

MINUTES OF THE BOARD OF DIRECTORS

July 6, 2017

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, July 6, 2017, 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 Winkler, thus constituting a quorum. Also attending the meeting were: Ms. Christina Cole of Myrtle Cruz, Inc., bookkeepers for the District; Ms. Robin Secrest and Mr. Michael Potter of Hays Utility South Corporation ("Hays"), operators for the District; Mr. Justin Abshire, P.E., and Mr. Alex Gonzales, P.E., 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. and Mrs. Gabriel and Sarah Larin, 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.

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 Musgrave, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of June 1, 2017, as written.

REGULAR AGENDA

STATUS OF MOUNTAIN GROVE COURT SANITARY SEWER REPAIR, AND TAKE ANY NECESSARY ACTIONS ON SAME

Director Stoebner then stated that a proposal was provided from Hays in the amount of \$6,273.25 for the sanitary sewer repair and removal/replacement of the tree at the Larin

residence located on Mountain Grove Court with a 45-gallon Drake Elm tree. A copy of the proposal is attached hereto. Mr. Potter explained that the new tree would be placed closer to the house and outside of the sanitary sewer line/utility easement. Mr. Abshire then stated that the proposal includes yard repair and the planting of the new tree. Director Stoebner asked when the tree removal, sanitary sewer repair and tree replacement work could take place. Mr. Potter stated that Hays can be ready to remove the tree in two (2) weeks, with the sanitary sewer repair and tree replacement happening shortly thereafter. Director Day asked why the 45-gallon tree was chosen. Mr. Potter stated that a 45-gallon tree was the standard tree size for newly constructed homes. Director Hoffman suggested that the larger 65-gallon tree be chosen instead, since the home is not new construction. Mr. Potter noted that the revised cost to use a 65-gallon tree rather than a 45-gallon tree would be \$6,468.75. A brief discussion ensued. 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 the proposal for the sanitary sewer repair, the removal of the existing tree and the replacement of the tree at the Larin's residence on Mountain Grove Court with a 65-gallon Drake Elm tree, in the total amount of \$6,468.75.

Mr. and Mrs. Larin exited the meeting at this time.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Bobbitt then reviewed with the Board the Tax Assessor/Collector's Report as of June 30, 2017, a copy of which is attached hereto. Ms. Bobbitt stated that the District has collected 99.25% of its 2016 taxes to date, and that the additional 20% penalty on delinquent 2016 taxes went into effect on July 1st.

Upon motion by Director Day, 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.

AUTHORIZE LETTER TO DELINQUENT TAX ATTORNEY REGARDING RECOMMENDATIONS RELATED TO DELINQUENT 2016 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 written 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 2016 delinquent accounts be provided for review and consideration by the Board at its August meeting. Upon motion by Director Hoffmann, seconded by Director Musgrave, 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 2016 delinquent tax accounts for review and discussion at the August Board meeting.

DEVELOPER'S REPORT

Mr. Brooks then reported that there have been nine (9) new starts in CLEV, including the History Maker model home. Mr. Brooks also stated that there have been 82 starts and 58 closings to date. Mr. Brooks then stated that Travis Homes has only one (1) vacant lot left.

DISCUSS POTENTIAL DEVELOPER REIMBURSEMENT OPPORTUNITIES, AND TAKE ANY NECESSARY ACTIONS ON SAME

Ms. Bobbitt next reported that she had recently spoken with Ms. Julie Williams of Rathmann & Associates, L.P., financial advisor for the District, regarding her thoughts and recommendations of when a reimbursement to Mr. Brooks for construction in CLEV might be able to occur. Mr. Brooks stated that he expects all home construction to be completed in CLEV by the second or third quarter of 2018. Ms. Bobbitt explained that once the District's 2017 certified values are received in August and the District's tax rate is set in September, the District could potentially reimburse Mr. Brooks at a reimbursement percentage of 70% and not extend the District's current debt or increase the District's debt service tax rate. Ms. Bobbitt stated that Ms. Williams suggested authorizing Jones & Carter to prepare a bond cost summary for review and discussion in connection with setting the District's 2017 tax rate and look at submitting a bond application report the first quarter of 2018, so that the District is ready to issue bonds as soon as Mr. Brooks has the necessary values in CLEV. Mr. Abshire stated that he could have a preliminary cost estimate ready for initial review by the Board, Ms. Williams and Ms. Bobbitt at the August Board meeting.

REVIEW AND DISCUSS PROPOSED RENEWAL OF INSURANCE COVERAGES WITH ARTHUR J. GALLAGHER & CO ("GALLAGHER")

Ms. Bobbitt then explained that RBAP had received an insurance renewal proposal from Gallagher, the District's current insurance broker, a copy of which was previously distributed to the Board and is attached hereto. Ms. Bobbitt noted that the 2017 premium amount had increased from \$20,933 in 2017 to \$22,244 due to an increase value of the District's facilities by \$475,000, as provided to Gallagher by the District's engineers. Ms. Bobbitt added that the current insurance coverages expire on August 30, 2017. 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 and authorize execution of the insurance renewal proposal from Gallagher.

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 one (1) month and the investment report for the month.

Director Musgrave questioned the invoice from Waste Management. Mr. Potter stated that the invoice from Waste Management is for the dumpster at the Wastewater Treatment Plant (the "WWTP"). Ms. Cole noted that the invoice amount shows an increase over the previous months, and that she will look into the matter prior to the next Board meeting.

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 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 May 16, 2017 to June 14, 2017, a copy of which is attached hereto. Mr. Potter reported that currently, there are 1,764 connections in the District. Mr. Potter further reported that the District's water accountability for the month was 95.13%, that 116 delinquent notices were mailed during the month, and that three (3) 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 six (6) items over budget during the past month, including: 1) \$1,500 for annual maintenance at Water Plant No. 2; 2) \$4,800 for the bridge anchor and railing repairs on the Hike & Bike trail; 3) \$2,800 for bleach invoices; 4) \$5,500 for 12 water taps; 5) \$3,300 for 14 sewer taps; and 6) \$6,622 for the fire hydrant painting project.

Mr. Potter next reported that five (5) 3/4-inch (3/4") meter and one (1) one-inch (1") meter were due for replacement during the next month.

Mr. Potter then noted that Trinity Lutheran Church ("Trinity") had used 261,000 gallons of water during the month of June.

Director Stoebner then reported that someone had painted graffiti on the fence at the Windy Pines Lift Station and asked that Hays look into having the graffiti removed. Mr. Potter stated that the graffiti has already been scheduled to be removed. Ms. Bobbitt then suggested that Hays take pictures of the graffiti before it is removed, and provide such photos to the Harris County Precinct 4 Constable's office.

Mr. Potter also reported that the fire hydrant painting project has been completed.

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

ENGINEER'S REPORT

Mr. Abshire then presented the Engineer's Report, a copy of which is attached hereto. Mr. Abshire first requested authorization to conduct the 2017 annual inspections of Water Plant Nos. 1 and 2. Mr. Abshire explained that the last inspections were conducted in 2016, which resulted in recommended improvements which have been included in the District's CIP for 2017-2018. Mr. Abshire further reported that the WWTP inspection was held on June 20th and the lift station inspections were held on July 5th. Mr. Abshire stated that the inspection reports will be presented at the August Board meeting.

Mr. Abshire then reported that the WWTP TPDES Permit renewal application is complete and will be submitted to the Texas Commission on Environmental Quality within the next week.

Mr. Abshire went on to report that he and Director Stoebner had met with the Terranova West Municipal Utility District ("TWMUD") engineer and two (2) of their directors regarding the preparation of a proposed reclaimed water study. Mr. Abshire explained that TWMUD had asked the District to reconsider participating in a reclaimed water study and split the cost of such a study to determine if a reclaimed/water reuse project is feasible and beneficial to the two (2) districts. Ms. Bobbitt noted that there are funds available from not only the North Harris County Regional Water Authority, but also the Texas Water Development Board ("TWDB") for utility districts to spend on water reuse projects, and that the District should look into such programs.

Mr. Abshire also reported that a new set of plans had been received from Waffle House, but have not yet been reviewed and approved by Jones & Carter.

Upon motion by Director Hoffmann, 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 annual inspections at Water Plant Nos. 1 and 2.

REVIEW AND DISCUSS PROPOSED POLICY FOR SANITARY SEWER LINE REPAIRS, AND TAKE ANY NECESSARY ACTIONS ON SAME

Ms. Bobbitt next presented an example of utility repair policy that could be used by the District for any utility repairs that occur in the easement and/or right-of-way areas in the future. Ms. Bobbitt noted that the example was implemented for a specific construction project in a district could be tailored to fit the District's needs for an overall Utility Repair Policy. Ms. Bobbitt stated that RBAP would work with Jones & Carter to prepare a draft policy for the Board's review.

REVIEW AND APPROVE ARBITRAGE REBATE AND YIELD RESTRICTION COMPLIANCE REPORT ("ARBITRAGE COMPLIANCE REPORT") PREPARED BY ARBITRAGE COMPLIANCE SPECIALISTS ("ACS")

Ms. Bobbitt then briefly reviewed the annual Arbitrage Compliance Report, a copy of which is attached hereto. Ms. Bobbitt explained that ACS had found the District to be in full compliance and in good standing with all arbitrage requirements. Upon motion by Director Day, seconded by Director Musgrave, after full discussion and the question being put to the Board, the Board voted unanimously to accept and acknowledge receipt of the Arbitrage Compliance Report.

ATTORNEY'S REPORT

Ms. Bobbitt then presented RBAP's 85th Legislative Update Memorandum to the Board, a copy of which is attached hereto. Ms. Bobbitt stated that she will review several bills that will affect the District at the August Board meeting and also apprise the Board of anything that comes out of the Special Legislative Session that is scheduled to begin on July 18th.

Ms. Bobbitt next reported that the claims adjuster for the general liability insurance carrier of Monarch Construction recently came to her office without an appointment to discuss an accident that occurred in 2016 on a CLEV construction site. Ms. Bobbitt explained that the accident occurred on July 28, 2016, but neither the District, the engineer or the developer were

ever notified of the incident. Ms. Bobbitt further stated that she informed the claims adjuster that the construction site was managed by the contractor, and not the District.

Ms. Bobbitt also reported that RBAP had sent a letter to Trinity on behalf of the District regarding their unpaid invoices, a copy of which is attached hereto. Ms. Bobbitt stated that Trinity has since contacted RBAP stating that they would be paying the invoices shortly.

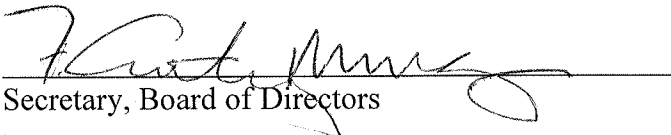
NEXT MEETING

Director Stoebner then reminded the Board that the next regular meeting will be held on Thursday, August 3, 2017, 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 3rd day of August, 2017.




Secretary, Board of Directors