

MINUTES OF THE BOARD OF DIRECTORS

March 1, 2018

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, March 1, 2018, at 3:30 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 Hoffman	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. Michael Potter and Ms. Robin Secrest of Hays Utility South Corporation ("Hays"), operators for the District; Mr. Justin Abshire, P.E., and Mr. Ryan Casey, E.I.T., of Jones|Carter, Inc. ("Jones|Carter"), engineers for the District; Mr. Ron Brooks of Chesmar Homes, developer of the Country Lake Estates Village (the "CLEV"), Sections 1 and 2; Mr. Mark Eyring of Roth & Eyring, PLLC ("Roth & Eyring"), auditors for the District; Mr. Buddy Mays, resident of the District; and Ms. Robin S. Bobbitt, 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 approve the minutes of the special meeting of January 29, 2018 and the regular meeting of February 1, 2018, as written.

REGULAR AGENDA

ENGINEER'S REPORT

Mr. Abshire then reported that Jones|Carter was contacted by Mr. Mays, a resident of the District, regarding drainage issues in front of his house on Windypine Drive during heavy rain events. Mr. Abshire went on to explain that after speaking with Mr. Mays, it was discovered that Mr. Mays has had drainage issues for the entire 20 years that he has owned the residence. Mr. Abshire further explained that there is a 24" outfall pipe on Windypine Drive that was designed to meet the applicable regulations at the time of design of the outfall. Mr. Abshire

noted that the drainage issues were not caused by Hurricane Harvey, and that the drainage issues arise with rainfall events of more than 1" of rainfall per hour. Mr. Abshire stated that some options to alleviate the drainage issues are to widen the storm inlets and add a storm outfall. Mr. Abshire further stated that Harris County (the "County") maintains the storm sewer system, so the District would need the County's approval before making any such improvements. An Extensive Discussion then ensued regarding the various options to alleviate the drainage issues. Mr. Abshire stated that he would prepare cost estimates for potential improvements to the storm sewer system to alleviate the drainage issues on Windypine Drive.

DISCUSS NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY (THE "AUTHORITY") PUMPAGE AND SURFACE WATER RATE INCREASES AND ADOPT AMENDED RATE ORDER, AS NECESSARY

Director Stoebner next explained that the Authority is increasing its pumpage and surface water fees on April 1, 2018, with the pumpage fee increasing from \$2.90 per 1,000 gallons of usage to \$3.40 per 1,000 gallons of usage and the surface water fee increasing from \$3.35 per 1,000 gallons of usage to \$3.85 per 1,000 gallons of usage. Director Stoebner next explained that the current Authority fee being charged by the District to its residents is \$2.00 per 1,000 gallons of usage. Director Stoebner added that based to the analysis prepared by Ms. Mary Jarmon of MCI, the District would need to raise the Authority fee charged to District residents to \$0.89 in order to break even with the cost the District is paying to the Authority. A copy of Ms. Jarmon's rate analysis is attached hereto. Ms. Bobbitt then reminded the Board that in the past, the District has subsidized the Authority fee charged to District residents due to the District's capital contribution paid to the Authority several years ago, but that as the Authority's rates continue to rise, the District will need to continue to raise its rates to keep up with the Authority rate increases. Director Musgrave then suggested the District increase the Authority fee charged to District customers by \$0.75, resulting in a total Authority fee of \$2.75, per 1,000 gallons of usage. Extensive discussion ensued regarding the proposed Authority fee.

Upon motion by Director Musgrave, seconded by Director Hoffmann, after full discussion and the question being put to the Board, the Board voted unanimously to approve a \$0.75 increase in the Authority fee being charged to District residents, resulting in a total Authority fee of \$2.75 per 1,000 gallons of usage, to be effective April 1, 2018, and to amend the District's Rate Order to reflect such increase.

UPDATE ON PROPOSED ENGAGEMENT OF PARK CONSULTANT AND TAKE ANY NECESSARY ACTIONS ON SAME

Director Stoebner then stated that additional information was received in response to the Board's questions from Ms. Tara Klein with Four and One Landscape Architecture ("Four and One") and Mr. Michael Murr with Murr, Incorporated, copies of which were distributed to the Board. A brief discussion ensued. Upon motion by Director Hoffmann, seconded by Director Musgrave, after full discussion and the question being put to the Board, the Board voted unanimously to engage Four and One and to authorize the execution of the proposal from such firm for the site research option, in the amount of \$2,650. A copy of the executed proposal is attached hereto.

REVIEW, APPROVE AND AUTHORIZE EXECUTION OF ROTH & EYRING ENGAGEMENT LETTER (THE "ENGAGEMENT LETTER") TO PREPARE THE DISTRICT'S AUDIT REPORTS FOR THE FISCAL YEARS ENDING (the "FYE") MAY 31, 2018 AND MAY 31, 2019

Mr. Eyring then presented a copy of Roth & Eyring's engagement letter and reported that the estimated fee of \$10,950 per year reflects an increase of \$350 over fees for the fiscal years 2016 and 2017. 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.

Ms. Bobbitt then reported that the City of Houston will be temporarily shutting down the Greens Road 66" water line tomorrow due to a much needed leak repair. Ms. Bobbitt further reported that it is expected that the water line will be shut down between approximately seven (7) to ten (10) days and that district wells will be used during the shutdown. Ms. Bobbitt added that the District will not be receiving surface water from the Authority during this time. Director Winkler then asked if the issue had made it to the media. Ms. Bobbitt stated that she has been made aware of a number of articles regarding the matter, but that she has not seen the articles herself.

Ms. Bobbitt then exited the meeting.

TAX ASSESSOR/COLLECTOR'S REPORT

Director Stoebner next briefly reviewed with the Board the Tax Assessor/Collector's Report as of February 28, 2018, a copy of which is attached hereto. Director Stoebner reported that the District has collected 96.36% of its 2017 taxes to date.

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 Tax Assessor/Collector's Report and the checks reflected therein.

DELINQUENT TAX ATTORNEY'S REPORT

Ms. Miller then reviewed the Delinquent Tax Attorney's Report with the Board, a copy of which is attached hereto. Ms. Miller noted that no action was required.

DEVELOPER'S REPORT

Mr. Brooks next reported that there have been four (4) home sales during the previous month in CLEV. Mr. Brooks also reported that to date, there have been 96 sales, 111 home starts and 29 lots that are not yet started 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 previous nine (9) months and the investment report for the month. Ms. Cole also noted that she would have the draft budget for FYE May 31, 2019 for the Board's review at the April Board meeting.

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

OPERATOR'S REPORT

Mr. Potter then presented and reviewed the Operator's Report with the Board for the period of January 17, 2018 to February 16, 2018, a copy of which is attached hereto. Mr. Potter reported that currently, there are 1,791 connections in the District. Mr. Potter further reported that the District's water accountability for the month was 96.80%, that 84 delinquent notices were mailed during the month, and that three (3) accounts were cut-off for non-payment of water/sewer service fees.

Mr. Potter next reported that the District is not currently receiving surface water from the Authority due to a repair at Water Plant No. 1. Mr. Potter stated that the District will not have any issues with not receiving surface water from the Authority while the Greens Road water line is being repaired.

Concerning the District's Operations List, Mr. Potter reported that there had been three (3) items over budget during the past month, including: 1) \$7,000 for a blower repair at the Wastewater Treatment Plant; 2) \$2,000 for water tap costs in Country Lake Estates; and 3) \$1,970.15 for cleaning of the Sewage Treatment Plant lift station wet well. Mr. Potter further stated that after a review of the budget, several budget items have been over budget because of emergency repairs that have been required. Mr. Potter added that Hays will be watching the budget very closely.

Mr. Potter next reported that three (3) 3/4-inch (3/4") meters are due for replacement during the next month.

Mr. Potter further reported that several water quality complaints from District residents were recently posted on the Nextdoor website. Mr. Potter stated that no one has called Hays' office with any water quality complaints, and that the last water quality complaint that was received by Hays was in 2012. Director Stoeber asked if someone should respond to the complaints on the Nextdoor website. Director Winkler stated the he does not think anyone needs to respond, but if someone were to respond, it should be requested that District residents contact Hays with any water quality and/or operational issues.

Ms. Secrest next presented a list of uncollectable accounts to the Board, in the amount of \$138.46. Ms. Secrest requested Board authorization to write off such accounts.

Ms. Secrest then reported that a request was received from a District resident at 18823 Mountain Spring Drive, for a bill adjustment due to a water leak. A copy of the request is attached hereto. Ms. Secrest stated that the resident's meter box was damaged by the resident's neighbor thereby causing the leak. Ms. Secrest noted that the meter box has since been repaired by the resident. Ms. Secrest went on to explain that the Board could grant a three (3) month payment plan, but another option could be to adjust the bill amount by the average billing tier at which the resident is typically billed.

Ms. Secrest next reported that she was able to speak with the resident at 6102 Post Oak Court regarding his extremely high water usage during January. Ms. Secrest went on to explain that the leak has since been resolved and she informed the resident that he would need to write a letter to the Board requesting assistance with his bill. Director Winkler stated that he also spoke with the resident, and that the resident was very complimentary of Hays. Ms. Secrest added that she has not yet received any formal request from the resident regarding assistance with his bill. Ms. Secrest then noted that his current bill is over \$4,500 and is now delinquent, with termination scheduled for later this month if payment is not received. Ms. Secrest suggested that the Board could adjust the bill amount by the average billing tier at which the resident is typically billed, as was proposed with the previous customer request. Director Winkler then asked if this type of adjustment would be establishing criteria by which residents could be billed at a lower rate tier than their actual water usage. Extensive discussion ensued. Ms. Secrest then stated that she would prepare a spreadsheet calculating the average billing tier and water-only credit amount for the resident at 6102 Post Oak Court as well as the resident at 18823 Mountain Spring Drive. The Board concurred to authorize Director Day to make the final decision regarding the bill credits to be issued for both residents once she receives and reviews the information to be provided by Ms. Secrest.

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 approve the following items: 1) the Operator's Report; 2) authorize the termination of service to the delinquent accounts in accordance with the provisions of the District's Rate Order; 3) write-off of the uncollectable accounts totaling \$138.46; and 4) authorize Hays to prepare a spreadsheet calculating the average billing tier and water-only credit amount for the resident at 6102 Post Oak Court and the resident at 18823 Mountain Spring Drive and to authorize Director Day to make the final decision regarding the bill credits to be issued to such residents.

ENGINEER'S REPORT

Mr. Abshire then presented the Engineer's Report, a copy of which is attached hereto. Mr. Abshire reported that the Bond Application Report (the "BAR") for the District's proposed tenth (10th) bond issue has been completed and submitted to the District's consultants for review and comment. Mr. Abshire added that the BAR should be filled with Texas Commissions on Environmental Quality (the "TCEQ") within the next several weeks.

Mr. Abshire next reported that the Board of Terranova West Municipal Utility District has discussed the Reclaimed Water Feasibility Study that was jointly sponsored by the two (2) districts. Mr. Abshire stated that they understand that the District will not be moving forward with the project at this time, but that it might be revisited in the future when it would make more financial sense.

Mr. Abshire then reported that there has been no movement on the Waffle House development, but that Waffle House still owns the property.

Upon motion by Director Hoffman, 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.

REVIEW AND DISCUSS PROPOSED POLICY FOR UTILITY LINE REPAIRS, AND TAKE ANY NECESSARY ACTIONS ON SAME

Ms. Miller then stated that this item would be deferred until the April Board meeting.

STATUS OF REQUEST FOR ANNEXATION BY 9.6 KUYKENDAHL, J.V. PURSUANT TO AN ANNEXATION AND REAL PROPERTY DEDICATION AGREEMENT, DATED JULY 7, 2000, CONSIDER REQUEST FOR PURCHASE OF PROPERTY, AND TAKE ANY NECESSARY ACTIONS ON SAME

Ms. Miller next stated that no additional information had been received on this matter.

CONSIDER REQUEST FROM HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16 ("HCESD NO. 16") TO EXTEND THE LEASE BY AND BETWEEN THE DISTRICT AND THE KLEIN VOLUNTEER FIRE DEPARTMENT

Ms. Miller then reported that a request was received from HCESD No. 16 to review/extend the lease for the property currently leased from the District by the Klein Volunteer Fire Department ("Klein VFD"). Ms. Miller explained that HCESD No. 16 would like to renew the lease for an additional ten (10) year term in their name rather than in the name of Klein VFD. Director Stoebner reported that the fire station now employs a full time mechanic and that the station is busy all the time. Director Winkler asked if anyone has an issue with renewing the lease since the usage of the property is different than what was reflected in the original lease. Ms. Miller stated that Ms. Bobbitt would further review the matter and would place the matter on the Board's April agenda for further review and discussion for review at the April Board meeting.

ATTORNEY'S REPORT

Ms. Miller next reported that Senate Bill 625, 85th Texas Legislature, requires the implementation of a Special Purpose District Public Information Database. Ms. Miller explained that the Texas State Comptroller's Office (the "Comptroller") is creating the required database and is, therefore, requiring the annual filing of certain financial and tax-related information by all Special Purpose Districts. Ms. Miller noted that such information must be filed with the Comptroller annually by May 1, 2018. Upon motion by Director Musgrave, seconded by Director Hoffmann, after full discussion and the question being put to the Board, the Board voted unanimously to authorize RBAP to file the required financial and tax-related information with the Comptroller by May 1, 2018.

SUPPLEMENTAL NOTICE OF PUBLIC MEETING

ADOPT ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE AND CANCELING ELECTION (THE "ORDER")

Ms. Miller then explained that the filing deadline for placement on the ballot for the 2018 Directors Election was 5:00 p.m. on February 16, 2018, and that the filing deadline for placement on the list of approved write-in candidates for the Directors Election was 5:00 p.m. on February 20, 2018, and that no candidate applications had been received from anyone other than the three (3) incumbent directors. Ms. Miller further noted that pursuant to Section 2.053 of the

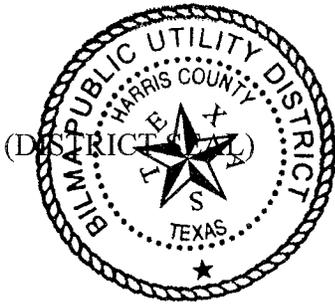
Texas Election Code, as amended, the Board has the authority to declare the unopposed candidates elected to office and cancel the May 5, 2018 Directors Election. Upon motion by Director Day, seconded by Director Musgrave, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order.

NEXT MEETING

Director Stoebner then reminded the Board that the next regular meeting will be held on Thursday, April 5, 2018, 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 5th day of April, 2018.




Secretary, Board of Directors