

MINUTES OF THE BOARD OF DIRECTORS

August 3, 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, August 3, 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; Messrs. Don Hays and Michael Potter of Hays Utility South Corporation ("Hays"), operators for the District; Messrs. Justin Abshire, P.E., and Ryan Casey, P.E., of Jones|Carter Inc. ("Jones|Carter"), engineers for the District; Mr. Ron Brooks of Chesmar Homes ("Chesmar"), developer of the Country Lake Estates Village (the "CLEV"), Sections 1 and 2; Ms. Andrea Alleweireldt, resident of Country Lake Estates ("CLE") subdivision and member of the Board of the Community Association of Country Lake Estates ("CACLE"); 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

Ms. Alleweireldt first informed the Board that CACLE is considering constructing a fishing pier on the largest detention pond lake in CLE and asked if Board approval of such project is required. Ms. Bobbitt explained that construction of the fishing pier was previously discussed and approved by the Board several months ago when representatives of CACLE first approached the Board. Ms. Alleweireldt further reported that there have been several instances of illegal activities in the park area along the detention pond, and CACLE is requesting that the District install security lighting in the area. Ms. Alleweireldt then presented a quote for such lighting, in the amount of \$6,170, a copy of which is attached hereto. Ms. Alleweireldt went on to explain that CACLE is also considering constructing a sand volleyball court in CLE. Director Hoffmann reminded the Board that the District recently installed security lighting on the Windy Pines Lift Station to help alleviate vandalism within the Spring Creek Oaks subdivision. Director Hoffmann then explained to Ms. Alleweireldt that he and Director Musgrave had recently attended an Association of Water Board Directors ("AWBD") Parks Committee meeting, and the Board is planning to begin discussions regarding a bigger picture park plan for the District in the near future. Director Stoebner stated that an item would be put on the

September agenda to discuss the items that CACLE is requesting, along with further discussion about the development of a District park plan.

Ms. Alleweireldt exited the meeting at this time.

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 Musgrave, 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 July 6, 2017, as written.

REGULAR AGENDA

REVIEW AND APPROVE AUDIT REPORT FOR THE FISCAL YEAR ENDED MAY 31, 2017, AND AUTHORIZE FILING OF SAME

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

AUTHORIZE FINANCIAL ADVISOR TO UPDATE DISTRICT'S ANNUAL CONTINUING DISCLOSURE

Ms. Bobbitt next explained that the District has an obligation to update certain financial information about the District on an annual basis, which will serve to keep bondholders and other interested parties apprised of the financial condition of the District, and is requesting the Board's authorization to prepare and file such materials with the appropriate agencies. 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 authorize the financial advisor to update and file the District's annual continuing disclosure information.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Bobbitt then reviewed with the Board the Tax Assessor/Collector's Report as of July 31, 2017, a copy of which is attached hereto. Ms. Bobbitt stated that the District has collected 99.41% of its 2016 taxes to date. Ms. Bobbitt also stated that the District's 2017 certified values are expected to be received by the end of the month. Ms. Bobbitt further reported that Ms. Julie Williams of Rathmann & Associates, L.P., financial advisor for the District, will be attending the Board's September meeting to discuss the District's 2017 tax rate, as well the future developer reimbursement to Chesmar.

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 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 the 2016 delinquent tax accounts had been added to the report. Ms. Bobbitt added that with the Board's approval, service termination notices would be sent out later this week and that a hearing on the service terminations would be held at the Board's September 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 Delinquent Tax Attorney's Report, including authorizing the issuance of the service termination notices to the 2016 delinquent accounts.

DEVELOPER'S REPORT

Mr. Brooks next reported that since January 2017 there have been 30 new starts, 24 sales and 26 closings in CLE. Mr. Brooks further reported that History Maker Homes has completed their model home and are preparing their sales operations. Mr. Brooks also stated that overall, there have been 89 starts and 60 closings to date in CLE.

Director Hoffmann then asked about the status of repairs to Western Brook Drive. Mr. Brooks explained that there was extensive cracking of the pavement on Western Brook Drive, and that Harris County has asked the paving contractor to remove and replace the concrete. Mr. Brooks went on to report that the paving contractor has already re-poured one side of the street and curb, and has broken up the other side of the pavement. Mr. Brooks added that the paving contractor does not want to completely remove the paving until there will be enough dry weather to complete the project.

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.

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 and authorize execution and payment of the checks reflected therein.

Mr. Brooks exited the meeting at this time.

OPERATOR'S REPORT

Mr. Potter then presented and reviewed the Operator's Report with the Board for the period of June 14, 2017 to July 17, 2017, a copy of which is attached hereto. Mr. Potter reported that currently, there are 1,767 connections in the District. Mr. Potter further reported that the District's water accountability for the month was 95.56%, that 109 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 five (5) items over budget during the past month, including: 1) \$1,300 to replace an injector pump on the chemical scanner; 2) \$2,600 for concrete repairs; 3) \$1,800 to relocate a water line; 4) \$2,300 for Consumer Confidence Report preparation and mailing; and 5) \$1,900 for the annual Self Contained Breathing Apparatus inspection.

Mr. Potter next reported that eight (8) 3/4-inch (3/4") meters are due for replacement during the next month.

Mr. Potter then noted that Trinity Lutheran Church ("Trinity") had used 155,000 gallons of water during the month of June.

Mr. Potter also reported that the sanitary sewer point repair at Mountain Grove Court has been completed and that the new tree has been planted in the homeowner's yard, as previously authorized by the Board.

Mr. Potter then noted that he did not have any information regarding obtaining new dumpster service at the Wastewater Treatment Plant ("WWTP") and asked that the item be deferred until the September Board 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 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 reported that the inspections of the WWTP and lift stations have been completed. Mr. Abshire then presented a preliminary inspection report to the Board, a copy of which is attached hereto. Mr. Abshire noted that the report is preliminary because some repair costs are still being finalized. Mr. Abshire went on to explain that while the aeration basin is fairly new, there is other infrastructure at the WWTP that will need to be replaced in the next five (5) to 10 years. Mr. Abshire recommended that the District add an item to its long term budget to add a second clarifier unit to provide redundancy to the existing clarifier unit. Mr. Abshire further explained that it is very rare for a district to only have one (1) clarifier, and that it is very difficult to take a clarifier offline for repairs if there is not a backup clarifier. Mr. Abshire further reported that the supports along the bottom of the effluent channel are failing and need to be repaired. Mr. Abshire stated that while the repair itself is not difficult to make, the location of the repair makes the repair process challenging. Mr. Abshire then reported that \$550,000 is allocated to WWTP and lift station repairs in the current budget, which amount determined as a result of the last inspection of the facilities conducted in 2015. Mr. Abshire added that he will fine tune the estimated repair costs from the 2015 inspection since the most recent inspection showed that not all of the repairs from the 2015 inspection are needed. Mr. Abshire further explained that this has caused the total cost of repairs to decrease from the original \$550,000 amount currently budgeted for WWTP and lift station repairs. Mr. Abshire continued to explain the WWTP repairs that will be needed in the future, include: 1) recoating of

lift station riser pipes and coating on wet well walls; 2) overhaul of the non-potable water system; 3) replacement of the chemical feed building; and 4) replacement of the generator. Mr. Abshire stated that the District's Capital Improvement Plan (the "CIP") will be updated to reflect these repairs and needed projects over the next several years. Director Musgrave then requested that Mr. Abshire send out the updated CIP as soon as possible for the Board and consultants to review.

Mr. Abshire went on to report that he and Director Stoebner had met with the Terranova West Municipal Utility District ("TWMUD") engineer, two (2) of the TWMUD Directors and Mr. Mark Evans, Planning and Governmental Affairs Director of the North Harris County Regional Water Authority ("NHCRWA") regarding a proposed reclaimed water study being contemplated by TWMUD and the District and any reclaimed water incentives that may be available from the NHCRWA. Mr. Abshire explained that the NHCRWA offers an incentive of \$0.75 per 1,000 gallons of reclaimed water and that the NHCRWA will also fund approximately 10% of a reclaimed water project contingent upon the project being reviewed and approved by the NHCRWA. Mr. Abshire further reported that TWMUD will be discussing participation in the potential reclaimed water study at their Board meeting later in August. Mr. Abshire then stated that the next step is authorizing Jones|Carter to prepare the reclaimed water feasibility study at the cost of \$25,000, which would be split between the District and TWMUD, if TWMUD approves going forward with such study. Director Stoebner suggested that the Board authorize Jones|Carter to prepare the reclaimed water feasibility study, contingent upon approval by TWMUD. Ms. Bobbitt stated that she would prefer that the District enter into a cost sharing agreement with TWMUD if both districts decide to move forward with the reclaimed water feasibility study. Director Hoffmann then asked for a high level overview of what the reuse project would entail. Mr. Abshire explained that a reuse system would be constructed at the WWTP, which would provide reclaimed water to the irrigate esplanades along TC Jester Boulevard and possibly provide irrigation water to some common greenspace areas. Mr. Abshire noted that while the NHCRWA incentives can help, he is concerned that the overall amount of cost recovery for the project will likely not justify the high cost of construction.

Mr. Abshire next reported that an inquiry was received for possible service to a 4.8-acre tract located at 5518 Louetta Road, outside the boundaries of the District. Mr. Abshire noted that a service application was not received and no further communication has been received.

Mr. Abshire went on to report that Jones|Carter has completed the plan review and provided plan approval to Waffle House development. Mr. Abshire added that he expects Waffle House to contact Hays regarding tap installation shortly.

Mr. Abshire next reported that a preliminary reimbursement cost summary was prepared and sent to the Board for review prior to the meeting, a copy of which is attached hereto. Mr. Abshire stated that the cost summary is a breakdown of a proposed future bond issue that would provide reimbursement to Mr. Brooks for CLEV. Mr. Abshire added that Ms. Williams would give a more detailed explanation of the cost summary at the September Board meeting. Director Stoebner then asked if Texas Water Development Board ("TWDB") funding is available to be used for developer reimbursements. Ms. Bobbitt explained that TWDB funding is not available for developer reimbursements, but that funding available for District projects like the District's WWTP repairs and upgrades. Ms. Bobbitt went on to explain that TWDB funding for

District projects is mostly used by entities that cannot issue public debt. Further discussion then ensued regarding TWDB funding.

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 Engineer's Report, authorize Jones|Carter to prepare a reclaimed water feasibility study contingent upon approval from TWMUD and authorize RBAP to prepare a cost sharing agreement with TWMUD for such study.

REVIEW AND DISCUSS PROPOSED ENGAGEMENT OF PARKS CONSULTANT, AND TAKE ANY NECESSARY ACTIONS ON SAME

As briefly mentioned earlier in the meeting, Director Musgrave then reported that he and Director Hoffmann had attended a recent AWBD Parks Committee meeting, and that he had also spoken with Ms. Williams regarding possible financing options for District park improvement. Director Musgrave further reported that Ms. Williams suggested speaking with park designers and landscape architects to get an idea of what the District might want to include in a potential park plan. Director Musgrave then stated that he had called and spoken with several of the landscape architects that Ms. Williams recommended. Director Musgrave further explained that the first step would be to have the various landscape architects make a presentation with their qualifications to the Board, and then the Board select a landscape architect to prepare a master park plan for the District. Director Hoffmann stated that the AWBD Parks Committee meeting enlightened him on the potential scope of parks projects and what can be done in the District regarding parks and recreation facilities. Director Hoffmann then suggested that the Board come up with ideas of what the community would want and then have a landscape architect prepare a plan. Ms. Bobbitt explained that a park plan can be as large or as small as the Board wants, and that funding could come from either surplus operating funds or park bonds. Ms. Bobbitt suggested designating two (2) Board members as the District's Parks Committee to meet with potential landscape architects before inviting the landscape architects to make a presentation to the entire Board. Upon motion by Director Day, seconded by Director Stoebner, after full discussion and the question being put to the Board, the Board voted unanimously to appoint Directors Musgrave and Hoffmann to serve on the District's Parks Committee.

AUTHORIZE ATTENDANCE AT AWBD FALL SEMINAR ON WEDNESDAY, OCTOBER 25, 2017 AND MID-WINTER CONFERENCE IN DALLAS, TEXAS ON JANUARY 26-27, 2017

Ms. Bobbitt next informed the Board that the AWBD Fall Seminar will be held on Wednesday, October 25, 2017 at the Omni Houston Hotel Westside and that the 2018 Mid-Winter Conference will be held in Dallas, Texas, on January 26-27, 2018. 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 authorize members of the Board to attend both events.

ADOPT ORDER CHANGING DISTRICT OFFICE AND DESIGNATING MEETING PLACE OUTSIDE THE DISTRICT (THE "ORDER") AND AUTHORIZE PUBLICATION OF NOTICE FOR SAME

Ms. Bobbitt next explained that since Jones|Carter has recently moved office locations, and that Jones|Carter's former office was designated as a meeting place outside the boundaries of the District, the Board needs to adopt an order designating the new Jones|Carter's address as a meeting place outside the boundaries of the District, and that a notice of such change would also need to be published in a local newspaper. 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 adopt the Order and authorize publication of the necessary notice for same.

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

Ms. Bobbitt next presented a draft Policy for Utility Line Repairs and noted that such draft had previously been sent to the Board. A copy of such Policy is attached hereto. Ms. Bobbitt further explained that Jones|Carter and Hays need to review and provide comments on the Policy. Mr. Potter suggested that language regarding emergency repair situations be included in the proposed Policy. Ms. Bobbitt then stated that she would make the requested revisions and the revised Policy would be further reviewed and discussed at the September Board meeting.

ATTORNEY'S REPORT

Ms. Bobbitt next stated that she has nothing further to report.

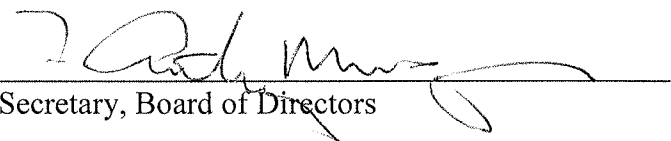
NEXT MEETING

Director Stoebner then reminded the Board that the next regular meeting will be held on Thursday, September 7, 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 7th day of September, 2017.




Secretary, Board of Directors