

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

The Board of Directors of Harris County Municipal Utility District No. 26 met at 20810 Lee Road, Humble, Harris County, Texas on January 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 & Carter"); Kenneth Byrd of Equi-Tax, Inc. ("Equi-Tax"); Michael Williams of Municipal Operations and Consulting, Inc. ("MOC"); Sergeant Hinkel of the Harris County Precinct Four Constable's Office ("HCP4"); Chief Bryan Harris of the Eastex Fire Department ("Eastex"); Charles E. Jackson and his wife, Helen Thompson, affiliated with Mo's BBQ and Catering, L.P. ("Mo's"); Wayne Ramshire of Ramshire & Sons Construction; Carlos Castrejon of Friendswood Development Company ("Friendswood"); Barbara Nussa of Republic Services, Inc. ("Republic"); 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 December 13, 2016, Board of Directors meeting. Following discussion, Director Buchanan moved that the minutes of the December 13, 2016, Board meeting be approved, as written. Director Green seconded the motion, which unanimously carried.

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

Sergeant Hinkel presented and reviewed HCP4's security report for the month of December 2016, a copy of which is attached hereto as **Exhibit A**.

Mr. Creed next presented to and reviewed with the Board a renewal Interlocal Agreement for Law Enforcement Services between Harris County and the District, a copy of which is attached as **Exhibit B**. Following discussion, Director Buchanan moved that the Interlocal Agreement for Law Enforcement Services by and between Harris County and the District be

approved, and that the President be authorized to execute and the Secretary to attest same on behalf of the Board and District. Director Boudreaux seconded the motion, which unanimously carried.

Sergeant Hinkel exited the meeting at this time.

### **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**. The Board requested that, going forward, printed copies of the reports be provided to the directors at the meeting, even if an e-mail copy has been previously provided. Ms. Nussa agreed to do so. No action was taken by the Board at this time.

Director McKeand requested that future reports distinguish between references to "bulk items" where the customer was simply provided information versus instances where there was a problem with pickup. Ms. Nussa agreed to do so.

### **COMMENTS FROM THE PUBLIC**

Mr. Harris addressed the Board and presented and reviewed a 911 Statistics Report for the month of December, a copy of which is attached hereto as **Exhibit D**. The Board requested that Eastex provide copies of the reports to SPH on a monthly basis (for distribution to the Board) and that a representative of Eastex attend the District's meetings on a quarterly schedule, to which Mr. Harris agreed.

Mr. Harris next requested that Eastex be allowed to access the District's elevated storage tank at Water Plant No. 3 in order to determine whether there is an existing antenna on site that functions with Eastex's radio. Mr. Harris noted that he believes Eastex will be making a formal request in the future to negotiate the terms of a proposed lease for the installation of the antenna on the tower. Following discussion, Mr. Williams advised MOC will coordinate with Eastex to allow their access to the tower and will monitor Eastex's activity while on site. The Board concurred with that plan.

### **REPORT CONCERNING MO'S BARBEQUE TRACT**

Mr. Jackson advised that Mo's is in the process of addressing the outstanding items that it is required to comply with in order to continue receiving sanitary sewer service from the District, as detailed in the District's prior correspondence. A discussion ensued with regard to the status of the outstanding easement associated with the 8" public sanitary sewer line and compliance by Mo's with various outstanding deficiency items. In response to an inquiry by Mr. Creed, Mr. Jackson advised that both he and his attorney were amenable to the form of easement provided by SPH and that he would be personally responsible for ensuring it gets signed by the lienholder. Following discussion, the Board deferred the hearing concerning Mo's violation of the Rate Order and imposition of fines and penalties until the next meeting, and requested that Mr.

Jackson provide updates to Jones & Carter concerning any progress made with regard to the outstanding items so that the District can remain informed.

Mr. Ramshire advised that his company will likely be involved with installation of the grease trap at Mo's.

Mr. Jackson, Mr. Ramshire, and Ms. Thompson exited the meeting at this time.

### **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 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 Wofford seconded the motion, which unanimously carried.

### **RESOLUTION ADOPTING LIST OF QUALIFIED BROKERS AUTHORIZED TO ENGAGE IN INVESTMENT TRANSACTIONS WITH THE DISTRICT**

The Board considered adopting a list of qualified brokers authorized to engage in investment transactions with the District. Mr. Creed advised that pursuant to the Public Funds Investment Act, the Board is required to review, and revise if necessary, such list at least annually. He then presented to and reviewed with the Board the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, and a list of financial institutions, brokers and dealers attached thereto, copies of which are attached hereto as **Exhibit F**. Mr. Creed noted that the broker list presented is a list of potential institutions with which the District may engage in investment transactions compiled with the input of the District's Investment Officer, but it is ultimately the Board's decision as to where the District's funds are actually placed. After discussion on the matter, Director Buchanan moved that the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved and that the President and Secretary be authorized to execute same on behalf of the Board and the District. Director Green seconded said motion, which unanimously carried.

### **TAX ASSESSOR-COLLECTOR REPORT**

Mr. Byrd then presented and reviewed the tax assessor-collector's report for December 2016, 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 Green seconded said motion, which carried unanimously.

## **DELINQUENT TAX COLLECTIONS ATTORNEY REPORT**

Mr. Creed next presented the District's delinquent tax report dated January 10, 2017, from Perdue, Brandon, Fielder, Collins & Mott, L.L.P., a copy of which is attached as **Exhibit H**, and noted that no action was required on the matter at this time.

## **RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION**

Mr. Creed 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 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 2017, 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 2017, and, if any such exemptions are granted, they must be for not less than \$3,000 of the market value of such homesteads. After further discussion of the matter, Director Buchanan moved that the District (a) not grant the residential homestead exemption, and (b) grant an exemption for persons under a disability or sixty-five years of age or older in the amount of \$30,000 from ad valorem taxes levied by the District during the calendar year 2017, and that the Resolution attached hereto as **Exhibit I** relative to same be approved and adopted by the Board and District. Director Green seconded said motion, which carried unanimously.

## **RESOLUTION AUTHORIZING AN ADDITIONAL PENALTY ON DELINQUENT PERSONAL PROPERTY TAXES**

The Board next considered the adoption of a Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes, a copy of which is attached hereto as **Exhibit J**. Mr. Creed advised that the Board is authorized pursuant to Section 33.11 of the Texas Tax Code, as amended, to impose, under certain conditions, 60 days after the date the taxes become delinquent, 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 said 60th day, as more fully described in said Resolution. After discussion, it was moved by Director Buchanan, seconded by Director Green and unanimously carried, that the Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes be adopted by the Board.

## **DEVELOPER'S REPORT**

As the next order of business, the Board considered the Developer's report. Mr. Castrejon advised that he had nothing new to report to the Board at this time.

## **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 January 10, 2017, a copy of which is attached hereto as **Exhibit K**, relative to the status of various projects within the District, and reported as reflected therein. He advised that the Harris County permit associated with the Deerbrook Estates drainage channel storm water quality feature is in Friendswood's name and needs to be transferred to the District. He stated that the trash rack must be cleaned and inspected before submitting the permit renewal application, and that Jones & Carter will work with the Deerbrook Estates' homeowners association to schedule the cleaning and inspection.

Following further 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. 4 in the amount of \$29,970.00 to Sewer Services of Texas, Inc. in connection with the sanitary sewer cleaning and televising project, (ii) authorizing the solicitation of bids for the repairs to the wastewater treatment plant outfall, and (iii) acceptance of the conveyance of utility facilities from LGI Homes – Texas, LLC to the District relative to utilities constructed to serve Deerbrook Estates, Section 12, and execution of same by the President on behalf of the Board and the District.

## **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 the Bond Application Report, and that he anticipates a draft of the report will be provided to the District's consultants for review next month.

## **OPERATION AND MAINTENANCE REPORT**

Mr. Williams then presented to and reviewed with the Board the operations and maintenance report for the month of December 2016, a copy of which is attached hereto as **Exhibit L**.

Mr. Williams recommended that the Board consider authorizing MOC to move certain delinquent accounts, in the total amount of \$3,250.35, 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 Green and unanimously carried, that such accounts be moved to the uncollectible roll as recommended by MOC.

### **CONSUMER CONFIDENCE REPORT**

The Board next considered authorizing MOC to provide required information to districts receiving water through an emergency interconnect relative to Consumer Confidence Reports. Mr. Creed advised the Board that pursuant to Consumer Confidence Report requirements promulgated by the United States Environmental Protection Agency, the District is required to provide, by April 2017, a report containing various information regarding the District's water supply to any other water supplier which has received water from the District through an interconnect. After discussion on the matter, Director Buchanan moved that the Board authorize MOC to provide the required information as set forth hereinabove. Director Green seconded said motion, which carried unanimously.

### **DEDICATION OF ELEVATED STORAGE TANK FACILITY**

The Board discussed the dedication of the Elevated Storage Tank facility in honor of former Director Richard Sprouse. Mr. Creed reminded the Board that, at the previous meeting, it authorized dedication of the Elevated Storage Tank facility to former Director Sprouse and the installation of a plaque thereon to memorialize such dedication. Mr. Williams stated that he will take a picture of the existing plaque dedication language and send it to Jones & Carter so that they can prepare a draft of the new plaque language.

### **RENEWAL OF DISTRICT INSURANCE COVERAGES**

The Board next considered authorizing solicitation of proposals for renewal of the District's insurance coverages. Mr. Creed advised the Board that the District's current coverage is with AquaSurance, L.L.C. ("AquaSurance") and will expire on March 31, 2017. After discussion, Director Buchanan moved that SPH be authorized to solicit a one-year term renewal proposal from AquaSurance for consideration at the next Board meeting. Director Green seconded the motion, which unanimously carried.

### **AUDIT OF THE DISTRICT'S SERIES 2005 BONDS BY THE INTERNAL REVENUE SERVICE ("IRS")**

The Board next discussed recent correspondence received from the IRS concerning audit of the District's Series 2005 Bonds, and engagement of special tax counsel in connection with the audit. After discussion, Director Buchanan moved that (i) McCall, Parkhurst & Horton, L.L.P. ("MPH") be engaged in connection with the audit of the District's Series 2005 Bonds, (ii) the President be authorized to execute the engagement letter and power of attorney designation on behalf of the Board and the District, (iii) the District accept MPH's Texas Ethics Commission ("TEC") Form 1295 related to the engagement, and (iv) SPH be authorized to acknowledge the District's receipt of the 1295 Form provided by MPH. Director Boudreaux seconded the motion, which unanimously carried.

## **ATTORNEY'S REPORT**

The Board next considered the Attorney's Report. Mr. Creed advised that SPH was recently contacted by Ms. Terri Rothrock, the daughter of former Director Char Rothrock. He stated that Ms. Char Rothrock was deeded a director lot by a developer in the District prior to serving on the Board, and that she passed away in the early 1990's. Mr. Creed further advised Ms. Char Rothrock's lot was apparently not conveyed back to the developer or any other entity after her passing, and that Ms. Terri Rothrock has recently been notified by the delinquent tax attorney for the school district of a potential lawsuit against her for delinquent taxes on the property which total approximately \$10,177.75 owed to all jurisdictions. A lengthy discussion ensued concerning the characteristics of the lot, the options for addressing the taxes owed on the lot and the Board's potential involvement in same. Following discussion on the matter, the Board noted that it was sympathetic to Ms. Rothrock's situation but it did not feel this was a matter for the District to become involved in. The Board requested that SPH advise Ms. Rothrock of their discussion and let her know that she may attend the next meeting if she wishes to discuss the matter further.

## **EXECUTIVE SESSION**

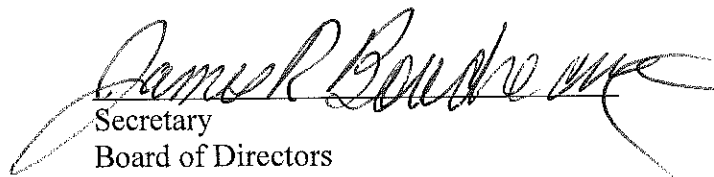
The Board determined it would not be necessary to enter into Closed Session pursuant to Texas Government Code, Section 551.071.

## **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

LIST OF ATTACHMENTS TO MINUTES

<u>Exhibit A</u>	Security Report for the month of November 2016
<u>Exhibit B</u>	Interlocal Agreement for Law Enforcement Services between the District and Harris County
<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>	Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District
<u>Exhibit G</u>	Tax Assessor-Collector's Report
<u>Exhibit H</u>	Delinquent Tax Report
<u>Exhibit I</u>	Resolution Concerning Exemptions From Taxation
<u>Exhibit J</u>	Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes
<u>Exhibit K</u>	Engineering Report
<u>Exhibit L</u>	Operations and Maintenance Report