

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 159

Minutes of Special Meeting of Board of Directors

January 31, 2024

The Board of Directors (the "Board") of Harris County Water Control and Improvement District No. 159 (the "District") met in special session, open to the public, on January 31, 2024, at 1300 Post Oak Boulevard, Suite 2500, Houston, Harris County, Texas, in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted members of said Board of Directors, as follows:

William Cook, President
Nicholas J. Russo, III, Vice President
Krystal Helbig, Secretary
Laura Maham, Assistant Secretary
Robin Goin, Assistant Secretary

and all of said persons were present, with the exception of Director Goin, thus constituting a quorum.

Also present were Avik Bonnerjee of B&A Municipal Services, Inc. ("B&A"); Trevor Smith of Municipal Accounts & Consulting, LP ("Municipal Accounts"); Kristen Turkal and Will Gutowsky of BGE, Inc. ("BGE"); Mackenzie Osborne of Inframark, LLC ("Inframark"); Julie Peak of Masterson Advisors, LLC ("Masterson"); and Joseph M. Schwartz and Peyton Ellis 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. There being no members of the public in attendance, the Board continued to the next item of business.

APPROVAL OF MINUTES

The Board considered the approval of the minutes of its meeting held on December 18, 2023. After discussion of the draft minutes presented, Director Cook moved that such minutes be approved, as written. Director Russo seconded said motion, which unanimously carried.

BOOKKEEPER'S REPORT AND QUARTERLY INVESTMENT REPORT

Mr. Smith presented to and reviewed with the Board the Bookkeeper's Report dated January 15, 2024, a copy of which is attached hereto as **Exhibit A**. Mr. Smith additionally presented the Quarterly Investment Inventory Report for the period ended November 30, 2023, a copy of which is included in the Bookkeeper's Report. Following discussion, it was moved by

Director Maham, seconded by Director Cook and unanimously carried, that (i) the Bookkeeper's Report be approved, as presented, and the disbursements listed therein be approved for payment, with the addition of check nos. 3503 and 3504, which will be reflected in next month's Bookkeeper's Report, and with the exception of check no. 3488, which was voided, and (ii) the Quarterly Investment Inventory Report be approved, as presented, and the District's Investment Officers be authorized to execute same on behalf of the Board and the District.

AMENDMENT OF OPERATING BUDGET FOR FISCAL YEAR ENDING MAY 31, 2024

The Board then considered the amendment of the operating budget for the District's fiscal year ending May 31, 2024. Mr. Smith reviewed the proposed changes to said operating budget with the Board. Upon review of the proposed changes, the Board requested that line item no. 16709 be revised to increase the amount budgeted for Election Expenses to \$15,000. Following discussion, it was moved by Director Russo, seconded by Director Maham and unanimously carried, that the amended operating budget be approved, as revised. A copy of the amended operating budget thus approved is attached hereto as **Exhibit B**.

RESOLUTION ADOPTING LIST OF QUALIFIED BROKERS

The Board then considered the adoption of a list of qualified brokers authorized to engage in investment transactions with the District. Mr. Schwartz advised that, pursuant to the Public Funds Investment Act, the Board is required to review such list at least annually, and presented to and reviewed with the Board a Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, (the "Resolution"), a copy of which is attached hereto as **Exhibit C**. Mr. Schwartz further noted that the broker list attached to the Resolution was compiled with the input of the District's Investment Officer, and that while it lists potential institutions with which the District may engage in investment transactions, it is ultimately the Board's decision as to where the District's funds are actually placed. Following discussion, Director Maham moved that the Resolution be adopted by the Board and the District, and the President and Secretary be authorized to execute same. Director Cook seconded said motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR'S REPORT

Mr. Bonnerjee presented to and reviewed with the Board the Tax Assessor-Collector's Report and Delinquent Tax Roll for the month of December 2023, a copy of which is attached hereto as **Exhibit D**. Following discussion, Director Maham moved that the Tax Assessor-Collector's Report be approved, as presented, and the disbursements listed therein be approved for payment. Director Cook seconded said motion, which unanimously carried.

DELINQUENT TAX COLLECTIONS REPORT

The Board deferred consideration of a Delinquent Tax Report, as it was noted that none was due at this time from Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue Brandon"), delinquent tax attorneys for the District.

ADDITIONAL PENALTY ON DELINQUENT PERSONAL PROPERTY TAXES

Mr. Schwartz advised the Board that it is authorized, pursuant to Section 33.11 of the Tax Code, to impose, under certain conditions, an additional penalty not to exceed 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, in accordance with Section 33.11 of the Tax Code, as amended. Following discussion, it was moved by Director Maham, seconded by Director Cook and unanimously carried, that: (i) the Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes, attached hereto as **Exhibit E**, be adopted by the Board, and (ii) Perdue Brandon, the District's delinquent tax collections attorneys, be authorized to proceed with collection of the District's delinquent 2023 personal property tax accounts on April 1, 2024, including the filing of lawsuits, as necessary.

EXEMPTIONS FROM TAXATION

The Board considered granting exemptions from taxation for 2024. In connection therewith, Mr. Schwartz outlined for the Board the various tax exemptions available for 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 2024, and 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 2024, and, if any such exemptions are granted, they must be for not less than \$3,000 of the market value of such homesteads. Ms. Peak then presented to and reviewed with the Board a 2024 Exemption Analysis prepared by Masterson, a copy of which analysis is attached hereto as **Exhibit F**. After further discussion on the matter, Director Russo moved that (i) the District not grant the residential homestead exemption, (ii) the District grant an exemption for persons under a disability or sixty-five years of age or older in the amount of \$20,000 from ad valorem taxes levied by the District during the calendar year 2024, and (iii) the Resolution Concerning Exemptions from Taxation, a copy of which is attached hereto as **Exhibit G**, be approved and adopted by the Board and the District. The motion was seconded by Director Maham and carried by a vote of three (3) in favor, with Director Cook abstaining.

TEXAS COMPTROLLER OF PUBLIC ACCOUNTS SPECIAL PURPOSE DISTRICT PUBLIC INFORMATION DATABASE

Mr. Schwartz 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. Following discussion, it was moved by Director Cook, seconded by Director Maham and unanimously carried, that FORVIS, LLP, the District's auditor, be authorized to prepare the required information and submit same to the Comptroller for inclusion in the Special Purpose District Public Information Database.

RENEWAL OF DISTRICT INSURANCE COVERAGES

Mr. Schwartz reported to the Board that the District's current insurance coverage through Arthur J. Gallagher & Co. ("Gallagher"), will expire on March 31, 2024. He informed the Board of the other insurance companies available to the District that provide coverage to water districts, and inquired as to whether the Board desired to solicit proposals from such companies for review prior to the expiration of the District's current policies. Following discussion, it was moved by Director Cook, seconded by Director Russo and unanimously carried, that SPH be authorized to solicit a renewal proposal from Gallagher, its current provider, for consideration at the next meeting Board meeting.

PROPOSED UNLIMITED TAX BONDS, SERIES 2024 ("SERIES 2024 DRAINAGE BONDS") AND UNLIMITED TAX PARK BONDS, SERIES 2024A ("SERIES 2024A PARK BONDS")

The Board considered the status of the preparation of Bond Application Report No. 7 ("BAR No. 7") in connection with the issuance of the District's Series 2024 Drainage Bonds and Series 2024A Park Bonds. In connection therewith, Mr. Schwartz advised the Board that BGE is in the process of preparing BAR No. 7 for filing on a non-expedited basis with the Texas Commission on Environmental Quality in February 2024. It was noted that no action was required by the Board in connection with this matter at this time.

ENGINEER'S REPORT

Ms. Turkal presented to and reviewed with the Board the Engineer's Report dated January 15, 2024, a copy of which is attached hereto as **Exhibit H**, including the pay estimates and change orders listed therein. Mr. Schwartz noted that the acceptance of the Conveyances and Bills of Sale of Facilities reflected in the Engineer's Report would be deferred.

Ms. Turkal next reviewed with the Board potential options for improvement of the pumping and distribution of water between Inks Lake and the Trio Lakes located within the District. In connection therewith, Ms. Turkal presented an exhibit depicting BGE's preliminary conceptual design for the implementation of an amenity lift pump that uses SmartPond automation, a copy of which is included in **Exhibit H**. She advised that BGE recommends the installation of a 1,000 gpm pump, and noted that she will have quotes to present to the Board for its consideration at next month's meeting. Following discussion, the Board requested that Ms. Turkal additionally obtain quotes for the installation of a 1,500 gpm pump for consideration at next month's meeting. No action was required by the Board in connection with this matter.

Ms. Turkal next discussed the status of the installation of lake elevation markers at the District's lakes. Following discussion, the Board requested that additional elevation markers be installed at Inks Lake and Dragon Fly Lake to assist with the monitoring of District lake levels during drought periods.

Ms. Turkal recalled the Board's previous desire to adjust the District's Water Conservation and Drought Contingency Plan ("DCP") to include detailed specifications for water reductions

during drought periods. In that regard, Ms. Turkal presented to and reviewed with the Board a proposed draft of the District's updated DCP, a copy of which is attached hereto as **Exhibit I**, and noted that such draft provides for, among other things, site-specific water reductions and water reductions based upon landscape type. Following review and discussion, the Board concurred to defer taking action with respect to the draft DCP at this time, and requested that an item be placed on next month's meeting agenda to consider approval of an updated DCP.

Ms. Turkal next advised the Board that BGE has identified three (3) potential firms that provide the necessary irrigation and landscape inspection services to conduct an audit of the District's irrigation system. The Board determined that it would like to meet with two (2) of the aforesaid firms in the District to discuss the matter further. Following discussion, Ms. Turkal noted that BGE would coordinate with the Board's selected firms to arrange meetings in the District.

Following discussion of the Engineer's Report, Director Maham moved that the Engineer's Report and the actions recommended therein be approved, as presented, including the additional lake elevation markers at Inks Lake and Dragon Fly Lake, as set forth in the Engineer's Report. Director Cook seconded the motion, which unanimously carried.

Mr. Bonnerjee exited the meeting at this time.

LANGHAM CREEK DETENTION PHASE 2 ("PHASE 2B – CONTRACT 2 PROJECT")

The Board then considered the status of the Phase 2B – Contract 2 Project, and noted that there were no items for discussion in connection with this matter at this time.

OPERATOR'S REPORT

Ms. Osborne presented to and reviewed with the Board an Operations and Maintenance Report for the month of December 2023, a copy of which is attached hereto as **Exhibit J**. Following review and discussion, it was noted that no action was required by the Board in connection with the Operations and Maintenance Report.

Director Cook advised the Board of his concerns regarding the District's timely receipt of reimbursement for any damages to the District's purple pipe system and/or irrigation water loss caused by contractors performing work within the District. In that regard, Director Cook requested that any incidents involving system damages/water loss be immediately reported to Directors Cook and Russo to ensure the timely assessment and handling of such matters by the Board.

CAPACITY COMMITMENT LETTERS

Mr. Schwartz advised that there were no new requests for commitments received.

RECREATIONAL FACILITIES MAINTENANCE; WILDLIFE; SECURITY

The Board considered the status of mowing and maintenance of the District's facilities. In connection therewith, Director Cook reminded the Board that it previously delegated authority to Directors Cook and Russo for the expenditure of funds in an amount not to exceed \$50,000 for use in the engagement, discussion and development of an enhanced landscape maintenance program through March 31, 2024. In connection therewith, Director Cook requested that the Board consider granting an extension on the timeframe for such authority through December 31, 2024. Following discussion, it was moved by Director Maham, seconded by Director Cook and unanimously carried, that the Board's prior delegation of authority to Directors Cook and Russo for the expenditure of funds in an amount not to exceed \$50,000 for use in the development of an enhanced landscape maintenance program be extended through December 31, 2024.

Director Cook presented to and discussed with the Board a handout detailing the District's proposed Landscape Project, a copy of which is attached hereto as **Exhibit K**. No action was required by the Board in connection with this matter.

BRIDGELAND EMERGENCY COMMUNICATIONS COMMITTEE

The Board then considered the status of the Emergency Communications Committee and noted there was nothing new to report at this time.

BRIDGELAND WATER AGENCY (THE "AGENCY")

The Board discussed matters relative to the Agency. In connection therewith, Mr. Schwartz reported that the Board of Trustees of the Agency is planning to host an appreciation event for the various employees that serve the Bridgeland community on a daily basis, including those from Republic and Inframark, among others. He then inquired as to whether the Board desired to contribute District funds towards such event. Following discussion, the Board concurred that it would be amenable to participating in the appreciation event.

Director Cook requested that the Board consider designating Director Russo as the District's Trustee to serve on the Board of Trustees of the Agency, and designating Director Cook as the District's First Alternate Trustee to serve in the event the Trustee is unable to attend a meeting or other obligation of the Agency. Following discussion, it was moved by Director Maham, seconded by Director Helbig and unanimously carried, that Director Russo be designated as Trustee, and Director Cook be designated as First Alternate Trustee, on behalf of the Board and the District.

STATUS OF DISTRICT WEBSITE; PROPOSAL FOR WEBSITE SERVICES

Director Cook reminded the Board that the Trustees have selected Touchstone District Services, LLC ("Touchstone") to serve as the Agency's website services provider, and suggested that engaging Touchstone to serve as the District's website services provider would ensure uniformity with the Agency's website. He then presented to and reviewed with the Board a proposed Consulting Agreement between the District and Touchstone, and a proposed Exhibit A1 to Consulting Agreement, copies of which are attached hereto as **Exhibit L**. Following discussion, it was moved by Director Cook, seconded by Director Russo and unanimously carried, that: (i)

Touchstone be engaged to serve as the District's website services provider, (ii) the Consulting Agreement between the District and Touchstone, and the Exhibit A1 to Consulting Agreement, be approved, and the President be authorized to execute same on behalf of the Board and the District, (iii) the Texas Ethics Commission ("TEC") Form 1295 submitted by Touchstone in connection therewith, be approved, and SPH be authorized to acknowledge same on behalf of the Board and the District, and (iv) SPH be authorized to prepare and transmit to Off Cinco, the District's current website services provider, a notice of termination of the District's current contract for website services.

RUE TRACT AND HORNBERGER TRACT ANNEXATIONS

The Board considered the status of annexation of the 154 acres (the "Rue Tract") and the adjacent 168 acres (the "Hornberger Tract") as previously requested by TPHTL House Hahl, LLC. Mr. Schwartz advised that the drainage study has not yet been approved by the Harris County Flood Control District, and that the City of Houston (the "City") would not act upon any annexation consent petitions until such approval has been received. Given the lengthened annexation timeline, the Developer will add a 17.48-acre annexation tract to be filed with the City for consent along with the Rue and Hornberger annexation request, as well as a 8.03 acre tract to be excluded from the District's boundaries. The Board took no action regarding this item.

DEVELOPER'S REPORT

Mr. Schwartz presented to and reviewed with the Board the home inventory report through December 2023, as prepared by Bridgeland Development, LP, the District's developer, a copy of which is attached hereto as **Exhibit M**. It was noted that no action was required by the Board in connection with such report.

TRACE AIR FLYOVER

Mr. Schwartz advised the Board that Trace Air conducted the aerial flyover of the Bridgeland development on January 4, 2024, and that the results of said flyover have been distributed accordingly.

MATTERS RELATED TO MAY 4, 2024 DIRECTORS ELECTION

Mr. Schwartz reported on issues related to the District's Directors Election (the "Election") to be held on May 4, 2024. In connection therewith, Mr. Schwartz presented to and discussed with the Board a memorandum prepared by SPH, a copy of which is attached hereto as **Exhibit N**. Mr. Schwartz advised that Harris County will not offer joint election services to political subdivisions for the May 4, 2024 election, and therefore, the District will have to hold an independent election. He further discussed the challenges of administrating an independent election.

Mr. Schwartz next advised the Board that, in the event the District's independent election is contested, the District may enter into a Joint Elections Agreement with other water district serving the Bridgeland community, if any of such districts also hold contested directors elections, for the purpose of sharing election equipment, election officials, and precinct polling locations.

After discussion, it was moved by Director Cook, seconded by Director Russo and unanimously carried, that SPH be authorized to proceed with preparation of a Joint Elections Agreement by and among the District and the applicable participants.

ACCESSIBLE VOTING SYSTEM

Mr. Schwartz noted that Section 49.111, Texas Water Code, provides an exemption from the requirement to provide certain electronic voting systems at the Election if the District's previous directors election was uncontested and subsequently cancelled, or if fewer than 250 voters voted in the District's previous directors election. He noted that, though the District is exempt from said requirement because the District's previous directors election was canceled, he recommends that the Board authorize SPH to obtain a proposal and contract from Election Systems & Software for a voting machine and related services, including programming, training, and testing, in the event that such voting equipment and services are needed. Following discussion, it was moved by Director Cook, seconded by Director Russo and unanimously carried, that SPH be authorized to obtain a proposal and contract from Election Systems & Software for a voting machine and related services, including programming, training, and testing, as necessary.

ATTORNEY'S REPORT

The Board considered the attorney's report. Mr. Schwartz presented a memorandum prepared by the West Harris County Regional Water Authority ("WHCRWA") regarding the nomination process for candidates to the WHCRWA Board of Directors, a copy of which is attached hereto as **Exhibit O**. In connection therewith, Mr. Schwartz requested that the Board authorize Inframark to submit to the WHCRWA the annual Water Usage Report for 2023 on behalf of the District. After discussion, it was moved by Director Maham, seconded by Director Helbig and unanimously carried, that Inframark be authorized to submit the annual Water Usage Report for 2023 to the WHCRWA, as requested.

SUPPLEMENTAL AGENDA

The Board next considered calling the Election in accordance with the requirements of the Texas Water Code. In connection therewith, Mr. Schwartz presented the Order Calling Directors Election (the "Order") attached hereto as **Exhibit P** calling the Election to be held on May 4, 2024. It was noted that the terms of office of Directors Helbig, Maham and Goin expire in May of this year. In reviewing the Order with the Board, Mr. Schwartz 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 Election, and that the Order names Peyton Ellis as such agent (the "Election Agent"). Mr. Schwartz further advised the Board that notice of the Election must be given in accordance with the requirements of the Texas Election Code. Mr. Schwartz advised the Board that notice of the Election could be given by one or more of the following methods: (i) publishing the notice in a newspaper published in the territory of the District or of general circulation in the District at least ten (10) days before the election, but not more than thirty (30) days before the election; (ii) posting the notice at a public place in each election precinct that overlaps the District at least twenty-one (21) days before the election; or (iii) mailing the notice to each registered voter in the District at least ten (10) days before the election. He further advised that, in addition to the

above, notice must be posted on the District's website at least twenty-one (21) days before the election. Following discussion of the options, the Board concurred that notice of the Election be given by posting same at a public place in each election precinct that overlaps the District and on the District's website. After discussion on the matter, Director Cook 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 Election in accordance with the Order. Director Russo seconded said motion, which unanimously carried. Mr. Schwartz 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 20, 2024, the Board may thereafter cancel the Election in accordance with the Texas Election Code.

The Board considered the establishment of fees to be paid to officials for the Election. Mr. Schwartz 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 Cook moved that the judges and clerks for the Election, including early voting clerks, be paid \$15.00 per hour. Director Russo seconded said motion, which unanimously carried.

MATTERS FOR PLACEMENT ON FUTURE AGENDAS

The Board considered items for placement on future agendas. No other specific agenda items other than routine and ongoing matters, or those discussed above, were requested.

ADJOURNMENT

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

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Kristal Delby
Secretary

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 159

LIST OF ATTACHMENTS TO MINUTES

January 31, 2024

- Exhibit A –** Bookkeeper's Report
- Exhibit B –** Amended Operating Budget for Fiscal Year Ending May 31, 2024
- Exhibit C –** Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District
- Exhibit D –** Tax Assessor-Collector's Report
- Exhibit E –** Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes
- Exhibit F –** 2024 Exemption Analysis
- Exhibit G –** Resolution Concerning Exemptions from Taxation
- Exhibit H –** Engineer's Report
- Exhibit I –** Draft Water Conservation and Drought Contingency Plan
- Exhibit J –** Operations and Maintenance Report
- Exhibit K –** Landscape Project Handout
- Exhibit L –** Consulting Agreement and Exhibit A1 to Consulting Agreement with Touchstone District Services, LLC
- Exhibit M –** Home Inventory Report through December 2023
- Exhibit N –** Memorandum regarding Independent Elections with Harris County
- Exhibit O –** WHCRWA Memorandum regarding 2024 Appointment Process for Authority Directors
- Exhibit P –** Order Calling Directors Election