

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 26
Minutes of Meeting of Board of Directors
October 10, 2017

The Board of Directors of Harris County Municipal Utility District No. 26 met at 20810 Lee Road, Humble, Harris County, Texas on October 10, 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 Bill Russell 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 John Montgomery of Municipal Operations and Consulting, Inc. ("MOC"); Barbra Nussa of Republic Services, Inc. ("Republic"); 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"); Steve Grychka of Water Utility Services, Inc.; Stephen Bay and Alejandra Bay, residents of the District, who entered later in the meeting as noted herein; 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 September 12, 2017, Board of Directors meeting. Following discussion, Director Buchanan moved that the minutes of the September 12, 2017, Board meeting be approved, as written. Director Boudreaux seconded the 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 September 2017, a copy of which is attached hereto as **Exhibit A**. No action was taken by the Board at this time.

PUBLIC HEARING REGARDING ADOPTION OF THE DISTRICT'S 2017 TAX RATE, LEVY OF THE DISTRICT'S 2017 TAX RATE AND ADOPTION OF AN ORDER CONCERNING SAME

The Board conducted a hearing regarding the imposition of a proposed debt service tax rate and a maintenance tax rate for 2017. It was noted that no taxpayer appeared at the hearing.

Upon motion made by Director Buchanan, seconded by Director Green and unanimously carried, the hearing was closed.

The Board then discussed the setting of the 2017 tax rate. After discussion on the matter, Director Buchanan moved that: (i) the Board adopt the tax rate as proposed at the District's September 12, 2017, meeting and as reflected in the notice; (ii) the Board levy a 2017 debt service tax rate of \$0.44 per \$100 of valuation and a 2017 maintenance tax rate of \$0.25 per \$100 of valuation, resulting in a 2017 tax rate of \$0.69 per \$100 of valuation; and (iii) the Order Levying Taxes attached hereto as **Exhibit B** be adopted in connection therewith and that the President be authorized to execute and the Secretary to attest same on behalf of the Board and the District. Director Green seconded said motion, which carried unanimously.

AMENDMENT TO DISTRICT INFORMATION FORM

Mr. Creed presented and discussed with the Board an Amendment to the Fifth Amended and Restated District Information Form ("DIF") relative to the District's tax rate. After discussion regarding said form, Director Buchanan moved that the DIF be approved and that the Board members present be authorized to execute same on behalf of the Board and the District. Director Green seconded said motion which carried unanimously.

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 C**. No action was taken by the Board at this time.

COMMENTS FROM THE PUBLIC

There were no comments from the public at this time.

Ms. Nussa exited the meeting at this time.

A discussion ensued regarding the water quality concerns raised by Mr. and Mrs. Bay at the previous meeting, as well as their associated request for waiver of water bills. Mr. Montgomery and Mr. Grychka addressed the Board regarding the extensive sampling and testing of the District's water supply recently conducted by MOC and Water Utility Services, Inc., as well as the reliability of the water quality testing device utilized by Mr. Bay. Mr. Montgomery noted that the various test results were available at tonight's meeting for review. Director McKeand noted that he had observed the testing conducted at MOC's offices and that the device was also utilized with non-District water samples. Mr. Montgomery explained how the particular device works, and that the discoloration of the water samples that occurs is the result of the electrical current defacing the metal prongs of the device rather than the discoloration coming from the water itself. Mr. Montgomery advised that the District's water supply has met all state and federal applicable standards, and that the District has not received any notices of violations of such standards within the last ten (10) years. Following lengthy discussion, Director Buchanan moved that (i) the Board consider the water quality complaint matter closed based upon the information and documentation presented, (ii) the request for waiver of water bills be denied, and

(iii) that the delinquent procedures contained in the District's Rate Order be followed in the event of nonpayment on the Bay's account. Director Boudreaux seconded the motion, which unanimously carried.

Deputy Brown entered the meeting during the above discussion.

Mr. and Mrs. Bay briefly entered the meeting during the above discussion and then exited.

BOOKKEEPING REPORT AND PAYMENT OF BILLS

As the next order of business, Mr. Russell 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 D**. 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.

Sergeant Hinkel, Deputy Torres, Deputy Brown, and Mr. Grychka exited the meeting at this time.

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

The Board considered the annual review of its Order Establishing Policy for Investment of District Funds and Appointing Investment Officer (the "Investment Policy"), and the adoption of a Resolution in connection therewith. Mr. Creed presented for the Board's review an amended Investment Policy, and a Resolution Regarding Review of Order Establishing Policy for Investment of District Funds and Appointing Investment Officer (the "Resolution"). He then presented to and reviewed with the Board a memorandum, explaining the proposed changes to the Investment Policy, a copy of which is attached hereto as **Exhibit E**. After discussion on the matter, Director Wofford moved that the revised Investment Policy and Resolution, attached hereto as **Exhibit F**, be adopted to reflect the proposed changes as noted therein, and that the President and Secretary be authorized to execute same. Director Boudreaux seconded said motion, which unanimously carried.

STATUS OF COMPLIANCE BY THE DISTRICT WITH TEXAS GOVERNMENT CODE, CHAPTER 2265

As the next order of business, the Board considered the status of compliance by the District with Texas Government Code, Chapter 2265, as codified, relative to energy reporting requirements. Mr. Creed advised that the applicable report is attached to the bookkeeping report (**Exhibit D**), and that no further action is necessary at this time.

TAX ASSESSOR-COLLECTOR REPORT

Ms. Oliver then presented and reviewed the tax assessor-collector's report for September 2017, a copy of which is attached hereto as **Exhibit G**, 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 Boudreaux seconded said motion, which carried unanimously.

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

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. Creed reminded the Board that, at the previous meeting, it authorized Jones & Carter to prepare a letter for Board signature requesting the Harris County Commissioner's Office (the "Commissioner's Office") to conduct a traffic study relative to the widening of Lee Road. Mr. Jenkins advised that Jones & Carter has prepared the letter to the Commissioner's Office for signature by the Board, and presented same for review. Following discussion, Director Buchanan moved that the President be authorized to execute the letter to the Commissioner's Office, on behalf of the Board and the District, to request a traffic study relative to the widening of Lee Road. Director Wofford seconded the motion, which unanimously carried.

UTILITY COMMITMENT REQUEST(S)

It was noted that this matter will be covered 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 October 9, 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. Following discussion of the engineer's report, it was moved by Director Buchanan, seconded by Director Boudreaux and unanimously carried that the engineering report be approved including (i) approval and execution of a renewal form by the President in connection with renewal of the stormwater quality permit for the Deerbrook Estates drainage channel, (ii) authorization of Jones & Carter to prepare a bond authorization report to be

utilized in connection with a future bond election by the District, and (iii) approval of the utility commitment request for BlueWave Kenswick, as recommended by Jones & Carter.

Deputy Torres re-entered the meeting during the engineering report.

A discussion ensued concerning the proposed layout for internal water and sanitary sewer lines to serve the buildings located within the FM 1960 Autoplex tract. Following discussion, the Board concurred that each separate building should be required to have a separate service line in accordance with the District's standard rules and regulations.

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, including a change in use of funds for the water well no. 2 rework project (\$385,825). Mr. Creed advised that the bond application report has been submitted to the TCEQ, and was declared administratively complete on September 19, 2017. He 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 approved by the TCEQ on September 21, 2017.

OPERATION AND MAINTENANCE REPORT

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

Mr. Williams recommended that the Board consider authorizing MOC to move certain delinquent accounts, in the total amount of \$2,914.14, 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. Williams reported to the Board that Ms. Valerie Williams, who resides at 21214 Arcadia Park Lane, had reported a sanitary sewer backup that had damaged the floors within certain areas of her home. He reported that there was a sag in the District's sewer lead which may have caused the backup. Mr. Williams advised that Ms. Williams filed a claim with her insurance carrier, and was denied. Following discussion, Director Buchanan moved that MOC be authorized to file a claim with the District's insurance provider with regard to the sanitary sewer

backup at 21214 Arcadia Park Lane. Director Boudreaux seconded the motion, which unanimously carried.

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. A discussion ensued with regard to a District customer who resides at 21347 Maple Harvest Lane, and claims to have been recently injured by stepping into a water meter box. Mr. Creed noted that photos of the injury and supporting materials were previously forwarded to the Board. Following discussion, Director Wofford moved that MOC be authorized to file a claim with the District's insurance provider in connection with this matter. The motion carried with Directors McKeand, Green, Buchanan, and Wofford being in favor of such motion, and Director Boudreaux being opposed.

Mr. Creed next reminded the Board that the District received 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 previously received by the District. He further reminded the Board that, at the previous meeting, it authorized SPH to submit the Report and any additional paperwork required to the appropriate authority. Mr. Creed advised that SPH is in the process of confirming what paperwork is required by the state.

PRESIDENT'S REPORT

Director McKeand then presented and reviewed a copy of the President's Report for September 2017, a copy of which is attached hereto as **Exhibit I**. 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>	Security Report for the month of September 2017
<u>Exhibit B</u>	Order Levying Taxes
<u>Exhibit C</u>	Customer Service Report prepared by Republic Services, Inc.
<u>Exhibit D</u>	Bookkeeper's Report
<u>Exhibit E</u>	Memorandum prepared by Schwartz, Page & Harding, L.L.P. regarding proposed revisions to Investment Policy and form of Collateral Security Agreement
<u>Exhibit F</u>	Resolution Regarding Review of Order Establishing Policy for Investment of District Funds and Appointing Investment Officer
<u>Exhibit G</u>	Tax Assessor-Collector's Report
<u>Exhibit H</u>	Engineering Report
<u>Exhibit I</u>	Operations and Maintenance Report
<u>Exhibit J</u>	President's Report for the month of September 2017