

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 157

Minutes of Meeting of Board of Directors
May 10, 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 May 10, 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 Motejzik, thus constituting a quorum.

Also present were Richard Derr and Tricia Brasseaux of The Howard Hughes Corporation ("HHC"); Will Gutowsky of BGE, Inc. ("BGE"); David Baños of Municipal Accounts & Consulting, L.P. ("Municipal Accounts"); Julie Peak and Greg Lentz of Masterson Advisors, LLC ("Masterson"); Cathy Wheeler and Ray Arce of Wheeler & Associates, Inc. ("Wheeler"); Teri Laguarta of Inframark, LLC ("Inframark"); Brian Krueger ("BKD"); Jeremy Hitchcock of Spencer Outdoor, LLC ("Spencer"); Cameron Dickey and Kay Burkhalter, residents of the District; and Mitchell G. Page and Melanie Walsh 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 April 12, 2018. A revision to the minutes was requested by Director Bueno on page 5 of the draft minutes, relative to a proposed meeting with the City of Houston concerning the District's pending annexation consent application. After review and discussion, Director Redburn moved that the draft minutes be approved, as revised. Director Bueno seconded said motion, which carried unanimously.

MATTERS RELATED TO THE 2018 DIRECTOR'S ELECTION

In connection with the 2018 Director's Election held on May 5, 2018, Mr. Page advised that a provisional ballot was received and is under review with the Voter Registrar of Harris County, and therefore the Board will need to defer taking action regarding the 2018 Director's Election until after the ballot review period has expired. Mr. Page advised the Board that a special meeting must be called next week to take action on election matters.

PUBLIC ANNOUNCEMENTS AND PUBLIC COMMENTS

Director Nystrom congratulated Mr. Dickey on his election to the based on the unofficial results.

Ms. Burkhalter addressed the Board and extended her thanks to Director Gilbert for his service to the Board and the District. Ms. Burkhalter commented on the District's 2018 Director's Election. Ms. Burkhalter next addressed Ms. Peak regarding her financial advisory services to the District. Ms. Burkhalter requested that the Board consider deferring on engaging Ms. Peak's new financial advisory firm and requesting qualifications from other financial advisory firms.

Mr. Dickey addressed the Board and thanked Director Gilbert for his service and commended the professionalism of the election process.

Mr. Page expressed gratitude for the service of the District's election officials.

TAX ASSESSOR-COLLECTOR REPORT

Mr. Arce presented and reviewed the Tax Assessor Collector Monthly Report, dated as of April 30, 2018, a copy of which is attached hereto as **Exhibit A**, including the disbursements presented for approval and a Delinquent Collections Listing as of April 30, 2018. Mr. Dickey inquired regarding the cash flow in the tax accounts throughout the year, to which Mr. Arce and Ms. Wheeler replied. After discussion, Director Bueno moved that the Tax Assessor Collector Monthly Report be approved and the disbursements shown therein be authorized for payment. Director Redburn seconded said motion, which carried unanimously.

DELINQUENT TAX COLLECTIONS REPORT

The Board deferred consideration of a 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. ("Perdue"), delinquent tax attorneys for the District.

BOOKKEEPER'S REPORT

Mr. Baños presented to and reviewed with the Board the Bookkeeper's Report dated April 12, 2018, a copy of which is attached hereto as **Exhibit B**, including the disbursements and wire transfers presented for approval. Mr. Baños noted that check no. 2811 is payable to Bridgeland Council for expenses related to the 2018 Director's Election, and Harris County Municipal Utility District No. 419 will reimburse the District for half of such cost. He noted that this check will be reflected on next month's Bookkeeper's Report. Mr. Page noted that there may be additional election expenses due and such amount, if any, should be determined by the end of the month. Mr. Dickey requested a summary of election expenses for the District, to which Mr. Page replied that he would coordinate with Mr. Baños to produce such a summary once all expenses have been received. Mr. Page next discussed the purpose of check no. 3604 with the Board payable to Bridgeland Council for qualifying recreational maintenance expenses. After discussion, Director Bueno moved that the Bookkeeper's Report be approved as presented, and the disbursements and wire transfers presented be approved for payment, including check no.

2811, and except check no. 2801, which was voided. Director Gilbert seconded the motion, which carried unanimously.

ADOPTION OF BUDGETS FOR FISCAL YEAR ENDING MAY 31, 2019

The Board considered adoption of an operating budget for the District's fiscal year ending May 31, 2019, and a separate operating budget for recreational facilities for said period. Copies of the proposed budgets are included with the Bookkeeper's Report attached hereto. Director Bueno and Mr. Dickey raised concerns regarding amounts budgeted for certain fees and expenses. It was noted that the Board may amend the budget from time to time as needed to adjust such estimated amounts. After discussion, Director Gilbert moved that said budgets be adopted by the Board, as proposed. Director Redburn seconded said motion, and with Directors Nystrom, Redburn and Gilbert voting "aye", and Director Bueno voting "nay" the motion carried. The Board noted that the budget could be reconsidered at the next regular Board meeting.

UNCLAIMED PROPERTY

The Board next considered the unclaimed property report for the District. Mr. Baños reported that the District did not have any unclaimed property to report, and presented a letter to the Board documenting same. A copy of said letter is included with the Bookkeeper's Report attached hereto. The Board determined no action was necessary.

ENGAGEMENT OF AUDITOR

The Board next considered the engagement of an auditing firm to conduct an audit of the District's financial statements for its fiscal year ending May 31, 2018. Mr. Krueger made a presentation to the Board on behalf of BKD, and advised that the estimated cost to conduct such audit is approximately \$15,200, plus an administrative fee in the amount of \$700. After discussion on the matter, Director Gilbert moved that BKD be engaged to conduct the District's audit for its fiscal year ending May 31, 2018, and that the engagement letter related to same be approved, and the accompanying TEC Form 1295 be accepted. Director Redburn seconded said motion, which carried unanimously. A copy of the District's engagement letter with BKD is attached hereto as **Exhibit C**.

FILING OF ANNUAL AUDIT REPORT WITH COMPTROLLER

Mr. Page reminded the Board that Section 140.008 of the Texas Local Government Code, as amended, requires political subdivisions, such as the District, to file certain financial information with the Texas Comptroller of Public Accounts (the "Comptroller") upon the conclusion of each fiscal year. This information may be submitted as a separate report, or as an alternative, districts subject to Chapter 49 of the Texas Water Code, including the District, may submit to the Comptroller copies of their annual audit. Mr. Page further explained that those districts with a website should also make the financial information available on such website or provide a link to the information on the Comptroller's website. Lastly, Mr. Page advised that the Board will need to select a method of compliance with said requirement. Upon a motion made by Director Gilbert seconded by Director Bueno, and carried unanimously, the Board elected to authorize SPH to file its annual audit for the fiscal year ending May 31, 2018, with the

Comptroller. Director Bueno requested that the District audit be posted to the District website, once created.

OPERATIONS AND MAINTENANCE

Ms. Laguarda presented the Operator's Report for the month of April 2018, a copy of which report is attached hereto as **Exhibit D**, and reviewed the charges, related repairs, and make up well pumpage listed therein. Mr. Page discussed with the Board how the irrigation system is set up for the development and the costs related to same. The Board noted that no action was necessary at this time in connection with the Operator's Report.

ENGINEER'S REPORT

Mr. Gutowsky presented the Engineer's Report, dated May 10, 2018, a copy of which is attached hereto as **Exhibit E**, and reviewed the status of projects listed therein, including the pay estimates and change orders noted therein for approval. A discussion ensued regarding the application of an anti-graffiti coating on the pedestrian tunnels within the District. Ms. Brasseaux presented a proposal from Texas Largeaux Corporation for completion of same. After review and discussion, Director Gilbert moved that (i) the action items listed in the Engineer's Report be approved, as recommended by BGE, and (ii) Texas Largeaux Corporation be engaged to complete the coating. Director Redburn seconded said motion, which unanimously carried.

Ms. Burkhalter inquired about the proposed cricket field to be installed near the Cypress Creek Pump Station, to which Mr. Gutowsky replied.

Director Redburn suggested that Mr. Dickey tour the District's facilities with Inframark and BGE.

STATUS OF PREPARATION AND FILING OF 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

Mr. Page reported that BGE is preparing a draft bond application report for the proposed issuance of the District's Series 2018 Bonds for drainage and detention facilities and Series 2018A Bonds for park and recreational facilities, and the filing of same should occur by the end of June. The Board took no action regarding this item.

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 explained the purpose of utility commitments for informational purposes.

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 the status of site maintenance within the District. Mr. Hitchcock of Spencer introduced himself to the Board as the project manager for the District. A lengthy discussion ensued regarding the mowing classifications for the greenspaces within the District. Ms. Brasseaux advised that as new sections are completed, the landscaping improvements for those sections will be added to the maintenance contract with Spencer. Mr. Page advised that the District maintenance contract is for the mowing of the lake edges, and the HOA controls the mowing of the larger body of the District. The Board then discussed requesting mowing on an as-needed basis with Spencer.

DETENTION/AMENITY POND MANAGEMENT

Mr. Page provided an update to the Board regarding the management of the nutria within the District. Ms. Brasseaux reported on the netting of fish and noted that a report would be prepared and likely presented to the Board in June.

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 ("No. 419") and Harris County Municipal Utility District No. 489 ("No. 489"), a copy of which is attached hereto as **Exhibit F**. Mr. Gutowsky presented a map to the Board illustrating the District boundaries in relation to Nos. 489 and 419.

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 land remains pending at the City of Houston (the "City"). Mr. Page discussed the City's delay in acting on annexation applications and advised that SPH has attempted to schedule a meeting with representatives of the City to clarify the District's annexation request; however, the City has been unresponsive regarding same.

PROPOSED ANNEXATION OF ADDITIONAL LAND INTO THE BOUNDARIES OF THE DISTRICT

In response to prior discussion regarding the status of the lakes located along the northern boundary of the District, Mr. Page advised that the District owns fee title to the lakes and application could be made to annex those lakes in to the District's boundaries, however, the District would not receive any tax benefit in doing so. The Board requested that Mr. Gutowsky review the available land survey and report back to the Board with appropriate action.

**NOTICE OF TERMINATION OF FINANCIAL ADVISORY CONTRACT;
ENGAGEMENT OF MASTERSON ADVISORS LLC**

Ms. Peak addressed the Board regarding her decision to terminate her employment with Hilltop Securities, Inc. ("Hilltop") and transition to Masterson a newly formed financial advisory firm. She then discussed the services provided by Masterson, responded to questions from the Board, and presented to and reviewed with the Board a Financial Advisory Contract between the District and Masterson, attached hereto as **Exhibit G**. Director Bueno raised his concerns regarding moving forward with Masterson, and requested that proposals be obtained for other financial advisory firms. Mr. Dickey stated that he is supportive of moving forward with Masterson on a temporary basis and recommended that proposals be obtained and reviewed from other financial advisory firms at a future Board meeting. After lengthy discussion, it was moved by Director Gilbert, seconded by Director Nystrom and with Directors Nystrom, Gilbert, and Redburn voting "aye" and Director Bueno voting "nay", the motion carried that the Board (i) terminate the Financial Advisory Contract between the District and Hilltop, (ii) authorize the President to execute a notice of termination to Hilltop in accordance with said contract, requesting a waiver of the thirty (30) day notice of termination provision, (iii) approve the Financial Advisory Contract with Masterson, and (iv) accept the TEC Form 1295 from Masterson and authorize SPH to acknowledge receipt of same.

ATTORNEY REPORT

The Board next considered the attorney's report. Mr. Page advised that he did not have anything of a legal nature to report that had not already been discussed.

CREATION OF DISTRICT WEBSITE

The Board discussed the potential creation of a district website. Mr. Page noted that No. 419 is also evaluating the development of a website and that the Board may consider designating a Board member to work with a Board member of No. 419 on the topic.

FUTURE MEETINGS WITHIN THE BOUNDARIES OF THE DISTRICT


The Board next discussed the scheduling of future meetings to be held within the boundaries of the District at the Lakeland Activity Center.

FUTURE AGENDA ITEMS

The Board discussed items for future Board meeting agendas. Mr. Page noted that Mr. Dickey can be seated at a special Board meeting subject to verification of the provisional ballot from Harris County.

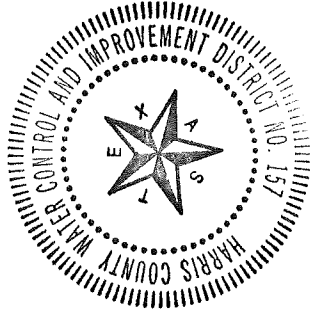
ADJOURNMENT

There being no further business to come before the Board, on motion made by Director Nystrom, 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 – Bookkeeper's Report

Exhibit C – BKD Engagement Letter

Exhibit D – Operator's Report

Exhibit E – Engineer's Report

Exhibit F – Home Inventory Summary

Exhibit G – Financial Advisory Contract