

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

The Board of Directors of Harris County Municipal Utility District No. 26 met at 20810 Lee Road, Humble, Harris County, Texas on December 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 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"); Lonnie Wright, who entered later in the meeting as noted herein, and Michael Williams of Municipal Operations and Consulting, Inc. ("MOC"); Barbara Nussa of Republic Services, Inc. ("Republic"); Anthea Moran of FirstSouthwest, a division of Hilltop Securities Inc. ("FirstSouthwest"); Ann Battaglia of Wells Fargo Bank, N.A. ("Wells Fargo"); Sergeant Hinkel, Deputy Torres, and Deputy Wendy Brown of the Harris County Precinct Four Constable's Office ("HCP4"); Rigo Rodriguez of Residential Recycling and Refuse of Texas ("Residential Recycling"); Scott Furches and Rick Schroeder of 1960 Autoplex, Inc. ("Autoplex"); 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 November 14, 2017, Board of Directors meeting. Following discussion, Director Buchanan moved that the minutes of the November 14, 2017, Board meeting be approved, as written. Director Wofford seconded the motion, which unanimously carried.

**STATUS OF THE DISTRICT'S APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY ("TCEQ") FOR APPROVAL OF THE DISTRICT'S \$4,000,000 UNLIMITED TAX BONDS**

The Board next considered the status of the District's Bond Application Report in connection with its proposed \$4,000,000 Unlimited Tax Bonds, Series 2018 (the "Bonds"). Mr. Creed reminded the Board that the District had received the TCEQ's Staff Memorandum and draft Order approving the issuance of the Bonds, and that a copy of same had previously been provided to the Directors. Mr. Creed noted that SPH has concurred with the recommendations contained in the Memorandum on behalf of the District.

## **REGULATORY DISCLOSURE REGARDING MUNICIPAL ADVISORY AGREEMENT**

Ms. Moran presented and reviewed with the Board a Regulatory Disclosure Regarding Municipal Advisory Agreement provided by FirstSouthwest pursuant to Rule G-42 of the Municipal Securities Rulemaking Board ("MSRB"), a copy of which is attached hereto as **Exhibit A**. She advised the Board that the MSRB G-42 now requires FirstSouthwest, as a municipal advisor, to provide to each issuer written disclosures related to an issuer's upcoming debt issuance. She noted that she would also be emailing a copy of same to the President and requesting his acknowledgement of its receipt.

## **PRELIMINARY OFFICIAL STATEMENT**

As the next order of business, the Board recognized Ms. Moran, who reviewed the draft Preliminary Official Statement ("POS") and Official Notice of Sale in connection with the proposed sale of the District's Bonds with the Board. Ms. Moran then recommended that the sale of the Bonds be scheduled for January 9, 2018, and that the Board approve the POS and authorize publication of the Official Notice of Sale in accordance with applicable legal requirements. After discussion concerning the POS, Director Buchanan moved that, subject to final review and approval by the District's consultants, such offering materials be approved, completed and distributed in anticipation of a sale of the Bonds, and that such POS be deemed to be final for all purposes with the exception of any additional materials or information relating to subsequent material events, offering prices, interest rates, selling compensation, identity of the underwriters, aggregate principal amounts and other similar information, terms and provisions to be specified in the competitive bidding process. The motion was seconded by Director McKeand, and carried by unanimous vote.

Mr. Wright entered the meeting at this time.

## **AUTHORIZE FINANCIAL ADVISOR TO ADVERTISE FOR SALE OF BONDS**

The next item considered by the Board was authorizing the District's Financial Advisor to advertise for the sale of the Bonds. After discussion on the matter, Director Buchanan moved that FirstSouthwest be authorized to advertise for the sale of the Bonds in accordance with applicable legal requirements. Director Green seconded said motion, which unanimously carried.

## **DESIGNATION OF PAYING AGENT/REGISTRAR**

The Board next considered the designation of a Paying Agent/Registrar in connection with the Bonds. Ms. Moran recommended designating The Bank of New York Mellon Trust Company, N.A. as the Paying Agent/Registrar for the District's proposed Bonds. After discussion, Director Buchanan moved that The Bank of New York Mellon Trust Company, N.A. be designated as Paying Agent/Registrar for the Bonds. Director Green seconded the motion, which carried unanimously.

## **ATTORNEY GENERAL'S FEES**

The Board next considered authorizing the District's bookkeeper to prepare a check for payment of the Attorney General's fees in connection with the review of the transcript of proceedings relative to the proposed Bonds. Mr. Creed advised that the fee will be \$4,000.00. After discussion on the matter, Director Buchanan moved that the District's bookkeeper be authorized to prepare a check in the amount of \$4,000.00 payable to the Attorney General of Texas and that said check be approved for payment. Director Green 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 November 2017, a copy of which is attached hereto as **Exhibit B**. A discussion ensued regarding the proposed addition of a deputy to the District's contract with Harris County and the costs associated with same. Following discussion, Director Boudreaux moved that a special meeting be scheduled to be held on Monday, December 18, 2017, at 7:00 p.m. to discuss the proposed addition of a deputy to the District's contract with Harris County. Director Buchanan seconded the motion, which unanimously carried.

## **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**

Mr. Rodriguez addressed the Board on behalf of Residential Recycling and inquired as to whether the Board would be interested in reviewing a proposal for solid waste collection and recycling services. Following discussion, the Board indicated that it would be amenable to reviewing a proposal at the appropriate time, and instructed Mr. Rodriguez to forward a copy of same to SPH.

Deputy Torres and Deputy Brown exited the meeting during the above discussion.

Ms. Moran and Mr. Rodriguez 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 D**. After further discussion on the matter, Director Buchanan moved that the Board approve the bookkeeping report and that the disbursements identified therein be approved for payment. Director Green seconded the motion, which unanimously carried.

## **TAX ASSESSOR-COLLECTOR REPORT**

Ms. Oliver then presented and reviewed the tax assessor-collector's report for November 2017, a copy of which is attached hereto as **Exhibit E**, 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 E**.

## **REPORT BY WELLS FARGO REPRESENTATIVE**

Director McKeand advised that he had requested that a representative of Wells Fargo attend today's meeting to address the Board in light of the recent issues in other parts of the country involving the bank's opening of unauthorized accounts. Ms. Battaglia addressed the Board at this time on behalf of Wells Fargo and reviewed the actions being taken by the bank to ensure proper practices are being followed. Following discussion, the Board thanked Ms. Battaglia for her attendance at the meeting.

## **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 stated that no report was received for the current period.

Ms. Battaglia exited the meeting at this time.

## **DEVELOPER'S REPORT**

A discussed ensued regarding the status of preparation of an in-district service agreement between the District and Autoplex and utility service and tax issues raised by the property owners. Upon inquiry by Mr. Schroeder, the Board confirmed that Autoplex's engineer may proceed with their submission of plans based upon the utility layout discussed last meeting, and that the service agreement addressing Autoplex's variance request will be required to be in place prior to the water meters being installed to receive District service.

Mr. Furches and Mr. Schroeder next addressed the Board regarding their receipt of District tax bills for 2017 associated with the Autoplex tract (the "Tract") in the combined amount of approximately \$15,000, as briefly discussed at the previous meeting. They indicated that it was their understanding District taxes would not be payable on the Tract until the Tract began to receive utility services from the District and, given that the public sanitary sewer line extension to serve the Tract was not completed until March 2017, they did not feel taxes should be owed for 2017. A lengthy discussion took place which included the chronology of the Tract's annexation, the District's construction of the public sanitary sewer line to serve the Tract, design of the Tract's internal utility lines to connect to the District's system and the 2017 property taxes for the Tract. Following discussion, Mr. Furches advised that he intends to research whether

there exists a remedy whereby the District may grant Autoplex relief from the 2017 taxes, and that if he discovers same he will provide the information to SPH for consideration. No action was taken by the Board.

Mr. Furches and Mr. Schroeder exited the meeting at this time.

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

Mr. Creed reported that this item will be 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 December 12, 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. A discussion ensued concerning the preliminary cost estimate provided for erosion repairs to the Deerbrook Drainage Channel. The Board requested that a revised estimate be prepared that includes more rip rap material. 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) authorization of MOC to touch-up the coating of the interior of hydropneumatic tank no. 1 at Water Plant No. 1, and (ii) approval of the issuance of a utility commitment by the District for two (2) hotels to be located along Deerbrook Park Boulevard near F.M. 1960, as recommended by Jones and Carter.

Mr. Jenkins next advised the Board of an increase in Jones & Carter's hourly rates, effective as of January 1, 2018. He distributed and reviewed with the Board a schedule of the hourly rates, a copy of which is attached to the engineering report.

Mr. Jenkins exited the meeting at this time.

### **OPERATION AND MAINTENANCE REPORT**

Mr. Williams then presented to and reviewed with the Board the operations and maintenance report for the month of November 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 \$3,024.55, 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 Wofford and unanimously carried, that such accounts be moved to the uncollectible roll as recommended by MOC.

Mr. Creed provided the Board with updates in connection with the insurance claims filed by the District with regard to (i) the sanitary sewer backup at 21214 Arcadia Park Lane, and (ii) the customer who resides at 21347 Maple Harvest Lane. He advised that, according to the

insurance company, both of these claims are now closed with payments having been made to the claimants.

### **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 requested that this item be removed from future agendas.

### **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.

### **MATTERS RELATED TO MAY 2018 DIRECTORS ELECTION**

Mr. Creed reported on issues related to the District's Directors Election (the "Election") to be held on May 5, 2018. He noted that Section 49.111 of the Texas Water Code provides the District an exemption from the requirement to provide certain electronic voting systems at the Election if: (1) the Election is a confirmation election or is held jointly in connection with a confirmation election and no federal office appears on the ballot, (2) the District's previous Directors Election was canceled in accordance with the provisions of the Texas Election Code, or (3) fewer than 250 voters voted in the District's previous Directors Election. Mr. Creed noted that the District is exempt because fewer than 250 voters voted in the District's previous Directors Election. He advised that the District must provide public notice if it determines not to provide electronic voting systems at the Election. Mr. Creed discussed the options for providing such notice and noted that such notice must be given prior to the date for the possible cancellation of an uncontested Directors Election. After discussion, Director Buchanan moved that the District authorize SPH to provide notice of the District's intent not to provide electronic voting systems for said Election by publication in a newspaper of general circulation in an area that includes the District. Director Wofford seconded the motion, which unanimously carried.

Mr. Creed advised the Board that the Texas Water Code and the Texas Election Code require that the District provide public notice of the period for filing an application to appear on the ballot as a candidate for Director in the Election to be held on May 5, 2018. Following discussion, Director Buchanan moved that the District authorize SPH to post the required notice of the candidate filing period. Director Wofford seconded the motion, which unanimously carried.

### **AMENDED DISTRICT INFORMATION FORM**

Mr. Creed informed the board that, effective December 1, 2017, Senate Bill 6, as passed during the first called session of the 85<sup>th</sup> Legislature, has altered the required procedures for certain cities to annex property located within their extra-territorial jurisdiction for full

purposes. He reviewed the changes with the Board and noted that, as a result of same, SPH recommends that the District amend its District Information Form ("DIF") and the form of Notice to Purchasers attached thereto as it relates to municipal annexation. Following discussion, Director Buchanan moved that the amended DIF be approved and that the Board members present be authorized to execute same on behalf of the Board and the District. Director Boudreaux seconded said motion, which unanimously carried.

### **ATTORNEY'S REPORT**

The Board next considered the attorney's report. 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 advised that SPH has coordinated with MOC on the submission of the requested materials and is awaiting a response.

Mr. Creed advised that the District is in receipt of a drainage fee bill from the City of Houston for the District's Water Plant facility located at 0 Forest Pine Drive (within the City limits). He reminded the Board that the District previously attempted to obtain an exemption from payment of these fees based on demonstration that the District drains to a separate storm sewer system and does not utilize the City's facilities, and was denied the exemption by the City. Following discussion, the Board concurred that the invoice be provided to MCI for payment by the District and that such fee be paid on a going forward basis as received.

### **PRESIDENT'S REPORT**

Director McKeand then presented and reviewed a copy of the President's Report for November 2017, a copy of which is attached hereto as **Exhibit H**. No action was taken by the Board at this time.

### **EXECUTIVE SESSION**

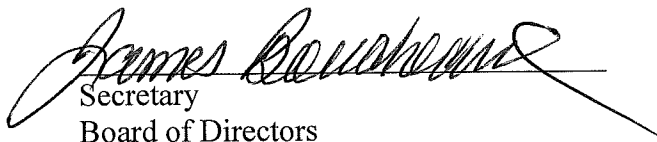
The Board determined it would not be necessary to enter into Closed Session pursuant to Texas Government Code, Section 551.071.

### **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

LIST OF ATTACHMENTS TO MINUTES

<u>Exhibit A</u>	Regulatory Disclosure Regarding Municipal Advisory Agreement
<u>Exhibit B</u>	Security Report for the month of November 2017
<u>Exhibit C</u>	Customer Service Report prepared by Republic Services, Inc.
<u>Exhibit D</u>	Bookkeeper's Report
<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>	President's Report for the month of November 2017