

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

6 September 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 6th day of September, 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; Julie Williams representing Rathmann & Associates, L.P. ("Rathmann"), the District's Financial Advisor; Gregg Haan, P.E., of LJA Engineering & Surveying, Inc. ("LJA"), the District's Engineer; Mirna Bonilla-Odums representing Severn Trent – North America ("Severn Trent"), the District's Operator; Kirti Patel representing Richfield Real Estate Corporation ("Richfield"); Richard Rue representing Woodmere Development Company, Ltd. ("Woodmere"); and Dick 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 2 August 2017. The Directors requested a revision to page 7 of the minutes. Upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 2 August 2017, as amended.

## **Security Patrol Report**

The Directors discussed matters relating to the Contract Deputy Program with Harris County. Mr. Yale stated that because of technical issues relating to Hurricane Harvey, the Harris County Sheriff's Department had not provided the District's Attorney with the Security Patrol Report for August 2017.

## **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 \$2,814.40 in penalties and interest assessed on delinquent taxes paid to the District; and the transfer of \$2,868.23 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 99.2% 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. A discussion ensued regarding the delinquent tax account of Estaban Ramirez. Ms. Rodriguez reported that Mr. Ramirez had paid the delinquent property taxes that were due to the District.

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.

## **Consider Setting Tax Rate for 2017**

Next, the Board discussed the proposed tax rate for the 2017 tax year (the "Tax Rate"). Ms. Williams submitted to and reviewed with the Board: (1) a letter dated 6 September 2017 from Rathmann; and (2) a copy of the 2017 Tax Rate Analysis as prepared by Rathmann. Copies of the aforementioned documents are attached hereto as exhibits to these minutes. Ms. Williams stated that the tax rate calculations in the Tax Rate Analysis took into account the possible future sale of bonds by the District to finance the proposed expansion of and improvements to the District's Wastewater Treatment Plant. She commented that the Board might also need to take into account the possible loss of assessed valuation of real property in the District resulting from Hurricane Harvey. Mr. Yale informed the Board that on 23 August 2017 Texas Governor Greg Abbott had declared 30 Texas counties, including Harris County, to be disaster areas in advance of the landfall of Hurricane Harvey. Under §23.02 of the Texas Tax Code, he continued, the Board may authorize the reappraisal of all property damaged in a disaster to determine its market value immediately after the disaster (the "Reappraisal"). Mr. Yale distributed to the Board copies of a memorandum dated

8 September 2017 from the District's Attorney that summarizes the Reappraisal process. A copy of the memorandum is attached hereto as an exhibit to these minutes.

Ms. Williams then recommended that the Board consider setting a debt service tax rate of \$0.48 per \$100 of assessed valuation for the 2017 tax year. Ms. Williams stated that the District could levy a debt service tax rate of \$0.45 per \$100 of assessed valuation for the 2017 tax year and maintain adequate coverage of its debt service requirements as depicted in the Tax Rate Analysis. However, she continued, a debt service tax rate of \$0.48 per \$100 of assessed valuation would provide the District with more flexibility with respect to funding future capital improvements from the sale of bonds. Ms. Williams then noted that a maintenance tax rate of \$0.25 per \$100 of assessed valuation would generate approximately \$647,799 in maintenance tax revenue. Mr. Yale then reviewed the procedures that the District would have to follow in setting the 2017 Tax Rate for the District. A discussion ensued regarding the Tax Rate. The Directors then expressed their desire to levy a debt service rate of \$0.45 per \$100 valuation and continue levying a maintenance tax rate of \$0.25 per \$100 valuation.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize publication of the tax rate calculation showing a debt service rate of \$0.45 per \$100 valuation and a maintenance tax rate of \$0.25 per \$100 valuation for a combined tax rate of \$0.70 per \$100 valuation. The Board agreed that the tax rate hearing would be held on 4 October 2017.

### **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 2018; (2) the Summary of Costs relating to the District's Series 2014 Bonds; (3) the Budget Comparison for July 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.

### **Amend Operating Budget for Fiscal Year Ending 31 July 2018**

Consideration was then given to amending the Operating Budget for the fiscal year ending 31 July 2018 (the "Budget"). The Directors expressed their desire to amend the Budget to increase the revenue item for the maintenance tax levied by the District

from \$625,000 to \$647,799. After discussion, upon a motion duly made and seconded, the Board voted unanimously to amend the Budget as discussed above.

### **Solid Waste Collection Report**

Mr. Yale distributed copies of the Monthly Account Summary for the District's solid waste collection service for August 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 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"). Mr. Yale submitted to and reviewed with the Board a memorandum from Coats Rose regarding the meeting held on 9 August 2017 by the Authority's board of directors (the "Authority Board"). A copy of the memorandum is attached hereto as an exhibit to these minutes.

Mr. Yale then called the Board's attention to a letter dated 21 August 2017 from the Authority, a copy of which is attached hereto. He noted that the Authority Board would consider an increase in its groundwater pumpage fee (the "Pumpage Fee") and surface water fee (the "Surface Water Fee") at its meeting on 8 November 2017. If approved by the Authority Board, he continued, the Pumpage Fee would increase from \$2.45 per 1,000 gallons ("k/gal") of groundwater pumped to \$2.70 per k/gal, and the Surface Water Fee would increase from \$2.85 per k/gal of water purchased to \$3.10 per k/gal. Upon approval, he told the Board, both of the proposed rate increases would become effective on 1 January 2018.

### **Amesbury Park Subdivision / Storm Sewer Outfall**

Director Levenson then informed the Board that he and Director Deaton had been approached by residents of Amesbury Park Subdivision ("Amesbury Park") regarding the possible installation of a check valve on the 10-inch storm sewer outfall (the "Outfall") through which storm water drains from Amesbury Park into Bear Creek, with the purpose of the check valve to prevent the possible backflow of storm water from Bear Creek into Amesbury Park (the "Backflow"). Mr. Haan stated that a flap gate (the "Flap Gate") could possibly be installed on the Outfall that would protect Amesbury Park from Backflow to the level of Bear Creek when it is within its banks. He pointed out to the Board that a check valve or Flap Gate on the Outfall would not have prevented the flooding that occurred in Amesbury Park in connection with the significant rainfall event in August 2017 from Hurricane Harvey. Mr. Haan estimated the cost to purchase and install the Flap Gate at approximately \$50,000. Mr. Yale remarked that the cost to construct the Flap Gate could be paid from the District's Operating Fund, which could later be reimbursed from the proceeds of the sale of bonds by the District. Mr. Yale then stated that the District's Attorney would need to review the possible liability to the

District with respect to the installation of a Flap Gate on the Outfall, as this action could potentially change the natural flow of Bear Creek. He added that the District's Engineer would need to look into obtaining approval from the Harris County Flood Control District for the installation of the Flap Gate, as needed.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer and Attorney to proceed as stated above with respect to the possible installation of the Flap Gate. The Directors then deferred further discussion of this matter to a future meeting of the Board.

### **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 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 pursuant to the Interlocal Agreement dated 3 May 2017 between the District and Harris County (the "County") in connection with the construction contract between the County and WadeCon/Menade, Inc. ("WadeCon") for the widening of Clay Road and the Clay Road Bridge (the "Bridge Project"). Mr. Haan reported that the County had issued the Notice to Proceed for the Bridge Contract to WadeCon with a commencement date of 7 August 2017. He noted that the District's Operator was coordinating with WadeCon with regard to the relocation of the District Lines. Mr. Haan added that although WadeCon had mobilized and placed the traffic control features, as of this date the contractor had not commenced work on the relocation of the District Lines.

### **Wastewater Treatment Plant / Proposed Expansion**

Next, the Board discussed the contract between the District and T&C Construction, Ltd. (called "T&C") for construction of the 200,000 gallons-per-day package plant Train 3 Section of the District's Wastewater Treatment Plant (the "Plant Expansion"). The Board noted that the District's Bookkeeper had received the funds for the Plant Expansion project from Richfield. Mr. Haan stated that the District's Engineer would issue the Notice to Proceed to T&C and would schedule the preconstruction meeting for the Plant Expansion project.

### **Water, Sanitary Sewer, and Drainage Facilities to Serve Grand Oaks Subdivision, Section 5**

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 5 (the "Section 5 Utilities"). Mr. Haan reported that Clearwater had completed the installation of the water lines and sanitary sewer lines, as well as most of the storm sewer lines. He added that the storm sewer outfall and storm water quality feature will be installed once the Outfall Permit is issued by the U.S. Army Corps of Engineers (the "Corps").

Mr. Haan then reported that Clearwater had submitted Pay Estimate No. 1 in the amount of \$463,078.23 in connection with the Section 5 Utilities project. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize payment of Pay Estimate No. 1 on the Section 5 Utilities project.

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

The Directors then discussed the contract between Woodmere and Clearwater for the construction of water, sanitary sewer, and drainage facilities to serve Grand Oaks Subdivision, Section 6 (the "Section 6 Utilities"). Mr. Yale submitted for the Board's review a memorandum from the District's Attorney regarding the bonds and insurance submitted by Clearwater in connection with the Section 6 Utilities project. A copy of the memorandum is attached hereto as an exhibit to these minutes. Mr. Yale remarked that the bonds and insurance submitted by Clearwater were found to be in order. Mr. Haan recalled that Clearwater had offered a \$4,500 deduction on the bid cost for the Section 6 Utilities to remove the mobilization costs. He stated that a Change Order for the Section 6 Utilities contract would be prepared in connection with the \$4,500 deduction.

### **Storm Water Drainage / Grand Oaks Subdivision, Sections 5 and 6**

Mr. Haan reported that LJA had been working with Horizon Environmental Services, Inc., an LJA company, in order to procure the necessary permits (the "Drainage Permits") for storm water drainage from Sections 5 and 6 of Grand Oaks Subdivision ("Grand Oaks") into Bear Creek and the drainage ditch that runs north of Grand Oaks, Sections 6 and 10. He informed the Board that the District's application for the Drainage Permits had been submitted to the Corps and were undergoing review.

### **Wastewater Discharge Permit Renewal**

Then Mr. Haan discussed the status of the renewal application (the "Application") for the District's discharge permit to be submitted to the Texas Commission on Environmental Quality (the "Commission") by 1 November 2017. He reported that LJA had completed the Application and submitted same to the Commission on 22 August 2017.

## **Bridges Lawn Equipment**

Next, Mr. Haan informed the Board that the owner of the Bridges Lawn Equipment store located at 18502 Clay Road (the "Store") had requested that the District install a check valve (the "Check Valve") on the sanitary sewer service line for the Store (the "Service Line") in order to prevent sanitary sewer backups into the building. Mr. Haan stated that the District's Engineer would not recommend the installation of a Check Valve by the District on a private Service Line because of the potential liability to the District if the Check Valve malfunctioned or was not properly maintained by the owner of the Store. He stated that the District's Engineer would not object to the Check Valve being installed on the Service Line by the owner of the Store. Director Shapiro proposed that the District offer the owner of the Store a credit to the Store's service account with the District in an amount equivalent to the owner's cost to install the Check Valve but not to exceed \$500.00 (the "Credit"). The Board agreed with Director Shapiro's proposal. Mr. Yale recommended that offer of the Credit should be conditional on the owner of the Store executing an Agreement with the District to accept responsibility for the installation, operation, and maintenance of the Check Valve. After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) conditionally extend the Credit to the Store as described above, contingent upon the execution of the Agreement by the owner of the Store; and (2) authorize the District's Attorney to prepare the Agreement as described above.

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 529,000 gallons of water from its own wells and had purchased 13,578,000 gallons of water from the Authority during the period of 7 July to 3 August 2017, with an accountability rate of 100.7%. Ms. Bonilla-Odums reported that the District has 1,207 active connections and that five residential connections were installed during August 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 August 2017, 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.

## **Termination of Service**

Consideration was then given to the termination of water service to certain delinquent accounts. The President recognized Ms. Bonilla-Odums, who advised the Board that the requisite notifications had been given to each customer and that each customer was advised of the date, time and place of the Board meeting which they could attend to discuss termination of service. It was noted by the Board that there were no customers present to protest the utility billings. After discussion, the Directors agreed to waive termination of water service to delinquent accounts for the August 2017 billing period in view of Hurricane Harvey and the flooding event that occurred in portions of Harris County during the period of 25 to 30 August 2017 (the "Flooding Event").

## **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 Directors noted that there were three delinquent service accounts in the total amount of \$1,561.05 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.

## **Customer Deposits**

The Board then discussed the security deposits that are required of residential customers when they establish a new service account in the District (the "Deposits"). Ms. Bonilla-Odums reported that certain customers of other water district clients of Severn Trent who had moved into the District following the Flooding Event had requested that the Deposit be added to their utility bill for the first month of water and sanitary sewer service, rather than being paid in advance. After discussion, the Directors agreed the District's Operator could transfer the existing Deposits of customers who moved into the District from water districts that are also served by Severn Trent.

## **Developer's Report**

Next, Mr. Rue presented a brief report on development in Grand Oaks. He informed the Board that during the period of January to August 2017 there had been 53 sales of lots 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.

### **85th Texas Legislature / House Bill 89**

Finally, Mr. Yale submitted to and reviewed with the Board a memorandum prepared by the District's Attorney that summarizes House Bill 89 ("HB 89") as approved by the 85th Texas Legislature – Regular Session (2017), which contains provisions requiring governmental entities to do business (including contracts and investments) only with companies that do not boycott Israel. A copy of the memorandum is attached hereto as an exhibit to these minutes. Under HB 89, he told the Board, a governmental entity such as the District may not enter into a contract with a company for goods or services unless the contract contains a written verification from the company that it does not boycott Israel and will not boycott Israel during the term of the contact. He reviewed with the Board a proposed form Prohibition on Boycotting Israel Verification, a copy of which is included with the memorandum. He pointed out to the Board that there were changes to the Texas Government Code that prohibit investments with companies that boycott Israel.

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

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Rolling Creek Utility District  
Meeting of 6 September 2017  
Attachments

1. Security Patrol Report;
2. Tax Assessor/Collector's Report;
3. Letter from Rathmann & Associates with Tax Rate Analysis;
4. Coats Rose memo / Tax Reappraisal After a Disaster;
5. Bookkeeper's Report;
6. Solid Waste Collection Report;
7. Coats Rose memo / WHCRWA;
8. Letter from WHCRWA / Notice of Anticipated Fees;
9. Engineer's Report;
10. Pay Estimate No. 1 / Utilities for Section 5, Grand Oaks Subdivision;
11. Coats Rose memo / Bonds and Insurance on contract for Utilities in Section 6, Grand Oaks Subdivision;
12. Operations Report; and
13. Coats Rose memo / House Bill 89.