

SPRING CREEK UTILITY DISTRICT
Minutes of Meeting of Board of Directors
March 29, 2023

The Board of Directors (the “Board”) of Spring Creek Utility District (the “District”) held a special meeting in person in accordance with the duly posted notice of meeting and the Texas Open Meetings Act. The roll was called of the duly constituted officers and members of said Board, as follows:

Claude Humbert	-	President
Mark Fusca	-	Vice President
Frederick Sunderman	-	Secretary
Leslie Gourley	-	Assistant Secretary
Melvin Willcockson	-	Director

All of said members were present except Frederick Sunderman, who entered later in the meeting, thus constituting a quorum.

Also present were Mason Mueller and Amber Hurd of Cobb, Fendley & Associates, Inc. (“CF”); John Montgomery of Municipal Operations & Consulting, Inc. (“MOC”); Jonathan Roach, Brian Cassidy*, Ray Arce, Debbie Gentry*, and Jessica Gentry of Roach & Associates, PLLC (“RAPLLC”); Aric Braddock of ASB Services, Inc. (“ASB”); Calep Estes of Touchstone District Services (“Touchstone”); Kayla Ray of Myrtle Cruz, Inc. (“Myrtle Cruz”); and Kathryn Foss* of Evo Municipal Financial Services (“Evo”). [Remote attendees*]

Director Humbert noted that Jim Ainsworth of A&S Engineers, Inc. (“A&S”) passed away that weekend and offered condolences.

MINUTES OF PRIOR BOARD MEETINGS

The Board considered for approval the regular meeting minutes of January 16, 2023, and February 20, 2023, and the special meeting minutes of January 23, 2023. After a brief discussion, Director Gourley motioned to approve the regular meeting minutes of January 16, 2023, subject to revisions. The motion was seconded by Director Willcockson and passed unanimously. Next, a brief discussion ensued regarding the regular meeting minutes of February 20, 2023, whereby Director Fusca motioned to approve the regular meeting minutes of February 20, 2023, subject to revisions. Director Gourley seconded the motion, which passed unanimously. Then, Director Willcockson motioned to approve the special meeting minutes of January 23, 2023. Director Gourley seconded the motion, which passed unanimously.

EVO REPORT

Ms. Foss discussed the EVO Report overview, noting that the District is doing a great job overall. She pointed out that the District continues to have a strong growth in value, with tax rates

continuing to decline with incremental decreases. Ms. Foss then noted that financially, the District had a \$1.3 million surplus in General Operating Funds, finishing the year with 33.5 months of Operating reserves. Then, she noted that after the 2021 bond issue, the District still has \$138.215 million remaining for Water, Sewer & Drainage facilities and \$139.355 million remaining in Refunding Bonds. She further noted that the District shows excellent water accountability of 95.64% and, finally, pointed out that the District earned \$20,566 in investment revenue in 2022, which will increase dramatically in 2023 due to high-interest rates.

Director Gourley inquired how the bankruptcy of Cineworld would affect the District. Mr. Arce noted the theater doesn't have a lot of sales tax, but they do bring in quite a bit of revenue to the District. Ms. Foss pointed out that any loss in revenue from Cineworld will most likely be absorbed in the District's growth, so it should not affect the District too much.

10-YEAR BUDGET FORECAST

Ms. Foss reviewed the 10-year forecast, discussing the baseline based on the fiscal year-end ("FYE") 2022 audit, noting a steady Maintenance and Operation ("M&O") rate of \$0.33; a 3% increase in taxable value; a 3% annual increase in expenses, assuming an 80% certified value as taxable value, noting with no adjustments, reserves settle at 18.62 months. She then stated the larger items in 2023, including \$485,000 for sidewalk recreational facility and common facility commitments. Ms. Foss also noted the payoff of the Smart Meter of \$813,400, 625,000 in flood prevention, and \$290,000 for well water rehabilitation, with an overall CIP cost of \$17.4 million over the next ten (10) years. Finally, she noted that overall the study assumes a 3% annual increase in taxable value; however, in the last ten (10) years, the District averaged a 9.25% yearly increase, meaning the reserves are underestimated and will be more significant if growth tends to continue.

Ms. Foss then discussed Scenario 1 of her report, which keeps the M&O steady at \$0.33; assumes an 8% increase in garbage, which drops to 5% in 2025 and returns to 3% in 2026; an increase in water rate by 1%; and sewer rate increases by 2% in 2024, and with nominal increases raise reserves to 24.94 months. She also noted that Scenarios 1 and 2 include an estimated \$5 million in 2024 for Water Line Rehabilitation and the District Administration Building. Overall, Scenario 1 assumes a 3% annual increase in taxable value, noting that 1% and 2% annual increases in water and sewer rates ensure the District keeps pace with the corresponding expense increases. Then, she pointed out that the 3% yearly increase in San Jacinto Regional Water Authority ("SJRA") fees ensures the District keeps pace with its annual expense increase. She then discussed Scenario 2, noting that an M&O increase by \$0.01 to \$0.34 from \$0.33 raises reserves to 26.4 months.

Ms. Foss exited the meeting.

COMMERCIAL SECURITY ASSESSMENT OPTIONS

A lengthy discussion ensued regarding the current security contract. Director Fusca noted that he would talk to the Constables regarding fewer training officers on site and meet with the property management companies to discuss paying additional fees for more cameras and security.

POSSIBLE RATE ORDER AMENDMENTS

Director Humbert noted discussions from earlier in the year, stating that he and Director Gourley reviewed all the rates and confirmed they are in good shape. Then, a lengthy discussion ensued regarding changes to the Rate Order.

Next, a discussion ensued regarding the apartments at 2121 Riley Fuzzel. Mr. Mueller noted that the apartment developer decided to build three (3) stories of apartment units and no commercial space underneath, which is not what was initially discussed by the developer. Director Gourley indicated that he was unaware of these changes and disagreed with the decision not to add commercials underneath the apartment units.

Then, the Board discussed more changes to the Rate Order, whereby the Board concurred for Mr. Montgomery and Mr. Arce to provide a finalized version with the changes requested.

Mr. Roach noted that GFL has agreed to a \$21.50 flat rate, with the understanding of no additional CPI for the year. He further confirmed that he would retrieve an updated letter stating these adjustments. After some discussion, Director Gourley motioned to approve the GFL increase. Director Willcockson seconded the motion, which passed unanimously.

COMMERCIAL SECURITY OPTIONS CONTINUED

Director Fusca noted that A&S had looked at different options regarding rate structure for security. The Board then reviewed a security preliminary funding analysis. Director Humbert inquired if this process was typical for other Districts, whereby Ms. Ray noted she had not seen this before but agreed it was a good idea. The Board then had a lengthy discussion about how much would be needed to meet the funding goal for security and ways they could accumulate that money.

BUDGETS FOR FYE APRIL 30, 2024

The Board discussed at length various changes to the District's Operating Budget and the Joint Facilities Budget for Fiscal Year Ending 2024.

Director Sunderman entered the meeting during the discussion.

ADMINISTRATION BUILDING OPTIONS

Director Humbert noted they would need a budget for the Administrative Building. Ms. Hurd presented a design-build process where the District puts a design team together, sets a budget, and works with the builder to stay within that budget. Director Gourley inquired if the project would include laying down the pavement in addition to the building. Ms. Hurd confirmed that the negotiated contract would be the whole civil site package to include necessities in addition to the building.

EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, SECTION 551.071, 551.074, ET. SEQ.

The Board did not enter into executive session.

DISCUSS PENDING BUSINESS AND MATTERS FOR FUTURE AGENDAS

Mr. Roach noted that in light of Mr. Russell retiring, Myrtle Cruz has decided to resign. Ms. Ray stated they do not have the staff to cover the District and confirmed she would have a resignation letter soon. She further noted that they will continue working with the District until May 31, 2023, to get the District through their FYE.

After no further discussions to come before the Board, Director Sunderman made a motion to adjourn, seconded by Director Fusca, which passed unanimously.

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Passed and approved this 17th day of April 2023.

/s/ Frederick Sunderman
Secretary, Board of Directors

[SEAL]

