

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 26**  
**Minutes of Meeting of Board of Directors**  
**March 13, 2018**

The Board of Directors of Harris County Municipal Utility District No. 26 met at 20810 Lee Road, Humble, Harris County, Texas on March 13, 2018, 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"), who entered later in the meeting as noted herein; Bradley Jenkins, Mason Mueller, and Erich Peterson of Jones & Carter, Inc. ("Jones and Carter"); Cindi Oliver of Equi-Tax, Inc. ("Equi-Tax"); Lonnie Wright of Municipal Operations and Consulting, Inc. ("MOC"); Barbara Nussa of Republic Services, Inc. ("Republic"); Sergeant Hinkel and Deputy Torres of the Harris County Precinct Four Constable's Office ("HCP4"); Judy Thomason, Ericka Newsome, Lisa Newsum, Phillip Newsum, and Lauren Woodall, 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 considered approval of the minutes of the February 13, 2018, Board of Directors meeting. Following discussion, Director Buchanan moved that the minutes of the February 13, 2018, 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 the HCP4 security report for the month of February 2018, a copy of which is attached hereto as **Exhibit A**. A discussion ensued regarding the status of the pending addition of 2 deputies to the District's security patrol contract with HCP4, as well as the proposed addition of one 1 additional deputy to the contract. Director Buchanan queried Ms. Newsome concerning the Deerbrook Estates Homeowners Association's efforts to address security within the subdivision, to which she responded. Director Wofford stated that he would like to see the result of the two (2) additional deputies which have not yet started before adding another deputy to the contract. A discussion ensued concerning the cost of funding security through the District's water and sewer rates. Following discussion, Director Buchanan moved to authorize increasing the number of total patrol officers assigned to the

District pursuant to its contract with HCP4 from 12 to 13, an increase of 1 officer. Director Green seconded the motion, which carried with Directors McKeand, Green, Boudreaux, and Buchanan voting in favor of such motion, and Director Wofford abstaining. The Board requested that SPH send a letter to HCP4 to advise them of this change and request that it be implemented in an amendment to the District's contract.

Mr. Russell entered the meeting during the presentation of the security report.

The Board discussed amendment of the District's Rate Order to address the increase in security costs. Mr. Creed reminded the Board that a portion of the security costs are included within the current water rates under the District's Rate Order and the remainder are paid through maintenances taxes. He then advised that, for the portion funded through water rates, each customer in the District currently pays approximately \$9.00 per equivalent single family connection per month. The Board discussed increasing such cost by \$3.36 per connection per month in order to fund the most recent three (3) deputies. Following discussion, Director Buchanan moved that the District's Rate Order be amended to reflect an increase in the water rates in the amount of \$3.36 per equivalent single family connection per month, as discussed. Director Wofford seconded the motion, which unanimously carried.

A discussion ensued regarding the scheduling of separate security meetings for the District. Following discussion, Director McKeand moved that the District hold a special meeting to discuss security matters on the second Monday of each month at 7:00 p.m., until further notice. Director Wofford seconded the motion, which unanimously carried.

### **COMMENTS FROM THE PUBLIC**

There were no comments from the public 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 B**. No action was taken by the Board at this time.

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

Ms. Oliver then presented and reviewed the tax assessor-collector's report for February 2018, a copy of which is attached hereto as **Exhibit C**, 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.

### **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.

### **DEVELOPER'S REPORT**

A discussion ensued regarding the status of preparation of an in-district service agreement between the District and 1960 Autoplex, Inc. ("Autoplex"). Mr. Peterson reviewed with the Board the chronology of certain events concerning the Autoplex property and the construction of the public sanitary sewer line extension to serve it. Mr. Creed then reviewed with the Board the terms and conditions of the Utility Services, Reciprocal Easement and Indemnity Agreement (the "Agreement") by and between the District, Ralph S. Furches, and Autoplex, a copy of which is attached hereto as **Exhibit D**. Following discussion, Director Wofford moved that the Board approve the Agreement and that the President be authorized to execute same on behalf of the Board and the District. Director Buchanan seconded the motion, which unanimously carried.

The Board next discussed the status of the inquiry made by LGI Homes concerning reimbursements of additional engineering fees for Deerbrook Estates, Section 11. Mr. Creed advised that this matter has been further reviewed, and that a supplemental audit has been prepared by Roth & Eyring, PLLC, which indicates that a total of \$12,225.62 is due to LGI Homes for engineering costs associated with the development of Deerbrook Estates, Section 11. A copy of the supplemental audit is attached hereto as **Exhibit E**. After discussion, it was moved by Director Buchanan, seconded by Director Boudreaux and unanimously carried that the supplemental audit report be approved and that funds be disbursed in accordance therewith.

### **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 March 12, 2018, 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. 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) execution by the President of the contract for the construction of the wastewater treatment plant outfall, and (ii) authorization of Jones & Carter to design the proposed wastewater treatment plant and lift station rehabilitation project.

### **SUBMISSION OF CRITICAL LOAD STATUS INFORMATION TO RETAIL ELECTRIC PROVIDER**

Mr. Creed next reported that Section 13.1396, Texas Water Code, requires that a district must annually submit to each electric distribution utility and each retail electric utility provider, on forms reasonably required by each entity, 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 district has critical load facilities. After discussion on the matter, Director Buchanan moved that the District's operator be authorized to make such filing on behalf of the District. Director Boudreaux seconded the motion, which carried unanimously.

### **LEASE AGREEMENT BETWEEN THE DISTRICT AND T-MOBILE**

Mr. Creed reminded the Board that the District is in receipt of a request from T-Mobile to install equipment on the District's elevated storage tank. Mr. Jenkins advised that T-Mobile has not yet provided a copy of its proposed lease agreement for review. The Board deferred taking action at this time.

### **OPERATION AND MAINTENANCE REPORT**

Mr. Wright then presented to and reviewed with the Board the operations and maintenance report for the month of February 2018, a copy of which is attached hereto as **Exhibit G**.

A discussion ensued regarding amending the District's Order Regulating the Introduction of Wastewater into the Sanitary Sewer System of the District and the adjustment of penalties for violations of same. Following discussion, the Board concurred to further discuss this matter at its next regularly scheduled meeting.

Mr. Wright recommended that the Board consider authorizing MOC to move certain delinquent accounts, in the total amount of \$5,299.40 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.

### **WATER LOSS AUDIT**

The Board next considered approval of the District's 2017 water loss audit, and the filing of same with the Texas Water Development Board ("TWBD") on or before May 1, 2018. After discussion, it was moved by Director Buchanan that the District's 2017 water loss audit be approved, subject to the completion of same, and that MOC be authorized to file same with the TWBD on or before the May 1, 2018, 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. Creed advised the Board that the Authority's GRP pumpage fee will be increased effective April 1, 2018. Following discussion, Director Boudreaux moved that the District's Rate Order, attached hereto as **Exhibit H**, be amended to reflect a (i) well pumpage fee of \$3.74 for each 1,000 gallons of water billed to each customer of the District and (ii) the security related revisions addressed earlier in the meeting, effective April 1, 2018, 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 Green seconded the motion, which unanimously carried.

### **AMENDED ORDER REGULATING THE INTRODUCTION OF WASTEWATER INTO THE SANITARY SEWER SYTEM OF THE DISTRICT**

The Board deferred amendment of the District's Order Regulating the Introduction of Wastewater into the Sanitary Sewer System of the District at this time.

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

There was a discussion concerning the renewal of the District's various insurance policies for the term expiring March 31, 2018. In that regard, the Board reviewed the renewal proposal received from AquaSurance, L.L.C., a copy of which is attached hereto as **Exhibit I**. After discussion on the matter, Director Buchanan moved that the proposal from AquaSurance, L.L.C. for renewal of the District's insurance policies be accepted and that the President be authorized to execute such proposal on behalf of the Board and the District. Director Boudreaux seconded said motion, which unanimously carried.

Director McKeand noted that he believed additional proposals should be requested in connection with next year's renewal of insurance coverages.

### **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 J**. 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 Boudreaux 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, 2018. 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, 2018. Director Boudreaux seconded said motion, which unanimously carried.

### **ATTORNEY'S REPORT**

The Board next considered the attorney's report. In that regard, Mr. Creed 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

March 5, 2018, 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 K**. The Board noted no action was required on its part in connection with this item.

**2018 DIRECTORS ELECTION**

Mr. Creed provided the Board with an update concerning the District's upcoming 2018 Directors Election. No action was taken by the Board at this time.

**PRESIDENT'S REPORT**

Director McKeand then presented and reviewed a copy of the President's Report for February 2018, a copy of which is attached hereto as **Exhibit L**. 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>	Security Report for the month of February 2018
<u>Exhibit B</u>	Customer Service Report prepared by Republic Services, Inc.
<u>Exhibit C</u>	Tax Assessor-Collector's Report
<u>Exhibit D</u>	Utility Services, Reciprocal Easement and Indemnity Agreement by and between the District, Ralph S. Furches, and 1960 Autoplex, Inc.
<u>Exhibit E</u>	Supplemental Audit prepared by Roth & Eyring, PLLC
<u>Exhibit F</u>	Engineering Report
<u>Exhibit G</u>	Operations and Maintenance Report
<u>Exhibit H</u>	Rate Order
<u>Exhibit I</u>	Proposal from AquaSurance, L.L.C.
<u>Exhibit J</u>	Bookkeeper's Report
<u>Exhibit K</u>	Report from Municipal Risk Management Group, L.L.C.
<u>Exhibit L</u>	President's Report for the month of February 2018