

MINUTES OF THE BOARD OF DIRECTORS

December 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, December 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, except Director Day, thus constituting a quorum. Also attending the meeting were: Ms. Christina Cole of Myrtle Cruz, Inc. ("MCI"), bookkeepers for the District; Messrs. Don Hays, Howard Wilhite and Michael Potter and Ms. Robin Secrest of Hays Utility South Corporation ("Hays"), operators for the District; Messrs. Justin Abshire, P.E., and Ryan Schilhab, E.I.T., of Jones|Carter, Inc. ("Jones|Carter"), engineers for the District; and Ms. Robin S. Bobbitt, attorney, 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 Hoffmann, after full discussion and the question being put to the Board, the Board voted unanimously to: 1) approve the minutes of the regular meeting of November 1, 2018, and the special meeting of November 30, 2018, as written; and 2) approve Pay Estimate No. 1, in the amount of \$24,764.40, to AIM Companies for the Sanitary Sewer Cleaning & Televising Phase IV project.

REGULAR AGENDA

UPDATE ON PARK MATTERS

Ms. Bobbitt first reported that Ms. Tara Klein of Four & One Landscape Architecture, the District's landscape architecture consulting firm, will be sending out a draft of the master park plan to the Board and consultants tomorrow. Ms. Bobbitt added that a special meeting of the Board will be held on December 13th so that Ms. Klein can review and discuss the master park plan with the Board.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Bobbitt next reviewed with the Board the Tax Assessor/Collector's Report as of November 30, 2018, a copy of which is attached hereto. Ms. Bobbitt reported that the District has collected 6.74% of its 2018 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.

DELINQUENT TAX ATTORNEY'S REPORT

Ms. Bobbitt then reviewed the Delinquent Tax Attorney's Report, a copy of which is attached hereto. Ms. Bobbitt noted that no action is required on such report at this time.

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 six (6) months and the investment report for the current month.

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 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 October 15, 2018 to November 16, 2018, a copy of which is attached hereto. Mr. Potter reported that there are currently 1,813 connections in the District. Mr. Potter further reported that the District's water accountability for the month was 96.35%, that 94 delinquent notices were mailed during the month, and that eight (8) 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 two (2) items over budget during the past month, including: 1) \$14,000 for the repair of blower no. 4 at the Wastewater Treatment Plant (the "WWTP"); and 2) \$5,001.57 for dewatering and hauling of 126,000 gallons of sludge from the WWTP.

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

Mr. Potter went on to report that there was a main line break on Winding Ridge Drive on November 26th and that dead fish were found in the channel drainage the day after the incident. Mr. Potter added that the Texas Parks and Wildlife Department and the Texas Commission on Environmental Quality (the "TCEQ") were notified of the issue.

Director Musgrave next stated that he is interested in obtaining cost estimates for security surveillance options at the District's facilities. Mr. Potter stated that he can obtain such proposals for review at the Board's January meeting.

Mr. Hays then reported that Hays has recently been acquired by H2O Innovation USA, Inc. ("H2O"). Mr. Hays stated that H2O's core business is in manufacturing of treatment facilities with membrane osmosis technology. Mr. Hays also stated that H2O is interested in growing Hays' business and sustaining Hays' legacy. Mr. Hays noted that H2O will be retaining the current Hays staff and that he will be staying on as President for the next six (6) months before moving into an advisory role. Mr. Hays also stated that there will be no notable changes for the District concerning Hays' operations or the services Hays provides to the District. Mr. Hays then thanked the Board for the opportunity to work with the Board and the District over the many years Hays has served as the District's operator. Director Stoebner asked if the company's name will remain the same. Mr. Hays responded that the company name will remain Hays Utility South Corporation.

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 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.

ENGINEER'S REPORT

Mr. Abshire then presented the Engineer's Report, a copy of which is attached hereto. Mr. Abshire reported that the Sanitary Sewer Cleaning & Televising Phase IV project is nearing completion. Mr. Abshire stated that, overall, the District's system is in good shape, but that there are a few segments that will need repair. Mr. Abshire also stated that he hopes to have a summary of the line segment conditions at the January or February Board meeting.

Mr. Abshire went on to report that he, along with Directors Stoebner and Day and Mr. Bobbitt, had met with representatives of Terranova West Municipal Utility District ("Terranova") regarding the proposed reclaimed water use project. Mr. Abshire stated that the timeline and milestones for the project were discussed. Mr. Abshire further reported that user agreements with Terranova and Spring Creek Oaks Community Improvement Association will be prepared and then the reuse permit application can be submitted to the TCEQ for approval. Mr. Abshire noted that the reuse project is not included in the District's 2019 budget and that construction costs will need to be discussed and budgeted. Mr. Abshire then stated that the total estimated project cost is approximately \$1.7 million and will be allocated between the two (2) districts based on demand and use of the reclaimed water. Mr. Abshire added that, based on current demand allocations, Terranova will be responsible for 60% of the project costs, while the District will be responsible for 40% of the project costs.

Mr. Abshire next reported that the design for the WWTP Improvements Project is underway and that he had recently met with Hays at the WWTP to discuss the design of the proposed improvements. Mr. Abshire stated that he anticipates being ready to submit the design for initial agency reviews in March.

Mr. Abshire then reported that he was recently contacted by a representative for La Boucherie regarding starting the development project back up. Mr. Abshire reminded the Board that a feasibility study was prepared in 2014 for the proposed retail facility, but had been put on hold. Mr. Abshire stated that a new set of construction drawings was submitted and is currently

under review by Jones|Carter. Ms. Bobbitt noted that La Boucherie has \$340 left on deposit with the District but recommended that the District request an additional \$5,000 deposit from La Boucherie in order to cover plan review and other expenses incurred by the District related to the proposed development.

Mr. Abshire next presented an updated hourly rate schedule for Jones|Carter for 2019, a copy of which is attached hereto. Mr. Abshire explained that several billing categories have been consolidated and, based on billing from the previous year, the total increase will be approximately \$4,000. Mr. Abshire then stated that since Mr. Schilhab is doing more work for the District, Mr. Abshire's fees will most likely decrease. Mr. Abshire also reported that he will be working with Ms. Bobbitt on a new Professional Services Agreement for Jones|Carter to be presented to the Board for consideration and approval in early 2019.

Mr. Abshire then reported that the fences at both water plants need to be replaced. Mr. Abshire stated that he will work on obtaining fence replacement proposals with Mr. Potter for review and discussion at the February Board meeting.

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 Engineer's Report and the updated hourly rate schedule for Jones|Carter for 2019.

AUTHORIZE SUBMISSION OF REQUEST TO NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY FOR AN ALTERNATIVE WATER USE INCENTIVE AGREEMENT AND TAKE ANY NECESSARY ACTIONS ON SAME

Ms. Bobbitt stated that this item would be deferred at this time.

REVIEW AND APPROVE COST SHARING AGREEMENT WITH TERRANOVA FOR RECLAIMED WATER PROJECT

Ms. Bobbitt stated that this item would be deferred at this time.

APPROVE AND AUTHORIZE EXECUTION OF AMENDMENT TO DISTRICT INFORMATION FORM REGARDING SERIES 2018 BONDS

Ms. Bobbitt then explained that an Amendment to District Information Form is required following the issuance of the Series 2018 Bonds in order to update the total amount of bonds issued by the District. 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 and authorize execution of the Amendment to District Information Form to revise the amount of issued bonds following the issuance of the Series 2018 Bonds, a copy of which is attached hereto. Ms. Bobbitt noted that the Amendment would be filed in the Real Property Records of Harris County and with the TCEQ, as required by law.

ATTORNEY'S REPORT

Ms. Bobbitt next explained that RBAP will be filing the required annual eminent domain report on behalf of the District pursuant to Texas Government Code, Section 2206.151-157, as

amended. Ms. Bobbitt further explained that the report includes information related to the District's authority to exercise its power of eminent domain and must be filed by no later than February 1st of each year. 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 file the required annual eminent domain report pursuant to Texas Government Code, Section 2206.151-157.

EXECUTIVE SESSION REGARDING 9.6 KUYKENDAHL J.V. LITIGATION

Pursuant to the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code, as amended, specifically Section 551.072 regarding real estate negotiation matters, and Section 551.071, regarding pending litigation, Director Stoebner convened the Board in executive session at 6:17 p.m. to consult with the District's attorney. The persons present in the executive session were all the members of the Board, except Director Day, Ms. Bobbitt, Ms. Garza and Ms. Miller.

RECONVENE IN OPEN SESSION

Director Stoebner then reconvened the meeting in open session at 6:38 p.m., at which time the following action was taken by the Board: 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 authorize Ms. Bobbitt and the District's insurance litigation counsel to negotiate a settlement with 9.6 Kuykendahl, J.V. of between \$12,500 up to a maximum of \$18,500.

NEXT MEETING

Director Stoebner then reminded the Board that the next regular meeting will be held on Thursday, January 3, 2019, 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 3rd day of January, 2019.




Secretary, Board of Directors