

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 157

Minutes of Meeting of Board of Directors October 11, 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 October 11, 2018, at 1300 Post Oak Boulevard, Suite 1400, Houston, 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
Cameron Dickey, Vice President
David Redburn, Secretary
James Motejzik, Assistant Secretary
Shane Bueno, Director

and all of said persons were present, except Director Dickey, thus constituting a quorum.

Also present were Mark Gehringer and Dan Kolkhorst of Bridgeland Development, LP ("Developer"); Mike Fitzgerald of BGE, Inc. ("BGE"); Kayla Crigger of Municipal Accounts & Consulting, L.P. ("Municipal Accounts"); Ray Arce of Wheeler & Associates, Inc. ("Wheeler"); Mirna Bonilla-Odums and Todd Burrer of Inframark, LLC ("Inframark"); Brian Krueger of BKD, LLP ("BKD"); John Howell of GMS Group ("GMS"); Neil Thomas of Norton Rose Fulbright US, LP ("NRF"); 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 meetings held on September 13, 2018 and September 25, 2018. After review and discussion, Director Motejzik moved that the draft minutes of September 13, 2018 and September 25, 2018, be approved, as presented. Director Redburn seconded said motion, which carried unanimously.

PUBLIC ANNOUNCEMENTS AND PUBLIC COMMENTS

The Board noted that there were no members of the public present.

WEBSITE CREATION AND ADMINISTRATION

The Board considered the development of the District website. Mr. Page presented to the Board the most current layout of the District website. Director Nystrom suggested revisions to the location listed for Town Hall meetings, and advised that he and Director Dickey would work with representatives of OffCinco to make additional revisions and finalize the layout. The Board noted that no action on its part was necessary regarding the website.

CONTINUING DISCLOSURE SERVICES

The Board considered continuing disclosure services for the District. Director Bueno advised that he has contacted Allen Boone Humphries Robinson ("ABHR"), and NRF to obtain qualifications for continuing disclosure services, and invited all firms to attend today's meeting. Mr. Page advised that he had discussed the matter with an attorney at ABHR and that ABHR declined to submit a statement of qualifications.

Mr. Thomas with NRF introduced himself to the Board and provided an overview of his qualifications as disclosure counsel and the services to be provided by disclosure counsel for the District.

Mr. Thomas thanked the Board for its time and exited the meeting.

After discussion, Director Redburn moved that (i) the District engage McCall, Parkhurst & Horton, LP ("MPH") as disclosure counsel, and (ii) the President be authorized to execute the engagement letter attached hereto as **Exhibit A**, and (iii) MRH's Texas Ethics Commission ("TEC") Form 1295 be accepted and SPH be authorized to acknowledge the receipt of same with the TEC. Director Motejzik seconded said motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR REPORT

Mr. Arce presented and reviewed the Tax Assessor Collector Monthly Report, dated as of September 30, 2018, a copy of which is attached hereto as **Exhibit B**, including the disbursements presented for approval and a Delinquent Collections Listing as of September 30, 2018. After discussion, Director Bueno moved that the Tax Assessor Collector Monthly Report be approved and the disbursements shown therein be authorized for payment. Director Motejzik 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., delinquent tax attorneys for the District.

2018 TAX RATE

The President next convened a hearing regarding the imposition of a proposed debt service tax rate and a maintenance tax rate for 2018. It was noted that no members of the public were in attendance. Upon motion by Director Bueno, seconded by Director Motejzik and unanimously carried, the hearing was closed.

The Board then discussed the setting of the 2018 tax rate. Mr. Arce confirmed that notice had been published in *The Houston Chronicle* in accordance with all legal requirements and as directed by the Board at its previous meeting. The publication affidavit and form of such office are included in the tax assessor-collector's report. Mr. Howell reminded the Board of the tax rate analysis previously presented. A lengthy discussion ensued regarding projected home and commercial growth in the District, the impact that reducing the debt service tax allocation will

have on available funds for future payments on outstanding debt, the future financing of facilities to serve the District, and other matters related to the District's total tax rate. After discussion, Director Bueno moved that: (i) the Board levy a 2018 debt service tax rate of \$0.3165 per \$100 of assessed valuation, a 2018 general maintenance tax rate of \$0.1010 per \$100 of assessed valuation, and a 2018 recreational facilities maintenance tax rate of \$0.0300 per \$100 of assessed valuation, resulting in a total 2018 tax rate of \$0.4475 per \$100 of valuation; and (ii) the Order Levying Taxes attached hereto as **Exhibit C** be adopted and the President be authorized to execute and the Secretary to attest same on behalf of the Board and the District. Director Motejzik seconded said motion, which carried unanimously.

DISTRICT INFORMATION FORM

Mr. Page presented and discussed with the Board an Amendment to the District Information Form relative to the levy of the District's 2018 tax rate. After discussion, Director Motejzik moved that said Amendment be approved and that the Board members present be authorized to execute same on behalf of the Board and the District. Director Bueno seconded said motion which carried unanimously.

PROPOSED \$8,600,000 UNLIMITED TAX BONDS, SERIES 2018 ("SERIES 2018 BONDS"), AND PROPOSED \$1,190,000 UNLIMITED TAX PARK BONDS, SERIES 2018A ("SERIES 2018A BONDS")

In connection with the District's proposed issuance of the Series 2018 and Series 2018A Bonds, Mr. Page reported that the application to the Texas Commission on Environmental Quality ("TCEQ") requesting approval of certain projects and the financing of same through the issuance of the Series 2018 Bonds and Series 2018A Bonds and the use of surplus construction funds was filed on July 17, 2018, and SPH is still awaiting a TCEQ staff memorandum and draft Order approving such application. He then discussed the proposed bond issuance schedule with the Board and noted that a special bond sale meeting may need to be considered in order to close on the sale of the Bonds by the end of the calendar year if the staff memorandum is not received prior to the next regular Board meeting. After discussion, the Board members present concurred that a special bond sale meeting be called at Director Nystrom's home, a designated meeting place inside the District, in the event the staff memorandum is not received prior to the regular Board meeting.

PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL NOTICE OF SALE

Mr. Howell presented and reviewed with the Board the proposed Official Notices of Sale and Preliminary Official Statement in connection with the Series 2018 Bonds and Series 2018A Bonds, copies of which are attached hereto as **Exhibit D**. Mr. Howell noted that the par amount of the 2018 Bonds was reduced in accordance with the Board's prior instruction to use \$300,000 operating funds to offset costs of issuance for the Series 2018 Bonds and benefit the District's taxpayers. Mr. Page noted that the Board had budgeted \$350,000 in the operating budget for such purpose and, after discussion, the Board concurred that Mr. Howell should apply the full \$350,000 to further reduce the principal amount of the Series 2018 Bonds. After discussion, Director Redburn moved that, subject to final review by the District's consultants and SPH, the offering documents be approved, completed and distributed in anticipation of a sale of the Series 2018 Bonds and Series 2018A Bonds, and that such Official Notices of Sale and Preliminary

Official Statement be deemed to be final for all purposes with the exception of any additional materials or information relating to subsequent material events, offering prices, interest rates, selling compensation, identity of the underwriters, aggregate principal amounts and other similar information, terms and provisions to be specified in the competitive bidding process. The motion was seconded by Director Motejzik and unanimously carried.

AUTHORIZE THE FINANCIAL ADVISOR TO ADVERTISE FOR THE SALE OF THE BONDS

The Board considered authorizing GMS to advertise for the sale of the Series 2018 Bonds and Series 2018A Bonds. After discussion on the matter, Director Redburn moved that the Board authorize GMS to advertise for the sale of the Series 2018 Bonds and the Series 2018A Bonds in accordance with the Official Notices of Sale, subject to receipt of a staff memorandum from the TCEQ. Director Motejzik seconded said motion, which unanimously carried.

APPROVE DESIGNATION OF PAYING AGENT/REGISTRAR IN CONNECTION WITH THE BONDS

The Board next considered the designation of a Paying Agent/Registrar in connection with the Series 2018 Bonds and Series 2018A Bonds. Mr. Page noted that The Bank of New York Mellon Trust Company, N.A. (the "Bank of New York") acts as paying agent/registrar for the District's outstanding bonds and has proposed to act in such capacity for the Series 2018 Bond issue and the Series 2018A Bond issue. After discussion on the matter, Director Redburn moved that the Board designate the Bank of New York as Paying Agent/Registrar in connection with the issuance of the Series 2018 Bonds and Series 2018A Bonds. Director Motejzik seconded said motion, which unanimously carried.

ATTORNEY GENERAL'S FEE

After further discussion concerning the sale and issuance of the Series 2018 Bonds and the Series 2018A Bonds, Director Redburn moved that Municipal Accounts be authorized to issue separate checks payable to the Attorney General of Texas for payment of transcript review fees for each issuance. Director Motejzik seconded the motion, which carried unanimously.

ENGAGEMENT OF AN AUDITOR FOR PREPARATION OF AUDIT OF PAYMENTS TO THE DEVELOPER OUT OF PROCEEDS OF THE SERIES 2018 BONDS AND SERIES 2018A BONDS

The Board next considered the engagement of an auditing firm to prepare audit reports in connection with the payment of funds to the Developer out of the proceeds of the Series 2018 Bonds and Series 2018A Bonds. The Board recognized Mr. Krueger of BKD who presented to the Board engagement letters and made a presentation concerning BKD's qualifications. Copies of said engagement letters are collectively attached hereto as **Exhibit E**. After further discussion of the matter, Director Bueno moved that (i) BKD be engaged to conduct an audit in connection with the payment of funds to the Developer out of the proceeds of the Series 2018 Bonds and Series 2018A Bonds, (ii) the President be authorized to execute the engagement letters with BKD on behalf of the Board and District, and (iii) BKD's TEC Form 1295 be accepted and SPH

be authorized to acknowledge receipt of same with the TEC. Director Harper-Redburn seconded said motion, which carried unanimously.

BOOKKEEPER'S REPORT

Ms. Crigger presented to and reviewed with the Board the Bookkeeper's Report dated October 11, 2018, a copy of which is attached hereto as **Exhibit F**, including the disbursements and wire transfers presented for approval. After discussion, Director Redburn moved that the Bookkeeper's Report be approved as presented, and the disbursements and wire transfers listed therein be approved for payment, except check no. 2897, which was voided. Director Bueno seconded the motion, which carried unanimously.

Ms. Crigger then presented to the Board the annual energy reporting required to be completed by Chapter 2265 of the Texas Government Code, a copy of which is included within the Bookkeeper's Report.

ANNUAL REVIEW OF ORDER ESTABLISHING POLICY FOR INVESTMENT OF DISTRICT FUNDS AND APPOINTING INVESTMENT OFFICER

The Board considered a review of its Order Establishing Policy for Investment of District Funds and Appointing Investment Officer ("Investment Policy"), and the adoption of a resolution in connection therewith. Mr. Page presented to the Board an Investment Policy in redline format and advised of the revisions made to the form of Collateral Security Agreement attached as an exhibit to the Investment Policy. Copies of the draft Investment Policy, Resolution and the Investment Policy are attached hereto as **Exhibit G**. After discussion on the matter, Director Motejzik moved that the Investment Policy be approved to reflect the proposed changes, as discussed, that the Board adopt the Resolution, and that the President and Secretary be authorized to execute the Investment Policy and the Resolution on behalf of the Board and the District. Director Bueno seconded said motion, which unanimously carried.

OPERATIONS AND MAINTENANCE

Ms. Bonilla-Odums introduced Mr. Burrer to the Board. Ms. Bonilla-Odums then presented the Operator's Report for the month of September 2018, a copy of which report is attached hereto as **Exhibit H**, and reviewed the charges, related repairs, and make up well pumpage listed therein. Ms. Bonilla-Odums then discussed the lake levels within the development and noted that the levels are within normal range, and no action regarding same was required by the Board at this time. The Board took no action regarding the Operator's Report, as no action was requested from the District's Operator at this time.

ENGINEER'S REPORT

Mr. Fitzgerald presented the Engineer's Report, dated October 11, 2018, a copy of which is attached hereto as **Exhibit I**, and reviewed the status of projects listed therein, including the pay estimates and change orders noted therein for approval, and easements and conveyances for acceptance. Director Nystrom inquired about the conveyance process, to which Messrs. Page, Fitzgerald and Gehringer replied. After review and discussion, Director Motejzik moved that the action items listed in the Engineer's Report be approved, as recommended by BGE, including (i)

approval of the pay estimates and change orders presented, and (ii) acceptance of the easements and conveyances presented, and the President be authorized to execute same on behalf of the Board and the District. Director Redburn seconded said motion, which unanimously carried.

Mr. Fitzgerald presented photographs of the low crossing bridge at Cypress Creek and the turf reestablishment at said location.

SITE MAINTENANCE

The Board considered the status of site maintenance within the District. Mr. Page noted that the proposed 2019 Maintenance Budget received from Spencer Outdoor needs to be revised to reflect the fiscal year and not a calendar year. Director Nystrom inquired about the revised invoices received from Spencer Outdoor and requested that the invoices be held subject to the bookkeeper further discussing same with Spencer Outdoor.

UTILITY COMMITMENT LETTERS

The Board considered issuance of utility commitments for detention capacity and deferred action on same as it was noted that no additional commitments for capacity were received at this time.

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.

DETENTION/AMENITY POND MANAGEMENT

The Board considered the status of amenity pond management and wildlife management. Mr. Page advised that the nutria and hog trapping and relocation is underway. The Board took no action regarding this item.

DEVELOPER'S REPORT

The Board considered the Developer's Report. Mr. Gehringer introduced Mr. Kolkhorst to the Board. Mr. Gehringer then presented to the Board a summary of sales for the District for September and year-to-date.

RATIFICATION OF PRIOR ACTION

The Board next considered ratification of its prior approval of an Order Establishing Additional Meeting Place within the District, at Pope Elementary School. After discussion, Director Bueno moved that such prior action be ratified and approved in all respects. Director Redburn seconded said motion, which unanimously carried.

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 (the "City") for consent to annex 47.08 acres of land was approved by the City on September 26, 2018, and an Exclusion Hearing can now be called for the next regular Board meeting. After discussion, Director Redburn moved that the Order Calling Exclusion Hearing, attached hereto as **Exhibit J**, be approved as presented, the President and Secretary be authorized to execute same on behalf of the Board and the District, and SPH be authorized to make the appropriate publication in the newspaper regarding same. Director Motejzik seconded said motion, which unanimously carried.

ATTORNEY REPORT

The Board considered the attorney's report. Mr. Page advised that the West Harris County Regional Water Authority will be increasing its groundwater pumpage fees and surface water fees by \$0.25 effective as of January 1, 2019. He advised that Harris County Municipal Utility District No. 419 will amend its Rate Order in November to reflect same and that the increase will impact the District if and when it utilizes its make up wells to maintain lake levels.

FUTURE MEETINGS WITHIN THE BOUNDARIES OF THE DISTRICT

The Board discussed the scheduling of future meetings and noted that future Town Hall meetings will be held at Pope Elementary School and Director Nystrom will coordinate same with the school.

FUTURE AGENDA ITEMS

The Board discussed items for future Board meeting agendas and noted that had no additional items to add.

ADJOURNMENT

There being no further business to come before the Board, on motion made by Director Motejzik, 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 – MPH Engagement Letter

Exhibit B – Tax Assessor-Collector Report

Exhibit C – Order Levying Taxes

Exhibit D – Official Notice of Sale and Preliminary Official Statement – Series 2018 and Series 2018A Bonds

Exhibit E –BKD Engagement Letters

Exhibit F – Bookkeeper's Report

Exhibit G – Resolution and Investment Policy

Exhibit H – Operator's Report

Exhibit I – Engineer's Report

Exhibit J – Order Calling Exclusion Hearing