

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 26**  
**Minutes of Meeting of Board of Directors**  
**September 12, 2017**

The Board of Directors of Harris County Municipal Utility District No. 26 met at 20810 Lee Road, Humble, Harris County, Texas on September 12, 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"); Barbra Nussa of Republic Services, Inc. ("Republic"); Christine Crotwell of FirstSouthwest, a division of Hilltop Securities Inc. ("FirstSouthwest"); Deputy Wendy Brown, who entered later in the meeting as noted herein, Sergeant Hinkel and Deputy Torres of the Harris County Precinct Four Constable's Office ("HCP4"); Larry Posey, Jr., Lou Snippet, and Babby Posey of Posey Construction & Development, Inc. ("Posey Construction"); Narcisse Taplin, who entered later in the meeting as noted herein, David Cobin, Rosa Patterson, Carolyn Hardy, Alejandra Bay and Stephen Bay, residents of the District; 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 next considered approval of the minutes of the August 1, 2017, and August 8, 2017, Board of Directors meetings. Following discussion, Director Buchanan moved that the minutes of the August 1, 2017, and August 8, 2017, Board meetings be approved, as written. Director Boudreaux seconded the motion, which unanimously carried.

**STATUS OF ISSUANCE OF UNLIMITED TAX REFUNDING BONDS, SERIES 2017**

Ms. Crotwell presented the results of the sale of the District's Unlimited Tax Refunding Bonds, Series 2017. She indicated that the District attained a net present value savings of \$458,494.89 (19.103954%) from the transaction and advised that the closing of the transaction is scheduled to take place on September 14, 2017.

## **FINANCIAL ADVISOR'S RECOMMENDATION CONCERNING THE DISTRICT'S PROPOSED 2017 TAX RATE**

Ms. Crotwell then presented the Board with her recommendation regarding the proposed 2017 debt service tax rate and maintenance tax rate, a copy of which is attached hereto as **Exhibit A**. She advised that she is recommending a proposed 2017 debt service tax rate of \$0.44. The Board then discussed the proposed 2017 maintenance tax.

There next followed a discussion concerning the requirements for notice of the District's intention to adopt a 2017 tax rate. Mr. Creed advised that, pursuant to §49.236 of the Texas Water Code, as amended, 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. Creed further advised that the information to be included in the notice is set forth in the Water Code and includes the proposed tax rate to be adopted. He 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 further discussion on the matter, Director Buchanan moved that the Board accept the financial advisor's recommendation of a proposed 2017 debt service tax rate of \$0.44 and proposed maintenance tax rate of \$0.25, and that the District's tax assessor-collector be authorized to publish notice of the District's intention to adopt a 2017 tax rate at its next meeting in the form and at the time required by law. Director Boudreaux seconded the motion, which unanimously carried. The Board concurred that the notice should be published by the tax assessor-collector in *The Humble Observer*.

Deputy Brown entered the meeting during above discussion.

Ms. Crotwell then presented to and reviewed with the Board the Regulatory Disclosure Regarding Municipal Advisor Agreement provided by FirstSouthwest, relative to Municipal Securities Rulemaking Board ("MSRB") Rule G-42, a copy of which is attached hereto as **Exhibit B**. She advised the Board that recent changes to MSRB G-42 now require FirstSouthwest, as a municipal advisor, to provide to each issuer certain written disclosures related to an issuer's upcoming debt issuance. After discussion, Director Buchanan moved to authorize Director McKeand to acknowledge receipt of said Disclosure Statement on behalf of the District. Director Boudreaux seconded said motion, which unanimously carried.

## **HARRIS COUNTY PRECINCT FOUR CONSTABLE'S OFFICE SECURITY REPORT**

Sergeant Hinkel presented and reviewed the Harris County Precinct 4 Constable's Office security report for the month of August 2017, a copy of which is attached hereto as **Exhibit C**. No action was taken by the Board at this time.

Ms. Taplin entered the meeting during the presentation of the security report.

## **REPUBLIC SERVICES, INC.**

As the next order of business, the Board considered a report from Republic concerning solid waste collection activities within the District. Ms. Nussa reviewed with the Board the Customer Service Report, a copy of which is attached hereto as **Exhibit D**. No action was taken by the Board at this time.

## **COMMENTS FROM THE PUBLIC**

Various residents asked questions concerning matters within the District, to which the Board and its consultants responded.

A discussion was then initiated by Mr. and Mrs. Bay concerning the quality of the District's water supply. Mr. Bay presented to the Board a sample of water that he represented came from the District's water system and had been evaluated by a water quality testing device to show contaminants. Director McKeand noted that the District is required to provide a "consumer confidence report" containing various information regarding the District's water supply to all of its customers on an annual basis, that the water supply has met all applicable standards and that such information is reviewed and monitored by the United States Environmental Protection Agency and the Texas Commission on Environmental Quality. Following lengthy discussion, Mr. Wright indicated that he would provide Mr. Bay with contact information for MOC's water compliance officer to discuss the matter further. No action was taken by the Board 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 Buchanan moved that the Board approve the bookkeeping report and that the checks identified therein be approved for payment. Director Boudreaux seconded the motion, which unanimously carried. Director McKeand requested that the number of months of operating reserves for the District be reflected on future bookkeeping reports. Ms. Kelsey stated that such information will be included on future reports.

Ms. Kelsey addressed the Board with regard to the service charges imposed by Compass Bank, as discussed at the previous meeting.

## **TAX ASSESSOR-COLLECTOR REPORT**

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

Ms. Oliver distributed an Active Installment Agreements Report, a copy of which is attached as part of **Exhibit F**.

### **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.

### **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.

### **REQUEST TO HARRIS COUNTY COMMISSIONER WITH REGARD TO WIDENING OF LEE ROAD**

Mr. Jenkins advised that he contacted Harris County with regard to the anticipated time frame for widening of the road, and was told that widening of the road is part of the County's master plan, but that there are currently no funds allocated towards the project. Following further discussion, Director Boudreaux moved that SPH and/or Jones & Carter be authorized to prepare a letter for Board signature requesting the Harris County Commissioner's Office to conduct a traffic study relative to the widening of Lee Road. Director Green seconded the motion, which unanimously carried.

### **UTILITY COMMITMENT REQUEST(S)**

Mr. Creed next addressed the Board regarding the status of the utility commitment letter previously issued by the District to Willowbend FM 1960, Ltd. for water and sanitary sewer service to serve an approximately 456 unit apartment complex to be located within the District. He advised that the District is in receipt of a request from Willowbend FM 1960, Ltd. for renewal of the utility commitment letter in connection with the proposed two phase apartment complex located within the District, and noted that this item will be further discussed under the engineering report.

### **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 September 12, 2017, a copy of which is attached hereto as **Exhibit G**, relative to the status of various projects within the District, and reported as reflected therein. Following discussion of the engineer's report, it was moved by Director Buchanan, seconded by Director Green and unanimously carried that the engineering report be approved including (i) approval of Pay Estimate No. 1 in the amount of \$24,021.90 to CleanServe, LLC for the cleaning and televising of the sanitary sewer system, (ii) authorization for Jones & Carter to confirm that the addition of a cell phone antenna on the elevated storage tank will not interfere with the existing facilities and antennas located there, and

(iii) approval of the utility commitment request for Phase II of the Willowbend apartment project, as recommended by Jones & Carter.

Ms. Oliver, Ms. Crotwell, Deputy Brown, Sergeant Hinkel, Deputy Torres, Mr. David Cobin, Ms. Rosa Patterson, and Ms. Carolyn Hardy exited the meeting at this time.

Mr. Posey and Mr. Snippet addressed the Board regarding Posey Construction's request for annexation into the District of the land located within the Serenity Estates subdivision, as discussed at the previous meeting. Mr. Jenkins advised that Jones & Carter is awaiting receipt of the cost deposit from Posey Construction for preparation of the feasibility study relative to the proposed annexation of the tract of land discussed herein. Mr. Snippet advised the landowners first needed to modify existing deed restrictions on the property, and would then follow up concerning utility capacity. No action was taken by the Board at this time.

Mr. Posey, Ms. Posey, and Mr. Snippet exited the meeting at this time.

#### **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, including a change in use of funds for the water well no. 2 rework project (\$385,825). Mr. Jenkins advised that Jones & Carter provided SPH with the application for submittal to the TCEQ. Mr. Creed stated that SPH is in the process of finalizing the application for submittal to the TCEQ, and reminded the Board that the request for change in use of bond proceeds is being included in the application to the TCEQ for approval of Bond Issue No. 17 in order to reduce the size of the bond issue.

#### **STATUS OF RESOLUTION REQUESTING RELEASE OF ESCROWED FUNDS**

A discussion ensued regarding the status of the Resolution Requesting Release of Escrowed Funds (\$242,000 for Deerbrook Commons 48" public storm sewer extension). Mr. Creed advised that the application was declared administratively complete by the TCEQ on July 31, 2017, and that it is currently undergoing review by the TCEQ.

#### **OPERATION AND MAINTENANCE REPORT**

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

Mr. Williams recommended that the Board consider authorizing MOC to move certain delinquent accounts, in the total amount of \$1,156.09, 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.

Sergeant Hinkel and Deputy Torres re-entered the meeting 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 engineering items, including installation of a grease trap and establishing the required distances between the tract's internal water and sewer lines. Following discussion, the Board deferred a hearing concerning Mo's violation of the Rate Order and imposition of fines and penalties until the next meeting.

### **STATUS OF WEBSITE FOR DISTRICT**

The Board next considered the status of the website for the District, and considered the (i) addition of email accounts for directors and (ii) implementation of mass messaging options for the District, as well as an amendment to the Service Agreement between the District and Off Cinco, L.L.C. concerning same. Following discussion, the Board concurred to defer taking action on these matters at this time.

### **ATTORNEY'S REPORT**

The Board next considered the attorney's report. Mr. Creed reported that the District is in receipt of a request from the Texas Department of Public Safety for a Single Audit Act Compliance Report relative to certain state and/or federal grant funds received by the District. After discussion, Director Wofford moved that SPH be authorized to submit the Report and any additional paperwork required to the appropriate authority. Director Buchanan seconded the motion, which carried unanimously.

Ms. Taplin exited the meeting at this time.

### **PRESIDENT'S REPORT**

Director McKeand addressed the Board and provided photo copies of recent flooding within the District, copies of which photos are attached hereto as **Exhibit I**. He thanked MOC for its effort and time spent at the District facilities during the flooding event. No action was taken by the Board at this time.

### **POLICY FOR HANDLING CUSTOMER BILLING IN LIGHT OF RECENT STORM**

The Board next discussed the policy for handling customer billing in light of the recent storm, including but not limited to treatment of delinquencies, imposition of penalties and termination of service otherwise applicable under the District's Rate Order. Following discussion, Director Wofford moved that the imposition of penalties and termination of service for customers who are currently delinquent be deferred until the next billing cycle. Director Green seconded the motion, which unanimously carried.

A discussion ensued with regard to a District customer who claims to have been recently injured by stepping into a water meter box. No action was taken by the Board at this time.

**EXECUTIVE SESSION**

The Board entered into closed session pursuant to Texas Government Code Section 551.071 at 9:33 p.m., with only Mr. Creed also in attendance. All others present exited the meeting at this time. The Board re-convened in regular session at 9:56 p.m.

The Board then recognized the operator personnel who monitored the District and its facilities during the storm event, and discussed the provision of an honorarium from the District to certain MOC employees as a means of appreciation for the services provided to the District during the storm. Following discussion, Director McKeand moved that five (5) MOC employees be provided with \$100 gift cards. Director Wofford seconded the motion, which unanimously carried.

**POSSIBLE FUTURE AGENDA ITEMS**

The Board then considered items for placement on a future agenda. The Board requested that an item be added to discuss the injury claim recently raised by the District resident who stepped into a meter box.

**ADJOURNMENT OF MEETING**

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

  
Secretary  
Board of Directors