

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 157

Minutes of Meeting of Board of Directors
March 8, 2018

The Board of Directors (the "Board") of Harris County Water Control and Improvement District No. 157 (the "District") met in regular session, open to the public, on March 8, 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 Directors Gilbert and Motejzik, thus constituting a quorum. Director Gilbert entered later in the meeting as noted herein.

Also present were Tricia Brasseaux of Bridgeland Development, LP ("Developer"); Fred LeBlanc and Richard Derr of The Howard Hughes Corporation ("HHC"); Will Gutowsky of BGE, Inc. ("BGE"); David Baños of Municipal Accounts & Consulting, L.P. ("Municipal Accounts"); Greg Lentz of Hilltop Securities, Inc. ("Hilltop"); Ray Arce and Darce Ahlschlager of Wheeler & Associates, Inc. ("Wheeler"); Teri Laguarta of Inframark, LLC ("Inframark"); Cameron Dickey, resident of the District; and Mitchell G. Page and Melia Berry of Schwartz, Page & Harding, L.L.P. ("SPH"). David Wilson, a resident of the District, entered later in the meeting.

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 February 8, 2018. After review and discussion, Director Bueno moved that the draft minutes be approved, as written. Director Redburn seconded said motion, which carried unanimously.

PUBLIC COMMENTS

Mr. Dickey introduced himself as a candidate for election to the District's Board of Directors.

TAX ASSESSOR-COLLECTOR REPORT

Director Gilbert entered at this time.

Mr. Arce presented and reviewed the Tax Assessor Collector Monthly Report, dated as of February 28, 2018, a copy of which is attached hereto as **Exhibit A**, including the checks presented for approval and a Delinquent Collections Listing as of February 28, 2018. After discussion, Director Bueno moved that the Tax Assessor Collector Monthly Report be approved and the checks shown therein be authorized for payment. Director Gilbert seconded said motion, which carried unanimously.

DELINQUENT TAX COLLECTIONS REPORT

Mr. Page presented and reviewed with the Board the Delinquent Tax Collections Report received from Perdue, Brandon, Fielder, Collins & Mott, L.L.P, delinquent tax attorneys for the District, a copy of which Report is attached hereto as **Exhibit B**. No action was requested of or taken by the Board in connection with said Report.

TAX EXEMPTIONS

Mr. Page outlined for the Board the various tax exemptions available for adoption by the District, including the exemptions provided for by Article VIII, Section 1-b of the Texas Constitution, and Section 11.13 of the Texas Tax Code, as amended. He advised that under said provisions, the District may provide for the exemption of up to 20% (but not less than \$5,000, if granted) of the market value of residential homestead improvements for the year 2018. In addition, Mr. Page further advised that the District may also exempt residential homesteads of persons who are under a disability for purposes of payment of disability insurance benefits under the Federal Old Age, Survivors and Disability Insurance Act, or its successor, or persons sixty-five years of age or older from ad valorem taxes levied by the District during the calendar year 2018, and, if any such exemptions are granted, they must be for not less than \$3,000 of the market value of such homesteads.

Mr. Lentz then presented and reviewed an analysis demonstrating the impact the various types of exemptions would have on the District's tax rate and on the tax bill for the average homeowner based on 2017 taxable values. A copy of such analysis is attached hereto as **Exhibit C**.

Directors Bueno and Gilbert noted that they, as a duly authorized committee of the Board, met and discussed the proposed 2018 tax exemptions with Mr. Lentz. Their recommendation to the Board was to continue the 2017 tax exemptions and not grant a homestead exemption at this time. They noted that there is not a significant amount of commercial development in the District, and that granting a homestead exemption at this time would put upward pressure on District tax rates. They indicated a preference to give tax relief to District residents by reducing tax rates. They did suggest, however, that the Board discuss tax

exemptions for 2019 when the Board considers the adoption of the District's 2018 tax rates this fall.

After discussion, Director Gilbert moved that (i) for calendar year 2018, the District grant an exemption from ad valorem taxation by the District in the amount of \$10,000 for residents 65 years of age or older and an exemption from ad valorem taxation by the District in the amount of \$20,000 for disabled residents, (ii) for calendar year 2018, the District not grant a general homestead exemption, and (iii) the Resolution Concerning Exemptions from Taxation attached hereto as **Exhibit D**, be approved and the President and Secretary be authorized to execute same. Director Redburn seconded said motion, which carried unanimously. The Board concurred to discuss tax exemptions for 2019 when it considers the adoption of the District's 2018 tax rates this fall.

BOOKKEEPER'S REPORT AND AMENDMENT TO DISTRICT'S FISCAL YEAR ENDING MAY 31, 2017 BUDGETS

Mr. Baños presented and reviewed with the Board the Bookkeeper's Report dated March 8, 2018, a copy of which is attached hereto as **Exhibit E**, including the disbursements and wire transfers presented for approval.

Mr. Baños next presented an amended budget for the District's fiscal year ending May 31, 2018, which is included under **Exhibit E**. Mr. Baños advised that various line items have been adjusted per the Board's requests at last month's meeting.

After discussion, Director Gilbert moved that (i) the Bookkeeper's Report be approved as presented, and the disbursements and wire transfers listed therein be approved for payment, except check no. 2772, which was to be voided, and (ii) the amended budget for the District's fiscal year ending May 31, 2018, be approved as presented. Director Bueno seconded the motion, which carried unanimously.

UNCLAIMED PROPERTY

The Board considered authorizing certain District consultants to research the District's accounts for unclaimed property and authorizing the District's bookkeeper to prepare an Unclaimed Property Report as of March 1, 2018. Mr. Page advised the Board that the District's operator and tax assessor-collector, in addition to the bookkeeper, will review their records and provide the bookkeeper with a current listing of any unclaimed property in the District's accounts for preparation of the Unclaimed Property Report. He further advised the Board that the District's bookkeeper will file the report with the Comptroller of Public Accounts and escheat any unclaimed funds to the State of Texas. After discussion on the matter, Director Redburn moved that the District's operator and tax assessor-collector, in addition to the bookkeeper, be authorized to provide current listings of any and all unclaimed property to the bookkeeper and that, should any unclaimed property exist, the bookkeeper be authorized to timely file an Unclaimed Property Report with the Comptroller of Public Accounts. Director Bueno seconded said motion, which unanimously carried.

OPERATIONS AND MAINTENANCE

Ms. Laguarta presented the Operator's Report for the month of February 2018, a copy of which report is attached hereto as **Exhibit F**, and reviewed the charges, related repairs, and make up well pumpage listed therein. Ms. Laguarta reported that Booster Pump No. 1 at Irrigation Pump Station No. 1 ("IPS No. 1") needs to be replaced. She noted that Inframark is investigating whether the pump is still under warranty. After discussion, Director Bueno moved that Inframark be authorized to solicit proposals for the replacement of Booster Pump No. 1 at IPS No. 1, subject to a determination of the warranty status of said Pump. Director Nystrom seconded said motion, which unanimously carried.

ENGINEER'S REPORT

Mr. Gutowsky presented the Engineer's Report, dated March 8, 2018, a copy of which is attached hereto as **Exhibit G**, and reviewed the status of projects listed therein, including the change order and pay application noted therein for approval. Mr. Page next presented a Recreational Facilities Easement and several Conveyances and Bills of Sale of Facilities for acceptance by the District, as set forth in the Engineer's Report.

Mr. Gutowsky next presented a bid from Texas Largaux ("Largaux"), in the amount of \$19,040, to apply an anti-graffiti coating to the two pedestrian tunnels on Bridgeland Creek Parkway and requested that the board concur with BGE's recommendation to award the contract for same to Largaux in the amount of \$19,040.

Mr. Page next reported that the District must annually submit to each electric distribution utility and each retail electric utility provider, on forms reasonably required by each entity, its facilities which qualify for critical load status and various emergency contact information, in lieu of providing such information to the county judge of each county in which the District has critical load facilities.

After review and discussion, Director Gilbert moved that (i) the action items listed in the Engineer's Report be approved, as presented, (ii) the Easements and Conveyances be accepted as presented, and the President be authorized to execute same on behalf of the Board and the District, (iii) the award of the contract for anti-graffiti coating to Largaux in the amount of \$19,040 be approved, subject to the receipt of Texas Ethics Commission ("TEC") Form 1295 by SPH, and (iv) that the District's consultants be authorized to make annual filings regarding critical load facilities on behalf of the District. Director Redburn seconded the motion, which carried unanimously.

DISTRICT PLANS FOR FINANCING CAPITAL PROJECTS

At this time, the Board then considered the matter of financing capital projects during calendar year 2018. Mr. Gutowsky presented a preliminary Summary of Costs for the District's proposed Series 2018 drainage bond issuance in the amount of \$8,900,000, and the District's

proposed Series 2018A park bond issue in the amount of \$1,190,000. A copy of the Summary of Costs is attached hereto as **Exhibit H**. Mr. Lentz then presented and reviewed a cash flow analysis in connection with the issuance of such bonds by the District, a copy of which is included with **Exhibit H**.

Directors Bueno and Gilbert noted that they, as a duly authorized committee of the Board, met with Messrs. Lentz, Gutowsky, Page and Derr on this matter. They summarized the discussions regarding the projects proposed for funding, the use of surplus District funds to partially fund certain project costs, and the issuance of such bonds to fund the remaining project costs. Given the time required for approval of projects and the issuance of bonds by the Texas Commission on Environmental Quality ("TCEQ"), the favorable bond market conditions, and the status of development in the District, they recommended that the Board and the District proceed to fund the subject projects. They further noted that they considered the impact of the issuance of such bonds on District tax rates, and believe that the District will be in a position to reduce the District's tax rates this fall. They also noted that with the funding of the proposed projects, the District may not need to fund major drainage projects until there is commercial development along the Grand Parkway, which may allow the District to continue to reduce its tax rates in future years.

Mr. Page then presented to the Board the Order Authorizing Application to the Texas Commission on Environmental Quality for Approval of Project and Bonds and for Use of Surplus Funds and Interest Earned on Construction Funds, attached hereto as **Exhibit I**. He noted that, with Board approval of the Order, the District's consultants would prepare and file an application with the TCEQ for approval of the projects and the issuance of the bonds as discussed. After discussion, Director Bueno moved that (i) the preliminary Summary of Costs be approved, as presented, (ii) the Order be approved as presented, and the President and Secretary be authorized to execute same on behalf of the Board and the District, and (iii) the District's consultants be authorized to proceed with the preparation and filing of a bond application report and related documentation with the TCEQ. Director Redburn 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.

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 deferred consideration of landscaping maintenance within the District as it was noted that there were no new items to report.

ECOSYSTEM MANAGEMENT

The Board deferred consideration of ecosystem management within the District as it was noted that there were no new items to report.

DETENTION/AMENITY POND MANAGEMENT

Mr. LeBlanc and Ms. Brasseaux discussed cloudy water conditions of Lake Bridgeland, as well as certain other ponds within the District. They confirmed that these lakes do not receive effluent water, and that the Developer studying the matter. They suggested that the problem could be caused by too many catfish in the lakes. A discussion ensued relative to introducing large mouth bass and bluegill into the lakes, and contracting with a consultant to remove catfish. The Board also discussed the possibility of conducting a fishing tournament to remove catfish.

Mr. LeBlanc advised that the Developer is also investigating solutions for the nutria that are damaging aquatic plants.

A discussion ensued regarding a budget line item to cover lake maintenance costs and the costs of controlling the catfish and nutria populations.

Mr. LeBlanc advised that the Developer will solicit proposals for maintenance of the lakes and will present them to the Board at its May meeting.

It was the consensus of the Board to advise the Bridgeland homeowner associations that fishing in the District's lake and ponds and the removal of catfish should be encouraged, but that the consumption of the fish would not be advised.

DEVELOPER'S REPORT

The Board considered the Developer's Report. Mr. Derr presented to the Board a home inventory summary for Harris County Municipal Utility District Nos. 419 and 489 and a conceptual map of the Bridgeland community, copies of which are attached hereto as **Exhibit J**.

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

Mr. Page reported that the District's application to the City of Houston for consent to annex 47.08 acres of and remains pending at the City of Houston.

JOINT ELECTION AGREEMENT AND SUPPLEMENTAL AGENDA

Mr. Page presented to and reviewed with the Board a Joint Election Agreement between the District and Harris County Municipal Utility District No. 419, a copy of which is attached

hereto as **Exhibit K**, in connection with the sharing of election supplies, election officials, and precinct polling locations with respect to the Director Elections to be held by both districts on May 5, 2018.

Mr. Page next presented an Amended Order Calling Director Election, attached hereto as **Exhibit L**, for the Board's review and approval reflecting the names of the election officials and the polling locations, and designating Melia Berry of SPH as the election agent.

After discussion, it was moved by Director Bueno that (i) the Joint Election Agreement be approved, and (ii) the Amended Order Calling Directors Election be approved, and (iii) that the President be authorized to execute and the Secretary to attest said Agreement and Order on behalf of the Board and the District. Director Gilbert seconded said motion, which unanimously carried.

ATTORNEY REPORT

The Board next considered the attorney's report. Mr. Page advised that the District has received a Notice of Permit Hearing from the Harris-Galveston Subsidence District regarding the District's Well No. 14047.

PROPOSED DISTRICT WEBSITE

Mr. Page presented and reviewed with the Board a Memorandum prepared by SPH relative to legal requirements for the District's proposed website, a copy of which is attached hereto as **Exhibit M**. It was the consensus of the Board to discuss the matter further at the next meeting.

FUTURE MEETINGS WITHIN THE BOUNDARIES OF THE DISTRICT

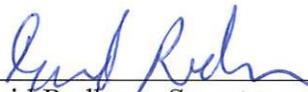
The Board next discussed future meetings to be held within the boundaries of the District. Following discussion, the Board concurred that its October meeting should be held within the boundaries of the District.

ADJOURNMENT

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

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David Redburn, Secretary

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A – Tax Assessor-Collector Report
- Exhibit B – Delinquent Tax Collection Report
- Exhibit C – District 2018 Tax Rate, Homestead Analysis, and Over 65 and Disabled Analysis Report
- Exhibit D – Resolution Concerning Exemptions from Taxation
- Exhibit E – Bookkeeper's Report; Amended Budget – Fiscal Year Ending May 31, 2018
- Exhibit F – Operator's Report
- Exhibit G – Engineer's Report
- Exhibit H – Summary of Costs and Cash Flow Analysis
- Exhibit I – Order Authorizing Application to the Texas Commission on Environmental Quality for Approval of Project and Bonds and for Use of Surplus Funds
- Exhibit J – Home Inventory Summary and Conceptual Map
- Exhibit K – Joint Election Agreement
- Exhibit L – Amended Order Calling Directors Election
- Exhibit M – Memorandum from SPH Regarding Legal Requirements for the District's Proposed Website and Other Considerations