

## MINUTES OF MEETING OF THE BOARD OF DIRECTORS

January 7, 2016

The Board of Directors (the "Board") of Bilma Public Utility District (the "District") of Harris County, Texas, met in regular session, open to the public, at Spring Creek Oaks Clubhouse II, 6002 Bur Oak, Spring, Texas 77379, on Thursday, January 7, 2016, at 5:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

H. Mark Stoebner	President
Dennis E. Winkler	Vice President
Don Atherton	Secretary/Investment Officer
Cynthia D. Day	Assistant Secretary
F. Anthony Musgrave	Director

All members of the Board were present, thus constituting a quorum. Also attending the meeting were: Ms. Christina Cole of Myrtle Cruz, Inc. ("MCI"), bookkeepers for the District; Mr. Don Hays, Ms. Robin Secrest, and Mr. Michael Potter of Hays Utility South Corporation ("Hays"), operators for the District; Messrs. Ed Shackelford, P.E., and Justin Abshire, P.E., of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Mr. Ron Brooks of Chesmar Homes, developer of Country Lake Estates Village ("CLEV"), Section 1 and 2; Ms. Barbara Thomason, President of Houston Northwest Chamber of Commerce; Mr. Cody Holder Community Aide to R. Jack Cagle, Harris County Precinct 4 Commissioner; Dr. E. B. Beasley, resident of Spring Creek Oaks subdivision; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Radcliffe Bobbitt Adams Polley PLLC ("RBAP"), attorneys for the District.

Whereupon, the meeting was called to order and evidence was presented that public notice of the meeting had been given in compliance with the law. The posted notices of the meeting are attached hereto.

### PUBLIC COMMENT

Director Stoebner asked if there were any public comments. Dr. Beasley responded that he was attending the meeting to learn about the upcoming May 7, 2016 Directors Election. Director Stoebner then stated that the Board would move the Supplemental Notice of Public Meeting to the top of the agenda.

### REVIEW OF SUPPLEMENTAL NOTICE OF PUBLIC MEETING

Ms. Bobbitt then reviewed the 2016 Election Calendar with the Board, a copy of which is attached hereto. Ms. Bobbitt informed the Board that the terms of Directors Day and Stoebner expire this May and noted that the first day for filing an Application for Place on the May 7, 2016 Ballot is Wednesday, January 20, 2016 and the last day to file is

Friday, February 19, 2016, at 5:00 p.m. Ms. Bobbitt added that the last day to file an application as a write-in candidate is Tuesday, February 23<sup>rd</sup>.

Ms. Bobbitt next reviewed the two (2) action items regarding the upcoming May 7, 2016 Directors Election. Upon motion by Director Day, seconded by Director Atherton, after full discussion and the question being put to the Board, the Board voted unanimously to appoint RBAP as the District's Designated Agent for the conduct of the upcoming Directors Election and to authorize the posting of the Notice of Deadline to File Application for Place on Ballot.

Ms. Bobbitt then briefly explained House Bill 2027, an act of the 84<sup>th</sup> Texas Legislature – 2015. Ms. Bobbitt stated that if the Board designates two (2) early voting polling places, as they did in 2014, the District will be required to conduct early voting for the extended hours and days that Harris County (the "County") schedules early voting and that Harris County will establish the polling places for Election Day. Ms. Bobbitt further informed the Board that in 2014, the District was comprised of four (4) Voting Precincts. The Board briefly discussed the early voting polling location matter, but no decision was made on such issue.

Dr. Beasley then asked several questions about candidate campaigning and the upcoming Directors Election.

### **CONSENT AGENDA**

Ms. Cole entered the meeting at 5:08 p.m.

Director Stoebner next reviewed with the Board the items reflected on the Consent Agenda. Director Stoebner explained that this portion of the agenda deals with routine matters of the Board, and that no separate discussion of such items will occur unless a Board member or a member of the public requests that an item be moved to the regular portion of the agenda. Ms. Bobbitt stated that she had not finished her review of the minutes of the regular meeting of December 3, 2015. Director Stoebner asked that the Board defer approval of the regular meeting minutes of November 5, 2015. Director Stoebner noted that he had several revisions that he will send to Ms. Dold regarding the November minutes. Upon motion by Director Day, seconded by Director Musgrave, after full discussion and the question being put to the Board, the Board voted to 1) approve the minutes of the regular meeting of October 1, 2015, and the minutes of the special meetings of October 9, 2015, October 19, 2015, and December 4, 2015; and 2) approve Pay Estimate No. 4 and Final from TarTob Commercial Services, LLC in the amount of \$6,950 in connection with the Water Plant No. 2 Ground Storage Tank Improvements. Approval of the minutes of November 5, 2015 and December 3, 2015 was deferred.

Ms. Dold then entered the meeting at 5:12 p.m.

### **PUBLIC COMMENT (CONTINUED)**

Mr. Holder next addressed the Board regarding County Precinct 4's Community Assistance programs and encouraged Board members and residents to contact his office regarding road repair emergencies, road and bridge repairs, neighborhood concerns, questions regarding other County departments, or to request a staff member to make presentations to a community group.

Director Atherton then mentioned that the new traffic lights located within the District on T. C. Jester Boulevard, had not been activated in May 2015 as the Board had been advised and asked when the traffic lights would be operational. Director Atherton also stated that the construction debris had not been cleaned up from the traffic light installation sites. Director Winkler then asked if Mr. Holder knew of any future County projects in the area of the District. Mr. Holder stated that he would look into the status of the T.C. Jester traffic lights and that he would review the precinct's capital improvement plan for 2016 concerning projects that might impact the District and send such information to the Board.

Mr. Holder left several brochures, maps, and contact information regarding community programs for the Board and consultants and exited the meeting at 5:30 p.m.

## **REGULAR AGENDA**

### **PRESENTATION FROM HOUSTON NORTHWEST CHAMBER OF COMMERCE ("HNW CHAMBER") REGARDING "GROW NORTHWEST PROGRAM"**

The Board next recognized Ms. Thomason, who informed the Board that the Grow Northwest Program is a campaign and strategy to build upon the Cypress Creek Community's successes and to help advance the local economy. Ms. Thomason asked the Board to consider placing a voluntary donation line item on the District's monthly water/sewer service billing statements to assist with the Grow Northwest Program's capital campaign launched by the HNW Chamber. Ms. Thomason noted that the donations would be deposited into a separate account for the Grow Northwest Program and not deposited with the general funds of the HNW Chamber. Ms. Thomason then handed out printed materials for use to educate residents about the Grow Northwest Program, copies of which are attached hereto. A discussion then ensued regarding five (5) neighboring utility districts that have opted into the Grow Northwest Program. Director Atherton then inquired if HNW Chamber is working on safety and security within the Cypress Creek community. Ms. Thomason responded that she is currently working with Captain Mark Herman of the Sheriff's Department to develop an education program on crime prevention. Ms. Thomason then requested that the Board consider authorizing the inclusion of a voluntary donation line item on the District's monthly water/sewer service billing statements and determine how the Grow Northwest Program would be introduced to the District's residents.

Director Stoebner then stated that the Board would discuss this matter further and make a decision at the February 4, 2016 meeting.

Ms. Thomason thanked the Board and exited the meeting at 6:04 p.m.

## **DEVELOPER REPORTS**

Mr. Abshire then reported that Change Order No. 1 in the amount of \$292,147.50 for approximately one-half of the cost for dirt excavation that was bid by the construction contractor for the CLEV Section 1 water, sewer and drainage utilities has been added to the construction contract with Monarch Civil Constructors, LLC ("Monarch") for construction of CLEV Section 2 water, sewer and drainage facilities resulting in a total contract amount of

\$1,073,812.80. A copy of the change order is attached hereto. Mr. Brooks explained that the change was being made because the initial contractor's work pace had been too slow. Mr. Brooks added that he is saving approximately \$300,000 on the dirt excavation cost as a result of the change order.

Upon motion by Director Day, seconded by Director Musgrave, after full discussion and the question being put to the Board, the Board voted unanimously concur with the payment of Pay Estimate No. 3 and approve Change Order No. 1 to the Monarch construction contract.

Dr. Beasley then temporarily exited the meeting at 6:13 p.m.

AMENDED AND RESTATED DETENTION POND MAINTENANCE AGREEMENT WITH COMMUNITY ASSOCIATION OF COUNTRY LAKES ESTATES ("CACLE") TO INCLUDE CLEV, SECTION 1 DETENTION POND

Ms. Bobbitt stated that such matter would be deferred.

TAX ASSESSOR/COLLECTOR'S REPORT AND DELINQUENT TAX ATTORNEY'S REPORT

Ms. Bobbitt next reviewed with the Board the Tax Assessor/Collector's Report as of December 31, 2015, a copy of which is attached hereto. Ms. Bobbitt noted that the District has collected 70.82% of its 2015 taxes to date.

Upon motion by Director Winkler, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor/Collector's Report, the checks reflected therein, and the Delinquent Tax Attorney's Report.

Dr. Beasley then re-entered the meeting and Mr. Brooks exited the meeting at 6:18 p.m.

BOOKKEEPER'S REPORT

Ms. Cole next reviewed the Bookkeeper's Report with the Board, a copy of which is attached hereto, including the revenues and expenses of the District, the budget comparison for seven (7) months, the investment report for the month, and the checks being presented for payment.

Ms. Cole stated that the water, sanitary sewer, and maintenance tax revenues need to be revised on the budget. Ms. Cole noted that the revised budget would be sent out prior to the Board's February meeting.

Upon motion by Director Musgrave, seconded by Director Atherton, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Bookkeeper's Report and authorize payment of the checks reflected therein.

DISCUSS LETTER OF CREDIT AGREEMENT WITH COMPASS BANK AND  
MODIFYING DISTRICT DEPOSITORY PLEDGE AGREEMENT TO INCLUDE LETTERS  
OF CREDIT

Ms. Bobbitt then explained that Compass Bank ("Compass"), the District's depository bank, wants to add letters of credit to the list of authorized investment securities for District funds. Ms. Bobbitt explained that due to new federal regulatory requirements, Compass must start utilizing letters of credit rather than securities to collateralize District's funds held by Compass in excess of the Federal Deposit Insurance Corporation limit of \$250,000. Ms. Bobbitt further explained that Compass has determined that if a utility district is not willing to allow the use of letters of credit, Compass will increase their fees. Extensive discussion ensued. Director Atherton stated that he had contacted Mr. Jeff Lewis with Compass several days ago to discuss the letters of credit. Director Atherton then suggested that the Board might want to engage a banking attorney to respond to the Board's questions and concerns. Further discussion ensued, at which time Ms. Bobbitt stated she would contact Mr. Lewis at Compass to try and obtain answers to some of the Board's questions and concerns.

OPERATOR'S REPORT

Mr. Potter then presented and reviewed the Operator's Report with the Board for the period of November 15, 2015, to December 15, 2015, a copy of which is attached hereto. Mr. Potter reported that currently there are 1,691 connections in the District. Mr. Potter further reported that the District's water accountability for the month was 97.84%, that 117 delinquent notices were mailed during the month, and that six (6) accounts were cut off.

Mr. Potter next reported that the punch list of items from the December 4, 2015 facilities tour had been updated and was attached to the Operator's Report.

Mr. Potter went on to report that he had obtained a proposal from Mr. Mike Johnson of MJ Enterprises in the amount of \$8,537.66 to tear down and haul off the old fence and debris at the lift station located at 19303½ Country Meadow Drive and to construct a new eight foot (8') cedar picket fence, a copy of which proposal is attached to the Operator's Report.

Ms. Bobbitt then asked Mr. Potter who the District will pay then for the fence replacement. Mr. Potter responded that Hays will bill the District for the work. Ms. Bobbitt then briefly reviewed the requirements of House Bill 1295 regarding contracts and agreements. Ms. Bobbitt explained that if the work is performed under Hays' supervision and the District does not enter into and approve a contract with MJ Enterprises, a Form 1295 certificate will not be required.

Mr. Potter next reported the two (2) ¾-inch meters, one (1) 1-inch meter were scheduled for change out during this reporting period.

Upon motion by Director Winkler, seconded by Director Musgrave, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report, authorize the termination of service to the delinquent accounts in accordance with the

provisions of the District's Rate Order, and authorize Hays to proceed with the replacement of the lift station fence, as outlined above.

### ENGINEER'S REPORT

Mr. Abshire then presented the Engineer's Report, a copy of which is attached hereto. Mr. Abshire noted that the additional guardrails on the two (2) pedestrian bridges of the Hike and Bike Trail had been installed during the Holiday break. Copies of photos of the pedestrian bridges are attached hereto.

Concerning the Storm Water Quality Management Plan (the "SWQMP") for the Country Lake Estates, (the "CLE"), Sections 1-3 detention ponds, Mr. Abshire reported that Jones & Carter continues to review the work Environmental Allies completes monthly regarding the SWQMP in CLE. Mr. Abshire further explained that the contract with Environmental Allies expires on March 6, 2016, with an option to extend the contract for one (1) additional year. Mr. Abshire added that CACLE currently pays \$6,960 per year for the services provided by Environmental Allies and explained that if the contract is put out to bid, Jones and Carter's fee to prepare the bid packet would be approximately \$1,000. Mr. Abshire noted that he had spoken to Mr. Doug Sebastian, the general manager of CACLE, who agreed to extend the existing contract in lieu of soliciting bids. Mr. Abshire added that the extension of the contract would be done as a change order to the existing contract. Mr. Abshire informed the Board that the SWQMP will need to be amended to include the CLEV detention ponds in approximately 18 months.

Upon motion by Director Winkler, seconded by Director Musgrave, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report and to authorize Jones & Carter to prepare the change order for the one (1) year extension of the Environmental Allies Agreement.

### APPOINT A SUBCOMMITTEE OF THE BOARD TO INVESTIGATE OPERATING COMPANIES, SEEK REFERENCES, INTERVIEW CANDIDATES, AND MAKE RECOMMENDATIONS TO THE BOARD CONCERNING SAME

Director Stoebner next explained that he believes a subcommittee should be appointed to review the District's operations as previously suggested by Director Atherton. Director Atherton then stated that he had obtained the name of Mr. Gene Conner, a former owner of operating companies and consultant in the industry from Mr. Shackelford, to assist the District in reviewing the operations of the District's facilities. Director Atherton further informed the Board that he wants to see if the District is operating optimally and if the correct protocols are in place. Director Atherton further stated that he wants to interview Mr. Conner and consider engaging him to do a one (1) month analysis of Hays' processes and procedures and give the Board an objective opinion to enable the Board to decide whether to solicit bids for operation services. Director Atherton added that he would like to request a proposal from Mr. Conner for the Board to review and discuss at the February 4<sup>th</sup> meeting. Director Winkler then inquired about Mr. Conner's fee for the one (1) month evaluation/analysis. Director Atherton responded that it would be in the range of \$10,000 to \$15,000. Director Atherton suggested that the subcommittee conduct a conference call with Mr. Conner prior to the February meeting.

Director Winkler there stated that there may also be a cost to the District incurred from Hays in order for them to review and participate in the analysis process. Mr. Hays responded that he did not think there would be a cost to the District from Hays. Director Atherton then further explained that the goal is not to fire Hays, but to go through a due diligence process on District operations matters. Director Atherton added that he still has a "burr" in his side regarding the mowing maintenance arrangements and chemical supply process that Hays utilizes. Director Atherton summarized that the Board should appoint a subcommittee tonight who will have a conference call with Mr. Conner and bring a proposal for the analysis/evaluation process to the February meeting for consideration by the Board. Upon motion by Director Winkler, seconded by Director Musgrave, after full discussion and the question being put to the Board, the Board voted unanimously to appoint Directors Stoebner and Atherton as the operations subcommittee.

#### ATTORNEY'S REPORT

Ms. Bobbitt then reminded the Board that the North Harris County Regional Water Authority (the "NHCRWA") has scheduled a "make-up" Special Briefing meeting on Tuesday, January 19, 2016, at 6:00 p.m., at the NHCRWA office.

Ms. Bobbitt next reported that she had worked on two (2) drafts of a proposed letter to the District's residential customers regarding the water and sewer service rate increases to be mailed prior to the effective date of the Amended Rate Order for review by the Board. Copies of the draft letters are attached hereto. Extensive discussion ensued. The Board stated that they preferred the draft letter that contains a chart of the new water and sewer rates. Director Musgrave suggested that RBAP send the draft letters to Director Winkler and him to work on further revisions to the letter over the weekend and then forward the revised letter to Ms. Bobbitt for finalization. Ms. Secrest stated that if the letter is intended to be included with the next billing statements, she would have to have the finalized letter by Friday, January 15, 2016.

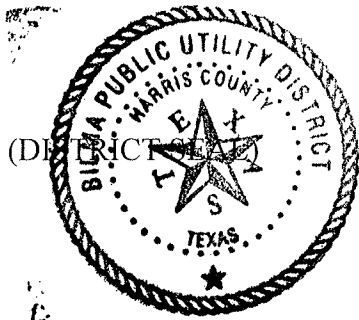
Director Musgrave next mentioned that Ms. Laura Junek, a resident of the Spring Creek Oaks subdivision, has contacted him about the possibility of having a dog park in the subdivision and would like to attend a Board meeting to discuss such matter. Mr. Abshire stated that he has spoken with Ms. Junek several times regarding the location of water lines near the Hike and Bike Trail for a drinking fountain, and the ownership of a reserve in the subdivision land at the end of the Hike and Bike Trail cul-de-sac.

#### NEXT MEETING

Ms. Bobbitt then reminded the Board that the Board's next regular meeting will be on Thursday, February 4, 2016, at the Spring Creek Oaks Clubhouse II, at 5:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 3<sup>rd</sup> day of March, 2016.



*Cynthia Rick Day*  
ASST. Secretary, Board of Directors