

# HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 157

## Minutes of Meeting of Board of Directors

September 12, 2019

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 September 12, 2019, 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 Motejzik, thus constituting a quorum.

Also present were Darce' Ahlschlager of Wheeler & Associates, Inc. ("Wheeler"); David Baños and Charles LaConti of Municipal Accounts & Consulting, L.P. ("Municipal Accounts"); Juan Montano of Inframark, LLC ("Inframark"); Mike Fitzgerald of BGE, Inc. ("BGE"); Brian Krueger of BKD, LLP ("BKD"); John Howell of The GMS Group ("GMS"); Mike Willingham, resident of the District; 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.

### **PUBLIC COMMENTS**

The Board considered public comments. Mr. Willingham addressed the Board and presented the request from the Lakeland Village Community Association ("LVCA") attached hereto as **Exhibit A**. Following Mr. Willingham's presentation, Director Nystrom requested that an item be added to the next meeting agenda to consider the matter.

### **APPROVAL OF MINUTES**

The Board reviewed the draft minutes of its meeting held on August 8, 2019, and special meetings held on May 30, 2019, and July 23, 2019. After review and discussion, Director Dickey moved that the draft minutes of May 30, 2019, July 23, 2019, and August 8, 2019, be approved, as written. Director Redburn seconded said motion, which unanimously carried.

## **2019 TAX RATE**

Mr. Howell presented the recommendation of GMS for the District's proposed levy of a 2019 debt service tax rate in the amount of \$0.3165 per \$100 of assessed valuation, as reflected in the pro forma attached hereto as **Exhibit B**. Mr. Howell then discussed with the Board the roll-back tax rate calculations and the maintenance tax for the District. A lengthy discussion ensued.

Mr. Page advised that, pursuant to Section 49.236 of the Texas Water Code, the District is required to provide a notice containing certain tax-related information in connection with each meeting at which the adoption of a tax rate will be considered. Mr. Page further advised that the information to be included in the notice is set forth in the Texas Water Code and includes the proposed tax rate to be adopted. Director Nystrom suggested that the District provide public notice of its intent to levy a total tax rate for the District not to exceed \$0.4475, with the understanding that the Board would re-visit the tax rate at the October Board meeting. After further discussion, Director Dickey moved that the Board provide public notice of its intent to levy a total 2019 tax rate of \$0.4475 per \$100 of assessed valuation, and re-evaluate the tax rate at the October Board meeting. Director Bueno seconded the motion, which unanimously carried.

There followed a discussion concerning the methods for providing notice of the District's intention to adopt its 2019 tax rate. Mr. Page advised that the District must provide the notice by either (1) publishing it at least once in a newspaper having general circulation in the District at least seven days before the date of the meeting at which the tax rate will be adopted, or (2) mailing it to each owner of taxable property in the District, at the address shown on the most recently certified tax roll of the District, at least ten days before the date of the meeting. After discussion, Director Dickey moved that Wheeler be authorized to publish notice of the District's intention to adopt its 2019 tax rate at its next meeting, as discussed above, in the form and at the time required by law. Director Bueno seconded said motion which unanimously carried. The Board concurred that Wheeler should publish said notice in *The Houston Chronicle*.

## **PROPOSED UNLIMITED PARK TAX BONDS, SERIES 2019**

The Board then discussed the proposed issuance of the District's \$3,620,000 Unlimited Tax Park Bonds, Series 2019 (the "Bonds"). Mr. Page advised that the Order of the Texas Commission on Environmental Quality approving the issuance of the Bonds should be received in early October; therefore, the Board may want to consider authorizing GMS to prepare the Preliminary Official Statement and Notice of Sale for same for the Bonds. After discussion, the Board concurred to authorize GMS to begin preparation of the Preliminary Official Statement and Notice of Sale for the Bonds for presentation to the Board at its October meeting. In connection therewith, Mr. Howell discussed the requirements of Municipal Securities Rulemaking Board Rule G-23 (the "Rule") with the Board, and requested that an officer of the Board acknowledge receipt of written disclosures provided in accordance with the Rule. The Board concurred that the President should acknowledge receipt of such written disclosures for the Board and the District.

## **TAX ASSESSOR-COLLECTOR REPORT**

Ms. Ahlschlager presented and reviewed the Tax Assessor Collector Monthly Report, dated as of August 31, 2019, a copy of which is attached hereto as **Exhibit C**, including the disbursements presented for approval, and a Delinquent Collections Listing as of August 31, 2019, prepared by Wheeler. After discussion, Director Redburn moved that the Tax Assessor Collector Monthly Report be approved and the disbursements shown therein be authorized for payment. Director Dickey seconded said motion, which carried unanimously.

## **ACCLAIM ELECTRICITY POOL**

The Board next considered its participation in an electricity pool to be established by Acclaim Energy and Municipal Accounts. In connection therewith, Mr. LaConti presented and reviewed with the Board an electricity market update report, a copy of which is attached hereto as **Exhibit D**. Mr. LaConti stated that the proposed contract term will begin at the end of the District's current electricity contract and run through April 30, 2029, thereby securing a long term supply of electricity for the District. Mr. LaConti also presented to the Board a Resolution Authorizing Entering Into Contract for Pooled Purchase of Energy and Authorizing Execution of Related Documents, a copy of which is attached hereto as part of **Exhibit D**. Mr. LaConti advised that Municipal Accounts is requesting Mark Burton of Municipal Accounts be authorized to secure pooled electricity pricing for the District, subject to the associated contract meeting the following conditions: (1) it have a price per Kwh not to exceed \$0.03875, (2) it have a term that runs from the end date of the District's current electricity contract through April 30, 2029, and (3) it be in a form approved by SPH, as further detailed in the attached Resolution. Director Bueno stated his concerns regarding the risk of entering into a long term contract at this time due to possible future electricity rate fluctuations, to which Mr. LaConti replied. Following discussion, Director Dickey moved that: (i) the Board approve the District's participation in the electricity pool, (ii) Mark Burton of Municipal Accounts be authorized to negotiate and execute the pool contract on behalf of the District, subject to the above conditions and with such authorization to expire on November 30, 2019 if no contract is finalized by such date, and (iii) the attached Resolution be approved and adopted by the District. Director Redburn seconded the motion, and with Directors Dickey, Nystrom, and Redburn voting "aye", and Director Bueno abstaining, the motion carried.

## **ENGINEER'S REPORT**

Mr. Fitzgerald presented the Engineer's Report, dated August 8, 2019, a copy of which is attached hereto as **Exhibit E**, and reviewed the status of projects listed therein, including the pay estimate presented for Board action. In connection therewith, Mr. Fitzgerald discussed the status of Phase I & II Landscaping to serve Josey Lake Park noting that the project should be conveyed to the District in November. He then presented Pay Application No. 42 in the amount of \$8,316.00 for same. After discussion, Director Dickey moved that the Board approve the action items in the Engineer's Report, as recommended by BGE. Director Bueno seconded the motion, which carried unanimously. The Board requested an update regarding the negotiation of the costs of the bike rack at Josey Lake Park, to which Mr. Fitzgerald replied that he would discuss further with Bridgeland Development, LP.

Director Redburn inquired about the amenity lake levels and how flow is controlled between the lakes, to which Mr. Fitzgerald replied.

### **DELINQUENT TAX COLLECTIONS REPORT**

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

### **AUDIT REPORT**

Mr. Krueger presented and reviewed the draft of the District's audit of financial statements prepared for the District's fiscal year ending May 31, 2019, a copy of which is attached hereto as **Exhibit G**. In connection with the requirements of Statement on Auditing Standards No. 115, Mr. Krueger also presented the Board with a Management Letter prepared by BKD concerning the Board's internal controls over financial reporting, and correspondence from BKD to the District concerning significant accounting policies and practices, copies of which are attached hereto with the audit report. Mr. Page noted the proposed Management Response recommended by SPH and included in the draft Management Letter. After discussion, it was moved by Director Redburn, seconded by Director Dickey and unanimously carried, that (i) said Management Response be approved and adopted by the Board and the District, (ii) the audit report for the District's fiscal year ended May 31, 2019, be approved subject to final review by SPH, (iii) the President be authorized to execute the Annual Filing Affidavit on behalf of the Board and the District, and (iv) the final audit report and Annual Filing Affidavit be filed with the appropriate governmental authorities, including the TCEQ.

### **COMPTROLLER FILING**

Mr. Page next reminded the Board that Section 140.008, Texas Local Government Code, 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 the requirement. Upon a motion made by Director Dickey, seconded by Director Bueno, and carried unanimously, the Board elected to authorize SPH to file its annual audit for the fiscal year ended May 31, 2019, with the Comptroller.

### **BOOKKEEPER'S REPORT**

Mr. Baños presented and reviewed with the Board the Bookkeeper's Report dated September 12, 2019, a copy of which is attached hereto as **Exhibit H**, including the disbursements and wire transfers presented for approval. Mr. Baños noted check no. 3658 payable to Bridgeland Council, Inc. ("Council") was a reissued check for the annual maintenance contribution. The Board requested that a wire transfer be prepared for these maintenance

contributions in the future. Director Bueno inquired about the rates of the District's Certificates of Deposit and requested that Municipal Accounts coordinate with Harris County Municipal Utility District No. 419 ("MUD 419") on current rates. 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. Director Dickey seconded said motion, which unanimously carried.

## **OPERATIONS AND MAINTENANCE**

Mr. Montano then presented the Operator's Report for the month of August 2019, a copy of which report is attached hereto as **Exhibit I**, and reviewed the charges, related repairs, and make up well pumpage listed therein.

A discussion ensued regarding the amenity lake levels. Director Nystrom requested that Mr. Montano provide an e-mail to the Board if a change in lake level needs to be implemented per the Water Conservation and Drought Contingency Plan of the District. Director Bueno then inquired if a live video feed could be set up so the public could view the lake levels online. Mr. Montano advised that he could investigate same and report back to the Board at a future Board meeting. Mr. Montano additionally advised that he can compile reports on the amenity lake levels when the lakes go in and out of drought stages and forward same to SPH to provide to Directors Nystrom and Dickey for posting to the website.

Mr. Montano then advised the Board that a breaker needs to be replaced at Irrigation Pump Station No. 4 at an estimated cost of \$1,500. After discussion, Director Bueno moved that such replacement be made. Director Redburn seconded said motion, which unanimously carried.

Mr. Montano then advised that there have been continuous issues with the communication system at Irrigation Pump Station Nos. 1 and 2, and he is recommending that the Board install the Fleetzoom monitoring system at these pump stations. The Board requested that Mr. Montano provide a quote for same for review at the next Board meeting.

## **MOWING AND MAINTENANCE REPORTS**

The Board considered approval of an Eighth Amendment to Maintenance Agreement with Spencer Outdoor, LLC ("Spencer") to include anticipated maintenance for Josey Lake Phases I and II commencing on November 1, 2019, a copy of which is attached hereto as **Exhibit J**. Mr. Page advised that Council has included Josey Lake in its master bid package for maintenance of the entire Bridgeland development, and the District's maintenance responsibilities for Josey Lake Phase I and II may be temporary until a master maintenance agreement is entered into among Council, the District, MUD 419, and LVCA.

Director Bueno raised concerns regarding the increasing maintenance costs and anticipated amount of ad valorem tax revenue from new home construction that the District anticipates receiving to offset same. It was noted that the mowing frequency and mowing class designations in the maintenance agreement with Spencer could be negotiated by the District, and the District may want to consider engaging a third-party landscape architect to evaluate same and report to the Board.

After due discussion, Director Dickey moved that the Eighth Amendment to Maintenance Services Agreement be approved, subject to such Amendment term expiring at the calendar year end and receipt of a Texas Ethics Commission Form 1295 from Spencer for same. Director Redburn seconded said motion, which unanimously carried.

### **PROPOSED ANNEXATION OF CERTAIN LAND INTO AND EXCLUSION OF LAND FROM THE DISTRICT**

Mr. Page reported on the proposed annexation of land into and exclusion of land from the District boundaries and the bisecting of two homeowner lots by the proposed boundary line of the District and Harris County Water Control and Improvement District No. 159 ("WCID 159"). He reported that the last homeowner has executed the documentation for the land swap and requested that SPH assist with obtaining signatures from his mortgage lender, and SPH is currently working with the lender on same. Mr. Page advised that the land swap must occur concurrently with No. 159, and No. 159 meets again on October 21, 2019. Mr. Page then proposed that the District call a special meeting for the morning of October 21, 2019 to complete its land swap. The Board members present advised that they would be available to attend an 11:00 a.m. special meeting on October 21, 2019. Mr. Page then reminded the Board that, per Texas law, the currently due property taxes of all affected landowners must be paid prior to the land swap occurring, and recommended that the Board levy its tax rate for 2019 following the completion of the land swap. The Board concurred with said recommendation.

### **DETENTION/AMENITY POND MANAGEMENT**

The Board considered the status of amenity pond management and wildlife management. Director Nystrom advised that there are wild hogs that are digging around Water Haven and the Cove. Mr. Willingham advised that the LVCA is currently addressing the matter. Mr. Montano advised that there are geese that are eating the aquatic plants and a proposal for relocation will be provided at next month's meeting for review.

### **DEVELOPER'S REPORT**

The Board considered the Developer's Report. Mr. Page presented the home inventory report as prepared by Bridgeland Development, L.P., a copy of which is attached hereto as **Exhibit K**.

### **ATTORNEY REPORT**

The Board considered the attorney's report. In connection therewith, Mr. Page presented a memorandum prepared by SPH for the Board's files to summarize Senate Bill No. 944, House Bill No. 2840, and House Bill No. 305, a copy of which is attached hereto as **Exhibit L**, noting that the material therein was discussed at last month's Board meeting.

Director Nystrom inquired about the prospective District resident who previously raised concerns to the District regarding an emergency generator site being placed behind his purchased lot. Mr. Fitzgerald advised that Bridgeland Development, L.P. is working to reconfigure the site and landscape same.



## **DISTRICT WEBSITE**

The Board considered the administration of the District website. Mr. Page presented and reviewed a website analytics report prepared by OffCinco, a copy of which is attached hereto as **Exhibit M**. Mr. Page advised that the website was recently updated to comply with new laws enacted during the 86<sup>th</sup> Texas Legislative Session, including House Bill No. 305.

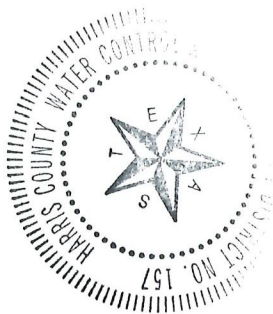
## **FUTURE AGENDA ITEMS**

The Board discussed items for future Board meeting agendas. The Board noted that it would hold a Town Hall on September 26, 2019, at Pope Elementary School. Mr. Page advised that MUD 419 expressed a desire to hold their Town Hall after the conclusion of the District's Town Hall. Director Nystrom advised that the District would need approximately 30 minutes, and then MUD 419 could begin.

## **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.

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David Redburn, Secretary

## LIST OF ATTACHMENTS TO MINUTES

Exhibit A – LVCA Contribution Request

Exhibit B – 2019 Tax Rate Recommendation

Exhibit C – Tax Assessor-Collector Report; Delinquent Collections Listing

Exhibit D – Resolution Authorizing Entering Into Contract for Pooled Purchase of Energy and authorizing Execution of Related Documents; Acclaim Proposal

Exhibit E – Engineer's Report

Exhibit F – Delinquent Tax Report

Exhibit G – Draft Audit

Exhibit H – Bookkeeper's Report

Exhibit I – Operator's Report

Exhibit J – Eighth Amendment to Maintenance Agreement

Exhibit K – Inventory Report

Exhibit L – Memorandum regarding enacted legislation as of September 1, 2019

Exhibit M – Website Analytics Report