

MINUTES OF THE BOARD OF DIRECTORS

May 2, 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, May 2, 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 except Directors Winkler and Musgrave, thus constituting a quorum. Also attending the meeting were: Ms. Christina Cole of Myrtle Cruz, Inc. ("MCI"), bookkeepers for the District; Messrs. 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; Mr. Mark Eyring of Roth & Eyring, PLLC, auditors for the District; Mr. Dan Myers, resident of the District; 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.

PUBLIC COMMENT

Mr. Myers stated that he recently noticed a Hays truck parked in front of his house and when he inquired why the truck was in front of his house, he was informed that his water service was being terminated due to a delinquent bill. Mr. Myers then stated that he did not realize that he had received a door hanger notifying him of the water termination because his daughter had thrown it away. Mr. Myers next stated that he immediately paid his water bill online, but that Hays still terminated his water. Mr. Myers then asked the Board for a refund of the \$75 disconnect fee, the \$10 door hanger fee and the additional \$100 deposit amount that was required in order to have his water turned back on. Mr. Myers stated that he has paid his water bill on time for the past 13 years, and asked for consideration on the delinquent fees. Ms. Secrest explained that once a Hays employee has a work order to terminate service, the service must be terminated and the delinquent fees are still applied to the account, even if the resident intercepts the Hays employee while they are attempting to terminate service. Director Stoebner then explained that the water termination process and delinquent fees are outlined in the District's Rate Order, and that the Board must follow these procedures for each customer.

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 Day, 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 April 4, 2019, as written.

REGULAR AGENDA

REVIEW AND DISCUSS AUDIT PROCESS AND PROCEDURE FOR REVIEW OF DISTRICT WATER/SEWER SERVICE RATES

Director Stoebner then reminded the Board that there had been an issue with a meter upcharge not being charged for fire stations, and that this oversight was not caught in an audit. Mr. Eyring explained that the audit process tests a sampling of each rate category outlined in the District's Rate Order, and that it does not test every single customer's account. Mr. Eyring also stated that he has previously focused on customers that would typically have higher water loss/usage, and that fire stations have not been a primary focus in the past. Director Day asked if Mr. Eyring can make sure that the fire station rates are tested in the future. Mr. Eyring stated that he will make sure to test the fire station rates in the conduct of all future audits. Director Hoffmann stated that since the District does not have a high number of "other" rate types that are not residential, it might be worth looking at all of them during the audit process. Ms. Secrest stated that the District does not have a large number of commercial customers and that they could all easily be audited. Mr. Eyring requested a list of all of the commercial customers that the Board would like audited. Director Hoffmann suggested testing all non-residential accounts. Mr. Eyring then apologized for the oversight regarding the District's fire stations.

ENGAGE AUDITOR TO PREPARE AUDIT FOR THE FISCAL YEAR ENDING ("FYE") MAY 31, 2019

Mr. Eyring then presented a copy of Roth & Eyring's engagement letter for the preparation of the audit for FYE 2018 and FYE 2019, which was previously approved on March 1, 2018. Mr. Eyring reported that the estimated fee for preparation of the audit for FYE May 31, 2019 is \$10,950. Mr. Eyring then asked for approval to proceed with the preparation of the audit for FYE May 31, 2019. 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 and authorize execution of the engagement letter, a copy of which is attached hereto.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Garza then reviewed with the Board the Tax Assessor/Collector's Report as of April 30, 2019, a copy of which is attached hereto. Ms. Garza reported that the District has collected 98.15% of its 2018 taxes to date. Director Stoebner asked that the Gibraltar Savings Association account be removed from the delinquent tax list since the business is closed. Ms. Miller stated

that she would let the Tax Assessor/Collector know that the Board would like the Gibraltar Savings Association Account removed from the delinquent tax list. 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 Tax Assessor/Collector's Report and the checks reflected therein.

BOOKKEEPER'S REPORT

Ms. Cole then 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 eleven (11) months and the investment report for the current month.

Ms. Cole next presented the draft budget for the FYE May 31, 2020. Ms. Cole stated that the budget will need to be adopted at tonight's meeting, but that it can be amended at any time. Ms. Cole noted that the legal services expense has been higher than usual for the current fiscal year due to the 9.6 Kuykendahl litigation matter and the reclaimed water project. Ms. Cole then recommended adding a \$25,000 line item for parks. Director Hoffmann asked why the District would budget for a deficit. Director Stoebner stated that the District actually has a \$900,000 surplus this year due to not completing certain Capital Improvement Plan projects that were budgeted for this year. Director Stoebner then suggested adding a "reserve drawdown" line item under the income portion of the budget in order to balance the budget. Director Stoebner also suggested renaming the R&M-Hike & Bike Trail expense line item to Parks. Ms. Cole stated that she would make the suggested changes to the budget for the FYE May 31, 2020.

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 Bookkeeper's Report, authorize execution and payment of the checks reflected therein and adopt the budget for the FYE May 31, 2020 with the changes outlined above.

OPERATOR'S REPORT

Mr. Potter then presented and reviewed the Operator's Report with the Board for the period of March 14, 2019 to April 15, 2019, a copy of which is attached hereto. Mr. Potter reported that there are currently 1,818 connections in the District. Mr. Potter further reported that the District's water accountability for the month was 94.03%, that 129 delinquent notices were mailed during the month, and that four (4) 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) \$2,000 to test the hydropneumatic tank probes and controls at Water Plant No. 2; 2) \$2,700 for Aquabac XT Pest Control Service at the Sewage Treatment Plant (the "STP"); and 3) \$20,661.99 to remove 15,000 gallons of debris from the digester at the STP. Director Stoebner asked if Hays has factored these types of items into next year's budget. Mr. Potter stated that everything should be covered under general maintenance expenses.

Mr. Potter next reported that seven (7) 3/4-inch (3/4") meters and one (1) one-inch (1") meter are due for replacement during the next month.

Ms. Secrest then presented and reviewed the draft Consumer Confidence Report ("CCR") for 2018, a copy of which is attached hereto. Ms. Secrest stated that the Texas Commission on Environmental Quality (the "TCEQ") has not provided a template for the CCR, but that all of the District's information is correct. Ms. Garza stated that she has reviewed the CCR and provided to Ms. Bobbitt for her review. Ms. Secrest then stated that the CCR will need to be approved for distribution at the June Board meeting.

Mr. Potter went on to report that the TCEQ had held a compliance inspection of the District's facilities in March. Mr. Potter stated that no major issues were identified, but that the TCEQ has requested the original TCEQ approval letter for construction of Water Plant No. 1, which was built in the 1970s. Mr. Potter explained that he has informed the TCEQ that Hays has been unable to locate such approval letter. Mr. Potter then stated that the TCEQ has also requested the approval letter for the construction of the polyphosphate system, which Hays has also been unable to locate. Mr. Potter further stated that Hays is working with the TCEQ on these items. Mr. Abshire stated that he has had requests from the TCEQ for outdated documents in other utility districts, and that it continues to be an ongoing issue with the TCEQ.

Mr. Potter then presented a proposal for sanitary sewer repairs identified from the Sanitary Sewer Cleaning & Televising project, in the amount of \$16,300. Mr. Abshire reminded the Board that they had previously authorized Hays to do all of the sanitary sewer repairs except for lining the concrete pipe. Mr. Abshire noted that \$16,300 is within the budgeted amount for the project.

Mr. Potter next reported that the District-wide flushing went well and only two (2) calls from residents were received regarding low water pressure. Ms. Secrest suggested using Classic Messaging in the future to inform residents that the flushing would be occurring and that water pressure in the District would be temporarily reduced during the flushing process. The Board concurred to discuss the use of Classic Messaging prior to the next District-wide flushing event.

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 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 proposal for the sanitary sewer repairs in the amount of \$16,300.

DISCUSS AMENDMENT TO DISTRICT'S RATE ORDER REGARDING COMMERCIAL AND RESIDENTIAL ACCOUNTS, METER UPCHARGE, AND CONSIDER ADOPTION OF SAME

Director Stoebner stated that this item would be deferred until the June Board meeting when all of the Board members are present.

ENGINEER'S REPORT

Mr. Abshire then presented the Engineer's Report, a copy of which is attached hereto. Mr. Abshire reported that he is coordinating with RBAP to prepare the end user agreements for the reclaimed water project with Terranova West Municipal Utility District ("Terranova") and Spring Creek Oaks Community Improvement Association ("SCOCIA").

Mr. Abshire next reported that the design work for the Wastewater Treatment Plant ("WWTP") Improvements Project is continuing. Mr. Abshire added that he anticipates being ready to submit the design for initial agency reviews in May.

Mr. Abshire then reported that design work has also begun for the Water Plant Improvements Project. Mr. Abshire noted that Jones|Carter does not plan to advertise the project for bid until later this year in order for the work to occur during the 2019/2020 winter months when water usage is low.

Mr. Abshire next reported that he is finalizing the bid package for the 2019 Sanitary Sewer and Manhole Rehabilitation project. Mr. Abshire requested authorization to proceed with solicitation of bids for such project.

Mr. Abshire also reported that he received an inquiry regarding service to a 5-acre tract of land on Louetta Road next to the fitness center. Mr. Abshire stated that he thinks the tract could be better served by another utility district since the District does not currently provide sewer service to the area.

Mr. Abshire then reported that he is working with the La Boucherie engineers on the plan review process. Mr. Abshire explained that the plans have been split into plans for the public facilities and plans for the private facilities. Mr. Abshire further noted that La Boucherie will need to obtain the necessary easements and pipeline encroachment agreement before construction can begin.

Mr. Abshire next reminded the Board that an updated Professional Services Agreement ("PSA") for Jones|Carter was presented at the March Board meeting. Mr. Abshire stated that this item could be deferred until the June Board meeting when the entire Board is present. Mr. Abshire also stated that he has been working with Ms. Bobbitt to fine tune the PSA, and that he will send out a redline of the revised PSA to the Board prior to the June meeting.

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: 1) approve the Engineer's Report; and 2) authorize solicitation of bids for the 2019 Sanitary Sewer and Manhole Rehabilitation project.

REVIEW AND APPROVE AGREEMENT FOR FINANCING OF FACILITIES (THE "FINANCING AGREEMENT") FOR LA BOUCHERIE

Ms. Garza reported that the Board's requested changes have been incorporated into the Financing Agreement and that it will be sent to Jones|Carter for review. 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 Financing Agreement for La Boucherie, subject to review by Jones|Carter.

REVIEW AND DISCUSS RECLAIMED WATER SUPPLY COST SHARING AGREEMENT WITH TERRANOVA FOR RECLAIMED WATER PROJECT AND PROPOSED USER AGREEMENTS RELATED TO SAME

Ms. Garza reported that RBAP has been coordinating with Jones|Carter and the attorney for Terranova regarding the Cost Sharing Agreement and User Agreement.

UPDATE ON PARK MATTERS

Director Stoebner next presented the park survey results that had been received on the District's website. Director Stoebner stated that the next step is for the Board to review the survey results and decide if they would like to move forward with the park plan.

REVIEW AND DISCUSS PROCESS/PROCEDURES FOR ISSUANCE OF EMERGENCY NOTIFICATIONS, INCLUDING SCHEDULING OF SPECIAL BOARD MEETING, AND TAKE ANY NECESSARY ACTIONS ON SAME

Director Stoebner stated that a special Board meeting is scheduled for June 10th to review and discuss the District's emergency notification procedures and statements.

DISCUSS CONSULTANT EVALUATIONS, AND TAKE ANY NECESSARY ACTIONS ON SAME

Director Stoebner then stated that this item would be deferred until the June Board meeting when all of the Board members are present.

APPOINT DIRECTOR TO APPROVE SCOCIA FIREWORKS DISPLAY PER TERMS OF CONTRACT

Director Stoebner volunteered to be the Board liaison to approve the SCOCIA fireworks display for July 4th. 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 appoint Director Stoebner as the Board liaison to approve the SCOCIA fireworks display for July 4th.

AUTHORIZE PREPARATION OF POST-ISSUANCE TAX-EXEMPT DEBT COMPLIANCE POLICY CHECKLIST

Ms. Garza explained that the District's Amended Post-Issuance Tax-Exempt Debt Compliance Policy (the "Policy") requires that the District's Tax Compliance Officer, along with the District's consultants, annually review and complete post-issuance compliance checklists in connection with outstanding District bonds. 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 authorize the annual review of the District's Policy.

ATTORNEY'S REPORT

Ms. Garza stated that there is not an updated Legislative Update memorandum for the 86th Legislative Session this month but that one will be provided at the June meeting.

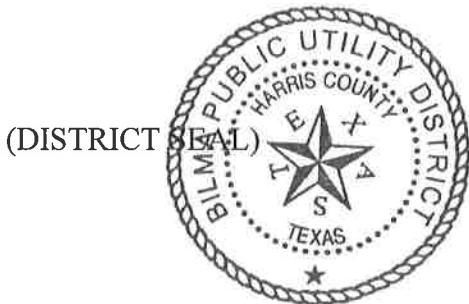
Ms. Garza further noted that the July Board meeting falls on July 4th this year and asked the Board about rescheduling of such meeting. Ms. Garza recommended picking a rescheduled date when the full Board can attend. Director Hoffmann noted that he is fine with rescheduling the July Board meeting for the week following July 4th. It was agreed that further discussion regarding the rescheduling of the July Board meeting would be placed on the June meeting agenda.

NEXT MEETING

Director Stoebner then reminded the Board that the next regular meeting will be held on Thursday, June 6, 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 6th day of June, 2019.




Secretary, Board of Directors