

MINUTES OF THE BOARD OF DIRECTORS

June 6, 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, June 6, 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; Ms. Tara Klein of Four and One Landscape Architecture ("Four and One"); Ms. Christina Akeroyd and Miss Juliana Akeroyd, residents 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

Miss Akeroyd first addressed the Board and stated that she is planning a Stars and Stripes project for the American Heritage Girls. Miss Akeroyd then reviewed a handout regarding her project, a copy of which is attached hereto. Miss Akeroyd explained that she would like to construct a sensory playground called "Matthew's Place" that would be located at the Spring Creek Oaks Clubhouse II behind the tennis courts. Director Stoebner asked what Miss Akeroyd is seeking from the District. Miss Akeroyd stated that she is looking for donations for her project or donations in kind to level the ground where the playground will be located. Mr. Potter then stated that Hays will donate a construction crew to level the ground for Miss Akeroyd's project. Ms. Bobbitt asked if the Spring Creek Oaks Community Improvement Association ("SCOCIA") has approved the use of the property. Miss Akeroyd responded that SCOCIA has approved the use of the property for the project. Director Winkler asked if SCOCIA has provided a donation for the project. Miss Akeroyd responded that SCOCIA was unable to make a donation to the project at this time. Ms. Akeroyd explained that SCOCIA is currently working on a fence project which will need to be completed before they can consider a donation to her project. Ms. Bobbitt then stated that the Board is interested in helping Miss Akeroyd with her project, but since the District is a governmental entity, there are issues with providing public funds for a

private purpose. Ms. Bobbitt stated that the Board would discuss the issue further and get back to Miss Akeroyd. Director Winkler stated that he would like to find a way to support the project.

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 four (4) votes in favor, with Director Musgrave abstaining, to approve the minutes of the regular meeting of May 2, 2019, as written.

REGULAR AGENDA

UPDATE ON PARK MATTERS

Ms. Klein stated that now that the park survey results have been received, the Board will need to determine how the District would like to proceed regarding the park plan. Director Musgrave asked if the next step would be to get more detailed involvement from District residents. Ms. Klein responded that the next step would be to decide how the park infrastructure will be funded. Ms. Klein explained that the Board can decide to use operating funds or hold a park bond election. Ms. Klein further explained that if the Board decides to move forward with a park bond election, then three (3) public meetings will need to be scheduled and an authorization amount will need to be determined. Ms. Klein suggested appointing a park committee of two (2) directors to further conceptualize the park plan for use at the public meetings, should the Board decide to move forward with a park bond election. Director Musgrave then stated that he would like to come up with a list of priorities based off of the survey results before determining where the park funding will come from. Discussion ensued regarding the various funding sources for the park plan. The Board appointed Directors Musgrave and Hoffmann to serve as the Parks Committee members to work with Ms. Klein to further refine the park plan and make recommendations to the Board on how to best move forward with the park plan.

DISCUSS USE OF THE NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY'S (THE "AUTHORITY") MOBILE TEACHING LAB ON JULY 4TH AND TAKE ANY NECESSARY ACTIONS ON SAME

Director Stoebner then reported that the Authority's mobile teaching lab will be at the SCOCIA clubhouse in the afternoon on July 4th.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Bobbitt then reviewed with the Board the Tax Assessor/Collector's Report as of May 31, 2019, a copy of which is attached hereto. Ms. Bobbitt reported that the District has collected 98.51% 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.

DELINQUENT TAX ATTORNEY'S REPORT

Ms. Bobbitt next reviewed the Delinquent Tax Attorney's Report, a copy of which is attached hereto. Ms. Bobbitt noted that no action was required.

AUTHORIZE DELINQUENT TAX ATTORNEY TO PROCEED WITH COLLECTION OF 2018 DELINQUENT TAXES

Ms. Bobbitt next explained that if the Board wants to exercise its authority to terminate water service to delinquent tax accounts after August 1st, rather than waiting on the other taxing authorities to file lawsuits or until year-end, she is recommending that a letter be sent to Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue Brandon"), the District's delinquent tax attorney, requesting their recommendations for termination of service to 2018 delinquent accounts to be provided for review and consideration by the Board at its August meeting. 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 RBAP to prepare and send a letter to Perdue Brandon requesting recommendations on the termination of service to the 2018 delinquent tax accounts for review and discussion at the August Board meeting.

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 twelve (12) months and the investment report for the current month. Ms. Cole noted that two (2) months of invoices were received this month from the Authority and, therefore, thirteen (13) months of Authority invoices are reflected in the budget comparison.

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 April 15, 2019 to May 15, 2019, a copy of which is attached hereto. Mr. Potter reported that there are currently 1,819 connections in the District. Mr. Potter further reported that the District's water accountability for the month was 96.36%, that 89 delinquent notices were mailed during the month, and that one (1) account was cut-off for non-payment of water/sewer service fees.

Concerning the District's Operations List, Mr. Potter reported that there had been four (4) items over budget during the past month, including: 1) \$2,000 for flapper valve replacements at Water Plant Nos. 1 and 2; 2) \$5,237.53 for the disposal of 112,000 gallons of sludge; 3) \$6,775.90 for manhole repairs; and 4) \$3,786 to clean the Sewage Treatment Plant and Windy Pines Lift Station.

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

Mr. Potter next reported that an email was received from the resident at 4518 Western Brook questioning their high water usage of 12,000 gallons. Mr. Potter stated that upon review of the account, the resident had used up to 16,000 gallons of water in the past. Mr. Potter further stated that the meter was tested for accuracy and tested normal. Director Stoebner reported that the resident had expressed appreciation for the meter testing and that he would be watching for any future leaks or issues.

Ms. Secrest then presented and reviewed the draft of the District's 2018 Consumer Confidence Report ("CCR") for approval, a copy of which is attached hereto. Ms. Bobbitt asked why the Authority chlorine residual is being included in the CCR when it has not been included in the past. Ms. Secrest stated that the Authority's chlorine residual information was not provided from the Texas Commission on Environmental Quality prior to this year. Ms. Secrest noted that Mr. Howard Wilhite, of Hays, stated that the District is not required to include the Authority's chlorine residual information because the water does not come directly from the District. Ms. Bobbitt stated that she will talk to Mr. Carlton McDevitt of Inframark, operator for the Authority, about the issue. Ms. Secrest then stated that the CCR will be sent out as soon as she receives approval from Ms. Bobbitt.

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 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 distribution of the 2018 CCR.

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

Director Stoebner reminded the Board that the District's current Rate Order includes a meter upcharge for oversized water meters. Ms. Secrest stated that the meter upcharge has been in place since the 1990s and the District is currently receiving approximately \$1,600 per month in meter upcharge fees. Ms. Secrest further explained that the two (2) fire stations located in the District are inadvertently not currently being charged the upcharge, but that they are not specifically excluded according to the terms of the Rate Order. Director Day stated that she does not think that the fire departments should be charged the meter upcharge. Ms. Secrest noted that the Rate Order currently reflects that all customers with an oversized meter, with the exception of Public Space Users, will be charged the meter upcharge. Ms. Bobbitt reminded the Board that fire stations are specifically included as Commercial rather than Tax Exempt or Residential customers under the terms of the Rate Order. An extensive discussion regarding the meter upcharge 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 exclude fire departments, emergency services districts and public schools from the meter upcharge, effective immediately.

Ms. Bobbitt then stated that the next issue the Board needs to address is whether to charge fire departments Commercial or Residential water rates. Ms. Bobbitt then reviewed the current rate categories reflected in the Rate Order with the Board. Ms. Secrest stated that the

Residential rate tier includes garbage service, so a new rate category would need to be created if the Board would like to charge fire stations the same water rates as the Residential rate, but without a garbage charge, since the fire stations do not receive garbage service from the District. Ms. Bobbitt suggested including a new rate tier for emergency services districts/fire departments that would utilize the Residential water and sewer rates, but not include a garbage charge. 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 add a new Emergency Services District rate category to the District's Rate Order, utilizing the same water and sewer rates as are currently being charged to Residential customers, effective with the next District's billing cycle.

ENGINEER'S REPORT

Mr. Abshire then presented the Engineer's Report, a copy of which is attached hereto. Mr. Abshire reported that he is ready to submit the Reclaimed Water Permit Application to the TCEQ for approval once approval of the user agreements is received. Ms. Bobbitt stated that Terranova West Municipal Utility District ("Terranova West MUD") should be approving their user agreements in the near future.

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 July.

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

Mr. Abshire next presented the bid tabulation for the 2019 Sanitary Sewer and Manhole Rehabilitation project. Mr. Abshire recommended that the Board award the project to the low bidder, T. Gray Utility & Rehab Co., LLC ("T. Gray"), in the amount of \$80,138. Mr. Abshire noted that the bid is in line with the Jones|Carter construction estimate. Mr. Abshire added that Jones|Carter will spend extra time in the field with T. Gray since Jones|Carter has less experience working with T. Gray. Mr. Abshire also noted that he will bring the construction contract to the next Board meeting for execution.

Mr. Abshire then reported that he continues to work with the La Boucherie engineers on the plan review process.

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 he has been working with Ms. Bobbitt to fine tune the PSA, and that a redline copy of the proposed PSA reflecting the changes was sent out to the Board prior to today's meeting. Director Hoffmann asked Mr. Abshire to clarify the Total Construction Cost ("TCC") item. Mr. Abshire explained that the TCC details how the actual project cost that gets charged to the District is calculated. Director Hoffmann asked why the TCC is exclusive of deductive change orders. Mr. Abshire further explained that if the Board decides to remove a component from a project because the cost is too high, the design fee for that component is still included in the total cost

because it was originally included in the design work for the project. Ms. Bobbitt noted that Jones|Carter currently handles construction costs in this manner, but it is not worded the same way in the current PSA. Discussion ensued regarding various components of the updated PSA. Mr. Abshire stated that he would revise the PSA further prior to the Board's July meeting.

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: 1) approve the Engineer's Report; and 2) award the bid for the 2019 Sanitary Sewer and Manhole Rehabilitation project to T. Gray, in the amount of \$80,138.

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

Mr. Abshire next reported that the Cost Sharing Agreement and User Agreements for the Reclaimed Water Project should be fairly close to completion. Mr. Abshire noted that the cost of water still needs to be finalized and provided to Terranova West MUD. Mr. Abshire then stated that a formula will be included in the Cost Sharing Agreement to determine the cost of water instead of including an actual number that would need to be changed from time to time as the cost for surface water changes. Mr. Abshire went on to explain that the current cost of water is approximately \$3.50 per 1,000 gallons. Director Stoebner asked if that amount covers the District's current cost to produce the water. Mr. Abshire responded that the \$3.50 per 1,000 gallons does not cover the cost to produce water, but that an additional amount can be included in the proposed rate. Director Stoebner then asked if both users of the reclaimed water system have to be charged the same rate. Ms. Bobbitt stated that she does not think both users have to be charged the same amount. Director Winkler asked if there are any costs that have not been included in the cost of water calculation, such as administrative costs or engineering costs. Mr. Abshire stated that the design cost of the reclaimed water system is included in the capital cost of the project and that not much engineering time will be spent once the project has been constructed. Ms. Bobbitt noted that there will be some cost incurred by the District related to calculating the cost of water each year. Director Winkler asked if such cost would be charged to the District but not included in the calculation. Mr. Abshire stated that the cost to calculate the cost of water is not currently included in the calculation, but can be included. Ms. Bobbitt suggested including a separate flat administrative fee to cover the cost to calculate the cost of water each year. Mr. Abshire stated that a separate Jones|Carter job number can be set up for any time charged for the reclaimed water system and that amount can then be billed accordingly. Ms. Bobbitt stated that an item can be included in the Cost Sharing Agreement to split any administrative costs between Terranova West MUD and the District. The Board concurred with the proposed cost of water formula, a copy of which is attached hereto.

DISCUSS CONSULTANT EVALUATIONS, AND TAKE ANY NECESSARY ACTIONS ON SAME

Director Stoebner then stated that this item would be deferred until the July Board meeting.

DISCUSS NEED FOR SOLICITATION OF PROPOSALS FOR RENEWAL OF INSURANCE

Ms. Bobbitt next asked the Board if they want to solicit proposals for the District's insurance coverages. Ms. Bobbitt reminded the Board that the District's current insurance coverage with Arthur J. Gallagher expires on August 30th. The Board decided not to solicit additional insurance proposals at this time.

REVIEW AND APPROVE POST-ISSUANCE TAX-EXEMPT DEBT COMPLIANCE POLICY CHECKLIST

Ms. Bobbitt stated that this item would be deferred until the July Board meeting.

ATTORNEY'S REPORT

Ms. Bobbitt then gave an update on the 86th Legislative Session. Ms. Bobbitt reported that the 86th Legislative Session has concluded and that a comprehensive Legislative Update Memorandum will be provided to the Board at the July or August Board meeting.

NEXT MEETING

The Board then concurred to move the July 4th Board meeting to July 11th in light of the July 4th holiday.

There being no further business to come before the Board, the meeting was adjourned.

PASSED, APPROVED AND ADOPTED this 11th day of July, 2019.




Secretary, Board of Directors