

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 26
Minutes of Meeting of Board of Directors
April 11, 2017

The Board of Directors of Harris County Municipal Utility District No. 26 met at 20810 Lee Road, Humble, Harris County, Texas on April 11, 2017, in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted officers and members of said Board, as follows:

Keith McKeand, President
Floyd Green, Vice President
Ray Boudreaux, Secretary
James Buchanan, Assistant Secretary
Jake Wofford, Assistant Secretary

and all such persons were present, thus constituting a quorum.

Also present were Tina Kelsey of Myrtle Cruz, Inc. ("MCI"); Bradley Jenkins and Mason Mueller of Jones & Carter, Inc. ("Jones and Carter"); Cindi Oliver of Equi-Tax, Inc. ("Equi-Tax"); Michael Williams and Lonnie Wright of Municipal Operations and Consulting, Inc. ("MOC"); Chief Bryan Harris of the Eastex Fire Department ("Eastex"); Sergeant Hinkel of the Harris County Precinct Four Constable's Office ("HCP4"); Shannon Waugh and Alan De Jong of Off Cinco, LLC ("Off Cinco"); and Spencer Creed of Schwartz, Page & Harding, L.L.P. ("SPH").

The President called the meeting to order and declared it open for such business as might come before it.

APPROVAL OF MINUTES

The Board considered approval of the minutes of the March 14, 2017, Board of Directors meeting. Following discussion, Director Green moved that the minutes of the March 14, 2017, Board meeting be approved, as written. Director Boudreaux seconded the motion, which unanimously carried.

**DISCUSS POTENTIAL ESTABLISHMENT OF WEBSITE FOR THE DISTRICT;
APPROVAL OF SERVICE AGREEMENT BETWEEN THE DISTRICT AND OFF
CINCO**

The Board next discussed the potential establishment of a website for the District and the approval of a Service Agreement between the District and Off Cinco (the "Agreement"), a copy of which is attached hereto as **Exhibit A**. Ms. Waugh reviewed and discussed the terms and conditions of the Agreement with the Board, as well as the layout and maintenance costs associated therewith, and responded to various questions from the Board. A discussion ensued concerning the option to have Off Cinco add the District as an additional insured under its insurance coverages for an additional expense and the addition of language to address the confidentiality of customer information received by Off Cinco. Mr. Creed advised that there will be additional consultant fees, including legal expenses, associated with the ongoing regulatory

requirements for a district website as set forth in the memorandum prepared by SPH and previously provided to the Board. Following discussion, Director Wofford moved that the Board approve the Agreement, subject to confirmation of receipt of the related Texas Ethics Commission Form 1295 from Off Cinco and addition of the discussed customer information confidentiality provision, and authorized the President to execute same on behalf of the Board and the District. Director Buchanan seconded the motion, which unanimously carried. The Board chose a standard layout design and hosting option two as set forth in the Agreement. The Board requested that, once the District's website is live, a notice regarding the establishment of a website for the District be included in customer water bills.

HARRIS COUNTY PRECINCT FOUR CONSTABLE'S OFFICE SECURITY REPORT

Sergeant Hinkel presented and reviewed HCP4's security report for the month of March 2017, a copy of which is attached hereto as **Exhibit B**. Sergeant Hinkel reviewed with the Board various current activities of HCP4.

REPUBLIC SERVICES, INC.

As the next order of business, the Board considered a report from Republic Services, Inc. ("Republic") concerning solid waste collection activities within the District. Mr. Creed stated that a representative of Republic was not able to attend tonight's meeting but they had provided a report for the Board. He then distributed to the Board a copy of the Customer Service Report provided by Republic prior to the meeting, a copy of which report is attached hereto as **Exhibit C**. No action was taken by the Board.

COMMENTS FROM THE PUBLIC

Mr. Harris addressed the Board and presented and reviewed a 911 Statistics Report for the month of February, as well as a quarterly district-wide report, copies of which are attached hereto as **Exhibit D**. A discussion ensued regarding Eastex's use of water during training activities within the District and the measurement of same. Mr. Harris stated that Eastex could coordinate training with MOC to take place during the times when MOC is flushing the District's water lines. Following discussion, Director McKeand moved that where Eastex coordinates with MOC to utilize water at the times and in amounts that would be used anyway for flushing the District's system, then there will be no charge to Eastex for such water, but where such coordination does not take place Eastex shall be charged the applicable regional water authority fee for the water by the District. Director Wofford seconded the motion, which unanimously carried. The Board stated that under either circumstance the water use is to be metered by MOC.

Mr. Harris exited the meeting at this time.

BOOKKEEPING REPORT AND PAYMENT OF BILLS

As the next order of business, Ms. Kelsey presented to and reviewed with the Board the bookkeeping report, including the checks presented for payment from the District's various accounts, the budget for the fiscal year to date, the investment report and the pledged security report, copies of which are attached hereto as **Exhibit E**. After further discussion on the matter,

Director Boudreaux moved that the Board approve the bookkeeping report and that the checks identified therein be approved for payment. Director Buchanan seconded the motion, which unanimously carried.

The Board next reviewed a proposed operating budget for the fiscal year ending April 30, 2018, a copy of which is included with **Exhibit E**. The Board requested that an item related to expenses associated with the District's website be added to the budget. After discussion, Director Boudreaux moved that the budget for the fiscal year ending April 30, 2018, be adopted, as revised. Director Buchanan seconded said motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR REPORT

Ms. Oliver then presented and reviewed the tax assessor-collector's report for March 2017, a copy of which is attached hereto as **Exhibit F**, including the checks presented for payment. After discussion, Director Boudreaux moved that the tax assessor's report be approved as presented, including the listed disbursements. Director Buchanan seconded said motion, which carried unanimously.

Ms. Oliver and Ms. Kelsey exited the meeting at this time.

DELINQUENT TAX COLLECTIONS ATTORNEY REPORT

With respect to the review of a Delinquent Tax Report from the District's delinquent tax collections attorneys, Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), Mr. Creed reminded the Board that Perdue provides written reports on a semi-annual basis and that no report was received for the current period.

RESOLUTION AUTHORIZING ADDITIONAL PENALTY ON DELINQUENT REAL PROPERTY TAXES

The Board next considered the adoption of a Resolution Authorizing an Additional Penalty on Delinquent Real Property Taxes. Mr. Creed advised that the Board is authorized, pursuant to Section 33.07 of the Texas Tax Code, as amended, to impose, under certain conditions on July 1, an additional penalty not to exceed twenty percent (20%) of the total taxes, penalty and interest due the District on taxes that remain delinquent as of July 1 of the year in which they become delinquent. After discussion, it was moved by Director Buchanan, seconded by Director Boudreaux and unanimously carried, that the Resolution Authorizing an Additional Penalty on Delinquent Real Property Taxes, attached hereto as **Exhibit G**, be adopted by the Board.

DEVELOPER'S REPORT

As the next order of business, the Board considered the Developer's report. The Board noted that there were no developers present at the meeting.

UTILITY COMMITMENT REQUEST(S)

Mr. Creed next reported that the District has not received any new requests for utility commitments.

ENGINEERING REPORT

As the next order of business, the Board considered the engineering report. Mr. Jenkins presented to and reviewed with the Board a written engineering report dated April 11, 2017, a copy of which is attached hereto as **Exhibit H**, relative to the status of various projects within the District, and reported as reflected therein. He reminded the Board that the Harris County permit associated with the Deerbrook Estates drainage channel storm water quality feature is in Friendswood Development Company's ("Friendswood") name and needs to be transferred to the District. Mr. Jenkins advised that the permit renewal application was submitted to Harris County and has been rejected due to the requirement that the portion of drainage channel located north of Stagewood Drive be mowed. He stated that Jones & Carter has contacted Mr. Jeb Kolby of Friendswood to direct him to contact the homeowners association to request that it mow this portion of the channel.

With regard to the sanitary sewer cleaning and televising project (the "Project") by Sewer Services of Texas, Inc., Mr. Jenkins advised that the project is approximately 80% complete. He further advised that he is in receipt of an e-mail from the contractor, a copy of which is attached to the engineering report, advising that the contractor does not intend to complete the Project. Mr. Jenkins stated that he recommends that the Board solicit bids to complete the cleaning and televising of the remaining sanitary sewer lines and retain the \$14,562.01 currently due the contractor until the District's costs incurred from having to re-bid this portion of the work can be established. Following discussion, Director Buchanan moved that (i) further payment to Sewer Services of Texas, Inc. be held pending determination of District's additional costs incurred from having to re-bid this portion of the Project, and (ii) that Jones & Carter be authorized to solicit bids for the cleaning and televising of the remaining sanitary sewer lines covered by the Project. Director Boudreaux seconded the motion, which unanimously carried.

Mr. Jenkins next reminded the Board that approximately 4,000 linear feet of sanitary sewer line within Jesse Jones Park was removed from the Project, and that the Board previously discussed an option under which the District would construct a new sanitary sewer line and abandon that portion within the park, which would require an additional easement from Harris County. He advised that Jones & Carter met with representatives of Harris County to discuss the above-referenced option for the construction of a new line, and advised that Harris County is amenable to this option as long as the new lines are connected to the existing park facilities. Mr. Jenkins requested the Board's authorization to prepare and submit a formal request to Harris County for approval of the sanitary sewer trunkline replacement option and dedication of the associated easement. He stated that a cost estimate for such project is attached to the engineering report (\$821,000), along with previously presented cost estimates for sanitary sewer cleaning and televising and pipe replacement alternatives. Following discussion, Director Buchanan moved that Jones & Carter be authorized to prepare and submit a formal request to Harris County for approval of the sanitary sewer trunkline replacement option and dedication of the associated easement. Director Wofford seconded the motion, which unanimously carried.

With regard to the 48-inch public storm sewer extension project, Mr. Jenkins advised that Jones & Carter has obtained plan approval from Harris County, and anticipates having CenterPoint Energy's approval next month. He stated that a copy of the bid tabulation is attached to the engineering report, and noted that the low bid was submitted by T Construction, LLC in the amount of \$189,184.00 and that Jones & Carter recommends the contract be awarded to them. Following discussion, Director Buchanan moved that the contract for the 48-inch public storm sewer extension project be awarded to T Construction, LLC in the amount of \$189,184.00, as recommended by Jones & Carter, subject to approval of plans by CenterPoint Energy. Director Wofford seconded the motion, which unanimously carried.

With regard to construction of the wastewater treatment plant outfall, Mr. Jenkins advised that bids have been received, with the low bid solicited by Camino Services in the amount of \$19,195.00. Following discussion, Director Buchanan moved that the contract for the construction of the wastewater treatment plant outfall be awarded to Camino Services in the amount of \$19,195.00. Director Green seconded the motion, which unanimously carried.

Mr. Jenkins next advised that the permit for the Storm Water Quality Feature in Kenswick Trace expires on June 13, 2017, and that the fee for renewal of the permit is \$250. Following discussion, Director Buchanan moved that Jones & Carter be authorized to renew the Kenswick Trace Storm Water Quality Permit in the total amount of \$250, as discussed. Director Boudreaux seconded the motion, which unanimously carried.

STATUS OF DISTRICT'S APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY ("TCEQ") FOR APPROVAL OF PROJECT AND BONDS

The Board next discussed the status of the District's application to the TCEQ for approval of project and bonds in connection with the District's Unlimited Tax Bonds, Series 2017. Mr. Jenkins advised that Jones & Carter is in the process of preparing a draft of the Bond Application Report for review by the District's consultants.

RESOLUTION REQUESTING RELEASE OF ESCROWED BOND PROCEEDS

The Board next considered the adoption of a Resolution Requesting Release of Escrowed Bond Proceeds (the "Resolution"), attached hereto as **Exhibit I**, in connection with the Deerbrook Commons 48-inch public storm sewer extension project. Following discussion, Director Buchanan moved that the Resolution be adopted and the President and Secretary be authorized to execute same on behalf of the Board and the District. Director Wofford seconded the motion, which unanimously carried. Mr. Creed stated that SPH and Jones & Carter will prepare the application to the TCEQ for release of the bond proceeds.

RESOLUTION REQUESTING CHANGE IN USE OF BOND PROCEEDS

The Board next considered the adoption of a Resolution Requesting Change in Use of Bond Proceeds, attached hereto as **Exhibit J**, in connection with the Series 2011 water well no. 2 rework project. Mr. Jenkins advised that the 2011 water well no. 2 rework project was not required at this time and that he recommends the funds be used instead to partially finance the sanitary sewer line abandonment and relocation project previously discussed. Following

discussion, Director Wofford moved that the Resolution Requesting Change in Use of Bond Proceeds be adopted and the President and Secretary be authorized to execute same on behalf of the Board and the District. Director Boudreaux seconded the motion, which unanimously carried.

OPERATION AND MAINTENANCE REPORT

Mr. Williams then presented to and reviewed with the Board the operations and maintenance report for the month of March 2017, a copy of which is attached hereto as **Exhibit K**.

Mr. Williams recommended that the Board consider authorizing MOC to move certain delinquent accounts, in the total amount of \$3,996.21, to the uncollectible roll, such accounts being listed on the District Write-Offs Report, a copy of which is attached to the operations and maintenance report. After further discussion, it was moved by Director Buchanan, seconded by Director Boudreaux and unanimously carried, that such accounts be moved to the uncollectible roll as recommended by MOC.

Mr. Wright next advised the Board that MOC received a call from a District resident, Ms. Tiffany Doomes of 2111 Escola Drive, who indicated that she stepped into a sink hole and was injured and has requested to be reimbursed by the District for her hospital expenses that were incurred. Following discussion, the Board concurred to defer taking action on this matter until the next meeting and requested that SPH and MOC assemble additional information on the matter for the Board's consideration.

CONSUMER CONFIDENCE REPORT

The Board considered authorizing MOC to prepare a draft Consumer Confidence Report ("CCR") for review by the Board. Mr. Creed advised that pursuant to CCR requirements promulgated by the United States Environmental Protection Agency and the TCEQ, the District is required to provide a report containing various information regarding the District's water supply to all customers of the District by July 1, 2017. After discussion on the matter, it was moved by Director Buchanan, seconded by Director Boudreaux and unanimously carried, that MOC be authorized to prepare a draft CCR and SPH be authorized to review same for compliance with the TCEQ's regulatory requirements and its 2017 template.

IDENTITY THEFT PREVENTION PROGRAM

The Board then considered review of the District's Identity Theft Prevention Program (the "Program"). In connection therewith, Mr. Williams presented MOC's annual report, a copy of which is attached to the Operator's report, and advised the Board regarding the District's experience with identity theft during the prior year, current identity theft methods, the types of accounts maintained by the District and the District's business arrangements with other entities. Mr. Williams recommended that no changes be made to the District's Program. After discussion on the matter, the Board concurred that no changes were necessary to the District's Program at this time.

REPORT CONCERNING MO'S BARBEQUE ("MO'S") TRACT

A discussion ensued with regard to the status of compliance by the owner of the Mo's tract with various outstanding deficiency items. Mr. Jenkins advised the Board that the landowner has provided a copy of the plans for the construction of a new six inch sanitary sewer line from Mo's to the District's public sanitary sewer system, and that platting of the tract is in progress. The Board deferred a hearing concerning Mo's violation of the Rate Order and imposition of fines and penalties until the next meeting.

ATTORNEY'S REPORT

The Board next considered the attorney's report. In that regard, Mr. Creed presented and reviewed correspondence received from the TCEQ, a copy of which correspondence is attached hereto as **Exhibit L**, regarding the District's 2017 Homeland Security Contact Update Form. He advised that such correspondence was forwarded to MOC for completion and submission to the TCEQ on behalf of the District.

Mr. Creed next presented and reviewed correspondence received from the TCEQ, a copy of which correspondence is attached hereto as **Exhibit M**, regarding CCR's. He advised that such correspondence has been forwarded to MOC for processing.

Mr. Creed next presented to and reviewed with the Board correspondence from the U.S. Census Bureau regarding a voluntary survey, a copy of which correspondence is attached hereto as **Exhibit N**. Following discussion, the Board concurred not to participate in the survey.

Mr. Creed next presented to and reviewed with the Board correspondence from Build America Mutual Assurance Company ("BAM") dated March 23, 2017, attached hereto as **Exhibit O**, providing information regarding BAM's 2017 Annual Meeting and requesting that the District fill out a proxy card with regard to the re-election of two (2) nominees to BAM's Board of Directors. The Board took no action on the matter.

PRESIDENT'S REPORT

Director McKeand then presented and reviewed a copy of the President's Report for March 2017, a copy of which is attached hereto as **Exhibit P**. He stated that he would like to include inserts provided by the North Harris County Regional Water Authority in customer water bills, and that he will further discuss his request with MOC. No action was taken by the Board at this time.

EXECUTIVE SESSION

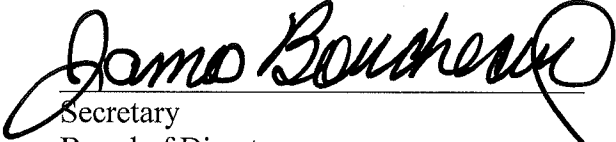
The Board determined it would not be necessary to enter into Closed Session pursuant to Texas Government Code, Section 551.071.

POSSIBLE FUTURE AGENDA ITEMS

The Board then considered items for placement on a future agenda. No items were requested to be added to future agendas other than those items hereinabove discussed.

ADJOURNMENT OF MEETING

There being no further business to come before the Board, the President adjourned the meeting.


Secretary
Board of Directors

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LIST OF ATTACHMENTS TO MINUTES

<u>Exhibit A</u>	Service Agreement between the District and Off Cinco
<u>Exhibit B</u>	Security Report for the month of March 2017
<u>Exhibit C</u>	Customer Service Report prepared by Republic Services, Inc.
<u>Exhibit D</u>	911 Statistics Report
<u>Exhibit E</u>	Bookkeeper's Report
<u>Exhibit F</u>	Tax Assessor-Collector's Report
<u>Exhibit G</u>	Resolution Authorizing an Additional Penalty on Delinquent Real Property Taxes
<u>Exhibit H</u>	Engineering Report
<u>Exhibit I</u>	Resolution Requesting Release of Escrowed Bond Proceeds
<u>Exhibit J</u>	Resolution Requesting Change in Use of Bond Proceeds and Use of Surplus Construction Funds
<u>Exhibit K</u>	Operations and Maintenance Report
<u>Exhibit L</u>	Correspondence from the Texas Commission on Environmental Quality
<u>Exhibit M</u>	Correspondence from the Texas Commission on Environmental Quality
<u>Exhibit N</u>	Correspondence from the U.S. Census Bureau
<u>Exhibit O</u>	Correspondence from Build America Mutual Assurance Company
<u>Exhibit P</u>	President's Report for March 2017