

MINUTES OF THE BOARD OF DIRECTORS

January 3, 2019

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, January 3, 2019, 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, E.I.T., of Jones|Carter, Inc. ("Jones|Carter"), engineers for the District; Mr. and Mrs. Sandy and Erin Sanders, residents of the District; Mr. Howard Manson of Today's Integration, Inc. ("Today's Integration"), security equipment consultant/provider; and Ms. Robin S. Bobbitt, 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.

PUBLIC COMMENT

Mr. Potter first reported that a sewer stoppage occurred at the Sanders' residence right before Christmas, and a plumber found roots in the sanitary sewer line and in the tap serving the property. Mr. Potter noted that the sanitary sewer line is on the customer's property, but that the tap belongs to the District. Mrs. Sanders explained that they closed on the home on December 14th, and the incident occurred on December 16th, right before they were scheduled to leave on a trip to Europe. Mrs. Sanders further stated that she called a plumber and the plumber performed hydrojetting to clear the line, which caused a leak in the line to occur. Mrs. Sanders next explained that she called Hays regarding the issue, and that Hays was able to repair the tap on the sewer line. Mrs. Sanders added that she and her husband appreciate the help and quick response that was received from Hays.

CONSENT AGENDA

Director Stoebner next 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. Ms. Bobbitt noted that the minutes of the special meeting of December 13, 2018 have not yet been

sent out for review. 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: 1) approve the minutes of the regular meeting of December 6, 2018, as written; and 2) approve Pay Estimate No. 2, in the amount of \$5,459.40, to AIMS Companies for the Sanitary Sewer Cleaning & Televising Phase IV project.

REGULAR AGENDA

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

Ms. Bobbitt reported that she will contact Ms. Kimberly Courte of Arthur J. Gallagher & Co. ("AJG"), the District's insurance broker, to attend the February meeting to discuss cyber liability insurance coverages.

UPDATE ON PARK MATTERS

Ms. Bobbitt next reported that she has received a revised master park plan from Ms. Tara Klein of Four & One Landscape Architecture, the District's landscape architecture consulting firm. Ms. Bobbitt noted that copies of the revised master park plan were included in the Board packets that were handed out for tonight's meeting. Director Musgrave reported that the Board had discussed conducting a survey of the District's residents regarding the things they would like to see in the District park facilities and also scheduling public outreach meetings at the December 13th special meeting with Ms. Klein. Ms. Bobbitt stated that she has other clients that work with Ms. Klein that have found the community surveys very helpful to assist with determining what the community would like to see included in a park plan. Ms. Bobbitt further stated that it could be helpful to do the resident survey before getting any further in the park planning process. Director Stoebner asked that a proposal be obtained from Ms. Klein for the preparation of a community outreach survey.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Bobbitt next reviewed with the Board the Tax Assessor/Collector's Report as of December 30, 2018, a copy of which is attached hereto. Ms. Bobbitt reported that the District has collected 33.11% of its 2018 taxes to date. Upon motion by Director Winkler, seconded by Director Day, 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.

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 seven (7) months and the investment report for the current month.

Ms. Cole then reported that there have been \$58,000 in extraordinary operations and maintenance/repairs over and above the regular operations and maintenance budget items for the current fiscal year. Ms. Cole further explained that the current budget can either be amended to include the extraordinary repair/maintenance costs, or an item can be included below the line of

the budget since the expenses are not normal/routine expenses. Director Stoebner asked what the District's auditor would prefer. Ms. Bobbitt stated that she does not think the auditor has a preference, but that it is helpful to include these extraordinary items in order to take them into account for future budgeting and planning purposes. Further discussion ensued regarding the operations and maintenance budget items. Director Stoebner stated that he would prefer to add an additional line item of \$80,000 in the budget for the current fiscal year for extraordinary operations/maintenance expenses and add the \$58,000 expended to date to such expense line item. 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 addition of an additional budget line item of \$80,000 for extraordinary operation/maintenance expenses and add in the \$58,000 expended to date in such new budget expense line item.

Upon motion by Director Winkler, 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.

DISCUSS NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY (THE "AUTHORITY") PUMPAGE AND SURFACE WATER RATE INCREASES, AND ADOPT AMENDED RATE ORDER, AS NECESSARY

Ms. Bobbitt then reported that the Authority is increasing its surface water and pumpage fees by \$0.45 each as of April 1st, and that the pumpage fee is increasing from \$3.40 per 1,000 gallons of usage to \$3.85 per 1,000 gallons of usage and that the surface water fee is increasing from \$3.85 per 1,000 gallons of usage to \$4.30 per 1,000 gallons of usage. Ms. Bobbitt then reminded the Board that, in the past, the District has subsidized the Authority fee charged to District residents due to the District's capital contribution paid to the Authority several years ago but that, as the Authority's rates continue to rise, the District will need to continue to increase the rate charged to the District's residents in order to keep up with the Authority rate increases. Ms. Cole then reviewed an analysis prepared by Ms. Mary Jarmon of MCI regarding the amount of pumpage/surface water fees paid to the Authority and collected from District residents and recommended that the District increase the Authority fee being charged to District residents by \$0.25, resulting in a total fee of \$3.00 per 1,000 gallons of usage for surface water/pumpage fees. Mr. Abshire stated that he has prepared an analysis using the last two (2) years of surface water usage in the District, and that a \$0.20 increase would be needed to break even with the fees that the District is paying to the Authority. Director Hoffmann stated that the District needs to keep pace with the Authority increases and not continue to fall farther behind. Director Stoebner stated that he would like to increase the Authority fee being charged to District residents by \$0.45 in order to keep pace with the Authority's increase. Ms. Miller stated that she will revise/update the letter that has been sent to District residents regarding Authority rate increases and provide the letter to Director Stoebner for review prior to the Board's next meeting.

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 a \$0.45 increase in the Authority surface water/pumpage fee being charged to District residents, resulting in a total fee of \$3.20 per 1,000 gallons of usage, to be effective March 15, 2019, and to amend the District's Rate Order to reflect such increase. Director Stoebner then requested that Ms. Bobbitt's office revise the letter to the Country Lake Estates Homeowner's Association

regarding the District's water rate increases to reflect the new Authority rate to be charged in the District.

OPERATOR'S REPORT

Mr. Potter then introduced Mr. Manson to the Board and stated that Mr. Manson currently handles the security at the District's Water Plant facilities. Mr. Manson presented a proposal for security cameras at Water Plant Nos. 1 and 2, a copy of which is attached hereto. Mr. Manson reviewed the proposal with the Board and explained that the cost for a surveillance system at Water Plant No. 1 would be \$13,909.20, with an annual service fee of \$1,390.92 and an annual monitoring fee of \$720. Mr. Manson further explained that the cost for a surveillance system at Water Plant No. 2 would be \$12,767.40, with an annual service fee of \$1,276.74 and an annual monitoring fee of \$720. Director Stoebner asked if the surveillance cameras would replace the existing motion sensors at the plant facilities. Mr. Manson responded that the surveillance cameras would be in addition to the existing motion sensors at the plant facilities. Director Winkler asked if the surveillance cameras would have 24 hour monitoring. Mr. Manson responded that the security system would include an 8-channel recorder with 30 days of data storage. Director Musgrave asked if there is backup power to the surveillance cameras. Mr. Manson explained that the system will include an uninterruptable power supply with a surge protector and battery, which would allow enough time for a generator to come on. Mr. Manson then explained that monitoring of the system will cost \$60 per month, per site, and will require internet access. Mr. Manson further stated that Today's Integration can provide internet service at a cost of \$75 per month, per site. Director Stoebner then asked if Mr. Manson had prepared a proposal for the Windy Pines Lift Station, since that is where vandalism has recently occurred. Mr. Manson stated that he can prepare a proposal for security cameras and motion sensors at the Windy Pines Lift Station. Additional discussion regarding the proposed surveillance cameras/security system then ensued.

Mr. Potter next presented and reviewed the Operator's Report with the Board for the period of November 16, 2018 to December 15, 2018, a copy of which is attached hereto. Mr. Potter reported that there are currently 1,814 connections in the District. Mr. Potter further reported that the District's water accountability for the month was 93.96%, that 81 delinquent notices were mailed during the month, and that two (2) 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 three (3) items over budget during the past month, including: 1) \$9,000 for a main line repair and concrete repair; 2) \$5,114.05 for dewatering and hauling of 110,000 gallons of sludge from the Wastewater Treatment Plant; and 3) \$12,020.58 for the cleaning of all District lift stations.

Mr. Potter next reported that three (3) 3/4-inch (3/4") meters are due for replacement and one (1) two-inch (2") meter is due for testing during the next month.

Ms. Secrest then reported that a request was received for an adjustment to a high water bill from Fusion Church Assembly of God ("Fusion Church"). Ms. Secrest explained that Fusion Church typically never goes over the minimum usage amount, but that a leak occurred on the property that has since been repaired. Ms. Secrest stated that the water never went into the sewer

system and, therefore, a sewer service credit of \$142 could be applied to the account. Ms. Secrest also stated that a payment plan would also be appreciated by Fusion Church. Director Stoebner asked what Fusion Church would owe if they were billed at their normal usage rate. Ms. Secrest stated that if they were billed at the normal usage rate, Fusion Church would owe \$389.25 instead of the current bill amount of \$786. 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 a bill adjustment for Fusion Church, based on their typical monthly usage, resulting in a total bill amount of \$389.25.

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 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 has been completed and he is waiting on the receipt of the final videos. Mr. Abshire stated that, overall, the District's system is in good shape. Mr. Abshire also stated that he hopes to have a summary of the line segment conditions at the February or March Board meeting.

Mr. Abshire went on to report that the user agreements with Terranova West MUD and Spring Creek Oaks Community Improvement Association are currently in the process of being prepared as well as the application for the proposed reclaimed water use project.

Mr. Abshire next reported that the design for the WWTP Improvements Project is underway. Mr. Abshire added that he anticipates being ready to submit the design for initial agency reviews in March.

Mr. Abshire then reported that a new set of construction drawings for La Boucherie have been submitted and are currently under review by Jones|Carter. Mr. Abshire also noted that a request was made to La Boucherie for an additional \$5,000 deposit, but that such additional deposit has not yet been received by the District. Mr. Abshire further noted that plan approval has not yet been provided to La Boucherie.

Mr. Abshire next reported that Waffle House has resubmitted interior plumbing drawings for review and approval and are currently under review by Jones|Carter.

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 Engineer's Report.

AUTHORIZE SUBMISSION OF REQUEST TO THE 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.

ATTORNEY'S REPORT

Ms. Bobbitt reported that her office had reviewed Hays' contract with the District and that there are no contractual issues with regard to the change of ownership of Hays.

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 6:46 p.m. to consult with the District's attorney. The persons present in the executive session were all the members of the Board, Ms. Bobbitt and Ms. Miller.

RECONVENE IN OPEN SESSION

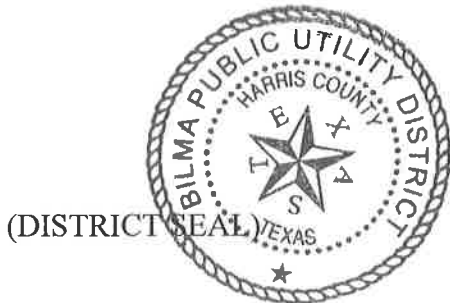
Director Stoebner then reconvened the meeting in open session at 6:51 p.m., at which time the following action was taken by the Board: Upon motion by Director Winkler, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to accept conveyance of the 1.25-acre tract from 9.6 Kuykendahl, J.V. to the District and to authorize execution of such conveyance document.

NEXT MEETING

Director Stoebner then reminded the Board that the next regular meeting will be held on Thursday, February 7, 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 7th day of February, 2019.




Secretary, Board of Directors