

## MINUTES OF THE BOARD OF DIRECTORS

February 7, 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, February 7, 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; Messrs. Don Hays, Howard Wilhite and Michael Potter and Ms. Robin Secrest of Hays Utility South Corporation ("Hays"), operators for the District; Mr. Justin Abshire, P.E., of Jones|Carter, Inc. ("Jones|Carter"), engineers for the District; Ms. Kimberly Courte of Arthur J. Gallagher & Co. ("AJG"), insurance broker for the District; Mr. Dominic Cashiola, President, of Classic Messaging, LLC, emergency message service provider for the District; Mr. Dennis Cormier of Harris County Municipal Utility District ("MUD") No. 24; Messrs. Ken Barrett and Tom Lovell of Terranova West MUD; Mr. Steve Faulkner of Harris County Emergency Services District ("ESD") No. 16; Mr. Michael Willett of Touchstone District Services, public relations specialist for Harris County ESD No. 16; Messrs. Jason Hollier and Barrett Hollier of Hollier Investments related to the proposed La Boucherie development; Messrs. Jary Adams and Thomas Heilbrun of Texas Mortgage Professionals related to the proposed La Boucherie development; Ms. Monica Martin of North Water District Lab Services ("NWDLS"), lab service provider to Hays; Dr. Janet Palmer, a resident of the District; 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. Willett introduced himself and Mr. Faulkner to the Board, and stated that they would like to provide some information to the Board about the functions and purposes of ESD No. 16. Mr. Faulkner explained that ESD No. 16 has successfully lowered their Insurance Service Office ("ISO") fire rating, which allows residents served by ESD No. 16 to have lower insurance premiums. Mr. Faulkner also stated that ESD No. 16 contracts with the Klein Volunteer Fire Department to provide fire and emergency medical services to the area. Mr. Faulkner then stated that ESD No. 16 also provides community training and will conduct fire station tours upon request. Mr. Faulkner then thanked the Board for an opportunity to speak at the meeting.

Dr. Palmer next addressed the Board and stated that due to certain health issues, she has a whole home water filtration/purification system. Dr. Palmer further stated that the recent boil water notice has caused her to replace the water filters throughout her entire house at a significant expense. Dr. Palmer asked if the District would be providing any compensation for the cost of the filter replacements. Director Stoebner explained that the water within the District was not actually contaminated and the issue was due to a sampling error. Director Stoebner further explained that the Texas Commission on Environmental Quality (the "TCEQ") is requiring a Level 2 Assessment on the District's water system, which has determined there are no issues with the District's water supply and no contamination source. Dr. Palmer then stated that she had tested her water with a home sampling kit and that the test results came up positive for E. coli. Mr. Wilhite stated that he has no knowledge about the accuracy of home sampling kits, but that the TCEQ has determined there were no issues with the District's water supply or the distribution system. Director Stoebner again apologized for any issues Dr. Palmer has incurred in connection with the boil water notice that was required under the TCEQ rules.

### **REGULAR AGENDA**

#### **CONSIDER REQUEST BY LA BOUCHERIE FOR REIMBURSEMENT OF PUBLIC STORM SEWER CONSTRUCTION COSTS AND TAKE ANY NECESSARY ACTIONS ON SAME**

Mr. Abshire then explained that La Boucherie has requested a Financing Agreement with the District since a public storm sewer line will need to be constructed to serve their tract. Mr. Abshire explained that since the storm sewer line will be a public line and that such line will also provide storm water capacity to the tract located to the north of the La Boucherie tract once it is developed, La Boucherie is eligible for reimbursement from the District for the construction cost of such line. Mr. Abshire stated that the construction cost for the storm sewer line will be approximately \$100,000. Mr. Abshire also noted that the design of the storm sewer line has already been completed, but recommended that Jones|Carter be responsible for the bidding of the project and the construction process since the line will be a public line. Mr. Abshire added that La Boucherie will also need to put up an additional \$5,000 deposit with the District. 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 authorize RBAP to prepare a Financing Agreement for La Boucherie for discussion at the March meeting.

### **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. 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 minutes of the special meeting of December 13, 2018 and the regular meeting of January 3, 2019, as written.

## REGULAR AGENDA, CONTINUED

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

Ms. Courte next presented information on AJG's cyber liability insurance coverage. Ms. Courte explained that the cyber liability coverage is a broad policy that covers cyber extortion, websites and personal director information, as well as customer information of the District. Ms. Courte further explained that a policy with a \$1,000,000 limit has a premium of \$1,695 or a \$2,000,000 limit policy has a premium of \$2,146. Ms. Courte then stated that based on the District's revenue, she recommends the \$1,000,000 limit. A brief discussion ensued. 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 obtain a cyber liability insurance policy with a \$1,000,000 limit, at a cost of \$1,695.

### REVIEW AND DISCUSS PROCESS/PROCEDURES FOR ISSUANCE OF EMERGENCY NOTIFICATIONS, AND TAKE ANY NECESSARY ACTIONS ON SAME

Mr. Wilhite reported that following the issuance of the recent boil water notice, Hays had put together a draft Standard Operating Procedures ("SOPs") document for any future issues requiring a boil water notice or similar type notice to be sent to District residents. Mr. Wilhite then reviewed the SOPs with the Board, a copy of which can be found in the District's files. Mr. Wilhite stated that the only explanation for the water sample showing E. coli is that the water samples were contaminated when being collected. Mr. Wilhite further explained that upon additional sampling, the District's water was found to be free from E. coli and any other contaminants. Mr. Wilhite added that the Level 2 Assessment required by the TCEQ has been performed and did not find any problems or issues in the District's water system. Director Stoebner stated that one thing not included in the SOPs prepared by Hays is how the Board will respond in future emergency situations. Director Stoebner explained that the Board needs to work on an approved statement to be sent to residents and included in the SOPs. Director Winkler stated that he would like to review the SOPs on an annual basis.

Ms. Martin then reported that she has had calls with the TCEQ to identify areas where NWDLS can improve on their testing process. Ms. Martin added that previously, NWDLS' protocol was to notify a district of a sampling issue during normal business hours, but in light of the sampling issue in the District, the timeframe has now been revised to notify a district immediately of any issue that has been identified. Ms. Martin also stated that this is the first time in 45 years that NWDLS has had to complete a Level 2 Assessment with the TCEQ.

Director Winkler then thanked Mr. Cashiola for his help with getting the necessary notifications out to District residents. Mr. Cashiola stated that the District was well prepared to be able to alert its residents quickly. Mr. Cashiola then reviewed a broadcast report with the Board, a copy of which is attached hereto. Mr. Cashiola stated that he would like to send a letter out to any resident that the District currently has information for, but had a message bounce back so that the contact information can be updated. Mr. Cashiola further stated that such letter would be sent at no cost to the District. Additional discussion ensued. 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 Director Winkler and RBAP to work with Mr. Cashiola to prepare and send a letter to the District residents that did not receive the boil water notifications that the District sent out.

REVIEW AND APPROVE WATER SUPPLY AND COST SHARING AGREEMENT (THE "AGREEMENT") WITH TERRANOVA WEST MUD FOR RECLAIMED WATER PROJECT

Ms. Bobbitt reported that her office had drafted the Agreement and sent it to Mr. Abshire for review. Ms. Bobbitt further reported that there are several details for the project that need to be addressed and, therefore, the Agreement is not yet ready for review and approval by the Board. Ms. Bobbitt added that her office is also working on user agreements related to the proposed reclaimed water project. Ms. Bobbitt stated that once a good draft of the Agreement is ready, she will forward it to the attorney for Terranova West MUD for review.

CONSIDER REQUEST BY HARRIS COUNTY ESD NO. 28 ("ESD No. 28") FOR REIMBURSEMENT OF OFFSITE UTILITIES, AND TAKE ANY NECESSARY ACTIONS ON SAME

Mr. Abshire then reported that there is an existing Financing Agreement between the District and ESD No. 28 that contemplates reimbursement to ESD No. 28 for offsite utilities they constructed and funded when the surrounding property is developed. Mr. Abshire explained that ESD No. 28 extended utilities to serve the Ponderosa Volunteer Fire Department ("Ponderosa VFD") located on Louetta, which will now also serve the adjacent Waffle House development. Mr. Abshire further explained that Waffle House will need to pay their pro rata share of the construction cost of the utilities for reimbursement to Ponderosa VFD. Mr. Abshire then stated that he will inform Waffle House that they will owe approximately \$14,000 for their pro rata share of the cost of the utilities that Ponderosa VFD constructed. Mr. Abshire noted that the Financing Agreement also contemplates a reimbursement to Ponderosa VFD if the adjacent property was developed within five (5) years, but the five (5) year timeframe has passed.

Ms. Bobbitt next reported that Ponderosa VFD has also requested that the Board consider changing the District's water rate for fire stations from commercial to residential. Ms. Bobbitt further explained that Ponderosa VFD had previously made the same request in 2012 and the Board declined to change the rate at that time. Ms. Bobbitt added that the Board decided in 2012 to include fire stations in the definition of commercial property in the District's Rate Order. Director Day asked if it is common to include fire stations in the definition of commercial customers. Ms. Bobbitt responded that it is not common for the definition of commercial customer to include fire stations or volunteer fire departments. Director Musgrave asked that the issue be revisited. Ms. Bobbitt stated that she would include an item on the March agenda.

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 eight (8) months and the investment report for the current month.

Upon motion by Director Day, seconded by Director Winkler, 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.

#### TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Bobbitt next reviewed with the Board the Tax Assessor/Collector's Report as of January 31, 2019, a copy of which is attached hereto. Ms. Bobbitt reported that the District has collected 90.71% of its 2018 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.

#### RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION FOR 2019 TAX YEAR (THE "TAX EXEMPTION RESOLUTION")

Ms. Bobbitt then explained that last year, the Board granted a \$15,000 exemption for individuals who are disabled or who are 65 years of age or older and no general residential homestead exemption. Ms. Bobbitt further informed the Board that the Tax Exemption Resolution had been prepared to reflect adoption of these same exemptions for the 2019 tax 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 adopt the Tax Exemption Resolution, thereby granting an exemption of \$15,000 of the appraised value of residential homesteads of individuals who are disabled or who are 65 years of age or older and no general residential homestead exemption for the 2019 tax year. A copy of the Tax Exemption Resolution is attached hereto.

#### RESOLUTION IMPLEMENTING PENALTY ON 2018 DELINQUENT TAXES AND CONTRACTING WITH ATTORNEYS TO COLLECT DELINQUENT TAXES

Ms. Bobbitt then explained that pursuant to Sections 6.30, 33.07, 33.08 and 33.11 of the Texas Property Tax Code, as amended, the District may levy an additional 20% penalty on 2018 real property taxes that remain delinquent as of July 1, 2019 and an additional 20% penalty on 2018 personal property taxes that remain delinquent as of April 1, 2019, to help defray the costs of collection, if the Board has entered into an agreement with an attorney for the collection of delinquent taxes and if adequate notice of such penalty is provided to property owners. 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 adopt the Resolution Implementing Penalty on 2018 Delinquent Taxes and Contracting with Attorneys to Collect Delinquent Taxes, a copy of which is attached hereto.

#### OPERATOR'S REPORT

Mr. Potter then presented and reviewed the Operator's Report with the Board for the period of December 14, 2018 to January 15, 2019, a copy of which is attached hereto. Mr. Potter reported that there are currently 1,815 connections in the District. Mr. Potter further reported that the District's water accountability for the month was 93.96%, that 96 delinquent notices were mailed during the month, and that three (3) accounts were cut-off for non-payment of

water/sewer service fees.

Mr. Potter next reported that two (2) 3/4-inch (3/4") meters are due for replacement during the next month.

Mr. Potter went on to report that 14 additional water samples were taken after the boil water notice was issued and all of the samples have come back normal. Director Stoebner asked if the Board would like to continue with the additional sampling. Mr. Potter stated that the additional sampling is \$25 per sample and that a different testing lab is being utilized for the additional sampling. The Board concurred to continue the additional water sampling for two (2) additional weeks.

Ms. Secrest then reported that a letter was received from the resident at 5307 Meadowfield Creek Way regarding high water usage due to a leak. Ms. Secrest stated that a door hanger was left at the residence and a note was left on the water meter stating that there was a house line leak that the resident needed to address. Ms. Secrest added that she will be meeting with the resident regarding the issue.

Mr. Abshire next reported that the automatic transfer switch (the "ATS") at Water Plant No. 1 has gone out and needs to be replaced. Mr. Abshire stated that a quote was received from NTS in the amount of \$19,970 for replacement of the ATS. Mr. Abshire then stated that NTS also provided a quote for an automatic disconnect switch, in the amount of \$25,350, which Water Plant No. 1 does not currently have. Mr. Abshire explained that any water plant constructed today would typically have an automatic disconnect switch and recommended that such equipment be installed. Mr. Abshire added that these items are included in the District's Capital Improvement Plan (the "CIP").

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 the quote from NTS for the installation of the ATS and automatic disconnect switch at Water Plant No. 1.

#### 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 almost completed. Mr. Abshire stated that there are still a handful of manholes that have recently been located and that are now in the process of being televised. Mr. Abshire then stated that there is one (1) immediate point repair needed, which Hays will be able to repair at a cost of \$2,500.

Mr. Abshire went on to report that the application for the proposed reclaimed water use project is being finalized, but that the user agreements will need to be completed before the application can be submitted to the TCEQ.

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

Mr. Abshire then reviewed the results of the annual Water Plant Inspections, a copy of which is attached hereto. Mr. Abshire stated that there is a budget item for recoating the ground storage tanks this year at Water Plant No. 1, but that the interiors of the tanks are still in good shape. Mr. Abshire recommended moving the interior recoating out further in the CIP. Mr. Abshire then recommended cleaning and applying a topcoat to the exteriors of ground storage tank nos. 2 and 3 and both of the hydrotanks. Mr. Abshire next stated that the hydrotanks at Water Plant No. 2 need recoating. Mr. Abshire reported that the total cost estimate for the work will be \$155,500, and that the budgeted CIP amount is almost double such estimate. Mr. Abshire then stated that Hays will prepare a cost estimate for a handful of repair items listed in the inspection report.

Mr. Abshire next reported that plan approval was provided to the Waffle House development last month. Mr. Abshire further reported that Waffle House has recently submitted their commercial tap application to Hays.

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: 1) approve the Engineer's Report; 2) approve the water plant inspection report; and 3) authorize design of the water plant improvements outlined above.

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.

AUTHORIZE ATTENDANCE AT ASSOCIATION OF WATER BOARD DIRECTORS-TEXAS ("AWBD") ANNUAL CONFERENCE IN FORT WORTH, TEXAS, JUNE 13-15, 2019 AND SPRING BREAKFAST ON APRIL 12, 2019

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 authorize attendance at the AWBD Annual Conference and the Spring Breakfast.

ATTORNEY'S REPORT

Ms. Bobbitt reported that preparation of the conveyance documents for the 1.2593-acre tract from 9.6 Kuykendahl J.V. is in process and will be brought to the Board's March meeting. Ms. Bobbitt then reported that the Settlement Agreement with 9.6 Kuykendahl J.V. is ready for Board approval and execution. Ms. Bobbitt noted that the settlement payment to 9.6 Kuykendahl J.V. will not be made until the property has been conveyed to the District. 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 and authorize execution of the Settlement Agreement.

UPDATE ON PARK MATTERS

Ms. Bobbitt next reported that she has spoken with Ms. Tara Klein of Four & One Landscape Architecture, the District's landscape architecture consulting firm, regarding a community survey. Ms. Bobbitt explained that Ms. Klein's preference would be to hold a community meeting before sending out a survey so that the master plan can be reviewed with District residents. Ms. Bobbitt stated that once the survey has been mailed out and received back, another community meeting could be held to discuss the feedback received from residents. Ms. Bobbitt added that Ms. Klein had stated that the community meetings would be billed on an hourly basis and that she expects the total cost to be around \$2,500. Director Hoffmann stated that he is concerned about spending the money to hold the community meetings and not having anyone attend such meetings. Ms. Bobbitt suggested working with the Country Lake Estates Homeowners Association and the Spring Creek Oaks Community Improvement Association ("SCOCIA") to encourage attendance. Discussion regarding the park plan and community meetings ensued. It was the consensus of the Board to defer the scheduling of a community meeting until the fencing issue is resolved by SCOCIA.

NEXT MEETING

Director Stoebner then reminded the Board that the next regular meeting will be held on Thursday, March 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 7<sup>th</sup> day of March, 2019.



  
Secretary, Board of Directors