

MINUTES OF THE BOARD OF DIRECTORS

October 4, 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, October 4, 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; Mr. Carl Sandin of Perdue, Brandon, Fielder, Collins & Mott L.L.P. ("Perdue Brandon"), delinquent tax attorneys 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; and Ms. Monica Garza, 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 Musgrave, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of September 6, 2018, as written.

BOND AGENDA

UPDATE ON STATUS OF 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. Garza then reported that the transcript for the Series 2018 Bonds was sent to the Attorney General's office for review and approval. Ms. Garza noted that the Series 2018 Bonds

are still scheduled for closing on October 18th.

REGULAR AGENDA

PUBLIC HEARING ON 2018 TAX RATE

Director Stoebner then declared the public hearing open to discuss the District's proposed 2018 tax rate of \$0.52 per \$100 of assessed valuation, notice of which was published as required by law. It was noted that no members of the public were present to offer public comment on the proposed 2018 tax rate. The public hearing was then adjourned.

ORDER SETTING RATE AND LEVYING TAX FOR 2018

Ms. Garza next presented for the Board's approval and adoption an Order Setting Rate and Levying Tax for 2018, a copy of which is attached hereto. The Board then determined that a total tax rate of \$0.52 would be adopted, comprised of \$0.35 per \$100 assessed valuation for debt service purposes and \$0.17 per \$100 of assessed valuation for operation/ maintenance purposes.

Upon motion by Director Winkler, seconded by Director Hoffmann, and the question being put to the Board, the Board voted unanimously to adopt the Order Setting Rate and Levying Tax for 2018, thereby levying a tax rate of \$0.35 per \$100 assessed valuation for debt service purposes and \$0.17 per \$100 of assessed valuation for operation/maintenance purposes, for a total 2018 tax rate of \$0.52 per \$100 of assessed valuation.

AMENDED DISTRICT INFORMATION FORM

Ms. Garza then explained that pursuant to Section 49.455 of the Texas Water Code, as amended, the District is required to amend its District Information Form any time information in such form is revised or updated and, therefore, since the District's 2018 tax rate has been adopted, an amendment to the District Information Form is necessary. 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 execution of the Amended District Information Form, a copy of which is attached hereto, and to authorize RBAP to file such amendment in the Harris County Real Property Records and with the Texas Commission on Environment Quality (the "TCEQ"), as required by law.

REVIEW AND APPROVE AGREED UPON PROCEDURES ("AUP") REPORT IN CONNECTION WITH REIMBURSEMENT OF ELIGIBLE EXPENSES TO CHESMAR FOR CLEV SECTIONS 1 AND 2

Mr. Eyring then presented the AUP report to the Board, a copy of which is attached hereto. Mr. Eyring stated that Chesmar will receive 70% reimbursement for the construction of utilities and detention facilities in CLEV Sections 1 and 2, in accordance with the Agreement for Financing of Facilities between the District and Chesmar, dated June 6, 2013. 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 approve the AUP report.

ACCEPT CONVEYANCE OF CLEV SECTIONS 1 AND 2 FACILITIES AND DETENTION RESERVES

Ms. Garza reported that RBAP is in the process of preparing the necessary conveyance documents in order to convey the CLEV Sections 1 and 2 facilities and detention reserves from Chesmar to the District. Upon motion by Director Musgrave, seconded by Director Day, after all discussion and the question being put to the Board, the Board voted unanimously to accept conveyance of CLEV Sections 1 and 2 facilities and detention reserves upon completion of the necessary documents for such conveyance.

UPDATE ON PARK MATTERS

Ms. Garza next reported that Ms. Tara Klein of Four & One Landscape Architecture is in the process of preparing the master park plan and that RBAP will get an update on the status of the preparation of such plan for the November meeting.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Garza next reviewed with the Board the Tax Assessor/Collector's Report as of September 30, 2018, a copy of which is attached hereto. Ms. Garza reported that the District has collected 99.33% 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

Mr. Sandin then reviewed the Delinquent Tax Attorney's Report with the Board, a copy of which is attached hereto. Mr. Sandin also reported that a letter was received from a District resident at 19506 Country Breeze Court that received a service termination door hanger he had recently received due to delinquent personal property taxes. Mr. Sandin explained that the delinquent account was for the previous resident at 19506 Country Breeze Court, but that the previous delinquent notices that were mailed to the address were not being returned to his office by the U.S. Postal Service. Mr. Sandin further explained that since the delinquent notices were not being returned, Perdue Brandon was not aware that the delinquent taxpayer no longer lived at 19506 Country Breeze Court. Mr. Sandin further stated that going forward, the Perdue Brandon phone number will be included on any delinquent tax notices or door hangers and that more thorough research will be done to ensure the delinquent notices are being delivered to the correct person. Director Winkler asked if Perdue Brandon had reached out to the current resident at 19506 Country Breeze Court. Mr. Sandin stated that no one has contacted the resident yet, but that Perdue Brandon will contact the resident about the error. Director Stoebner asked that a letter be written to the resident with an apology and also outlining the steps the Perdue Brandon will be taking in the future to ensure delinquent notices are being sent to the correct taxpayer. Mr. Sandin stated that he will prepare such letter and forward it to RBAP and the Board for review prior to transmittal to the resident.

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 Delinquent Tax Attorney's Report.

Mr. Sandin exited the meeting at this time.

DEVELOPER'S REPORT

Mr. Brooks reported that to date, there have been 133 home starts in CLEV and that there are only 7 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 four (4) months and the investment report for the current month. It was noted that once the funding of the Series 2018 Bonds occurs on October 18th and the Texas Commission on Environmental Quality facility inspection occurs, the reimbursement to Chesmar can occur.

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 Bookkeeper's Report and authorize execution and payment of the checks reflected therein.

Mr. Brooks exited the meeting at this time.

OPERATOR'S REPORT

Mr. Potter then presented and reviewed the Operator's Report with the Board for the period of August 16, 2018 to September 16, 2018, a copy of which is attached hereto. Mr. Potter reported that there are currently 1,810 connections in the District. Mr. Potter further reported that the District's water accountability for the month was 95.73%, that 130 delinquent notices were mailed during the month, and that eight (8) accounts were cut-off for non-payment of water/sewer service fees. Mr. Potter further reported that Harris County Municipal Utility District ("HCMUD") No. 275 will be using the emergency interconnect line for approximately three (3) more weeks.

Concerning the District's Operations List, Mr. Potter reported that there had been five (5) items over budget during the past month, including: 1) \$3,200 for effluent samplers at the Wastewater Treatment Plant (the "WWTP"); 2) \$3,100 to replace a lift station check valve at the WWTP; 3) \$2,800 for a digester sludge pump at the WWTP; 4) \$10,115.74 for CLEV Sections 1 and 2 pre-inspection repairs; and 5) \$2,548.60 for cleaning of the Sewage Treatment Plant lift station.

Mr. Potter next reported that eight (8) 3/4-inch (3/4") meters, one (1) one and a half inch (1 1/2") and one (1) 2-inch (2") meter are due for replacement during the next month.

Ms. Secrest then reported that a letter was received from the resident at 6006 Live Oak Place regarding a high water bill. Ms. Secrest reported that on August 15th the resident observed

a pipe sticking out of her meter box at the end of her driveway that was gushing water. Ms. Secrest stated that the resident believes that her water bill was high due to the water coming out of the pipe attached to her meter box and that the resident is requesting a bill credit. Ms. Secrest explained that the pipe was connected to a blow off valve for flushing and not the resident's meter box. Ms. Secrest stated that the flushing would have no impact on the resident's water usage, because no water went through her meter. Director Musgrave asked if anyone has informed the resident that the pipe was not connected to her meter and that no additional water went through her meter during the flushing process. Ms. Secrest stated that she wanted to bring the issue to the Board before contacting the resident. Ms. Secrest further stated that she will contact the resident to explain what had occurred. Director Stoebner suggested asking the resident if she would like someone from Hays to show her the difference between her meter and the blow off valve.

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 following items: 1) the Operator's Report; and 2) authorize the termination of service to the delinquent accounts in accordance with the provisions of the District's Rate Order.

REVIEW AND DISCUSS AMENDED RATE ORDER, AND TAKE ANY NECESSARY ACTIONS ON SAME

Director Stoebner next reported that he has spoken with the Spring Creek Oaks Community Improvement Association ("SCOCIA") regarding their recent high water usage bill. Director Stoebner stated that he had informed SCOCIA that the Board would be reviewing the Public Space User rate in the future, and that the rate will most likely be increasing. Ms. Secrest then reviewed a spreadsheet showing what the homeowner association ("HOA") in the District would pay for water if they were paying the District's residential rate, a copy of which is attached hereto. Director Stoebner asked if smart meters would be a useful option for the HOA accounts. Ms. Secrest stated that she will check with Accurate Meter and get pricing information for smart meters. Mr. Abshire explained that installing smart meters on just the HOA accounts would not be cost effective for the District, but that it might be helpful to the HOAs. Discussion then ensued regarding various smart meter options. The Board requested that further discussion regarding the District's Rate Order be placed on the November meeting agenda.

ENGINEER'S REPORT

Mr. Abshire then presented the Engineer's Report, a copy of which is attached hereto. Mr. Abshire then reported that the Sanitary Sewer Cleaning & Televising Phase IV project is underway and should be completed this month.

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 the end of this month.

Mr. Abshire then reported that the preliminary design phase of the WWTP Improvements project is underway. Mr. Abshire then noted that the annual Water Plant inspections will not be

completed until HCMUD No. 275 is off the emergency interconnect line later this month or early November.

Mr. Abshire also reported that a letter has been sent to the TCEQ to coordinate the pre-purchase inspections for CLEV Sections 1 and 2, which inspections are required prior to the District reimbursing Chesmar for the water, sewer and drainage facilities with the Series 2018 bond proceeds.

Mr. Abshire went on to report that a request has been received from a resident on Summer Mountain Trail requesting approval to install a footbridge across the drainage channel to access the walking trail. Mr. Abshire stated that he let the resident know that the maintenance berm must remain clear and unobstructed and that a footbridge would not be allowed.

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 Engineer's Report.

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

Ms. Garza next reported that RBAP is still trying to determine if cyber liability insurance coverage is necessary for the District since most of the District's consultants already carry cyber liability insurance. Director Musgrave asked if the District should have standards regarding consultant coverage if the District will be relying on its consultant's cyber liability insurance instead of obtaining District coverage. Director Musgrave then suggested putting a District policy in place regarding all types of insurance coverage for District consultants. Director Winkler stated that review of the consultant's insurance coverage could also be coupled with an annual review of the District's consultants. Director Winkler then stated that he would like to know what coverage the District's consultants currently have and what sort of coverage is typical for other utility districts.

DISCUSS RESIDENTIAL RECYCLING E-WASTE DAY ON OCTOBER 27, 2018 AND TAKE ANY NECESSARY ACTIONS ON SAME

Director Stoebner then reported that the Residential Recycling E-Waste Day is scheduled for October 27th at the Spring Creek Oaks Clubhouse II. Director Stoebner further noted that the Fall Festival is being held on October 20th from 4:00 p.m. to 7:00 p.m. Director Stoebner suggested having a District table at the Fall Festival with information on the E-Waste Day. Ms. Secrest stated that she can also provide sign-up sheets at the Fall Festival for residents to receive informational messages from Classic Messaging. Director Musgrave stated that he could attend a portion of the Fall Festival on behalf of the District. Director Day stated that she could also attend the Fall Festival on behalf of the District. Director Musgrave asked if the District has a table cloth or sign with the District's logo. Ms. Secrest stated that she can have a sign made with the District's logo. Ms. Secrest also stated that she can obtain some informational pamphlets from the North Harris County Regional Water Authority to have available at the Fall Festival.

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 Hays to purchase a sign with the District's name and logo.

ATTORNEY'S REPORT

Ms. Garza next reported that the hearing for the 9.6 Kuykendahl J.V. matter has been postponed until December 3, 2018.

NEXT MEETING

Director Stoebner then reminded the Board that the next regular meeting will be held on Thursday, November 1, 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 1st day of November, 2018.



Cynthia Duke Day
Secretary, Board of Directors