

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

1 February 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 1st day of February, 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, representing Bob Leared ("Leared"), the District's Tax Assessor/Collector; Karrie Kay of Myrtle Cruz, Inc., the District's Bookkeeper; Gregg Haan, P.E., of LJA Engineering & Surveying, Inc. ("LJA"), the District's Engineer; Mirna Bonilla-Odums representing Severn Trent Environmental Services, Inc. ("STES"), the District's Operator; Andrew Rue and Aaron Alford representing Woodmere Development Co., Ltd ("Woodmere"); 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 4 January 2017. Upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 4 January 2017, as written.

Harris County Contract Deputy Program / Security Report

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

the District's Attorney with the Security Report for January 2017. [Subsequent to this meeting, the District's Attorney received the Security Report for January 2017, a copy of which is attached hereto as an exhibit to these minutes.]

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 five checks written on the District's tax account, said checks including the transfer to the District's Operating Fund of \$21.43 in penalties and interest assessed on delinquent taxes paid to the District, and two transfers by wire as follows: \$187,450.43 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$375,000 to the District's Debt Service Fund. Ms. Rodriguez also noted that the District's 2016 tax levy was 92.9% 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.

Resolution Concerning Tax Exemptions for 2017

Next, the Board considered the 2017 residence homestead exemptions for the District. Mr. Dick Yale reported that for 2016, the Board granted a \$10,000.00 exemption for individuals who are disabled or sixty-five years of age or older but no general residential homestead exemption. He stated that allowing the general residential homestead exemption was generally not recommended for a water district that does not have a significant portion of its assessed valuation from commercial property. After discussion, upon a motion duly made and seconded, the Board voted unanimously to grant the following exemptions for 2017 and to adopt a RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION: (1) \$10,000.00 exemption for individuals who are disabled or sixty-five years of age or older; and (2) no general residential homestead exemption. A copy of the Resolution is attached hereto and shall be considered to be part of these minutes.

Agreement for Delinquent Tax Collection Services

Mr. Yale then explained that the Board could impose a statutory charge (the "Collection Charge") of 20% on all 2016 taxes, penalties, and interest delinquent on 1 July 2017 for real property (and on 1 April 2017 for personal property), said Collection Charge to be used to finance the costs of collection of the delinquent taxes. In order to do so, he continued, the Board must first confirm its agreement (the "Agreement") for delinquent tax attorney services with Perdue, Brandon, Fielder, Collins & Mott, L.L.P.

He explained further that under the Agreement, the amount paid by the District to the District's Delinquent Tax Attorney for the collection of delinquent 2016 taxes would be equal to the additional collection charge as approved by the Board on all 2016 taxes, penalties, and interest delinquent on the applicable dates, up to the statutory maximum of 20%, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code. After discussion, upon a motion duly made and seconded, the Board voted unanimously to confirm its Agreement with the District's Delinquent Tax Attorney.

Collection Charge on all Delinquent 2016 Taxes, Penalties, and Interest

Consideration was then given to imposing the Collection Charge as described above. After discussion, upon a motion duly made and seconded, the Board voted unanimously to impose a 20% Collection Charge on all 2016 taxes, penalties, and interest that are due and remain delinquent as of the applicable dates, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code. A copy of the CERTIFICATE OF BOARD ACTION related to this matter is attached hereto as an exhibit to 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 bills to the District 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 December 2016; (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 bills to the District. Upon a motion duly made and seconded, the Board voted unanimously to approve the Bookkeeper's Report and to authorize payment of the bills of the District. 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. Will Yale distributed copies of the Monthly Account Summary for the District's solid waste collection service for January 2017 on behalf of Best Trash, LLC ("Best Trash"), the District's Solid Waste Collector. A copy of the Monthly Account Summary is attached hereto as an exhibit to these minutes. Director Deaton remarked that the Best Trash collection crews were commencing their Service runs in the District earlier in the day than did Waste Corporation of Texas, L.P., the District's former Solid Waste Collector.

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 11 January 2017 by the Authority's board of directors. A copy of the memorandum is attached hereto as an exhibit to these minutes.

Transfer of Storm Water Quality Permits

Mr. Yale reported that the District's Attorney and Engineer were working to complete the transfer of the responsibility for the Storm Water Quality Management Plan and permanent Storm Water Quality features for Sections 2 and 10 of Grand Oaks Subdivision ("Sections 2 and 10") from Richfield Real Estate Corporation to the District. He then submitted for the Board's approval the Stormwater Quality Renewal/Transfer forms for Sections 2 and 10 (the "Transfer Forms") as prepared by Storm Water Solutions, LLC for submission to the Harris County Engineering Department. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Director Gardner to execute the Transfer Forms. Copies of the executed Transfer Forms are attached hereto as exhibits to these minutes.

Renewal of Insurance Coverage

Next, the Board discussed matters relating to the renewal of the District's insurance policies (the "Insurance Policies"). Mr. Yale informed the Board that the current policy term for the Insurance Policies would expire on 1 May 2017. He reviewed with the Board a table prepared by the District's Attorney that lists the proposals for the renewal of the Insurance Policies (the "Proposals") as accepted by the Board during the period of 2005 through 2016. A copy of the table is attached hereto as an exhibit to these minutes. After discussion, the Board directed the District's Attorney to solicit a Proposal from HARCO Insurance Services that would include the optional Sewer Backup coverage.

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.

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 the site survey had been completed and the design work on the Plant Expansion was in progress. He stated that the submittal of the plans for the Plant Expansion was scheduled to be submitted for agency review by the end of this week.

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

Next, the Board discussed matters relating to the proposed development of Sections 5 and 6 of Grand Oaks Subdivision ("Sections 5 and 6") by Woodmere. The Directors reviewed the bids submitted for the proposed clearing and grubbing of Sections 5 and 6 (the "Clearing"). Mr. Haan reported that nine bids were received by LJA for the Clearing project. Mr. Haan stated that the apparent low base bid for the Clearing project was submitted by Crostex Construction, Inc. (called "Crostex"), in the amount of \$120,735.50. A copy of the bid tabulation for the Clearing project is attached hereto as an exhibit to these minutes.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the low bid and award the contract for the Clearing project to Crostex.

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 that are mounted on the side of the Clay Road Bridge over Bear Creek in the District. Mr. Haan reported that the District's Engineer had received comments on the plans for the Relocation Project from the City of Houston, Harris County (the "County"), and Harris County Flood Control District. He recalled that LJA had resubmitted two concurrent designs for the Relocation Project with alternate designs for the realignment. A discussion ensued regarding the alternate realignment designs for the Relocation Project. Mr. Haan stated that constructing the Relocation Project in the existing right-of-way along Clay Road (the "Right-of-Way") would be complicated by the existing utility lines in the Right-of-Way and accordingly was expected to be more expensive than acquiring new easements and constructing the Relocation Project further north of Clay Road in the HCFCD right-of-way. Mr. Haan remarked that the County had offered to undertake the Relocation Project on behalf of the District but would not guarantee that water and sanitary sewer service to the Amesbury Park Subdivision would not be interrupted during the course of said project.

Operations Report

Ms. Bonilla-Odums distributed the Operations Report for the Board's consideration. She reported that the District had produced 64,000 gallons of water from its own wells and had purchased 8,529,000 gallons of water from the Authority during the period of 8 December 2016 to 9 January 2017, with an accountability rate of 100.3%. Ms. Bonilla-Odums reported that the District has 1,157 active connections. She informed the Board that five residential connections were installed during January 2017. She noted that the District's Wastewater Treatment Plant (the "Plant") operated with its average level of flow at 53% 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 December 2016, copies of which are included with the Operator's 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.

Lift Station No. 1

The Board discussed the condition of the District's sanitary sewer Lift Station No. 1 (the "Lift Station"). Ms. Bonilla-Odums recommended that the galvanized pipe guide rails in the Lift Station (the "Guide Rails") be replaced with stainless steel Guide Rails. She reviewed with the Board a proposal from the District's Operator to replace the Guide Rails at a cost of \$5,275 (the "STES Proposal"). A copy of the STES Proposal is attached hereto as an exhibit to these minutes. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the STES Proposal and to authorize the District's Operator to proceed with the replacement of the Guide Rails.

Texas Commission on Environmental Quality Compliance Inspection

Ms. Bonilla-Odums reported that on 20 January 2017 the Texas Commission on Environmental Quality had conducted a compliance inspection of the District's water plants Nos. 1 and 2 (the "Inspection"). She stated that no violations were noted during the Inspection.

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 74 letters had been sent out with a due date of 7 February 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 and turned over to Collections Unlimited (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. It was noted by the Board that there were two delinquent service accounts in the total amount of \$147.14 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. Alford presented a brief report on development in Grand Oaks Subdivision.

Attorney's Report

Mr. Yale presented the Attorney's Report.

Approval of Certified Agendas

The Directors then considered approval of the certified agendas for the executive sessions of 3 August 2016, 7 September 2016, and 20 October 2016. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the certified agendas for the executive sessions of 3 August 2016, 7 September 2016, and 20 October 2016, as written.

Order Calling Directors Election

Mr. Yale then distributed a draft ORDER CALLING DIRECTORS ELECTION FOR A MUNICIPAL UTILITY DISTRICT. He explained that the Board was required to adopt the Order prior to 17 February 2017 pursuant to the requirements of the Texas Election Code. He told the Board that the deadline for submission of an application for a position on the ballot was 5:00 p.m. on 17 February 2017 and that the deadline for filing as a write-in candidate was 5:00 p.m. on 21 February 2017. If there are no contested positions after 22 February 2017, then the Board can cancel the Directors Election, Mr. Yale continued. He added that the Order Calling Directors Election would have to be completed if the District was required to hold the election.

After review, upon a motion duly made and seconded, the Board voted unanimously to adopt the Order Calling Directors Election, subject to completion if the election is required. A copy of the Order Calling Directors Election thus adopted is attached to these minutes as an exhibit.

Eminent Domain Reporting

Mr. Yale reported that on 9 January 2017 the District's Attorney had filed with the Texas Comptroller the annual report for the District containing certain information

relating to the District's eminent domain authority pursuant to Senate Bill 1812 as approved by the 84th Texas Legislature – Regular Session 2015. A copy of the Eminent Domain Report Confirmation for the District is attached hereto as an exhibit to these minutes.

Continuing Disclosure

Mr. Yale reported that the District's Attorney had submitted 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 2017.

Executive Session

The Board went into executive session, pursuant to the Open Meetings Act, Section 551.071, Government Code, at 1:21 p.m. to discuss matters relating to potential real estate transactions. The Board returned to open session at 1:54 p.m. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Attorney to act as discussed in executive session.

Engagement of Real Estate Appraiser

Attached hereto as an exhibit to these minutes is a copy of an engagement letter between the District and Michael J. Urban, Real Estate Appraisers & Consultants, PLLC.

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

Secretary, Board of Directors

(SEAL)

Rolling Creek Utility District
Meeting of 1 February 2017
Attachments

1. Security Patrol Report;
2. Tax Assessor/Collector's Report;
3. RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION;
4. CERTIFICATE OF BOARD ACTION / Collection Charge on all Delinquent 2016 Taxes, Penalties, and Interest;
5. Bookkeeper's Report;
6. Best Trash Monthly Account Summary;
7. Stormwater Quality Renewal/Transfer forms for Sections 2 and 10 in Grand Oaks Subdivision;
8. Table / history of insurance proposals;
9. Engineer's Report;
10. Bid tabulation / Clearing & Grubbing in Sections 5 and 6 of Grand Oaks Subdivision;
11. Operator's Report;
12. Proposal / replacement of lift station guide rails;
13. ORDER CALLING DIRECTORS ELECTION FOR A MUNICIPAL UTILITY DISTRICT;
14. Eminent Domain Report Confirmation; and
15. Engagement Letter / Michael J. Urban, Real Estate Appraisers & Consultants, PLLC.