

## MINUTES OF THE BOARD OF DIRECTORS

September 6, 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, September 6, 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 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. ("MCI"), bookkeepers for the District; Mr. Michael Potter and Ms. Robin Secrest of Hays Utility South Corporation ("Hays"), operators for the District; Messrs. Justin Abshire, P.E., and Ryan Schilhab, engineer-in-training, of Jones|Carter, Inc. ("Jones|Carter"), engineers for the District; Ms. Julie Williams of Rathmann & Associates, L.P., financial advisor for the District; Ms. Sara Ahlschlager of Wheeler & Associates, Inc., tax assessor/collector for the District; Mr. Mark Eyring of Roth & Eyring, PLLC, auditors for the District; Mr. Ron Brooks of Chesmar Homes ("Chesmar"), developer of the Country Lake Estates Village ("CLEV"), Sections 1 and 2; Mr. Brad Dill of BD Realty Advisors, LLC, real estate consultant representing Harris County Emergency Services District No. 16 ("HCESD No. 16"); and Ms. Robin S. Bobbitt and Ms. Monica Garza, attorneys, and Ms. Marissa Paltz, legal secretary, 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 Hoffmann, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of August 2, 2018, as written and to authorize execution of the contract with CSI Consolidated, LLC dba AIMS Companies for the Sanitary Sewer Cleaning & Televising project Phase IV.

## BOND AGENDA

### UPDATE ON SCHEDULE FOR CLOSING AND DELIVERY OF THE DISTRICT'S \$7,160,000 WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX BONDS, SERIES 2018 (THE "SERIES 2018 BONDS")

Ms. Williams next reviewed the schedule for the sale and delivery of the Series 2018 Bonds with the Board. Ms. Williams reported that bids for the Series 2018 Bonds had been received earlier today and will be reviewed at this evening's meeting. Ms. Williams added that the closing on the Series 2018 Bonds has been scheduled for October 18<sup>th</sup>.

### REVIEW BIDS AND AWARD SALE OF SERIES 2018 BONDS

Ms. Williams next distributed a summary of the seven (7) bids that were received earlier in the day for the purchase of the District's Series 2018 Bonds, a copy of which is attached hereto. Ms. Williams reported that Standard & Poor's has assigned a rating of A to the Series 2018 Bonds. Ms. Williams then recommended that the Board accept the bid of The Baker Group ("Baker") for the purchase of the Series 2018 Bonds at a cash price of \$7,136,530.24, which represents 99.67% of the par value of the Series 2018 Bonds, with a net effective interest rate of 3.303503%. Ms. Williams also noted that the Series 2018 Bonds qualified for bond insurance, but that Baker has chosen not to insure the Series 2018 Bonds.

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 accept the bid of Baker for the purchase of the Series 2018 Bonds.

Ms. Bobbitt then advised the Board that bond agenda item nos. 3 through 7 could be approved with one (1) motion following her explanation of such items.

### ADOPT ORDER AUTHORIZING ISSUANCE OF SERIES 2018 BONDS (THE "BOND ORDER")

Ms. Bobbitt next reviewed the Bond Order with the Board, and explained that it will be submitted to the Attorney General's office, along with the other bond documents in connection with the Series 2018 Bonds.

### AUTHORIZE EXECUTION OF CERTIFICATE OF REVENUES AND EXPENDITURES

Ms. Bobbitt then reviewed the Certificate of Revenues and Expenditures with the Board, noting that pages reflecting the District's revenues/expenditures for the five (5) years out of the District's audit report for the fiscal year ended ("FYE") May 31, 2017 have been attached to the Certificate.

### REVIEW, APPROVE AND AUTHORIZE EXECUTION OF PAYING AGENT/REGISTRAR AGREEMENT WITH THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (THE "BANK OF NEW YORK")

Ms. Bobbitt then reviewed the Paying Agent Agreement with the Board. Ms. Bobbitt

explained that the Bank of New York has served as the Paying Agent on all of the District's prior bond issues. Ms. Bobbitt further explained that the Paying Agent has the responsibility for accepting debt service payments from the District for the purpose of making payments to the bond holders of the Series 2018 Bonds.

APPROVE AND AUTHORIZE ENGAGEMENT OF MCCALL PARKHURST & HORTON ("MCCALL") TO SERVE AS DISCLOSURE COUNSEL FOR THE DISTRICT

Ms. Bobbitt next explained that she and Ms. Williams are proposing that McCall serve as the disclosure counsel for the Series 2018 Bonds and any future bond issues for the District. Ms. Williams added that McCall has served as disclosure counsel on prior District bond issues, but is now requesting that the District approve a formal engagement letter with such firm. Director Stoebner asked what McCall will charge to serve as disclosure counsel to the District. Ms. Williams stated that the fee for disclosure counsel work will be \$7,000 and will be paid out of the proceeds of the Series 2018 Bonds. Ms. Williams added that ongoing continuing disclosure work done on behalf of the District will be on an hourly basis.

APPROVE AND AUTHORIZE EXECUTION OF ALL OTHER DOCUMENTS AND AUTHORIZE ATTORNEY, FINANCIAL ADVISOR AND UNDERWRITER TO TAKE ALL OTHER NECESSARY ACTIONS IN CONNECTION WITH THE SALE AND ISSUANCE OF THE SERIES 2018 BONDS

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 take the following actions: 1) adopt the Bond Order; 2) approve and authorize execution of the Certificate of Revenues and Expenditures; 3) approve and authorize execution of the Paying Agent/Registrar Agreement with The Bank of New York; 4) approve and authorize engagement of McCall to serve as disclosure counsel for the District; and 5) approve and authorize execution of all other documents and authorize attorney, financial advisor and underwriter to take all other actions necessary in connection with the sale and issuance of the Series 2018 Bonds. Copies of the Bond Order, Paying Agent Agreement, Certificate of Revenues and Expenditures and disclosure counsel engagement letter with McCall are attached hereto.

REGULAR AGENDA

REVIEW FINANCIAL ADVISOR'S RECOMMENDATION FOR 2018 TAX RATE, AUTHORIZE PUBLICATION OF EFFECTIVE TAX RATE, AND ESTABLISH PUBLIC HEARING DATE REGARDING 2018 TAX RATE

Ms. Williams then handed out the financial advisor's 2018 Tax Rate Recommendation and a combined debt service schedule reflecting the District's debt service requirements through 2034, a copy of which is attached hereto. Ms. Williams explained that the District's 2018 assessed valuation is \$477,703,339, an increase from the 2017 assessed valuation of \$464,998,430. Ms. Williams then reviewed her 2018 Tax Rate Recommendation with the Board and stated that a debt service tax of \$0.35 per \$100 assessed valuation, and a maintenance tax of \$0.16 per \$100 assessed valuation, for a total 2018 tax rate of \$0.51 per \$100 assessed valuation was being recommended. Ms. Williams noted that the District's 2017 total tax rate was \$0.53 per

\$100 assessed valuation, comprised of \$0.37 per \$100 assessed valuation for debt service purposes and \$0.16 per \$100 assessed valuation for operation and maintenance purposes. Ms. Williams then reviewed the District's Tax Rate Rollback Worksheet for the 2018 tax year and noted that the current average appraised value of a homestead residence in the District is \$279,001 compared to \$277,496 in 2017. Ms. Williams went on to explain that under current statutory provisions, the District cannot generate a total tax rate that exceeds \$0.569312334 per \$100 assessed valuation without triggering a possible rollback election. A brief discussion regarding the rollback rate then ensued.

Upon motion by Director Winkler, seconded by Director Day, after all discussion and the question being put to the Board, the Board voted unanimously to authorize the Tax Assessor/Collector to publish an effective tax rate calculation of \$0.52 per \$100 assessed valuation, and to hold the tax hearing and adopt the 2018 tax rate at the Board's next regular meeting scheduled for October 4, 2018.

AUTHORIZE PREPARATION OF AGREED UPON PROCEDURES ("AUP") REPORT IN CONNECTION WITH REIMBURSEMENT TO CHESMAR REGARDING CLEV SECTIONS 1 AND 2

Ms. Bobbitt next explained that an AUP report is required in order to reimburse Chesmar for the water, sewer and drainage facilities it constructed for the development of CLEV Sections 1 and 2, in accordance with the provisions of Agreement for Financing of facilities by and between Chesmar and the District. Mr. Eyring then presented an engagement letter for preparation of the AUP report, a copy of which is attached hereto. Mr. Eyring stated that the cost for preparation of the AUP report will be approximately \$3,950. Upon motion by Director Winkler, seconded by Director Day, after all discussion and the question being put to the Board, the Board voted unanimously to authorize preparation of the AUP report.

REVIEW AND APPROVE AUDIT REPORT FOR THE FYE MAY 31, 2018, AND AUTHORIZE FILING OF SAME

Mr. Eyring then reviewed with the Board the draft of the District's audit report and the management letter for the FYE May 31, 2018, previously distributed to the Board, copies of which are attached hereto.

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 audit report and to authorize the District's attorney to file the audit report with the appropriate governmental entities.

Mr. Eyring then exited the meeting at this time.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Ahlschlager next reviewed with the Board the Tax Assessor/Collector's Report as of August 31, 2018, a copy of which is attached hereto. Ms. Ahlschlager reported that the District has collected 98.92% of its 2017 taxes to date. 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 Tax Assessor/Collector's Report and the checks reflected therein.

#### DELINQUENT TAX ATTORNEY'S REPORT

Ms. Ahlschlager then reviewed the Delinquent Tax Attorney's Report with the Board, a copy of which is attached hereto. Ms. Ahlschlager noted that the 2017 delinquent tax accounts had been added to the report. Ms. Ahlschlager then explained that with the Board's approval and subsequent to tonight's meeting, service termination door tags will be placed on homes with 2017 delinquent taxes. Ms. Secrest noted that once the door tags are hung, service will be terminated within approximately five (5) days thereafter.

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 Delinquent Tax Attorney's Report, including authorizing the issuance of the service termination door tags to the 2017 delinquent tax accounts.

#### UPDATE ON PARK MATTERS

Ms. Bobbitt next reviewed the proposed revised and updated Service Agreement with Four & One Landscape Architecture ("Four & One") regarding the preparation of a conceptual master park plan for the District, a copy of which is attached hereto. Ms. Bobbitt stated that she has not yet had a chance to review the amended Service Agreement to be certain all of her revisions had been made, but will do so prior to sending an executed agreement to Four & One. Ms. Bobbitt added that she had provided her revisions to the Service Agreement to Ms. Klein of Four & One based on the Board's requests and concerns. Ms. Bobbitt asked the Board to please review the updated Service Agreement and let her know by Tuesday, September 11<sup>th</sup> if there are any additional questions or concerns. Upon motion by Director Musgrave, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted four (4) votes in favor, and one (1) vote opposed, with Director Winkler voting in opposition, to approve the Service Agreement with Four & One for the preparation of a conceptual master park plan for the District, pending Ms. Bobbitt's and the Board's review of same.

Mr. Dill entered the meeting at this time.

#### REVIEW AND APPROVE PROPOSED IMPROVEMENTS TO HCESD NO. 16 FIRE STATION BUILDING

Director Stoebner then recognized Mr. Dill who explained that HCESD No. 16 is proposing to install a sign and fence at the fire station building. Mr. Dill then provided some explanatory photographs to the Board, copies of which are attached hereto. Director Winkler asked if there would be a gate to get access behind the fence. Mr. Dill responded that the new fence will be the same as what is currently in place, but that it will be moved forward to allow for more parking space behind the fence. 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 proposed improvements to the HCESD No. 16 fire station building.

Mr. Dill exited the meeting at this time.

## DEVELOPER'S REPORT

Mr. Brooks reported that to date, there have been 130 home starts in CLEV and that there are only 10 vacant lots remaining.

## 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 three (3) months and the investment report for the current month. Director Hoffmann asked why the North Harris County Regional Authority Water (the "NHCRWA") fees budget item is over budget. Ms. Cole responded that the budget item is seasonal and is higher during certain water usage periods.

Upon motion by Director Hoffmann, seconded by Director Day, 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 July 15, 2018 to August 16, 2018, a copy of which is attached hereto. Mr. Potter reported that there are currently 1,808 connections in the District. Mr. Potter further reported that the District's water accountability for the month was 93.5%, that 130 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 five (5) items over budget during the past month, including: 1) \$5,800 to clear the transfer line in the clarifier; 2) \$4,900 for the repair of a wet well motor; 3) \$4,200 for a lift pump repair at the Country Meadows lift station; 4) \$3,000 for two (2) bleach invoices; and 5) \$1,883.90 for cleaning of the Sewage Treatment Plant lift station.

Mr. Potter next reported that six (6) 3/4-inch (3/4") meters and one (1) 1-inch (1") meter are due for replacement during the next month.

Mr. Potter then reported that Harris County Municipal Utility District No. 275 ("HCMUD No. 275") has been using the interconnect line since August 16<sup>th</sup>. Mr. Potter further reported that HCMUD No. 275 will be on the interconnect line for approximately six (6) weeks and will be billed for such usage.

Ms. Secrest next reported that a letter was received from a resident at 5910 DeLeon Trail Drive requesting a waiver of the \$175 reconnection fee, copy of which is attached to the Operator's Report. Ms. Secrest stated that since the District does not wave penalty and reconnection fees, a three (3) month payment plan would typically be offered in this situation.

Ms. Secrest then reported on the account at 5918 Winter Breeze Drive belonging to Ms. Lucia Jimenez. Ms. Secrest explained that a leak on the meter gasket was discovered on June 29,

2018 and that Hays replaced the meter gasket at that time. Ms. Secrest went on to explain that due to the meter gasket leak occurring on the District's side of the water line, Hays provided Ms. Jimenez with two (2) billing adjustments for the months of June and July. Ms. Secrest further explained that on August 24, 2018, Ms. Jimenez requested a third billing adjustment due to a high August water/sewer service bill. Ms. Secrest stated that a meter test was then performed and Hays found the meter to be testing accurately. After a brief discussion, it was the consensus of the Board to offer Ms. Jimenez a payment plan for her August invoice.

Ms. Secrest also reported that the Spring Creek Oaks Community Improvement Association ("SCOCIA") has exceeded their monthly water allocation by 832,000 gallons. Ms. Secrest stated that Hays had investigated the matter since such a large amount of water was used and left several messages with the SCOCIA management company, but had not received any response. Extensive discussion ensued. Director Stoebner stated that he would contact Ms. Laura Junek of SCOCIA regarding such matter.

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 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 the payment plans described above.

#### ENGINEER'S REPORT

Mr. Abshire then presented the Engineer's Report, a copy of which is attached hereto. Mr. Abshire first introduced Mr. Schilhab to the Board and stated that he would be working on the District going forward. Mr. Abshire then requested authorization to conduct the annual inspections of Water Plant Nos. 1 and 2, at a cost of approximately \$4,500. Mr. Abshire noted that the cost is included in the Capital Improvement Plan budget for 2018-2019.

Mr. Abshire next reported that the preparation of the Texas Commission on Environmental Quality (the "TCEQ") permit for the reclaimed water use project is underway. Mr. Abshire stated that he expects to have the permit submitted to the TCEQ by late October. Mr. Abshire further noted that he will be meeting with the Terranova West Municipal Utility District engineer soon to discuss the project.

Mr. Abshire then reported that Jones|Carter is coordinating with Hays to complete a punch list of repair items within CLEV Sections 1 and 2 before scheduling the pre-purchase inspections with the TCEQ which are required prior to the District reimbursing Chesmar for the water, sewer and drainage facilities with bond proceeds. Mr. Abshire added that the pre-purchase inspections should be completed in October in time for the closing on the Series 2018 Bonds.

Mr. Abshire next reported that he had received an inquiry from Dempsey Electric, located at 5530 Fellowship Lane, to determine what would be required in order to obtain water and sanitary sewer service for the site. Mr. Abshire added that he provided the necessary information, but that no other contact has been made on the matter.

Upon motion by Director Hoffmann, seconded by Director Winkler, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report and authorize the annual inspections of Water Plant Nos. 1 and 2, at a cost of approximately \$4,500.

REVIEW AND APPROVE COST SHARING AGREEMENT WITH TERRANOVA WEST MUNICIPAL UTILITY DISTRICT FOR RECLAIMED WATER PROJECT

Ms. Bobbitt reported that she hopes to present a proposed Cost Sharing Agreement for the reclaimed water project at the October meeting.

AUTHORIZE PREPARATION OF ALTERNATIVE WATER USE INCENTIVE AGREEMENT ("REUSE AGREEMENT") WITH THE NHCRWA RELATING TO THE RECLAIMED WATER PROJECT

Ms. Bobbitt next reported that she has spoken with the NHCRWA regarding the Reuse Agreement and that until the project design is further along, the Reuse Agreement cannot be prepared or finalized. Ms. Bobbitt added that Mr. Jon Polley of RBAP will begin preparation of the Reuse Agreement upon receipt of information from Jones|Carter regarding the water reclaimed project.

ADOPT ORDER REGARDING ANNUAL REVIEW OF RULES, POLICIES, CODE OF ETHICS AND LIST OF AUTHORIZED BROKERS FOR THE INVESTMENT OF DISTRICT FUNDS (THE "ORDER")

Ms. Bobbitt then explained that the Public Funds Investment Act requires the Board to review the District's investment policy on an annual basis and presented the Order for the Board's consideration and adoption. Ms. Bobbitt noted that the list of approved financial institutions/brokers has been updated by MCI and is the only necessary policy change at this time.

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 adopt the Order, a copy of which is attached hereto.

DISCUSS CYBER LIABILITY INSURANCE COVERAGE, AND TAKE ANY NECESSARY ACTIONS ON SAME

Ms. Bobbitt next reported that she has not yet made contact with Ms. Kim Courte, of Arthur J. Gallagher & Co, the District's insurance carrier, to discuss the District's possible need for cyber liability insurance. Ms. Secrest stated that Hays has cyber liability insurance coverage up to \$1,000,000 and that their payment service provider also has cyber liability insurance coverage up to \$2,000,000. Ms. Bobbitt stated that she would contact Ms. Courte and also follow up with MCI regarding their cyber liability insurance coverage.



REVIEW AND ADOPT POLICY RELATING TO AUTHORITY OF BOARD PRESIDENT

Ms. Bobbitt reminded the Board that they had previously approved a policy authorizing the Board President to approve expenditures without Board approval up to \$5,000 for any non-emergency projects/work items, with such policy to be reviewed and approved by the Board on an annual basis.

ATTORNEY'S REPORT

Ms. Bobbitt next reported that a Motion for Summary Judgement was filed on behalf of the District in the 9.6 Kuykendahl J.V. matter, but that no action has occurred on such motion.

NEXT MEETING

Director Winkler then reminded the Board that the next regular meeting will be held on Thursday, October 4, 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 4<sup>th</sup> day of October, 2018.



  
Secretary, Board of Directors