date, the Commission had not issued its Staff Memorandum or the Order authorizing the sale of the Bonds. The Board deferred further discussion regarding the Bonds until later in the meeting during the presentation of the Attorney's Report.

Reschedule Board of Directors Meeting

The Directors then considered rescheduling the 2 January 2019 Board meeting in view of the New Year's Day holiday. After discussion, upon a motion duly made and seconded, the Board voted unanimously to meet on Tuesday, 8 January 2019.

Annual Financial Report for Fiscal Year Ended 31 July 2018

The President recognized Mr. Eyring, who submitted to and reviewed with the Board the draft Annual Financial Report for the District (the "Report") for the fiscal year ended 31 July 2018 (the "Fiscal Year"). He reviewed with the Board (1) the District's combined fund balances as of the end of the Fiscal Year; (2) the District's total net assets; (3) the District's capital assets; (4) the amount of the District's bonded debt payable; (5) the Notes to Financial Statements; and (6) the Statement of Net Position and Governmental Funds Balance Sheet. Mr. Eyring reviewed with the Board the draft Management Letter prepared in connection with the Report. A discussion ensued regarding the Report. Director Deaton suggested that the paragraph titled "Water Supply Issues" on page 7 of the Report be revised to state that the District had converted to surface water. The Board agreed.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to: (1) approve the draft of the Annual Financial Report for the District for the fiscal year ended 31 July 2018, as amended; (2) authorize Mr. Eyring to finalize the Annual Financial Report; (3) authorize Director Gardner to execute the Affidavit of Filing of Annual Financial Report and the letter of representations to Roth & Eyring, PLLC; and (4) authorize the District's Attorney to file the finalized Annual Financial Report with the Commission and other governmental agencies as required. Copies of the draft Annual Financial Report are filed in the permanent records of the District. Attached hereto as exhibits to these minutes are (1) the letter of representations; and (2) a letter from the District's Attorney in connection with the Annual Financial Report.

Engage Auditor to Prepare Reimbursement Report

Mr. Yale presented to the Board for review and approval a proposal (the "Roth Proposal") from Roth & Eyring, PLLC, the District's Auditor, for preparation of the Report on Agreed-Upon Procedures regarding the review of the amounts to be expended from the proceeds of the future sale of bonds by the District for (1) reimbursement to Richfield of its eligible development costs relating to the water supply, sanitary sewer, and drainage facilities in Grand Oaks Subdivision, Sections 2, 10, and 11; (2) reimbursement to Woodmere of its eligible development costs relating to the water supply, sanitary sewer, and drainage facilities in Grand Oaks Subdivision, Sections 5 and 6; and (3) reimbursement to Woodmere of its eligible development costs relating to clearing and grubbing in Grand Oaks Subdivision, Sections 5 and 6. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Roth Proposal. A copy of the Roth Proposal is attached hereto and shall be considered a part of these minutes.

Review of District's Investment Policy

Next, the Board reviewed the District's investment strategies, pursuant to the requirements of the Public Funds Investment Act. The Board reviewed the strategies for each of the District's accounts. The Board also reviewed the List of Authorized Brokers

included as Exhibit "A" to the RESOLUTION EVIDENCING REVIEW OF INVESTMENT POLICY AND INVESTMENT STRATEGIES. After discussion, upon a motion duly made and seconded, the Board voted unanimously to adopt the Resolution, a copy of which is attached hereto as an exhibit to these minutes.

Continuing Disclosure

Mr. Yale reported that the District's consultants are preparing the necessary materials to fulfill the continuing disclosure requirements of the Securities and Exchange Commission ("SEC") pursuant to SEC Rule 15c2-12 prior to the deadline of 31 January 2019.

Engineer's Report

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

Wastewater Treatment Plant / Proposed Expansion

The Board discussed the contract between the District and T&C Construction, Ltd. (called "T&C") for the construction of the 200,000 gallons-per-day package plant Train 3 Section (the "Expansion") of the District's Wastewater Treatment Plant (the "Plant"). Mr. Newton reported that T&C had provided the District's Engineer with the record drawings and also the operation and maintenance manuals for the Expansion project.

Mr. Newton then submitted to and reviewed with the Board Change Order No. 4 to the Expansion project, which would provide for the installation of a larger chlorine building and a pedestrian gate in the perimeter fence at the Plant site. He noted that Change Order No. 4 would increase the cost of the Expansion contract by \$3,277.45. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve Change Order No. 4. A copy of Change Order No. 4 as approved by the Board is attached hereto as an exhibit to these minutes.

Amesbury Park Subdivision / Storm Sewer Outfall / Proposed Flap Gate

Next, the Board discussed the contract with Division III + Constructors, Inc. ("Division III") to construct a flap gate on the storm sewer outfall (the "Flap Gate") through which storm water drains from Amesbury Park Subdivision ("Amesbury Park") into Bear Creek (the "Flap Gate Project"). Mr. Newton reported that construction activity on the Flap Gate project had been delayed by recent rainfall events in the Houston area. He stated that Division III anticipates that construction on all phases of the Flap Gate project would commence during the following week.

Water, Sanitary Sewer, and Drainage Facilities to Serve Grand Oaks Subdivision, Section 6

The Directors then discussed the contract between Woodmere and Clearwater Utilities, Inc. ("Clearwater") for the construction of water, sanitary sewer, and drainage facilities to serve Grand Oaks Subdivision, Section 6 (the "Section 6 Utilities"). Mr. Newton reported that Clearwater had addressed the punch list items that were noted during the final inspection of the Section 6 Utilities that was conducted on 27 August 2018. Accordingly, he continued, LJA was striving to schedule the re-inspection of the Section 6 Utilities with Harris County. Mr. Newton added that the District's Engineer was working to resolve certain issues relating to the Section 6 Utilities with the Harris County Flood Control District.

Clearing and Grubbing / Sections 7, 8, and 9 Grand Oaks Subdivision

Then the Board discussed the contract between Woodmere and Crosstex Construction, Inc. ("Crosstex") for the proposed clearing and grubbing of Sections 7, 8, and 9 of Grand Oaks Subdivision (the "Clearing"). Mr. Newton reported that the Clearing was complete and that LJA was awaiting submittal of the final pay estimate from Crosstex.

Water, Sanitary Sewer, and Drainage Facilities to Serve Grand Oaks Subdivision, Section 8 Grand Oaks Subdivision

Mr. Newton reported that advertising for bids for the construction of water, sanitary sewer, and drainage facilities to serve Grand Oaks Subdivision, Section 8 was in progress and that bids would be opened on 9 November 2018.

Proposed Sale of Auxiliary Generator

The Board then discussed the proposed sale of a certain auxiliary generator at the Plant (the "Generator") as surplus equipment. Mr. Newton reported that Inframark had received one bid for the purchase of the Generator from S.T.P. Services in the amount of \$3,800.00. A copy of the bid dated 24 October 2018 from S.T.P. Services is included with the Engineer's Report. Mr. Newton recommended that the Board accept the bid as submitted by S.T.P. Services. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the bid from S.T.P. Services in the amount of \$3,800.00 and authorize the sale of the Generator to S.T.P. Services as surplus equipment.

5.32-Acre Tract on Clay Road / Harris County / Bear Creek Community Center

The Board next discussed matters relating to the possible development by Harris County (the "County") of two tracts in the District totaling approximately 5.32 acres (the "County Tracts") that are located on Clay Road, west of the Westlake RV Resort. Mr. Newton reported that the County was proceeding with the design work on the

proposed Bear Creek Community Center (the "Community Center") to be constructed in the County Tracts. He noted that the County plans to replat the two County Tracts into a single tract. Mr. Newton recalled that the District's Engineer had transmitted a letter to Lockwood, Andrews & Newnam, Inc., the engineer for the Community Center project, stating that the District has sufficient water and wastewater capacity to serve the proposed Bear Creek Community Center project.

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

Operations Report

Ms. Dolan distributed the Operations Report for the Board's consideration. She reported that the District had produced 211,000 gallons of water from its own wells and had purchased 8,998,000 gallons of water from the Authority during the period ending 4 October 2018, with an accountability rate of 111.3% (the "Accountability Rate"). Ms. Dolan reported that the District has 1,256 active connections. She informed the Board that seven residential connections were installed during October 2018. She noted that the Plant operated with its average level of flow at 63% of its rated capacity during the reporting period.

A discussion ensued regarding the Accountability Rate. Ms. Dolan explained that the Accountability Rate was unusually high because the water meter on the District's connection with the Authority's surface water transmission line (the "Meter") did not accurately register the flow of water during the reporting period. She noted that the Meter was undergoing recalibration. The Directors expressed their desire for the historical listing of the Accountability Rate in the Operations Report to be corrected as needed following the recalibration of the Meter.

Ms. Dolan 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 October 2018, 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.

Termination of Service

Ms. Dolan 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. Dolan 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 65 letters had been sent out with a due date of 13 November 2018. 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. Dolan reviewed with the Board the list of delinquent utility service accounts (the "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 were four Accounts in the total amount of \$2,202.52 that would be written off and turned over to a collection agency. The Directors noted that the balance of the Account for 4927 Evergreen Haven Court totaled \$1,459.89. Director Gardner requested that the District's Operator provide the Board with additional information regarding said Account. 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 in Grand Oaks Subdivision ("Grand Oaks"). He informed the Board that during October 2018 and the first week of November 2018 there were six sales and eight closings in Grand Oaks. Mr. Rue added that, year-to-date, there had been 47 sales and 44 closings in Grand Oaks. 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.

Violation Notice / Harris County Pollution Control Services Department

Mr. Yale reviewed with the Board a Violation Notice dated 3 October 2018 from the Harris County Pollution Control Services Department regarding the chlorine level in a sample collected from Outfall 001 at the Plant on 20 August 2018. A copy of the Violation Notice is attached hereto as an exhibit. Mr. Yale remarked that the Violation Notice had been forwarded to the District's Operator.

Homeland Security Contact Information

Next, Mr. Yale reviewed with the Board a letter dated 23 October 2018 from the Commission regarding the 2019 Homeland Security Contract Update Form to be completed and submitted by the District in connection with its public water system. A

copy of the letter is attached hereto as an exhibit to these minutes. Mr. Yale stated that the letter had been forwarded to the District's Operator.

Stormwater Quality Permits

Then Mr. Yale reviewed with the Board two letters dated 25 October 2018 from Sara Briggs Valladares of the Harris County Engineering Department Permit Office (the "Permit Office") relating to the final inspections performed on the permanent stormwater quality features located in Grand Oaks Subdivision, Sections 2 and 10 (the "SWQ Features"). Copies of the letters are attached hereto as exhibits to these minutes. According to Ms. Valladares, he told the Board, the SWQ Features had each passed their respective inspection and accordingly the Permit Office had issued the Certificates of Compliance for same. The Board noted that, according to the letters, the original Certificates of Compliance had been mailed to Jon R. VanderWilt, P.E., of Costello Engineering & Surveying. After discussion, the Board authorized the District's Engineer and Attorney to take the necessary action for the permits for the SWQ Features to be transferred to the District.

Series 2018 Bonds, continued

The Directors then returned to their earlier discussion regarding the Bonds. Mr. Yale remarked that the bond markets generally prefer for the marketing and the closing of the sale of bonds to take place during the same calendar year. In view of the upcoming Thanksgiving and Christmas holidays, as well as the uncertainty regarding the date on which the Commission's Staff Memorandum and Order would be issued, he continued, it was doubtful that the District would be able to market the Bonds and close the sale of the Bonds before the end of calendar year 2018.

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.

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Secretary, Board of Directors



Rolling Creek Utility District
Meeting of 7 November 2018
Attachments

1. Tax Assessor/Collector's Report;
2. Bookkeeper's Report;
3. Solid Waste Collection Report;
4. Email from Off Cinco;
5. Letter of Representations from Roth & Eyring, PLLC;
6. Audit Letter from Coats Rose, P.C.;
7. Engagement Letter / Report on Agreed-upon Procedures;
8. RESOLUTION EVIDENCING REVIEW OF INVESTMENT POLICY AND INVESTMENT STRATEGIES;
9. Engineer's Report;
10. Change Order No. 4 / Plant Expansion;
11. Operations Report;
12. Violation Notice;
13. Letter from TCEQ / Homeland Security Update Form; and
14. Letters from Harris County / SWQ Permits for Grand Oaks Sections 2 and 10.