

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 26
Minutes of Meeting of Board of Directors
March 14, 2017

The Board of Directors of Harris County Municipal Utility District No. 26 met at 20810 Lee Road, Humble, Harris County, Texas on March 14, 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"); Mason Mueller, who entered later in the meeting as noted herein, and Bradley Jenkins of Jones & Carter, Inc. ("Jones and Carter"); Cindi Oliver of Equi-Tax, Inc. ("Equi-Tax"); Michael Williams and Cameron King of Municipal Operations and Consulting, Inc. ("MOC"); Sergeant Hinkel of the Harris County Precinct Four Constable's Office ("HCP4"); Tiffany Hansen of Republic Services, Inc. ("Republic"); Shannon Waugh and Alan De Jong of Off Cinco, LLC ("Off Cinco"); Belinda Camarillo, resident of the District; and Matthew Reed 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 February 14, 2017, Board of Directors meeting. Following discussion, Director Buchanan moved that the minutes of the February 14, 2017, 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 February 2017, a copy of which is attached hereto as **Exhibit A**. Sergeant Hinkel reviewed with the Board various current activities of HCP4.

Sergeant Hinkel exited the meeting at this time.

Mr. Mueller entered 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. Hansen reviewed with the Board the Customer Service Report, a copy of which is attached hereto as **Exhibit B**, as well as a copy of the District's Waste Acceptance Protocol, a copy of which is included with **Exhibit B**. It was noted that the Waste Acceptance Protocol will be included in customer water bills. Ms. Hansen then responded to questions from the Board with regard to services provided to the District by Republic. No action was taken by the Board at this time.

Ms. Hansen exited the meeting at this time.

COMMENTS FROM THE PUBLIC

There were no comments from the public at this time.

The Board deferred review of a 911 Statistics Report for the month of February 2017 from the Eastex Fire Department, after noting that such report had not yet been received.

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 C**. 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 Green seconded the motion, which unanimously carried.

UNCLAIMED PROPERTY REPORT

As the next order of business, the Board considered authorizing the District's consultants to research unclaimed property and to authorize MCI to prepare an Unclaimed Property Report as of March 1, 2017. After discussion, Director Buchanan moved that the District's Operator, Tax Assessor-Collector and Bookkeeper be authorized to research their records to determine whether or not there is any unclaimed property for the appropriate period and that the District's bookkeeper be authorized to prepare an unclaimed property report, if necessary, for the Board's consideration, approval and filing with the State Comptroller prior to July 1, 2017. Director Green seconded said motion, which unanimously carried.

ARBITRAGE COMPLIANCE

Mr. Reed next presented to and reviewed with the Board a report from Municipal Risk Management Group, L.L.C. ("MRMG") regarding annual maintenance for the Arbitrage Analysis Report initially dated September 11, 2007, in connection with the yield restriction and arbitrage rebate calculation analysis performed for the District's Bond Issues. A copy of such report is attached hereto as **Exhibit D**. Mr. Reed noted that, according to the report, Arbitrage Compliance Specialists, Inc. ("ACS") will prepare the 5th year arbitrage compliance

computations in connection with the District's Series 2013 Refunding Bonds, and that the fee for this service is \$2,950. After discussion on the matter, it was moved by Director Buchanan, seconded by Director Boudreaux and unanimously carried, that ACS be engaged by the District to prepare the 5th Year Arbitrage Rebate Report in connection with the District's Series 2013 Refunding Bond Issue, as recommended in the report from MRMG, and that the President be authorized to execute the engagement letter from ACS on behalf of the Board and the District.

TAX ASSESSOR-COLLECTOR REPORT

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

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., Mr. Reed reminded the Board that Perdue provides written reports on a semi-annual basis and that no report was received for the current period.

A discussion ensued regarding the director lot within the District owned by former director Char Rothrock and the status of delinquent taxes owed on such lot. Mr. Reed reminded the Board that the attorney for the school district has amended the pleadings in the delinquent tax action to be "in rem" only so that no personal liability is sought against Ms. Rothrock's daughter. No Board action was taken.

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. Reed 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 March 13, 2017, a copy of which is attached hereto as **Exhibit F**, 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 name and needs to be transferred to the District. He advised that the trash rack has been cleaned and inspected, and that the permit renewal application has been submitted to Harris County.

Mr. Jenkins next provided the Board with an update concerning the status of the contract with King Solution Services, LLC for construction of the eight-inch public sanitary sewer line along F.M. 1960, and presented and reviewed Pay Estimate No. 1 in the amount of \$49,963.80. Following discussion, Director Buchanan moved that Pay Estimate No. 1 from King Solution Services, LLC be approved. Director Boudreaux seconded the motion, which unanimously carried.

With regard to the sanitary sewer cleaning and televising project (the "Project") by Sewer Services of Texas, Inc., Mr. Jenkins presented Pay Estimate No. 6 in the amount of \$19,839.87 in connection with the Project. He also presented Preliminary Cost Estimates, copies of which are attached to the engineering report, in connection with the cleaning and televising of the approximately 4,000 linear feet of sanitary sewer line within Jesse Jones Park that was removed from the Project. Mr. Jenkins proposed another option under which the District could construct a new sanitary sewer line and abandon that portion within the park, which would require an easement from Harris County. Following discussion, it was moved by Director Buchanan, seconded by Director Boudreaux and unanimously carried, that (i) Pay Estimate No. 6 from Sewer Services of Texas, Inc. be approved, and (ii) that Jones and Carter be authorized to discuss with Harris County the sanitary sewer easement required under the above-referenced option for construction of a new line.

Mr. Jenkins next advised that the District's wastewater treatment plant permit expires on May 1, 2018, and that the Texas Commission on Environmental Quality ("TCEQ") must receive the permit renewal application by September 1, 2017. He stated that the expected cost of the permit renewal is approximately \$20,515, and requested that the Board authorize Jones and Carter to begin preparation of the permit renewal. Following discussion, Director Buchanan moved that Jones and Carter be authorized to prepare the District's wastewater treatment plant permit renewal application to the TCEQ. Director Boudreaux seconded the motion, which unanimously carried.

STATUS OF DISTRICT'S APPLICATION TO THE 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.

SUBMISSION OF CRITICAL LOAD INFORMATION

As the next order of business, Mr. Reed reported that Section 13.1396 of the Water Code requires that public water suppliers, such as the District, annually submit to each electric distribution utility and each retail electric utility provider, on forms reasonably required by each entity, a list of its facilities which qualify for critical load status and various emergency contact information, in lieu of providing such information to the county judge of each county in which the supplier has critical load facilities. After discussion on the matter, Director Green moved that Jones & Carter be authorized to make such annual filing on behalf of the District. Director Buchanan seconded the motion, which carried unanimously.

OPERATION AND MAINTENANCE REPORT

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

Mr. Williams recommended that the Board consider authorizing MOC to move certain delinquent accounts, in the total amount of \$1,593.49, 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.

WATER LOSS AUDIT

The Board next considered approval of the District's 2016 water loss audit, and the filing of same with the Texas Water Development Board ("TWBD") on or before May 1, 2017. Mr. King presented the District's 2016 water loss audit and water balance sheet to the Board, copies of which are attached to the operations and maintenance report. After discussion, it was moved by Director Buchanan that the District's 2016 water loss audit be approved and that MOC be authorized to file same with the TWBD on or before the May 1, 2017, deadline. Director Boudreaux seconded the motion, which unanimously carried.

RATE ORDER

The Board next considered amending the District's Rate Order to adjust its groundwater reduction plan fees in response to an increase of same by the North Harris County Regional Water Authority, after Mr. Reed advised the Board that the Authority's GRP pumpage fee will be increased effective April 1, 2017. Following discussion, Director Buchanan moved that the District's Rate Order, attached hereto as **Exhibit H**, be amended to reflect a well pumpage fee of \$3.19 for each 1,000 gallons of water billed to each customer of the District, effective April 1, 2017, and that any and all Rate Orders heretofore adopted by the Board be revoked and that the attached Rate Order be passed and adopted. Director Wofford 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 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.

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

Mr. Reed next addressed the Board with regard to the status of the audit by the IRS of the District's Series 2005 Bonds. He reminded the Board that a response was filed with the IRS by McCall, Parkhurst & Horton on behalf of the District, and advised that the audit is complete and that a formal response has been received from the IRS, a copy of which is attached hereto as **Exhibit I**, indicating that no further action will be necessary.

DISCUSS POTENTIAL ESTABLISHMENT OF WEBSITE FOR THE DISTRICT

The Board next discussed the potential establishment of a website for the District and related regulatory issues. The Board then recognized Ms. Waugh of Off Cinco, who presented to and reviewed with the Board a website proposal and proposed form of Service Agreement for same, copies of which are attached hereto as **Exhibit J**. Following discussion, Director Buchanan moved that SPH be authorized to review the form of Service Agreement between the District and Off Cinco. Director Green seconded the motion, which unanimously carried. The Board requested that an item be included on the next agenda for the Board to consider approval of the Service Agreement and discuss pricing options.

Ms. Waugh and Mr. De Jong exited the meeting at this time.

ATTENDANCE AT ASSOCIATION OF WATER BOARD DIRECTORS ("AWBD") SUMMER CONFERENCE

A brief discussion followed concerning the upcoming AWBD Summer Conference to be held in June 2017. After discussion, the Board concurred that any members interested in attending the AWBD Summer Conference be authorized to do so on behalf of the District and that their related reasonable expenses be reimbursed.

ATTORNEY'S REPORT

Mr. Reed advised that he had nothing further of a legal nature to report other than those items which were previously addressed in the meeting.

Director McKeand then presented and reviewed a copy of the President's Report for February 2017, a copy of which is attached hereto as **Exhibit K**, and requested that an item relating to such report be included on future agendas. No action was taken by the Board at this time.

EXECUTIVE SESSION

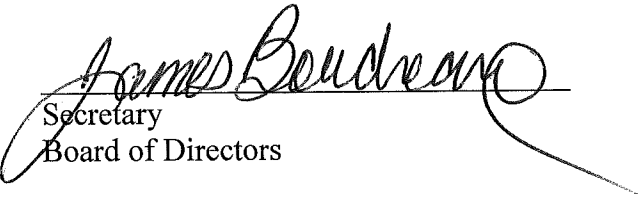
The Board determined it would not be necessary to enter into Closed Session pursuant to Texas Government Code, Section 551.071.

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 February 2017
<u>Exhibit B</u>	Customer Service Report prepared by Republic Services, Inc.
<u>Exhibit C</u>	Bookkeeper's Report
<u>Exhibit D</u>	Report from Municipal Risk Management Group, L.L.C.
<u>Exhibit E</u>	Tax Assessor-Collector's Report
<u>Exhibit F</u>	Engineering Report
<u>Exhibit G</u>	Operations and Maintenance Report
<u>Exhibit H</u>	Rate Order
<u>Exhibit I</u>	Correspondence from the Internal Revenue Service
<u>Exhibit J</u>	Website Proposal and proposed form of Service Agreement between the District and Off Cinco
<u>Exhibit K</u>	President's Report for February 2017