

MINUTES OF THE BOARD OF DIRECTORS

April 6, 2017

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 the Spring Creek Oaks Clubhouse II, 6002 Bur Oak, Spring, Texas 77379, on Thursday, April 6, 2017, 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
F. Anthony Musgrave	Secretary
Cynthia D. Day	Assistant Secretary
Steve Hoffmann	Director

All members of the Board were present, thus constituting a quorum. Also attending the meeting were: Ms. Christina Cole of Myrtle Cruz, Inc., bookkeepers for the District; Ms. Robin Secrest of Hays Utility South Corporation ("Hays"), operators for the District; Mr. Justin Abshire, P.E., of Jones & Carter Inc. ("Jones & Carter"), engineers for the District; Ms. Laura Junek, Treasurer, of the Spring Creek Oaks Community Improvement Association ("SCOCIA"); Ms. Mollie Leavins, resident of the Spring Creek Oaks subdivision; Mr. Ron Brooks of Chesmar Homes, developer of the Country Lake Estates Village (the "CLEV"), Sections 1 and 2; Mr. Rob Greening of NiteLites Pinehurst; and Mr. Jonathan D. Polley, attorney, and Ms. Alison Miller, 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.

CONSENT AGENDA

Director Stoebner first 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.

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: 1) approve the minutes of the regular meeting of March 2, 2017, as written; and 2) approve payment of Pay Estimate No. 1 & Final, from CFG Industries, LLC in the amount of \$22,250, in connection with the Water Plant Nos. 1 & 2 Improvements project.

REGULAR AGENDA

REVIEW, APPROVE AND AUTHORIZE EXECUTION OF ROTH & EYRING, PLLC ("ROTH & EYRING") ENGAGEMENT LETTER (THE "ENGAGEMENT LETTER") TO PREPARE THE DISTRICT'S AUDIT REPORT FOR THE FISCAL YEAR ENDING MAY 31, 2017

Mr. Polley next presented the Engagement Letter to the Board, and explained that it is a multi-year engagement letter for preparation of the District's audit report for the fiscal year ending ("FYE") May 31, 2017, but Mr. Polley added that the Engagement Letter for the FYE May 31, 2016 had already been executed. Roth & Eyring requires an Engagement Letter to be executed each year. Mr. Polley further explained that the terms of the Engagement Letter are the same as the previous year and that the fee estimate for preparation of the audit report for the fiscal year ended May 31, 2017 is \$10,600. 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 and authorize execution of the Engagement Letter, a copy of which is attached hereto.

DISCUSS ADDITION OF LIGHTING AROUND HIKE & BIKE TRAIL, AND TAKE ANY NECESSARY ACTIONS ON SAME

Ms. Leavins first explained that the goal for lighting around the Hike & Bike Trail is for safety purposes, and not to shine on the houses along the Hike & Bike Trail. Ms. Leavins then introduced Mr. Greening to the Board, and explained that he is a representative of NiteLites Pinehurst, an outdoor lighting company. Mr. Greening presented two (2) different types of lighting to the Board, and explained the pros and cons of each type. Mr. Greening explained that a shorter bollard-type light would be too low to the ground, and would not have enough light coverage for the intended purpose. Mr. Greening further explained that a path light mounted on a 15-foot (15') steel pole is less intrusive to the surrounding houses, and would provide the necessary light coverage needed for safety purposes. Mr. Greening stated that the proposed lights are all low voltage, LED bulbs and produced in the United States. Mr. Greening went on to explain that the total cost estimate for 160 lights and 80 poles along the Hike & Bike Trail, not including the necessary electrical drops, is \$91,330.

Mr. Abshire then explained that the Harris County Flood Control District ("HCFCD") still needs to be contacted to determine if electric service can be installed in the HCFCD easement along the Hike & Bike Trail to power the proposed lighting. Director Stoebner asked if solar powered lights were an option so that electric power would not have to be provided. Mr. Greening stated that solar powered lights were available, but that they have not evolved much over the last few years, and that such lighting would cost around \$2,000 to \$3,000 per light. Mr. Abshire then stated that he would contact the HCFCD regarding the feasibility of installing electric power in the HCFCD easement along the Hike & Bike Trail.

Director Winkler then stated that he did not feel comfortable spending \$91,330 on lighting for the Hike & Bike Trail until the homes that would be impacted by such lighting were contacted to determine their thoughts on the matter. Director Stoebner asked that SCOCIA follow-up with the homeowners along the Hike & Bike Trail to get their feedback regarding the

potential lighting project. Director Day asked how much money SCOCIA had budgeted for the lighting project. Ms. Leavins stated that SCOCIA did not currently have an amount budgeted for the lighting project and that SCOCIA first wanted to see what funding the District would be willing to provide before moving forward.

TAX ASSESSOR/COLLECTOR'S REPORT

Mr. Polley then reviewed with the Board the Tax Assessor/Collector's Report as of March 31, 2017, a copy of which is attached hereto. Mr. Polley noted that the District has collected 97.57% of its 2016 taxes to date.

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

DELINQUENT TAX ATTORNEY'S REPORT

Ms. Miller next reported that delinquent tax account no. 1165920070020 was still unpaid and that service to such account was terminated on March 20, 2017 and remains off as of today.

DEVELOPER'S REPORT

Mr. Brooks then reported that there had been 65 home starts in CLEV, with 65 homes sales, and two (2) model homes. Mr. Brooks further reported that the average home price in CLEV was between \$270,000 and \$340,000. Mr. Brooks also reported that History Maker Homes is currently under contract in CLEV Section 2 for 24 lots, with construction scheduled to begin in approximately 60 days. Mr. Brooks noted that the contractor continues to work on detention pond issues in CLEV.

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 10 months and the investment report for the month. Ms. Cole stated that a draft budget for the fiscal year ending May 31, 2018 was attached to her report and would need to be adopted at the Board's May meeting. Mr. Polley then noted that the RBAP invoice amount was incorrect, and that the check written for such invoice will need to be re-issued. Ms. Cole stated that she would revise her Bookkeeper's Report accordingly and re-issue the check.

Director Musgrave stated that it appears that the draft budget for the fiscal year ending May 31, 2018 reflects an overall cost increase of 17%, and that such increase seems high without being attributable to any one budget item. Ms. Cole explained that the increase is due to a number of factors, including the increase in the North Harris County Regional Water Authority pumpage and surface water fees, as well as an increase in the garbage service rate. Ms. Cole also noted that she had not received comments back from the District's consultants, so the consultant budget line items could still change. Director Winkler asked what the goal has been for the amount of operating reserve to have on hand. Ms. Cole responded that the District's auditor suggests an operating reserve equal to one year of expenses, but that the District has typically

had a longer operating reserve since the Board has chosen to pay for some of the District's capital expenditures with operating funds. Ms. Cole further stated that the District currently has a 19-month operating fund reserve. Director Musgrave stated that he would like to take a closer look at the Capital Improvement Plan ("CIP") expenditures. Mr. Abshire stated that the CIP needs to be updated/revised and some of the projects need to be moved into a different year. Mr. Abshire added that he would have an updated CIP for the Board to review and discuss at the May Board meeting.

Upon motion by Director Musgrave, seconded by Director Winkler, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Bookkeeper's Report, the checks presented for payment and the investment report.

OPERATOR'S REPORT

Ms. Secrest then presented and reviewed the Operator's Report with the Board for the period of February 16, 2017 to March 16, 2017, a copy of which is attached hereto. Ms. Secrest reported that currently, there are 1,742 connections in the District. Ms. Secrest further reported that the District's water accountability for the month was 95.99%, that 157 delinquent notices were mailed during the month, and that four (4) accounts were cut-off for non-payment of water/sewer service fees.

Director Day then asked if the District's water supply is tested for Chromium-6. Ms. Secrest explained that there is no mandatory test for Chromium-6, so the District's water supply is not tested for such constituent. Ms. Secrest added that the District's water supply can be tested for Chromium-6 if the Board authorizes the test, but then the test results would need to be part of the District's annual Consumer Confidence Report. Mr. Polley explained that Chromium-6 is a surface water contaminant, and is not found in groundwater. Mr. Polley further reported that the City of Houston's water supply is tested and there has not been any issue with Chromium-6.

Concerning the District's Operations List, Ms. Secrest reported that there had been four (4) items over budget during the past month, including: 1) \$1,176 for irrigation repairs; 2) \$1,059 for Hike & Bike Trail maintenance; 3) \$1,400 for an irrigation controller repair at Water Plant No. 2; and 4) \$1,600 for the annual sludge analysis.

Ms. Secrest next reported that eight (8) 3/4-inch (3/4") meters were due for replacement during the next month.

Ms. Secrest then noted that Trinity Lutheran Church ("Trinity Lutheran") used 157,000 gallons of water during the month of March.

Ms. Secrest next requested authorization to perform maintenance and painting of the fire hydrants within the District. Ms. Secrest stated that there are 191 fire hydrants that need to be inspected and painted, at a cost of \$40 per hydrant for the painting work. Mr. Abshire noted that this item is included in the District's CIP and is a budgeted expense. Ms. Secrest also stated that it is time for the annual directional flushing of the District's fire hydrants, and that the flushing

typically takes around two (2) weeks to complete. Ms. Secrest added that she would let the Board know when the flushing work begins.

Ms. Secrest next requested authorization for the bi-annual siphon inspections in Country Lake Estates ("CLE"). Upon motion by Director Musgrave, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to: 1) approve the Operator's Report; 2) authorize painting of the fire hydrants in the District; 3) authorize the bi-annual siphon inspections in CLE; and 4) authorize the termination of service to the delinquent accounts in accordance with the provisions of the District's Rate Order.

Ms. Secrest next reported on a customer email that was received regarding the online bill payment service that was used through the customer's bank. Ms. Secrest explained that when a customer pays their water bill through the online bill payment system, the payment is not immediately posted to their account. Ms. Secrest further explained that the customer's bank has to write and mail a physical check to Hays in order for the payment to be applied. Ms. Secrest stated that in this instance, the customer made a payment on February 19, 2017, and the check was not received by Hays until February 28, 2017. Ms. Secrest further stated that the customer then made another Hays payment on March 6, 2017 that was not received by Hays until March 20, 2017. Ms. Secrest further explained that Hays had waived the February returned check fee due to the customer's excellent payment history. Ms. Secrest then stated that the District currently has 225 paperless bill customers and that if the Board wants to switch to using an electronic payment system for customers, the cost would be \$0.25 per transaction. Ms. Secrest added that with the electronic payment process, the customer's payment would be immediately transferred and deposited into the District's account. Ms. Secrest further stated that the District averages around 150 online bill payments per month that require a customer's bank to mail a physical check. Director Winkler asked if the District should switch from online bill payments to electronic payments. Ms. Secrest further explained that the District is credited \$0.46 for each paperless customer, and that if more customers utilized paperless billing, the cost per transaction for use of the electronic payment system would be offset by having an increase in the number of paperless billing statements. Ms. Secrest then suggested that the District do another mail-out encouraging customers to utilize paperless billing. Ms. Secrest added that she would get the District's accounts scrubbed and set up to receive electronic payments. 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: 1) authorize Hays to setup an electronic payment system at a cost of \$0.25 per transaction; and 2) authorize Hays to prepare and send a mail-out to District customers regarding the availability of paperless billing.

ENGINEER'S REPORT

Mr. Abshire then presented the Engineer's Report, a copy of which is attached hereto. Mr. Abshire first reported that the Water Plant Nos. 1 & 2 Improvements project has been completed. Mr. Abshire next reported that Hays is performing the necessary repairs that were identified during the inspection of the pedestrian bridges along the Hike & Bike Trail.

Mr. Abshire then reported on the point repair that was identified from the Sanitary Sewer Cleaning and Televising – Phase III project that has not yet been completed due to the repair area being located at the base of an oak tree in a resident's yard. Mr. Abshire explained that the only repair option available that would save the oak tree would be to pipe burst the sanitary sewer line and pull a new pipe through the old pipe. Mr. Abshire stated that the cost to do the pipe bursting would be around \$15,000 to \$16,000, while the cost for removing the tree and repairing the line would be around \$3,500, not including the cost to remove the tree. Director Day asked if the homeowner has been informed of the situation. Mr. Abshire stated that Mr. Potter has attempted to make contact with the homeowner, but to date, has not yet been able to speak to the homeowner. Mr. Polley noted that the tree is located within the District's easement, and is likely the reason for the repair. The Board then asked Mr. Abshire and Mr. Potter to try to continue to contact the homeowner. Director Musgrave asked that the Board consider what would be fair compensation to the homeowner if the tree were to be removed.

Mr. Abshire next reported that GM Services had performed the semi-annual testing on Water Well No. 2, and that such testing has found that Water Well No. 2 is in good working condition. Mr. Abshire further reported that there has been no change in the static water level of the well since March 2016, and that the well is currently producing over 1,800 gallons per minute.

Mr. Abshire then reported that an email was received from Terranova West Municipal Utility District ("Terranova West") regarding the District's participation in a joint reclaimed water project. Mr. Abshire reminded the Board that they had discussed a proposed reclaimed water project with Terranova West in late 2015, and that the cost for the reclaimed water feasibility study at the time was \$25,000. Mr. Abshire stated that the project would most likely be very extensive and costly, but that a feasibility study would be required to have an idea of specific costs. Mr. Abshire further stated that he would schedule a meeting with Terranova West's engineer to further discuss the proposed project. Director Stuebner stated that he would be happy to attend a meeting with Mr. Abshire, Terranova West's engineer and a Terranova West board member.

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 Engineer's Report.

AUTHORIZE ANNUAL REVIEW OF POST-ISSUANCE TAX-EXEMPT DEBT COMPLIANCE POLICY

Mr. Polley then explained that the District's Amended Post-Issuance Tax-Exempt Debt Compliance Policy (the "Compliance Policy") requires that the District's Tax Compliance Officer, along with the District's consultants to annually review and complete post-issuance compliance checklists in connection with outstanding District bonds. 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 authorize the annual review of the District's Compliance Policy.

ATTORNEY'S REPORT

Mr. Polley next reported that he had no update to provide regarding the potential purchase of the McDonald tract underlying the Kuykendahl Lift Station access road.

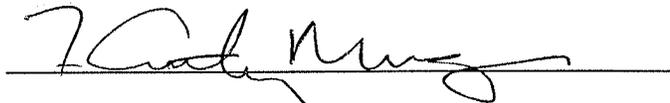
Mr. Polley then distributed to and reviewed with the Board the Legislative Update memorandum for the 85th Legislative Session and reviewed it with the Board, a copy of which is attached hereto.

NEXT MEETING

Director Stoebner then reminded the Board that the next regular meeting will be held on Thursday, May 4, 2017, at the Spring Creek Oaks Clubhouse II, 6002 Bur Oak, Spring, Texas 77379, at 5:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 4th day of May, 2017.



Secretary, Board of Directors

