

MINUTES OF THE BOARD OF DIRECTORS

May 3, 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, May 3, 2018, 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 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., of Jones|Carter, Inc. ("Jones|Carter"), engineers for the District; Mr. Allen DeJonge of 1190 Designs, website consultant for the District; Mr. Brad Dill of BD Realty Advisors, LLC; Mr. Mike Pate, commissioner of Harris County Emergency Services District No. 16 ("HCESD 16"); Mr. Ron Brooks of Chesmar Homes, developer of the Country Lake Estates Village (the "CLEV"), Sections 1 and 2; Ms. Laurie Alter, Vice President of the Spring Creek Oaks Community Improvement Association ("SCOCIA"); Ms. Laura Junek, Treasurer of SCOCIA; Ms. Crystal Steinberger with the Country Lake Estates Homeowners Association (the "CLE HOA"); and Mr. Jonathan D. Polley and Ms. Monica Garza, attorneys, 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.

PUBLIC COMMENT

Ms. Alter first requested the District's assistance with constructing a sidewalk on the west side of T.C. Jester to connect to a crosswalk on the east side of T.C. Jester. Ms. Alter explained that there is already a crosswalk signal at T.C. Jester and Winding Ridge Drive to allow people to safely cross T.C. Jester. Ms. Alter stated that she has already contacted Harris County Precinct 4 ("Precinct 4") with the request, but that Precinct 4 has denied such request. Director Day asked if Ms. Alter had a cost estimate for the installation of the sidewalk. Ms. Alter stated that after some preliminary research, she thinks the cost will be around \$10,000. Director Stoebner asked if the sidewalk would be in the street right-of-way ("ROW"). Mr. Abshire stated that he thinks it is in the street ROW, and that there would most likely be an approval process with Harris County (the "County") for the District to be able to construct the sidewalk.

Ms. Steinberger then asked if there were any questions about her previous request for lighting in the CLE Section 1 park area around the detention pond. Mr. Polley stated that he had reviewed the plat and there should not be any issues with the installation of the lighting since the lighting would be located on the District's property. Director Hoffmann then explained that the District is working on a park initiative which includes the creation of a priority list of potential projects with the District's park consultant.

Ms. Steinberger next stated that there is an issue with drainage along the fence line on Country Crossing Drive. Mr. Abshire stated that the area that is holding water is located in a CenterPoint Energy ("CenterPoint") easement and that there appears to be an issue with the way CenterPoint graded the area. Director Hoffmann asked if it is CenterPoint's responsibility to fix the drainage issue. Mr. Abshire stated that it is CenterPoint's responsibility, but that it is also reflected on the District's plat, so the District could have some rights to improve the area. Mr. Polley then stated that the District would need CenterPoint's permission to make any improvements to the area and that the District cannot compel CenterPoint to fix any drainage issues.

CONSENT AGENDA

Director Stoebner then 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 Day, seconded by Director Hoffmann, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the special meeting of March 28, 2018, the regular meeting of April 5, 2018 and the certified agenda of the executive session of April 5, 2018, as written.

REGULAR AGENDA

UPDATE ON CREATION OF NEW DISTRICT WEBSITE, AND TAKE ANY NECESSARY ACTIONS ON SAME

Mr. DeJonge then reviewed with the Board the new District website and detailed the features contained on the website. Mr. DeJonge stated that the website is ready to go live as soon as Hays has reviewed the water and wastewater facilities information section. Ms. Secret stated that she will review such water and wastewater facilities section as soon as possible.

UPDATE ON PARK MATTERS, INCLUDING LIGHTING IN CLE AND BEAUTIFICATION IN SPRING CREEK OAKS

Ms. Miller reported that Ms. Tara Klein of Four and One Landscape Architecture has requested a special meeting to present her site research to the Board. The Board then concurred to schedule a special meeting on Wednesday, May 30th at 5:00 p.m.

TAX ASSESSOR/COLLECTOR'S REPORT

Mr. Polley then reviewed with the Board the Tax Assessor/Collector's Report as of April 30, 2018, a copy of which is attached hereto. Mr. Polley reported that the District has collected 97.65% of its 2017 taxes to date. 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 approve the Tax Assessor/Collector's Report and the checks reflected therein.

DEVELOPER'S REPORT

Mr. Brooks reported that to date, there have been 119 home starts, 104 home sales and 21 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 the previous 11 months and the investment report for the month. Ms. Cole also presented the draft budget for the fiscal year ending (the "FYE") May 31, 2019 for approval. Mr. Abshire stated that he had added the District's updated Capital Improvement Plan ("CIP") projects to the budget. Mr. Abshire then reviewed such CIP projects with the Board.

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 Bookkeeper's Report, authorize execution and payment of the checks reflected therein and approve and adopt the budget for the FYE May 31, 2019.

OPERATOR'S REPORT

Mr. Potter then presented and reviewed the Operator's Report with the Board for the period of March 15, 2018 to April 15, 2018, a copy of which is attached hereto. Mr. Potter reported that there are currently 1,798 connections in the District. Mr. Potter further reported that the District's water accountability for the month was 94.27%, that 98 delinquent notices were mailed during the month, and that six (6) accounts were cut-off for non-payment of water/sewer service fees.

Concerning the District's Operations List, Mr. Potter reported that there had been seven (7) items over budget during the past month, including: 1) \$4,500 for a valve repair; 2) \$7,300 for lift screen floats and a pump at the Wastewater Treatment Plant; 3) \$1,700 for lift station repair at the Dover Mills Lift Station; 4) \$5,171.98 for disposal of 110,000 gallons of sludge; 5) \$5,660 for seven (7) water taps and ten (10) sewer taps; 6) \$1,400 for mailing of a rate increase letter to District residents; and 7) \$1,840.78 for the cleaning of the Sewage Treatment Plant lift station wet well.

Mr. Potter next reported that two (2) 3/4-inch (3/4") meters are due for replacement during the next month.

Mr. Potter next presented the District's 2017 Consumer Confidence Report ("CCR"), a copy of which is attached to the Operator's Report, and stated that the CCR would need to be distributed to District residents in their water/sewer service bills prior to July 1st.

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 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; and 3) approve publication and distribution of the 2017 CCR to District 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 is currently under review by the staff at the Texas Commission on Environmental Quality, and that he expects to have a response by early June.

Mr. Abshire next reported that he had met with representatives of the Harris County Flood Control District ("HCFCD") regarding the drainage issues on Windypine Drive in Spring Creek Oaks Section 1. Mr. Abshire stated that HCFCD is requiring an impact study for any work proposed to be done in the ROW to prove that there would not be any additional flow added to the existing HCFCD channel. Mr. Abshire further stated that this is a roadblock to any improvements on Windypine Drive because the proposed improvements will add additional flow to HCFCD's drainage channel, and that the District does not have any way to mitigate that additional flow. Mr. Abshire also stated that estimate for an impact study is around \$20,000. Discussion ensued regarding drainage issues and the standard drainage design requirements.

Mr. Abshire next reported that Storm Water Solutions ("SWS"), the District's stormwater maintenance contractor, has prepared a renewal application to renew the District's Storm Water Quality Feature Permits for CLE, Section 2. Mr. Abshire reminded the Board that they had approved renewal of the permits at last month's Board meeting.

Regarding the drainage issue on Country Crossing Drive, Director Musgrave asked if Mr. Abshire has any contacts at CenterPoint that could address the issue. Mr. Abshire stated that he does not think that CenterPoint will take the issue seriously, but that the District can try reaching out to CenterPoint. Mr. Abshire recommended sending a letter to CenterPoint to request that CenterPoint fix the ponding water issue. Director Winkler suggested copying the County on such letter. Director Musgrave suggested copying Commissioner Cagle's office as well on such letter. Mr. Polley asked if Mr. Abshire could provide a ballpark cost estimate to fix the drainage issue. Mr. Abshire stated that it would cost approximately \$5,000 to \$10,000, but that he could not give an accurate cost without having a survey for the area. Mr. Abshire further stated that he could survey the area for a cost of approximately \$3,000. Director Musgrave then asked that a letter be sent to CenterPoint, the County and Commissioner Cagle's office regarding the drainage issues on Country Crossing Drive. Mr. Polley stated that he would work with Jones|Carter on such letter.

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 and authorize RBAP and Jones|Carter to prepare and send a letter to CenterPoint, the County and Commissioner Cagle's office regarding the drainage issues on Country Crossing Drive.

REVIEW AND DISCUSS REQUEST FROM HCESD 16 (KLEIN VOLUNTEER FIRE DEPARTMENT ("KVFD")) FOR EXTENSION OF LEASE TERM, APPROVAL OF PLANS FOR PROPOSED IMPROVEMENTS TO EXISTING FIRE STATION BUILDING, AND TAKE ANY NECESSARY ACTIONS ON SAME

Mr. Dill stated that he has addressed the Board's issues regarding the fire station maintenance facility with HCESD 16 and presented a letter regarding HCESD 16's response, a copy of which is attached hereto. Mr. Dill then stated that beginning immediately, the bay doors facing Winding Ridge will be closed at all times, with the exception of one (1) bay door. Mr. Dill next stated that no vehicles will be parked in front of the building. Mr. Dill also stated that HCESD 16 has repainted the sign panel in front of the building and is requesting authorization from the Board to install a sign stating "Klein F.D. Logistics Center". Director Stoebner stated that he has recently noticed more than one (1) bay door open at a time, and that he has also seen vehicles parked in front of the building. Mr. Dill then stated that HCESD 16 is making efforts to comply with the District's wishes. Director Day stated that her objection is that the building looks like a repair shop and that she is opposed to the construction of an additional building on the property. Mr. Dill stated that HCESD 16 anticipates having a new maintenance facility built in about three (3) years. Director Stoebner stated that he is willing to continue consideration of the lease extension request over the next few months if it becomes less obvious that the building is a maintenance facility. Director Hoffmann asked if the building expansion needs to be immediate. Mr. Pate stated that they will need to begin construction soon or look for a new facility. Director Winkler asked if HCESD 16 has had any dialogue with the community about the new proposed/intended use of the fire station building. Mr. Pate stated that community input has not been sought because the expansion will take place on the back of the property behind the current building. Director Stoebner then requested that HCESD 16 send a letter to District residents advising them of the potential change in the use of the building. Mr. Dill stated that he would prepare such letter for the Board's review.

REVIEW AND DISCUSS STATUS OF AND OPTIONS FOR DISTRICT INDEMNIFICATION COVERAGE, AND TAKE ANY NECESSARY ACTIONS ON SAME

Director Winkler stated his concern that the State of Texas does not require a utility district to have indemnification coverage for its directors/officers. Director Winkler also stated that a utility district can choose to indemnify a director and cover any legal expenses should there be action against the Board. Mr. Polley explained that the District has a Directors & Officers Insurance Policy (the "D&O Policy") that will provide defense costs for most civil and criminal claims. Director Winkler asked if the insurance policy mandates that a Director would be covered if a claim were filed against the Board. Mr. Polley explained that utility districts are required to maintain a director bond, but that the D&O Policy is generally universal coverage among utility districts. Mr. Polley further explained that it is a Board decision to purchase the D&O Policy, so a Board decision would have to be made to not purchase the coverage.

Mr. Polley then stated that there is nothing that can be done that is any more binding than the vote of the Board.

AUTHORIZE PREPARATION OF POST-ISSUANCE TAX-EXEMPT DEBT COMPLIANCE POLICY CHECKLIST

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

ATTORNEY'S REPORT

Mr. Polley stated that he had nothing further to add.

9.6 KUYKENDAHL J.V. MATTER

Mr. Polley next reported that the District's insurance carrier is providing coverage for this matter, and that they have engaged Roberts Markel Weinberg Butler Hailey PC as the District's defense counsel.

NEXT MEETING

Director Stoebner then reminded the Board that the next regular meeting will be held on Thursday, June 7, 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 7th day of June, 2018.




Secretary, Board of Directors