

MINUTES OF MEETING OF THE BOARD OF DIRECTORS

April 7, 2016

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 Spring Creek Oaks Clubhouse II, 6002 Bur Oak, Spring, Texas 77379, on Thursday, April 7, 2016, 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 |
| Vacancy | Secretary/Investment Officer |
| Cynthia D. Day | Assistant Secretary |
| F. Anthony Musgrave | 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; Ms. Julie Williams of Rathmann & Associates, financial advisors for the District; Mr. Don Hays, Mr. Michael Potter and Ms. Robin Secrest of Hays Utility South Corporation ("Hays"), operators for the District; Messrs. Ed Shackelford, P.E., and Justin Abshire, P.E., of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Mr. Mark Roth, C.P.A., of Roth & Eyring, PLLC, auditors for the District; Mr. Ron Brooks of Chesmar Homes, developer of Country Lake Estates Village ("CLEV"), Sections 1 and 2; Mr. Ben Cook, of Chesmar Homes, construction manager in CLEV; and Mr. Jonathan D. Polley, attorney, and Ms. Brooke T. Dold, 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 Winkler, seconded by Director Musgrave, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of March 3, 2016. No other items were on the Consent Agenda.

BOND AGENDA

FINANCIAL ADVISOR'S REPORT REGARDING PROPOSED ISSUANCE OF THE DISTRICT'S UNLIMITED TAX REFUNDING BONDS, SERIES 2016 (THE "SERIES 2016 REFUNDING BONDS")

Ms. Williams first briefly explained to Director Winkler what had occurred at the March 3, 2016 meeting regarding the proposed issuance of the District's Series 2016 Refunding Bonds. Ms. Williams next reviewed updated calculations regarding the proposed Series 2016 Refunding Bonds, a copy of which is attached hereto. Ms. Williams stated that the market has continued to improve since the Board's March meeting and, therefore, recommended that the Board proceed with a private placement refunding transaction.

Ms. Williams then presented a Placement Agent Agreement from Hilltop Securities Inc. ("Hilltop") (formerly First Southwest Company) for the Board's approval, a copy of which is attached hereto. Ms. Williams explained that Hilltop will serve as the Placement Agent for the bond issue. 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 Placement Agent Agreement.

Ms. Williams noted that there is no longer an issue of there being negative arbitrage on the bond issuance as a result of the improved market conditions and, therefore, it will not be necessary to wait until June to finalize and close the proposed bond issue. Ms. Williams then asked the Board to consider setting a parameter for a minimum amount of savings to be achieved with the proposed refunding transaction. 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 set a minimum savings parameter of eight percent (8%) on the bonds to be refunded.

Ms. Williams next asked the Board to designate a Pricing Committee of two (2) directors to review the bids received on the Series 2016 Refunding Bonds and approve the acceptance of the bid on the pricing date. Mr. Polley then presented a Resolution Authorizing the Refunding of Certain Outstanding Bonds of the District and the Appointment of a Committee or Individual to Approve the Issuance of such Refunding Bonds (the "Resolution") for the Board's adoption. 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 appoint Directors Stoebner and Musgrave as the Pricing Committee and to adopt the Resolution, a copy of which is attached hereto.

The Board then discussed scheduling a special meeting to review and approve the necessary bond documents for the Series 2016 Refunding Bonds. The Board concurred that they would schedule a special meeting on Thursday, April 21, 2016, at 9:15 a.m., at the offices of RBAP, 2929 Allen Parkway, Suite 3450, Houston, Texas 77019.

Ms. Williams next informed the Board that she will present a fee letter from Rathmann & Associates at the special meeting specifying a flat rate fee of 1.25% of the principal amount of

the Series 2016 Refunding Bonds. Ms. Williams explained that the District's current fee agreement with Rathmann & Associates does not specify an advisory fee for refunding bonds.

REGULAR AGENDA

ACKNOWLEDGE RESIGNATION OF DIRECTOR DON ATHERTON

Director Stoebner reported that Director Atherton's resignation was effective as of March 8, 2016. Mr. Polley stated that pursuant to Section 201.023 of the Election Code, Director Atherton's resignation became effective on the eighth (8th) day after the date of its receipt by the Board.

The Board then discussed finding a replacement to appoint to fill the remainder of Director Atherton's term of office (May 2018). Director Stoebner stated that he would contact the two (2) people who expressed interest in serving on the Board, but that did not submit Candidate Applications for the 2016 Directors Election. Ms. Dold noted that she will forward the contact information for the two (2) individuals to Director Stoebner. Director Musgrave then suggested that a notice of the vacancy be posted on the District's website. The Board concurred that a notice of vacancy would be posted on the District's website with instructions to contact RBAP for an application and specifying a deadline of Monday April 25, 2016, in which to submit applications to RBAP.

APPOINT SECRETARY, ASSISTANT SECRETARY, AND INVESTMENT OFFICER TO THE BOARD

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 appoint Director Musgrave to serve as Secretary, Director Day to serve as Assistant Secretary, and Ms. Mary Jarmon of MCI to serve as the Investment Officer.

REVIEW, APPROVE AND AUTHORIZE EXECUTION OF ROTH & EYRING, PLLC ENGAGEMENT LETTER TO PREPARE THE DISTRICT'S AUDIT REPORTS FOR THE FISCAL YEARS ENDING MAY 31, 2016 AND MAY 31, 2017

Mr. Roth then presented a copy of his engagement letter and reported that the stated fee of \$10,600 per year reflects a three percent (3%) increase over his fees for fiscal years 2014 and 2015. 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 engagement letter. A copy of the Roth & Eyring, PLLC engagement letter is attached as an exhibit to these minutes.

DEVELOPER'S REPORT

Mr. Brooks first introduced Mr. Cook to the Board.

Mr. Brooks then reported that the contractor had completed his work on the CLEV, Section 2 utilities and that the final plat is awaiting recordation. Mr. Abshire stated that Jones & Carter will schedule the final inspection of the utilities once the final plat is recorded.

Mr. Brooks next reported that detention pond construction is complete, but that the detention pond water is still murky. Mr. Abshire stated that he will continue to monitor the water in the detention ponds.

Mr. Brooks then noted that the cost of an average home in CLEV is \$330,000.

Messrs. Brooks and Cook then exited the meeting at 5:40 p.m.

TAX ASSESSOR/COLLECTOR'S REPORT AND DELINQUENT TAX ATTORNEY'S REPORT

Mr. Polley next reviewed with the Board the Tax Assessor/Collector's Report as of March 31, 2016, a copy of which is attached hereto. Mr. Polley noted that the District has collected 97.97% of its 2015 taxes to date. 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 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 nine (9) months and the investment report for the month. Ms. Cole noted that check no. 3639 in the amount of \$94,038.57 represents the May 1st final developer reimbursement installment to Spring Creek Terrace, L.P. for the construction of facilities to serve the Cypress Trace subdivision. Mr. Polley stated that Mr. Ron Koury will be required to execute a Developer's Receipt and Utility System Conveyance prior to the release of the final reimbursement payment to him.

Ms. Cole next reported that TexPool is paying 0.3273% on investments and asked the Board for authorization to transfer \$1.2 million from the Debt Service Fund to the District's TexPool account. Ms. Cole further noted that \$1.5 million has already been transferred from the Operating Fund at Compass Bank to the District's TexPool account and such transfer is reflected on today's report.

Ms. Cole noted that a draft of the proposed budget for fiscal year ending May 31, 2017 is attached to the Bookkeeper's Report and asked for consultant comments prior to the May 5, 2016 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 approve the Bookkeeper's Report, authorize execution and payment of the checks reflected therein, and to authorize MCI to transfer debt service funds and operating funds from Compass Bank to the District's Texpool accounts as outlined above.

OPERATOR'S REPORT

Mr. Potter then presented and reviewed the Operator's Report with the Board for the period of February 15, 2016 to March 16, 2016, a copy of which is attached hereto. Mr. Potter

reported that currently there are 1,699 connections in the District. Mr. Potter further reported that the District's water accountability for the month was 93.08%, that 99 delinquent notices were mailed during the month, and that five (5) accounts were cut off.

Concerning the District's Operations List, Mr. Potter noted that two (2) repairs were made during the prior month at the Windy Pines Lift Station totaling \$9,000.

Mr. Potter next reported that three (3) ¾-inch meters were scheduled for change out during this current reporting period.

Mr. Potter then reviewed a customer communication from Ms. Kerri Karalis, resident of 4614 Countrypines Drive, a copy of which is attached to these minutes. Ms. Karalis explained that her payment for her water and sewer service bill was mistakenly left in her car. Mr. Potter stated that the customer is requesting that the late fee penalty be waived. The Board concurred that the request for waiver of the late fee penalty be denied.

Ms. Secrest then reported that Hays has been working with Branch Banking and Trust ("BB&T") on an agreement for an electronic bill paying system. Ms. Secrest reported that BB&T will charge \$0.25 per electronic transaction and noted Hays is proposing that the District absorb such cost.

Mr. Potter stated that the CLE detention pond siphon inspections are scheduled for April 18, 2016.

Director Stoebner then reported that a sink hole has formed on the Hike and Bike Trail near Desert Oak Way and that the dead bushes at the Wastewater Treatment Plant (the "WWTP") need to be removed and replaced. Mr. Potter stated that Hays would look into such items.

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 Operator's Report, authorize the termination of service to the delinquent accounts in accordance with the provisions of the District's Rate Order and authorize Hays to perform the CLE detention pond siphon inspections and coordinate the repairs to the sink hole and the replacement of the bushes at the WWTP.

ENGINEER'S REPORT

Mr. Abshire then presented the Engineer's Report, a copy of which is attached hereto. Mr. Abshire first reported that Jones & Carter continues to review the work Environmental Allies completes on the CLE, Sections 1-3 Storm Water Quality Management Plan.

Mr. Abshire next reported that the permits for the CLE, Sections 2 and 3 storm water features are in need of renewal. Mr. Abshire stated that Jones & Carter has reviewed the permit renewals prepared by Environmental Allies and recommended that the Board authorize execution of the permit applications,

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 Engineer's

Report, and authorize the President to execute the permit renewals for the CLE, Sections 2 and 3 storm water features.

DISCUSS GARBAGE COLLECTION SERVICE AND RECYCLING PROPOSALS

Director Stoebner next explained that WCA Waste Corporation ("WCA") submitted a contract termination date of April 1st to their operations department instead of May 1st and, consequently, customers' trash was not collected on April 4, 2016. Director Stoebner further reported that the contract has been reactivated and that WCA will credit the District for the error. Director Stoebner noted that garbage will next be collected on Thursday, April 7th. The Board then asked Ms. Secrest to arrange for a credit of \$1.50 per customer on the next customer invoice. Ms. Secrest stated that she will check with Hays and respond back to the Board concerning the proposed customer credit.

The Board then briefly discussed whether to amend Section 3.03 of the District's Rate Order regarding the new garbage service rate. The Board asked that such matter be included on the special meeting agenda for the April 21st meeting.

Ms. Dold then handed out copies of the proposed door hanger/customer notification and website information regarding the transition from WCA to Residential Recycling and Refuse of Texas, copies of which are attached hereto.

ATTORNEY'S REPORT

Mr. Polley reported that he had nothing more to report.

DISCUSS W.I.S.E. GUYS PROGRAM

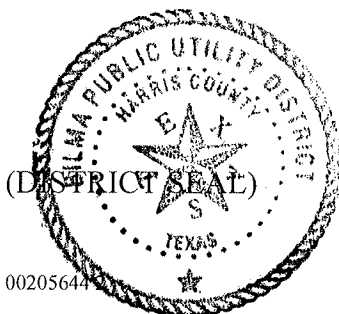
The Board concurred that implementing a W.I.S.E Guys Program would be beneficial to the District. Director Stoebner stated that he would contact the company and request information that the Board can give to customers regarding such program.

NEXT MEETING

Director Stoebner reminded the Board that a special meeting will be held on Thursday, April 21, 2016, at 9:00 a.m. at the RBAP offices, and that the next regular meeting will be on Thursday, May 5, 2016, at the Spring Creek Oaks Clubhouse II, at 5:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 5th day of May, 2016.




Secretary, Board of Directors