

MINUTES OF THE BOARD OF DIRECTORS

June 7, 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, June 7, 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 Secret of Hays Utility South Corporation ("Hays"), operators for the District; Messrs. Justin Abshire, P.E. and Wesley Lay, intern of Jones|Carter, Inc. ("Jones|Carter"), engineers for the District; Mr. Brad Dill of BD Realty Advisors, LLC; Mr. Mike Pate, commissioner of Harris County Emergency Services District No. 16 ("HCESD No. 16"); Mr. Ron Brooks of Chesmar Homes, developer of the Country Lake Estates Village (the "CLEV"), Sections 1 and 2; Ms. Fran Najafizadeh, resident of the District; Mr. David Creps, resident of the District; and Ms. Robin S. Bobbitt 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.

REGULAR AGENDA

OPERATOR'S REPORT

Mr. Potter first presented and reviewed the Operator's Report with the Board for the period of April 15, 2018 to May 15, 2018, a copy of which is attached hereto. Mr. Potter reported that there are currently 1,801 connections in the District. Mr. Potter further reported that the District's water accountability for the month was 96.98%, that 89 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 eight (8) items over budget during the past month, including: 1) \$44,000 for maintenance and recoating of all blowers; 2) \$4,700 for a hydro-controller at the Kuykendahl Lift Station; 3) \$2,000 for sanitary sewer televising; 4) \$3,000 for bleach at the Sewage Treatment Plant (the "STP"); 5) \$1,200 for poly/LAS at Water Plant No. 2; 6) \$9.95 for alarm replacement at Water

Plant No. 2; 7) \$49,447.34 for the cleanout of the aeration basin at the STP; and 8) \$5,200 for bottom clean-outs of the Kuykendahl Lift Station, Dover Mills Lift Station and STP.

Mr. Potter next reported that ten (10) 3/4-inch (3/4") meters and one (1) 1-inch (1") meter are due for replacement during the next month.

Ms. Secrest then reported that a customer request was received from a resident at 19527 Country Canyon Drive for the waiver of a reconnection fee. Ms. Secrest explained that the customer is current on his bill for everything except the \$175 reconnection fee after having his service terminated due to non-payment. Director Stoebner recommended offering the customer a three (3) month payment plan.

Director Day then asked if the District's budget for the fiscal year ending May 31, 2019 needs to be amended to take into account all of the operation items that have been over-budget, including the items reported on at today's meeting. Mr. Potter responded that most of the over-budget items are one time occurrences, and that he does not believe the budget should be an issue going forward. Director Winkler requested that Hays take a better look at operations expenses for inclusion in the annual budget in the future so that the District can better plan for expenses.

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; and 3) approve a three (3) month payment plan for the customer at 19527 Country Canyon Drive.

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 Musgrave, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of May 3, 2018, and the special meetings of May 29, 2018 and May 30, 2018, as written.

REGULAR AGENDA, CONTINUED

REVIEW AND DISCUSS REQUEST FROM HCESD NO. 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 reported that a letter was mailed out on Monday, June 1, 2018 to Spring Creek Oaks residents regarding the proposed use of the fire station on Winding Ridge Drive, a copy of which is attached hereto. Director Musgrave stated that his concern with the proposed use of the fire station is that it might not be the highest and best use of the District's property. Director Day

expressed that her concern is that the letter did not really state that the facility is no longer being used as a fire station. Director Winkler then stated that he did not think the letter was as clear as he had expected it to be on the details of the proposed plan by HCESD No. 16 for the future use of the fire station building. Mr. Dill asked if the Board would be more comfortable with the proposal if there was a specific end date to the use of the facility as a maintenance facility included in the new lease. Director Winkler stated that including an end date for maintenance would be helpful. Director Hoffmann stated that including a limit for the duration of the time the facility would be used for maintenance purposes would need to be included in the lease for him to feel comfortable approving the lease. Director Hoffmann also stated that he thinks that there needs to be more time to receive feedback to the letter before the Board makes a decision on the matter. Mr. Pate then stated that loss of the facility by HCESD No. 16 would be a significant loss until the new maintenance facility is built in the next three (3) years. Mr. Pate suggested including a date certain in the lease for the completion of the new maintenance facility to ensure that the construction of such facility does not take more than three (3) years. Director Winkler asked what will happen to the current facility after the new facility is built. Mr. Pate responded that the current facility will become the location for surplus equipment storage for such items as back-up fire trucks, etc. Director Stoebner then stated that he also would like more time to hear from the community on the matter before making a final decision. Mr. Dill asked if the Board would approve Ms. Bobbitt to start working on a draft lease in the meantime. Ms. Bobbitt suggested putting another notice on the District's website to clarify the proposed usage of the fire station building and allow more time for residents to respond. Director Stoebner then asked if the Board had a general consensus of support for the new lease with HCESD No. 16. Director Hoffmann stated that he would support it as long as no major negative resident feedback is received from District residents. Director Winkler added that a limited time use provision in the Lease would be helpful. Director Day stated that she wants it to be clear that the facility is no longer being used as a fire station. The Board then concurred to have a special meeting on Wednesday, June 20, 2018 at 8:00 a.m. to continue discussion and make a decision on the matter.

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 authorize Ms. Bobbitt to begin preparation of a draft lease agreement with HCESD No. 16.

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

Ms. Bobbitt next reported that she had received a proposed service agreement from Ms. Tara Klein of Four and One Landscape Architecture for preparation of a conceptual master plan, in the amount of \$12,200. Director Winkler stated that he thinks the description of the conceptual master plan in the proposed service agreement is too vague. Further discussion ensued. Ms. Bobbitt stated that she could add language regarding periodic meetings with the Board and Board input on the conceptual master plan, as well as other details that the Board desires to be included in the proposed service agreement. Director Musgrave then stated that Ms. Klein had said any specific ideas for the conceptual master plan would come after meetings with the Board. Additional discussion then ensued regarding the service agreement for the conceptual master plan. Ms. Bobbitt then stated that she would contact Ms. Klein to clarify and revise the service agreement as per the Board's questions and requests.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Bobbitt then reviewed with the Board the Tax Assessor/Collector's Report as of May 31, 2018, a copy of which is attached hereto. Ms. Bobbitt reported that the District has collected 98.38% 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. Bobbitt next reviewed the Delinquent Tax Attorney's Report with the Board, a copy of which is attached hereto. Ms. Bobbitt noted that no action was needed on the Delinquent Tax Attorney's Report.

AUTHORIZE DELINQUENT TAX ATTORNEY TO PROCEED WITH COLLECTION OF 2017 DELINQUENT TAXES

Ms. Bobbitt next explained that if the Board wants to exercise its authority to terminate water service to delinquent tax accounts after August 1st, rather than waiting on the other taxing authorities to file lawsuits or until year-end, she is recommending that a letter be written to Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue Brandon"), the District's delinquent tax attorney, requesting their recommendations for termination of service to 2017 delinquent accounts be provided for review and consideration by the Board at its August meeting. 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 RBAP to prepare and send a letter to Perdue Brandon requesting recommendations on the termination of service to the 2017 delinquent tax accounts for review and discussion at the August Board meeting.

DEVELOPER'S REPORT

Mr. Brooks reported that to date, there have been 122 home starts, 108 home sales and 97 closings 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 12 months and the investment report for the month.

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.

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 Texas Commission on Environmental Quality (the "TCEQ"), and that he expects to have a response by early June.

Mr. Abshire next reported that he had received a call from a representative of the Harris County maintenance facility located on Spring-Cypress Road regarding the possibility of such facility tying into the District's sanitary sewer line in CLEV. Mr. Abshire stated that the maintenance facility is not located within the District. Mr. Abshire then stated that he explained the feasibility process to the representative, but has not heard back from him.

Mr. Abshire then reported that in drafting a letter to CenterPoint Energy ("CenterPoint") about the drainage issue on Country Crossing Drive, he realized that the area in question is not in an easement. Mr. Abshire explained that the property belongs to the Country Lake Estates Homeowners Association (the "CLE HOA") and is not owned or maintained by the District. Mr. Abshire further reported that he had related this information to the CLE HOA, but they are still requesting the District assist with resolving the issue. Mr. Abshire further explained that if the District wanted to help to address the issue, the first step would be to survey the area, at a cost of approximately \$4,000. Mr. Abshire noted that the Board is under no obligation to address the drainage issue, and that it is not currently an emergency situation. Director Stoebner asked to table further discussion on the matter until a later Board meeting. Mr. Abshire stated that he would let the CLE HOA know of the Board's position.

Mr. Abshire next requested authorization to prepare and submit the bid package for the Sanitary Sewer Cleaning & Televising Phase IV project. Mr. Abshire stated that this project will include Spring Creek Oaks Sections 7, 8 and 9 and the Patio Homes area within the District.

Mr. Abshire went on to report that he had recently received a call from the engineer for Terranova West Municipal Utility District ("TWMUD") who has asked the Board to reconsider the proposed reclaimed water project. Mr. Abshire stated that since the feasibility study for the project was prepared, the North Harris County Regional Water Authority (the "NHCRWA") has adopted a new water reuse incentive program that will issue credits for a reuse project in the amount of one half (1/2) of the then-current pumpage rate. Mr. Abshire further explained that the NHCRWA pumpage rate will only continue to increase, so the new incentive program makes the proposed reuse project more feasible. Director Day asked what the timeline would be for the project if the District chose to move forward. Mr. Abshire stated that there is at least a six (6) month permit process at the TCEQ, but that the District would need a conceptual plan for the project first. Ms. Bobbitt stated that the cost of water is only going to increase in the coming years, and construction and material costs will also be increasing. Ms. Bobbitt noted that the Texas Water Development Board (the "TWDB") has funding available for water reuse projects, and that the proposed project would be worth discussing with the TWDB. Director Stoebner asked Mr. Abshire to set up a meeting with TWMUD to discuss reconsidering the proposed water reuse project.

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 Jones|Carter to prepare and submit the bid package for the Sanitary Sewer Cleaning & Televising Phase IV project.

DISCUSS SOLICITING PROPOSALS FOR RENEWAL OF DISTRICT'S INSURANCE COVERAGES, AND TAKE ANY NECESSARY ACTIONS ON SAME

Ms. Bobbitt then stated that the Board has the option to solicit proposals for the District's insurance coverages. Ms. Bobbitt reminded the Board that the District's current insurance coverage with Arthur J. Gallagher expires on August 30th. The Board declined to solicit additional insurance proposals at this time.

ATTORNEY'S REPORT

Ms. Bobbitt stated that she had nothing further to add.

SUPPLEMENTAL NOTICE OF PUBLIC MEETING

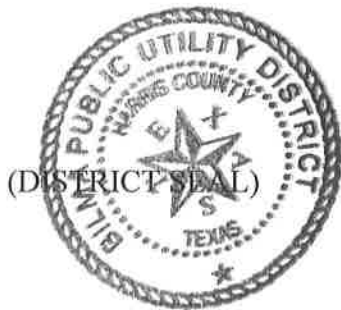
Director Stoebner then executed the Certificates of Election for Directors Winkler, Musgrave and Hoffmann, copies of which are attached hereto. Ms. Bobbitt stated that Directors Winkler, Musgrave and Hoffmann were elected to serve a four (4) year term that ends in May 2022. Directors Winkler, Musgrave and Hoffmann then executed their respective Oaths of Office and Official Statements of Elected Officer. Upon motion by Director Musgrave, seconded by Director Hoffman, after full discussion and the question being put to the Board, the Board voted unanimously to accept the executed Oaths of Office and Statements of Elected Officer for Directors Winkler, Musgrave and Hoffmann and to retain the current officers of the Board. Ms. Bobbitt noted that the Oaths of Office will be filed with the Secretary of State, as required by law.

NEXT MEETING

Director Stoebner then reminded the Board that the next regular meeting will be held on Thursday, July 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 July, 2018.




Secretary, Board of Directors