

MINUTES OF THE BOARD OF DIRECTORS

August 2, 2018

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 2, 2018, 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 Stoebner, thus constituting a quorum. Also attending the meeting were: Ms. Christina Cole of Myrtle Cruz, Inc. ("MCI"), bookkeepers for the District; Mr. Michael Potter and Ms. Robin Secrest of Hays Utility South Corporation ("Hays"), operators for the District; Mr. Justin Abshire, 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. Dominic Cashiola, President, of Classic Messaging, LLC, emergency message service provider for the District; Mr. Loren Grabau, resident of the District; and Ms. Robin S. Bobbitt and Ms. Monica Garza, attorneys, 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

Mr. Grabau first addressed the Board, and stated that he had been billed for 120,000 gallons of water usage over a two (2) month period. Mr. Grabau then stated that he has had a plumber and irrigation specialist come inspect his home for leaks, but no leaks were found. Mr. Grabau further stated that he would like to see what can be done to resolve the situation. Director Winkler asked if Hays had been to the home to inspect for any issues that might have caused the high water usage. Ms. Secrest stated that Mr. Grabau typically uses around 3,000 to 5,000 gallons of water per month, and that a three (3) stage water meter test was performed and no issues with the meter were found. Mr. Secrest then stated that since Mr. Grabau turned off his irrigation system 10 days ago, he has only used 1,000 gallons of water, which indicates the problem is likely related to his irrigation system. Director Winkler stated that when water goes through the meter, the customer is responsible for the bill. Director Winkler further stated that Hays will continue to investigate the issue. Ms. Secrest stated that she will coordinate with Mr. Grabau and his irrigation company.

CONSENT AGENDA

Director Winkler first reviewed with the Board the items reflected on the Consent Agenda. Director Winkler 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 Day, 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 special meeting of June 20, 2018 and the regular meeting of July 5, 2018, as written.

BOND AGENDA

UPDATE SCHEDULE FOR THE SALE AND DELIVERY OF \$7,160,000 WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX BONDS, SERIES 2018 (THE "BONDS")

Ms. Williams next reviewed the schedule for the sale and delivery of the Bonds with the Board and noted that the bids on the Bonds will be received the afternoon of September 6th and that the Board will review such bids and award the sale of the Bonds at the Board's meeting that evening.

REVIEW AND APPROVE PRELIMINARY OFFICIAL STATEMENT ("POS") FOR SALE OF DISTRICT'S BONDS

Ms. Williams next reviewed the POS with the Board, a copy of which is attached hereto. Ms. Williams stated that the interest rate received on the Bonds is estimated to be around 3.5% and that the District is in a good position to sell bonds. Director Musgrave asked if Hurricane Harvey is driving up bond interest rates. Ms. Williams responded that Hurricane Harvey is not affecting interest rates, but that disclosure information is included in the POS regarding Hurricane Harvey and the fact that no damage was incurred to District facilities or homes during the event.

Ms. Bobbitt then advised the Board that the bond agenda item nos. 2, 3 and 6 could be approved with one (1) motion following her explanation of bond items.

ADOPT ORDER ADOPTING OFFICIAL NOTICE OF SALE AND BID FORM, AUTHORIZING DISTRIBUTION THEREOF AND OF PRELIMINARY OFFICIAL STATEMENT, AND AUTHORIZING PUBLICATION OF NOTICE OF SALE

Ms. Bobbitt next informed the Board that the Order authorizes Ms. Williams and the District's attorneys to finalize and distribute the POS and proceed with the publication of the Notice of Sale for the Bonds. A copy of the Order is attached hereto.

AUTHORIZE EXECUTION OF CERTIFICATE OF REVENUES AND EXPENDITURES

Ms. Bobbitt stated that this item would be deferred to the September 6th meeting.

REVIEW, APPROVE AND AUTHORIZE EXECUTION OF PAYING AGENT/REGISTRAR AGREEMENT WITH THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

Ms. Bobbitt next stated that this item would be deferred to the September 6th meeting.

AUTHORIZE APPLICATION TO STANDARD & POOR'S FOR RATING

Ms. Williams then requested authorization to apply to Standard & Poor's to get the District's rating affirmed in connection with the sale of the Bonds at the September 6th meeting.

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, adopt and authorize execution of agenda item nos. 2, 3 and 6 pertaining to the issuance of the Bonds.

REGULAR AGENDA

REVIEW MEMBER DATABASE REPORT AND OPT-IN CAMPAIGN REPORT FROM CLASSIC MESSAGING AND TAKE ANY NECESSARY ACTIONS ON SAME

Mr. Cashiola next reviewed the Member Database Report and Opt-In Campaign Report with the Board, copies of which are attached hereto. Mr. Cashiola reminded the Board that they had previously approved mailing out an opt-in letter to District residents regarding the District's emergency messaging program. Mr. Cashiola stated that the additional opt-in letter that was discussed last summer by the Board was never sent due to Hurricane Harvey. Mr. Cashiola recommended sending the additional opt-in letter to District residents this year. Director Day asked how many letters would be sent. Mr. Cashiola stated that approximately 1,700 letters would be sent to District residents. Director Winkler stated that he would like to send a reminder that the District utilizes an emergency messaging program and that by signing up, District residents can be notified in the event of an emergency. Ms. Bobbitt asked if the letter will come from the District or from Classic Messaging. Mr. Cashiola stated that the letter will come from the District, with the District's name reflected on the envelope. Mr. Cashiola also recommended including "Important Water District Information" on the outside of the envelope. 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 a mail-out to District residents that have not yet opted in to the District's emergency messaging program, at a cost of \$1.65 per letter.

UPDATE ON STATUS OF NEW LEASE WITH HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 16 ("HCESD NO. 16") (KLEIN VOLUNTEER FIRE DEPARTMENT ("KVFD")) IN CONNECTION WITH FIRE STATION IMPROVEMENTS, AND APPROVE/AUTHORIZE FINALIZATION AND EXECUTION OF SAME

Ms. Bobbitt reported that the Lease Agreement with HCESD No. 16 has now been fully executed. Ms. Bobbitt further reported that HCESD No. 16 is requesting approval of new building signage and construction of an entry gate and fence in connection with the Fire Station improvements. Ms. Bobbitt noted that these items are not on tonight's agenda, but if the Board wishes to approve the items, the action can be ratified at the September Board meeting. Ms.

Bobbitt also reminded the Board that the Lease Agreement stipulates that the Board must approve in advance any construction or improvement items to the property. Director Day asked what recourse the Board has if the provisions of the Lease Agreement are not being followed. Director Day noted that currently the bay doors of the Fire Station are being left open and there are numerous vehicles parked in front of the building. Ms. Bobbitt stated that HCESD No. 16 can be put on notice that it needs to comply with the provisions of the Lease Agreement. Ms. Bobbitt further stated that she can contact HCESD No. 16 regarding these issues. Ms. Bobbitt then asked if the Board is generally in agreement with the proposed new building signage and construction of an entry gate and fence. The Board responded affirmatively. Ms. Bobbitt stated that she would let Mr. Brad Dill of BD Realty Advisors, LLC, representative of HCESD No. 16, know that the Board does not have any objections and that approval of such items will be on the September agenda.

UPDATE ON PARK MATTERS

Ms. Bobbitt next reported Ms. Tara Klein is in the process of revising the Service Agreement with Four & One Landscape Architecture regarding the preparation of a conceptual master park plan for the District. Ms. Bobbitt stated that the Service Agreement is being revised to clarify the items about which the Board had expressed concern.

REVIEW AND APPROVE 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 2018-2019 premium amount had increased from \$22,244 in 2017-2018 to \$23,942, due to an increase in the value of the District's facilities by \$575,000, as provided to Gallagher by the District's engineers. Ms. Bobbitt added that the current insurance coverages expire on August 30, 2018 and, therefore, the Board must take action on the renewal proposal at this evening's meeting. 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 and authorize execution of the insurance renewal proposal from Gallagher.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Bobbitt next reviewed with the Board the Tax Assessor/Collector's Report as of July 31, 2018, a copy of which is attached hereto. Ms. Bobbitt reported that the District has collected 98.72% of its 2017 taxes to date. 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 Tax Assessor/Collector's Report and the checks reflected therein.

DELINQUENT TAX ATTORNEY'S REPORT

Ms. Bobbitt then reviewed the Delinquent Tax Attorney's Report with the Board, a copy of which is attached hereto. Ms. Bobbitt noted that the 2017 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 delinquent tax account service terminations would be held at the Board's September meeting.

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 Delinquent Tax Attorney's Report, including authorizing the issuance of the service termination notices to the 2017 delinquent accounts.

DEVELOPER'S REPORT

Mr. Abshire reported that the pre-purchase inspection process has been started with the Texas Commission on Environmental Quality relating to the developer reimbursement items to be paid from the Bonds.

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

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 Bookkeeper's Report and authorize execution and payment of the checks reflected therein.

OPERATOR'S REPORT

Mr. Potter presented and reviewed the Operator's Report with the Board for the period of June 16, 2018 to July 15, 2018, a copy of which is attached hereto. Mr. Potter reported that there are currently 1,805 connections in the District. Mr. Potter further reported that the District's water accountability for the month was 95.91%, that 99 delinquent notices were mailed during the month, and that four (4) 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 five (5) items over budget during the past month, including: 1) \$5,000 for three (3) bleach invoices for the Sewage Treatment Plant; 2) \$2,400 for printing and distribution of the 2017 Consumer Confidence Report; 3) \$1,400 for an annual alarm monitoring fee; 4) \$19,180.46 for fine screen no. 1 repairs; and 5) \$1,826.40 for cleaning of the Country Meadows Lift Station.

Mr. Potter then reported that there have been some water quality complaints on the Next Door website regarding discoloration and foul odors in the District's water. Ms. Bobbitt reminded the Board that the District receives surface water from the City of Houston (the "City"), and that although there had been a water quality issue with the Northeast Water Purification Plant, the North Harris County Regional Water Authority (the "NHCRWA") was not notified of the issue. Director Winkler asked how future issues can be better handled. Ms. Bobbitt stated that the Authority is currently working with the City to improve communication between the two (2) entities. Director Winkler asked if the Board knew of the water quality issues in advance, should the Board have let District residents know about the issues. Director Musgrave recommended including frequently asked questions ("FAQs") regarding water quality

issues on the District's website, which could also direct District residents to sign up for the emergency messaging program. Ms. Secrest stated that there is an FAQ list on the Hays website that she can provide to the District. Ms. Bobbitt then stated that she believes there is also a FAQ list from the Authority that could be used on the District's website.

Mr. Potter next reported that twelve (12) 3/4-inch (3/4") meters and one (1) 1-inch (1") meter are due for replacement during the next month.

Mr. Potter then reported that he had received a phone call from the operator for Harris County Municipal Utility District No. 275 ("HCMUD No. 275") regarding their need to use the interconnect line. Mr. Potter further explained that HCMUD No. 275 is about to start a project at their water plant, and will need to be on the District's interconnect for approximately six (6) weeks. Mr. Potter added that the estimated water usage by HCMUD 275 is 130,000 gallons per day and that the District has the capacity to provide service to HCMUD No. 275.

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 following items: 1) the Operator's Report; and 2) 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 informed the Board that Jones|Carter had solicited bids for the Sanitary Sewer Cleaning and Televising, Phase IV project. Mr. Abshire further explained that Jones|Carter had received three (3) bids ranging from \$35,728 to \$53,482.60 and that the lowest qualified bid was submitted by CSI Consolidated, LLC dba AIMS Companies ("AIMS") with a bid of \$35,728. Mr. Abshire recommended that the Board award the contract for the project to AIMS, based on their lowest qualified bid. A copy of the bid tabulation is attached hereto.

Mr. Abshire next requested authorization to proceed with design of the Wastewater Treatment Plant ("WWTP") Improvements project. Mr. Abshire stated that the design phase will take approximately eight (8) months, with the construction phase taking approximately a year and a half to complete. Mr. Abshire further stated that the WWTP Improvements project will fit within the exiting WWTP site and also allow room for the proposed reclaimed water project. Mr. Abshire then stated that the design of the WWTP Improvements project will cost approximately \$625,000.

Mr. Abshire went on to report that he had recently attended a meeting with Terranova West Municipal Utility District ("TWMUD") engineers to discuss the proposed reclaimed water project. Mr. Abshire reminded the Board that with the rising Authority pumpage fees, and improvements to the Authority's water reuse incentive program, the proposed reclaimed water project is becoming more and more feasible for the District and TWMUD. Mr. Abshire further explained that the next step for the District would be to obtain a reclaimed water permit from the TCEQ. Mr. Abshire also stated that a Cost-Sharing Agreement will also be needed between the District and TWMUD outlining the terms of the project. Director Day asked what the cost for the preparation of the permit application would be. Mr. Abshire stated that cost of preparation of

the permit application will be approximately \$20,000, which will be split evenly between the District and TWMUD. Mr. Abshire added that the Authority will reimburse the districts for 10% of the reuse project capital costs, plus provide a credit of one half of the then-current pumpage rate. Mr. Abshire further noted that the total project cost will be approximately \$1,500,000 and that he will have a more detailed cost estimate at the September Board meeting. Ms. Bobbitt added that a Reuse Agreement with the Authority will also be needed.

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 following items: 1) the Engineer's Report; 2) award the construction contract for the Sanitary Sewer Cleaning and Televising, Phase IV project to AIMS, in the amount of \$35,728; 3) authorize design of the WWTP Improvements project; and 4) authorize preparation of the reclaimed water permit. Ms. Bobbitt noted that her office will start work on a Cost-Sharing Agreement with TWMUD

REVIEW AND APPROVAL OF POST-ISSUANCE TAX-EXEMPT DEBT COMPLIANCE POLICY CHECKLIST (THE "PICP CHECKLIST")

Ms. Bobbitt then briefly reviewed the PICP Checklist with the Board, a copy of which is attached hereto. Ms. Bobbitt noted that Arbitrage Compliance Specialists, the District's arbitrage compliance consultant, along with the various consultants of the District, have reviewed and completed the necessary sections of the PICP Checklist. 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 PICP Checklist.

REVIEW AND APPROVE ARBITRAGE REBATE AND YIELD RESTRICTION COMPLIANCE REPORT PREPARED BY ARBITRAGE COMPLIANCE SPECIALISTS

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 Musgrave, seconded by Director Hoffmann, 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.

REVIEW AND AUTHORIZE EXECUTION OF INTERLOCAL AGREEMENT WITH HARRIS-GALVESTON SUBSIDENCE DISTRICT TO SPONSOR WATERWISE PROGRAM AT KUEHNLE ELEMENTARY SCHOOL

Ms. Bobbitt next reviewed the proposed Interlocal Agreement for the sponsorship of the WaterWise Program at Kuehnle Elementary School for the 2018-2019 school year (the "Program"). Ms. Bobbitt explained that last year, 153 kits were needed for the Program at a cost of \$36.46 per kit for a total expense of \$5,578.38. 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 and authorize execution of the Interlocal Agreement, a copy of which is attached hereto.

DISCUSS POLICY RELATING TO AUTHORITY OF BOARD PRESIDENT

The Board next discussed the proposed adoption of a policy relating to the authority of the Board President. Ms. Bobbitt stated that the Board can choose to set a maximum dollar amount for projects and/or miscellaneous work items approved by the Board President, and/or the Board can also require concurrence from one (1) other Board member for such items. Director Winkler stated that he would like the policy to have a term of one (1) year, and be revisited and adopted after the Board officers are elected each year. Director Day asked for an example or recommendation of a dollar amount for a project or work item that might need to be approved quickly in between Board meetings. Mr. Abshire stated that \$5,000 is an adequate amount, and that he would always bring anything over \$5,000 to the Board for approval. Mr. Potter asked if the policy would only apply to non-emergency projects/work items. Director Hoffmann stated that the policy would only apply to non-emergency projects/work items, and that Hays would still have the authority to act in an emergency situation. 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 a policy authorizing the Board President to approve expenditures up to \$5,000 for any non-emergency projects/work items, with such policy to be reviewed and approved by the Board on an annual basis.

ATTORNEY'S REPORT

Ms. Bobbitt reported that she had nothing to report on the 9.6 Kuykendahl J.V. matter.

NEXT MEETING

Director Winkler then reminded the Board that the next regular meeting will be held on Thursday, September 6, 2018, 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 6th day of September, 2018.




Secretary, Board of Directors