

MINUTES OF THE BOARD OF DIRECTORS

August 4, 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 the Spring Creak Oaks Clubhouse II, 6002 Bur Oak, Spring, Texas 77379, on Thursday, August 4, 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
F. Anthony Musgrave	Secretary
Cynthia D. Day	Assistant Secretary
Steve Hoffmann	Director

All members of the Board were present, except Director Musgrave, thus constituting a quorum. Also attending the meeting were: Ms. Sara Burson and Mr. Dayne Burson of Accurate Meter & Supply ("Accurate Meter"); Mr. Mark Eyring of Roth & Eyring, PLLC, auditors for the District; Ms. Christina Cole of Myrtle Cruz, Inc. ("MCI"), bookkeepers for the District; Ms. Robin Secrest and Mr. Michael Potter of Hays Utility South Corporation ("Hays"), operators for the District; Messrs. Justin Abshire, P.E., and Ryan Casey of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Mr. Ron Brooks of Chesmar Homes, developer of the Country Lake Estates Village (the "CLEV"), Sections 1 and 2; Mr. Muhammad Ahmed of Ahmed Realty I, representing the owner of a one (1) acre tract located at 19234 Kuykendahl Road, Spring Texas; and Messrs. Jonathan D. Polley and Joshua Ellery, attorneys, 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.

PRESENTATION BY MS. BURSON REGARDING BADGER SMART METER SYSTEMS ("BADGER METER")

Director Day noted that Accurate Meter had an exhibit booth at the Association of Water Board Directors (the "AWBD") Annual Conference in June and that she had spoken with Accurate Meter representatives at that time. Ms. Burson first explained to the Board that the BEACON Advanced Metering Analytics ("BEACON AMA") software suite combined with ORION communication technology utilizing existing cellular networks from Badger Meter is the smart meter system they use. Ms. Burson further explained that Accurate Meter currently has 35 utility districts using this technology. Ms. Burson added that the Badger meters have an average expected useful life of 20 years.

Ms. Burson next reviewed with the Board a four (4) month smart meter pilot program they offer at a cost of \$3,500, which includes ten (10) ORION cellular endpoints; four (4) months of hourly endpoint read data; ten (10) 5/8-inch x 3/4-inch (5/8" x 3/4") Badger M25

water meters; ten (10) DRW-AMR meter box lids; installation and activation of meters; access to BEACON AMA software suite; EyeOnWater Online consumer engagement module; and four (4) months of on-site training. Ms. Burson stated that if at the end of the initial four (4) month pilot program the District is not ready to make a decision on the installation of a smart meter system throughout the District, the service can be extended for a cost of \$3.00 per installed meter per month and approximately \$0.89 per installed meter per month for cellular backup service.

The Board then discussed the cost difference between an engineered polymer meter (\$245 cost) and a stainless steel meter (\$295 cost) and what benefits to consider between the two types of meters.

Director Stoebner thanked Ms. Burson for her informative presentation and asked that RBAP include an item on the September 1st agenda to further discuss the pilot program and converting the District's meters to a smart meter system.

Ms. Burson and Mr. Burson then exited the meeting and Ms. Cole entered the meeting at 5:30 p.m.

PUBLIC COMMENT

No public comments were given.

CONSENT AGENDA

Director Stoebner then 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.

Mr. Abshire noted that there were no pay estimates or change orders for the Board's approval. Mr. Abshire further informed the Board that he had the construction contracts from Source Point Solutions, LLC for the Sanitary Sewer Cleaning and Televising, Phase III project (the Ph. III Sanitary Sewer Cleaning Project") in the Spring Creek Oaks subdivision for execution at tonight's meeting.

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: 1) approve the minutes of the regular meeting of July 7, 2016; 2) ratify and approve the renewal of the District's insurance coverages with Arthur J. Gallagher & Co.; 3) authorize execution of an Amendment to the District Information Form to revise the amount of issued bonds on the Notice to Purchaser following the sale of the District Series 2016 Refunding Bonds; and 4) authorize the execution of the construction contracts with Source Point Solutions, LLC in connection with the Ph. III Sanitary Sewer Cleaning Project.

REGULAR AGENDA

DEVELOPER'S REPORT

Mr. Brooks then reported that the average sales price of homes in the CLEV is \$310,000. Mr. Brooks stated that during the prior month there were two (2) home starts in CLEV, Section 2, for a total of 48 starts, 41 sold and 26 closings in CLEV.

REVIEW AND APPROVE AUDIT REPORT FOR THE FISCAL YEAR ENDED MAY 31, 2016 AND AUTHORIZE FILING OF SAME

Mr. Eyring then reviewed with the Board the draft of the District's audit report and the management letter for the fiscal year ended May 31, 2016, previously distributed to the Board and copies of which are attached hereto. Mr. Eyring asked the Board to confirm that the \$11.74 per connection per month for garbage collection in Section 3.03 of the District's Rate Order is correct. Mr. Eyring then noted that Section 2.08 does not reflect that Public Space Users are charged the actual cost for irrigation connections. Ms. Secrest reported that Hays has always charged Public Space Users at-cost for irrigation connections. Director Stoebner responded that the garbage rate of \$11.74 is correct and that the Board had recently discussed the auditor's concern regarding Section 2.08 concerning irrigation connections for Public Space Users at the July Board meeting and plans to amend such provision of the District's Rate Order at the September 1, 2016 Board 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 approve the audit report, subject to a review period of 10 days, to authorize the President to execute the Annual Filing Affidavit, and to authorize the District's attorney to file the audit report and Affidavit with the appropriate governmental entities.

Mr. Eyring thanked the Board and exited the meeting.

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 two (2) months and the investment report for the month.

Director Winkler then asked about the outstanding developer balances for La Boucherie and E Squared Trading on page 10 of the Report. Ms. Cole responded that MCI has invoiced the developers for such outstanding balances. Mr. Abshire informed the Board that Jones & Carter will not perform additional work on the proposed projects until the outstanding balances have been paid.

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, the checks presented for payment and the investment report.

AUTHORIZE ATTENDANCE AT THE AWBD FALL SEMINAR AND 2017 MID WINTER CONFERENCE IN AUSTIN, TEXAS

Mr. Polley informed the Board that the AWBD Fall Seminar will be held on Thursday, October 27, 2016 at the Marriott Westchase Hotel and that the 2017 Mid Winter Conference will be in Austin, Texas, on January 27- 28, 2017. 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 members of the Board to attend both events.

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 July 31, 2016, a copy of which is attached hereto. Mr. Polley noted that the District has collected 99.24% of its 2015 taxes to date.

Ms. Dold then noted that the Tax Assessor/Collector had included revised signature cards from Frost Bank in order to add Director Hoffmann to the authorized signatories on the Tax Account checks.

Mr. Polley then reviewed the Delinquent Tax Attorney's Report, a copy of which is attached hereto. Mr. Polley first reviewed the nine (9) 2015 delinquent tax accounts that are listed as candidates for termination of service. Mr. Polley stated that he wants to confirm with the District's delinquent tax attorney that the four (4) delinquent personal property accounts should be sent service termination letters.

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: 1) approve the Tax Assessor/Collector's Report and the checks reflected therein; and 2) authorize Perdue, Brandon, Fielder, Collins & Mott L.L.P. to send the termination letters to the 2015 delinquent taxpayers, subject to Mr. Polley confirming with the District's delinquent tax attorney that the four (4) delinquent personal property accounts should be sent service termination letters.

Mr. Muhammad Ahmed then entered the meeting at 6:00 p.m.

OPERATOR'S REPORT

Mr. Potter then presented and reviewed the Operator's Report with the Board for the period of June 15, 2016 to July 16, 2016, a copy of which is attached hereto. Mr. Potter reported that currently there are 1,719 connections in the District. Mr. Potter further reported that the District's water accountability for the month was 92.31%, that 114 delinquent notices were mailed during the month, and that three (3) accounts were cut off.

Concerning the District's Operations List, Mr. Potter reported that the following items are currently over budget, including: 1) \$2,400 for a chemical scan and air compressor repairs at Water Plant No. 1; and 2) \$7,014 for the eight inch (8") fire tap to serve Kuykendahl Storage LLC. Mr. Potter noted that the tap fee was the actual cost of the tap and that the District had received three (3) times that amount for the fire tap to the out-of-District customer.

Mr. Potter next reported that nine (9) 3/4-inch (3/4") meters are scheduled for replacement next month.

Mr. Potter then reviewed the Water Quality Noncompliance Notification to the Texas Commission on Environmental Quality (the "Notification") regarding the overflow of approximately 3,000 gallons of wastewater at the manhole located at 6007 Spring Creek Lane on July 9, 2016. Mr. Potter stated that the overflow was due to the lift pumps tripping. Mr. Potter noted that Hays had disinfected the spillage area and removed the wastewater using a vactor truck and repaired the autodialer that failed to notify Hays when the pumps tripped. A copy of the Notification is attached hereto. Mr. Potter stated that Hays and Jones & Carter will meet to review the sanitary sewer system to prevent any future discharges.

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 Operator's Report and authorize the termination of service to the delinquent accounts in accordance with the provisions of the District's Rate Order.

CONSIDER REQUEST FROM AHMED REALTY I FOR SERVICE/ANNEXATION

Mr. Ahmed then addressed the Board and requested service for a one (1) acre commercial tract located outside the boundaries of the District at 19234 Kuykendahl Road (at the southeast corner of Kuykendahl Road and Spring Cypress Road). Mr. Ahmed informed the Board that he plans to build a commercial shopping center at such location. Mr. Abshire noted that Mr. Ahmed has submitted a service application and a \$5,000 feasibility study deposit. 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 Jones & Carter to prepare a feasibility study for Mr. Ahmed's one (1) acre commercial tract. Ms. Abshire noted that he would present the feasibility study at the Board's September 1, 2016 meeting.

Mr. Ahmed thanked the Board and exited the meeting at 6:25 p.m.

ENGINEER'S REPORT

Mr. Abshire then introduced Mr. Casey to the Board stating that Mr. Casey is an engineer recently hired by Jones & Carter. Mr. Abshire then presented the Engineer's Report, a copy of which is attached hereto.

Mr. Abshire first reported that he did not yet have the results of the annual inspections of the District's Water Plants performed in June, but will present these results at the September meeting.

Mr. Abshire then reported that Jones & Carter continues to review and monitor the work Environmental Allies performs in connection with the Country Lake Estates, Sections 1-3 Storm Water Quality Management Plan.

Mr. Abshire next reported that he did not receive any other inquiries pertaining to undeveloped tracts last 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 Engineer's Report.

STATUS OF INTERLOCAL AGREEMENT WITH HARRIS-GALVESTON SUBSIDENCE DISTRICT (THE "HGSD") REGARDING EVAPOTRANSPIRATION NETWORK STATION LOCATION INSIDE THE DISTRICT'S WASTEWATER TREATMENT PLANT SITE

Mr. Polley reported that the Interlocal Agreement had been finalized with the HGSD representatives.

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 and authorize execution of the Interlocal Agreement.

MISCELLANEOUS MATTERS

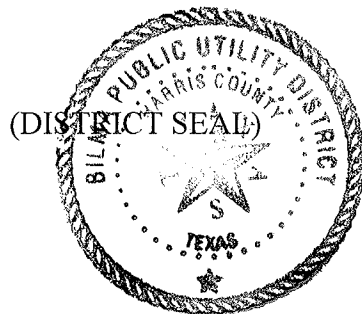
Ms. Dold next informed the Board that she had contacted Residential Recycling and Refuse of Texas, Inc. ("RRRT") following the July meeting to clarify information regarding collection of garbage and recycling on holidays that is currently posted on the District's website. Ms. Dold noted that RRRT cannot get advance commitments from the landfill sites or the recycling unloading lot as to which holidays they will be open. The Board determined it would be less confusing to residents if RRRT observed the holidays as posted on the District's website and specified in their contact with the District.

NEXT MEETING

Director Stoebner reminded the Board that the next regular meeting will be held on Thursday, September 1, 2016, 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 1st day of September, 2016.




Secretary, Board of Directors