

MINUTES OF THE BOARD OF DIRECTORS

October 5, 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, October 5, 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 Hoffman	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; Mr. Michael Potter and Ms. Robin Secrest of Hays Utility South Corporation ("Hays"), operators for the District; Messrs. Ed Shackelford, P.E., Justin Abshire, P.E., and Ryan Casey, P.E., of Jones|Carter Inc. ("Jones|Carter"), engineers for the District; Ms. Julie Williams of Rathmann & Associates, L.P., financial advisor for the District; Mr. Ron Brooks of Chesmar Homes ("Chesmar"), developer of the Country Lake Estates Village (the "CLEV"), Sections 1 and 2; Ms. Jennifer Herrera Fernandez, resident of the Country Lake Estates ("CLE") subdivision; and Ms. Alison Miller, paralegal, of Radcliffe Bobbitt Adams Polley PLLC ("RBAP"), attorneys for the District. Ms. Robin S. Bobbitt of RBAP participated in a portion of the meeting via conference call.

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 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 September 7, 2017, as written.

REGULAR AGENDA

DISCUSS POTENTIAL BOND ISSUE SCHEDULES FOR FUNDING CAPITAL IMPROVEMENT PROJECTS

Ms. Williams then presented three (3) tax rate analyses for the Board's review, copies of which are attached hereto. Ms. Williams stated that the first analysis contemplates a \$3,375,000 bond issue to reimburse Chesmar for the eligible utility construction costs in CLEV. Ms. Williams next stated that the second analysis contemplates a \$6,135,000 bond issue that would allow the District to reimburse Chesmar, as well as finance the new clarifier project at the Wastewater Treatment Plant ("WWTP") that is currently included on the District's Capital Improvement Plan ("CIP"). Ms. Williams next explained that the third analysis contemplates a \$7,045,000 bond issue that would allow the District to reimburse Chesmar, finance the clarifier project at the WWTP and also finance other WWTP projects reflected in the CIP. Ms. Williams explained that each of these scenarios is achievable with a debt service tax rate of \$0.37 per \$100 assessed valuation. Further discussion then ensued regarding the District's proposed 2017 tax rate and the various bond issue scenarios.

PUBLIC HEARING ON 2017 TAX RATE

Director Stoebner then declared the public hearing open to discuss the District's proposed 2017 tax rate of \$0.53 per \$100 of assessed valuation, notice of which was published as required by law. Ms. Bobbitt further reported that a copy of the Affidavit of Publication for the public hearing has been provided to her office by the Tax Assessor/Collector. It was noted that no members of the public were present to offer public comment on the proposed 2017 tax rate. The public hearing was then adjourned.

ORDER SETTING RATE AND LEVYING TAX FOR 2017

Ms. Miller next presented for the Board's approval and adoption an Order Setting Rate and Levying Tax for 2017, a copy of which is attached hereto. The Board then determined that a total tax rate of \$0.53 would be adopted, comprised of \$0.37 per \$100 assessed valuation for debt service purposes and \$0.16 per \$100 of assessed valuation for operation/ maintenance purposes.

Upon motion by Director Day, seconded by Director Musgrave, and the question being put to the Board, the Board voted unanimously to adopt the Order Setting Rate and Levying Tax for 2017, thereby levying a tax rate of \$0.37 per \$100 assessed valuation for debt service purposes and \$0.16 per \$100 of assessed valuation for operation/maintenance purposes, for a total 2017 tax rate of \$0.53 per \$100 of assessed valuation.

AMENDED DISTRICT INFORMATION FORM

Ms. Miller then explained that pursuant to Section 49.455 of the Texas Water Code, as amended, the District is required to amend its District Information Form any time information in such form is revised or updated and, therefore, since the District's 2017 tax rate has been adopted, an amendment to the District Information Form is necessary. Upon motion by Director Musgrave, seconded by Director Hoffman, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the execution of the Amended

District Information Form, a copy of which is attached hereto, and to authorize RBAP to file such amendment in the Harris County Real Property Records and with the Texas Commission on Environment Quality, as required by law.

CONSIDER REQUESTS FOR ASSISTANCE IN FUNDING CLE IMPROVEMENTS, AND TAKE ANY NECESSARY ACTIONS ON SAME

Ms. Fernandez next explained that the Community Association of CLE ("CACLE") would like to build a community garden in CLE. Ms. Fernandez stated that CACLE is requesting District assistance with the installation of a water meter on the community garden property that will allow the garden area to be watered. Mr. Potter stated that Hays would need to make a site visit to the property in order for the water meter location to be determined. Ms. Secrest stated that she would schedule a site visit and put together a cost estimate for the meter installation.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Miller next reviewed with the Board the Tax Assessor/Collector's Report as of September 30, 2017, a copy of which is attached hereto. Ms. Miller reported that the District has collected 99.71% of its 2016 taxes to date.

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. Miller then reviewed with the Board the Delinquent Tax Attorney's Report. Ms. Miller reported that three (3) accounts are eligible for termination of water service due to non-payment of 2016 delinquent taxes.

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 termination of service to three (3) 2016 delinquent tax accounts.

DEVELOPER'S REPORT

Mr. Brooks next reported that since January 2017 there have been 30 new starts and 24 sales in CLEV. Mr. Brooks also stated that there have been 95 starts, 85 sales and 65 closings to date in CLEV. Mr. Brooks added that the average sales price for a home in CLEV has been between \$295,000 and \$300,000.

Mr. Brooks exited the meeting at this time.

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

four (4) months and the investment report for the month. Ms. Cole noted that Trinity Lutheran Church ("Trinity") has cashed the District's check that was issued last month for the overpayment of their capacity fee.

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 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 August 16, 2017 to September 14, 2017, a copy of which is attached hereto. Mr. Potter first reported that currently, there are 1,770 connections in the District. Mr. Potter further reported that the District's water accountability for the month was 96.94%, that 127 delinquent notices were mailed during the month, and that no 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 four (4) items over budget during the past month, including: 1) \$3,100 to purchase diesel fuel for the generator prior to Hurricane Harvey; 2) \$3,400 for repair of a sink hole; 3) \$1,400 for lowering of manholes; and 4) \$3,000 for a bleach invoice.

Mr. Potter next reported that seven (7) 3/4-inch (3/4") meters are due for replacement during the next month.

Mr. Potter then noted that Trinity had used 124,000 gallons of water during the month of September.

Mr. Potter also reported that repairs to the Hike & Bike Trail are in process. Mr. Potter then requested Board approval to seal the Hike & Bike Trail bridges over the Thanksgiving holiday.

Ms. Secrest went on to report on two (2) customer emails that had been received during the previous month. Ms. Secrest explained that a District resident has requested a new water meter due to high usage readings. Mr. Potter explained that the current meter had just recently been installed and he is working with the resident to set up a time to test the meter. Ms. Secrest went on to report that an email was received from another District resident that is moving out of the country and wanted to suspend their water service. Ms. Secrest stated that such request has been handled.

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, authorize the termination of service to the delinquent accounts in accordance with the provisions of the District's Rate Order and authorize Hays to seal the Hike & Bike Trail bridges over the Thanksgiving holiday.

ENGINEER'S REPORT

Mr. Abshire then presented the Engineer's Report, a copy of which is attached hereto. Mr. Abshire reported that Jones|Carter is ready to move forward with design of the WWTP Improvement project. Mr. Abshire explained that the WWTP Improvement project is included in this year's budget, but suggested holding off on the project if the Board wishes to also move forward with the clarifier project in the next few months. Mr. Abshire stated that there would be a cost savings to the District if the proposed projects are designed and constructed concurrently.

Mr. Abshire then reviewed with the Board a Bond Issue Requirement Estimate and Preliminary Bond Schedule, copies of which are attached to the Engineer's Report. Mr. Abshire explained that if the Board wishes to include certain CIP projects in an upcoming bond issue, the WWTP Improvement project is still reflected budgeted to be paid for with surplus operating funds. Director Musgrave asked if the existing generator at the WWTP could be rebuilt or if it was necessary to replace it with a new generator. Mr. Abshire explained that the current generator cannot be efficiently rebuilt, and that it also needs to be upgraded in size. Mr. Hoffmann asked if there was any salvage value to the old generator. Mr. Abshire stated that a line item for salvage value can be included in the bid form for the new generator. Mr. Abshire further explained that he had done a comparison on diesel versus natural gas generators, and that for the District's needs, a diesel generator is more cost effective.

Mr. Abshire went on to report that Jones|Carter is currently collecting irrigation data from Terranova West Municipal Utility District in connection with the preparation of the reclaimed water study. Mr. Abshire further stated that he expects to have the reclaimed water study ready to present at the December 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 Engineer's Report.

DISCUSS CREATION OF OFFICIAL DISTRICT EMAIL ADDRESSES, AND TAKE ANY NECESSARY ACTIONS ON SAME

Director Musgrave then stated that the Board had previously considered the creation of official District email addresses for the Board members. Discussion regarding official District email addresses ensued, after which the Board decided to hold off on creation of Board member email addresses at this time.

APPOINT COMMITTEE TO HANDLE ELECTRIC SERVICE PROVIDER CONTRACTS

Upon motion by Director Day, seconded by Director Hoffman, after full discussion and the question being put to the Board, the Board voted unanimously to appoint the then-current Board President and then-current Vice President to serve as the Electric Service Provider Contract Committee of the Board to handle approval of any electric service pricing decisions on behalf of the Board, subject to Board concurrence of any such pricing decisions.

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

Director Musgrave next presented proposals from four (4) different parks consultants, copies of which are attached hereto. Director Musgrave stated that he has informed the different parks consultants that the District is interested in the possible preparation of a master park plan. Director Musgrave explained that he and Director Hoffmann will meet with each of the consultants before bringing their interview recommendations to the Board.

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

Ms. Miller next reported that Jones|Carter's and Hays' comments have been incorporated into the Policy for Utility Line Repairs (the "Policy"). Ms. Miller further stated that the Policy was sent out to the Board for review, and will be further considered at the Board's November meeting.

REVIEW AND ADOPT AMENDED AND RESTATED ORDER DESIGNATING INVESTMENT OFFICER AND ESTABLISHING RULES, POLICIES, AND CODE OF ETHICS FOR THE INVESTMENT OF DISTRICT FUNDS AND REVIEW OF INVESTMENTS ("AMENDED INVESTMENT POLICY")

Ms. Miller stated that this item is being deferred until the November Board meeting.

ATTORNEY'S REPORT

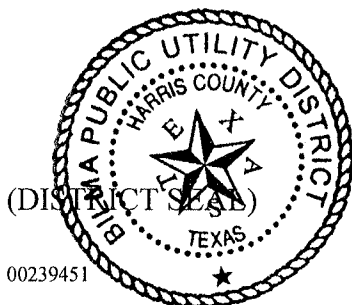
Ms. Miller next presented the new contract with Waste Management for solid waste services for the dumpster at the WWTP is ready for Board approval and execution. Upon motion by Director Day, seconded by Director Musgrave, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Waste Management contract, copy of which is attached hereto.

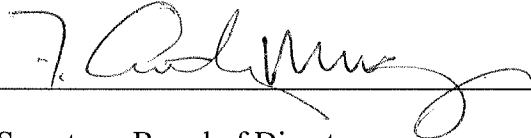
NEXT MEETING

Director Stoebner then reminded the Board that the next regular meeting will be held on Thursday, November 2, 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 2nd day of November, 2017.




Secretary, Board of Directors