

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 157

Minutes of Meeting of Board of Directors January 11, 2018

The Board of Directors (the "Board") of Harris County Water Control and Improvement District No. 157 (the "District") met regular session, open to the public, on January 11, 2018, at 1300 Post Oak Boulevard, Suite 1400, Houston, Harris County, Texas 77056, such address being an office and meeting place of the District, in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted members of said Board, as follows:

Keith Nystrom, President
Shane Bueno, Vice President
David Redburn, Secretary
Christopher M. Gilbert, Assistant Secretary
James Motejzik, Assistant Secretary

and all of said persons were present, except Director Gilbert, thus constituting a quorum. Director Gilbert entered later in the meeting as indicated herein.

Also present were Richard Derr of The Howard Hughes Corporation ("HHC"); Mike Fitzgerald of BGE, Inc. ("BGE"); David Baños of Municipal Accounts & Consulting, L.P. ("Municipal Accounts"); Ray Arce of Wheeler & Associates, Inc. ("Wheeler"); Mirna Bonilla-Odums of Inframark, LLC ("Inframark"); Julie Peak of Hilltop Securities, Inc. ("Hilltop"); and Mitchell G. Page and Shelby Yllana of Schwartz, Page & Harding, L.L.P. ("SPH").

The President called the meeting to order and declared it open for such business as might regularly come before it.

APPROVAL OF MINUTES

The Board reviewed the draft minutes of its meeting held on December 7, 2017. After review and discussion, Director Redburn moved that the draft minutes be approved, as written. Director Motejzik seconded said motion, which carried unanimously.

PUBLIC COMMENTS

The Board deferred consideration of public comments as it was noted that no members of the public were present. Director Nystrom then advised the Board that several residents have inquired about the District's adoption of a general homestead tax exemption. Mr. Page noted that the agenda for the meeting includes a specific item to discuss the adoption of tax exemptions for 2018. The Board deferred further discussion on the matter until later in the meeting.

TAX ASSESSOR-COLLECTOR REPORT

Mr. Arce presented and reviewed the Tax Assessor Collector Monthly Report, dated as of December 31, 2017, a copy of which is attached hereto as **Exhibit A**, including the checks presented for approval and a Delinquent Collections Listing as of December 31, 2017. After discussion, Director Bueno moved that the Tax Assessor Collector Monthly Report be approved and the checks shown therein be authorized for payment. The motion was seconded by Director Motejzik and unanimously carried.

DELINQUENT TAX COLLECTIONS REPORT

The Board deferred consideration of the Delinquent Tax Collections Report as it was noted that no report was received nor is due at this time from Perdue, Brandon, Fielder, Collins & Mott, L.L.P., delinquent tax attorneys for the District.

ADDITIONAL PENALTY ON DELINQUENT PERSONAL PROPERTY TAXES

Mr. Page advised the Board that it is authorized pursuant to Section 33.11 of the Texas Tax Code, as amended, to impose, under certain conditions, an additional penalty not to exceed twenty percent (20%) of the total taxes, penalty and interest due the District on personal property that become delinquent after February 1 of a year and that remain delinquent sixty (60) days after said date, to defray the costs of collection of said delinquent taxes. The Board next considered the adoption of a resolution authorizing such additional penalty. After discussion, it was moved by Director Redburn, seconded by Director Bueno, and unanimously carried, that the Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes, attached hereto as **Exhibit B**, be approved and adopted.

TAX EXEMPTIONS

Mr. Page outlined for the Board the various tax exemptions available for adoption by the District. He then discussed the tax exemptions granted by the District for tax year 2017, noting that the District has granted (i) an exemption in the amount of \$10,000 for residents 65 years of age or older, (ii) an exemption for disabled residents in the amount of \$20,000, and (iii) no general homestead exemption. Ms. Peak advised that Hilltop will prepare an analysis on the exemptions that can be granted for the District for tax year 2018 for presentation at the next Board meeting. The Board requested that consideration of tax exemptions be deferred until the next Board meeting.

Director Gilbert entered the meeting at this time.

BOOKKEEPER'S REPORT AND QUARTERLY INVESTMENT REPORT

Mr. Baños presented and reviewed with the Board the Bookkeeper's Report dated January 11, 2018, a copy of which is attached hereto as **Exhibit C**, including the disbursements and wire transfers presented for approval. Mr. Baños noted check no. 2756 to Moody's for the District's credit rating, which will appear on next month's bookkeeper's report. After discussion, Director

Gilbert moved that the Bookkeeper's Report be approved as presented, and the disbursements and wire transfers listed therein be approved for payment, including check no. 2756. Director Motejzik seconded the motion, which carried unanimously.

QUALIFIED BROKERS

The Board considered adopting a list of qualified brokers authorized to engage in investment transactions with the District. Mr. Page advised that, pursuant to the Public Funds Investment Act, the Board is required to review such list at least annually. He presented and reviewed with the Board the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, and a list of financial institutions, brokers and dealers attached thereto, together with a comparison of the list submitted and the list previously adopted by the Board, copies of which are attached hereto as **Exhibit D**. Mr. Page noted that the broker list presented is a list of potential institutions with which the District may engage in investment transactions compiled with the input of the District's Investment Officers, but it is ultimately the Board's decision as to where the District's funds are actually placed. After discussion, Director Gilbert moved that (i) the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved by the Board and the District, and (ii) the President and Secretary be authorized to execute said Resolution on behalf of the Board and the District. Director Motejzik seconded said motion, which unanimously carried.

OPERATIONS AND MAINTENANCE

Ms. Odums presented the Operator's Report for the month of December 2017, a copy of which report is attached hereto as **Exhibit E**, and reviewed the charges, related repairs, and make up well pumpage listed therein. The Board noted that no action was necessary at this time in connection with the Operator's Report.

CONSENT TO ASSUMPTION OF CONTRACT

The Board next considered the approval and execution of a Consent to Assumption of Contract between the District and Inframark. Mr. Page explained that effective December 31, 2017, Severn Trent Environmental Services, LLC ("ST") became Inframark, LLC, and it will be necessary to evidence that Inframark assumes ST's existing Operations Services Agreement with the District. Mr. Page then presented a Consent to Assumption of Contract between the District and Inframark relative to said Operation Services Agreement. Director Bueno moved that the Consent to Assumption of Contract be approved as presented and the President be authorized to execute same on behalf of the Board and the District. Director Motejzik seconded said motion, which unanimously carried. A copy of the Consent to Assumption of Contract is attached hereto as **Exhibit F**.

ENGINEER'S REPORT

Mr. Fitzgerald presented the Engineer's Report, dated January 11, 2018, a copy of which is attached hereto as **Exhibit G**, and reviewed the status of projects listed therein, including the pay estimates noted therein for approval. Mr. Page presented a Water Line Easement to serve Water Well No. 4 to be granted by the District to Harris County Municipal Utility District No. 418 ("No. 418"). After review and discussion, Director Bueno moved that the action items listed in the Engineer's Report be approved, as presented, including the granting of the Water Line Easement to MUD 418. Director Redburn seconded the motion, which carried unanimously.

The Board next considered the status of installation of the warning signage at the detention pond outfall structure as previously considered by the Board. Mr. Fitzgerald advised that the signage will be fabricated as part of a future landscaping contract. Director Nystrom next inquired about installation of a chain link fence around the outfall to prevent fish from entering the structure. Mr. Fitzgerald advised that he could investigate same and prepare a proposal for a future meeting.

The Board next discussed the construction of the bridge structure to cross Cypress Creek at the disc golf course. Mr. Fitzgerald advised that the bridge construction will commence later this month.

The Board next discussed the use of surplus bond proceeds to fund remaining portions of the Cypress Creek Pump Station project. Mr. Page presented an excerpt from the Series 2017A Park Bond reimbursement audit and discussed the costs remaining due for this project. Mr. Page noted that he has reviewed the applicable rules of the Texas Commission on Environmental Quality ("TCEQ") and that, depending on the TCEQ's interpretation of such rules, payment of the remaining costs may be authorized by the Board without filing and application with the TCEQ. He noted that he has requested guidance from TCEQ staff. After discussion, Director Motejzik moved that, subject to confirmation from the TCEQ that the District may proceed, (i) the Board allocate surplus bond proceeds to pay the remaining costs for the Cypress Creek Pump Station, (ii) the Resolution Authorizing Use of Surplus Construction Funds and Interest Earned on Construction Funds attached hereto as **Exhibit H** be approved, as presented, and the President be authorized to execute same on behalf of the Board and the District, (iii) BKD be authorized to prepare a supplemental letter itemizing said costs, and (iii) a wire for the amounts to be paid to Bridgeland Development, LP ("Bridgeland") be circulated and disbursed prior to the next Board meeting, subject to the receipt of an executed Developer's Receipt from Bridgeland for such amount. Director Bueno seconded said motion, which unanimously carried.

UTILITY COMMITMENT LETTERS

The Board considered issuance of utility commitments for detention capacity, and noted that no new requests for commitments have been received. Mr. Page advised that the tap fee due as of January 1, 2018 for First Baptist Church has not yet been received. Mr. Baños advised that he would investigate same.

DELTA WEST ENVIRONMENTAL REPORT

The Board deferred consideration of the storm water quality report after noting that no representative of Delta West Environmental was present at the meeting.

SITE MAINTENANCE

The Board considered landscape maintenance for the District and the proposed maintenance budgets received from both Spencer Outdoor, LLC ("Spencer") and Southern Green Lawn, LLC ("Southern Green") for the 2018 calendar year. Mr. Page advised that he has requested verification from Spencer regarding the per acre unit cost presented in its budget, and is awaiting a response regarding same. The Board deferred action on this item until February.

AMENDMENT OF OPERATING BUDGET

The Board deferred amendment of the Operating Budget for fiscal year ending May 31, 2018 to reflect the Spencer and Southern Green budgets until February.

ECOSYSTEM MANAGEMENT

The Board considered ecosystem management within the District. Mr. Fitzgerald presented a map illustrating the areas where aquatic plantings will take place, a copy of which is included with the Engineer's Report. After discussion, Director Gilbert moved that the aquatic planting be approved, subject to (i) notification being provided to the District prior to the commencement of planting, and (ii) an item be added to the District's operating budget to track such expense going forward. Director Redburn seconded said motion, which unanimously carried.

DEVELOPER'S REPORT

The Board considered the Developer's Report. Mr. Derr presented to the Board a home inventory summary, a copy of which is attached hereto as **Exhibit I**.

CONSIDER PROPOSED ANNEXATION OF CERTAIN LAND INTO AND EXCLUSION OF LAND FROM THE DISTRICT

Mr. Page advised the Board of the status of the proposed annexation of three tracts totaling 47.08 acres into the boundaries of the District, noting that the application requesting consent to same remains pending with the City of Houston.

SENATE BILL 622 AND SENATE BILL 625

Mr. Page next informed the Board that, pursuant to provisions of Chapter 403, Government Code, and Chapter 203, Local Government Code, the District is required to submit information to the Texas Comptroller of Public Accounts (the "Comptroller") for inclusion in the Special Purpose District Public Information Database. Mr. Page advised that the information

required to be submitted is described in the memorandum attached hereto as **Exhibit J**. Mr. Page recommended that, BKD, LLP, the District's auditor, be authorized to prepare and submit the information, which work will be performed on an hourly basis at an estimated cost of \$400 to \$600. Following discussion, Director Bueno moved, Director Motejzik seconded, and it was unanimously carried that BKD, LLP be authorized to prepare the required information and submit same to the Comptroller for inclusion in the Special Purpose District Public Information Database.

INSURANCE

Mr. Page reported to the Board that the District's current insurance coverage and directors and consultants bonds, issued through Arthur J. Gallagher, will expire on March 31, 2018. He informed the Board that other insurance companies provide such policies to water districts and inquired as to whether the Board wished to solicit proposals from other companies for insurance to review prior to the expiration of the current policies. After discussion, the Board requested that SPH obtain three (3) proposals for insurance coverage and bonds for the District, and Director Bueno be designated to review same prior to the next Board meeting.

ATTORNEY REPORT

The Board next considered the attorney's report. Mr. Page advised that the District received a Right-of-Entry Agreement from the West Harris County Regional Water Authority for installation of a meter at a well site within the District. After discussion, the Board concurred to approve of the Right-of-Entry Agreement, and authorize the President to execute same on behalf of the Board and the District subject to SPH review.

MEETING LOCATION WITHIN THE BOUNDARIES OF THE DISTRICT

The Board next considered the designation of a meeting place of the Board of Directors within the boundaries of the District. After discussion, Director Bueno moved that the Lakeland Activity Center at 16902 Bridgeland Landing Drive, Cypress, Texas 77433 be designated as a meeting place, and the Order attached hereto as **Exhibit K** be approved, and the President be authorized to execute same on behalf of the Board and the District. Director Redburn seconded said motion, which unanimously carried.

SUPPLEMENTAL AGENDA

The Board considered the calling of a Directors Election in accordance with the requirements of the Texas Water Code. There was presented the Order Calling Directors Election (the "Order") attached hereto as **Exhibit L** calling such election to be held on May 5, 2018. It was noted that the terms of office of Directors Gilbert and Nystrom expire in May of this year. In reviewing the Order with the Board, Mr. Page advised that the Texas Water Code and the Texas Election Code authorize the Board to designate an agent to perform certain duties in connection with the Directors Election, and that the Order named Shelby Yllana as such agent (the "Election Agent"). Mr. Page further advised the Board that notice of the Directors Election must be given in accordance with the requirements of the Texas Election Code. Mr. Page

advised the Board that the Order provides, among other things, that notice of the Directors Election will be given by posting the notice at a public place in the District at least twenty-one (21) days before the Election. He further advised that, in addition to the above, notice must be posted at the location used for posting notices of the Board meetings at least twenty-one (21) days before the election. After discussion, Director Redburn moved that said Order be passed and adopted, that the President and Secretary be authorized to execute the Order, and that the Election Agent be authorized and directed to make necessary arrangements for the Directors Election in accordance with the Order. Director Motejzik seconded said motion, which unanimously carried. Mr. Page advised the Board that if each candidate whose name is to appear on the ballot is unopposed as of 5:00 p.m. on February 16, 2018, the Board may thereafter cancel the Directors Election in accordance with the Texas Election Code.

The Board considered the establishment of fees to be paid to officials for the Directors Election. Mr. Page advised the Board that in accordance with the Texas Election Code, the rate of pay for judges and clerks shall be determined by the Board, but shall not be less than the federal minimum wage rate. After discussion on the matter, Director Gilbert moved that the judges and clerks for the Directors Election, including early voting clerks, be paid \$10.00 per hour. Director Redburn seconded said motion, which unanimously carried.

ADJOURNMENT

There being no further business to come before the Board, on motion made by Director Bueno, seconded by Director Redburn and unanimously carried, the meeting was adjourned.



David Redburn, Secretary

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LIST OF ATTACHMENTS TO MINUTES

Exhibit A - Tax Assessor-Collector Report

Exhibit B - Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes

Exhibit C – Bookkeeper's Report

Exhibit D - Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions, and comparison of broker lists

Exhibit E- Operator's Report

Exhibit F – Consent to Assumption

Exhibit G- Engineer's Report

Exhibit H – Resolution Authorizing Use of Surplus Funds

Exhibit I – Inventory Report

Exhibit J – SB 622/SB 625 Memorandum

Exhibit K – Order Establishing Meeting Place In District

Exhibit L- Order Calling Directors Election