

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 26
Minutes of Meeting of Board of Directors
January 8, 2019

The Board of Directors of Harris County Municipal Utility District No. 26 met at 20810 Lee Road, Humble, Harris County, Texas on January 8, 2019, 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:

James "Ray" Boudreaux, President
Floyd Green, Vice President
James Buchanan, Secretary
Jake Wofford, Assistant Secretary
Keith McKeand, Director

and all such persons were present, with the exception of Director Green, thus constituting a quorum.

Also present were Bradley Jenkins and Mason Mueller of Jones & Carter, Inc. ("Jones and Carter"); Cindi Oliver of Equi-Tax, Inc. ("Equi-Tax"); Tina Kelsey of Myrtle Cruz, Inc. ("MCI"); Mike Williams of Municipal Operations and Consulting, Inc. ("MOC"); Barbara Nussa of Republic Services, Inc. ("Republic"); Sergeant Hinkel of the Harris County Precinct Four Constable's Office ("HCP4"); Frank Ross, Dale Ferguson, and Jonathan Chau, 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 December 11, 2018, Board of Directors meeting. Following discussion, Director Buchanan moved that the minutes of the December 11, 2018, Board meeting be approved, as written. Director McKeand seconded the motion, which unanimously carried.

HARRIS COUNTY PRECINCT FOUR CONSTABLE'S OFFICE SECURITY REPORT

Sergeant Hinkel then presented and reviewed the HCP4 security report for the month of December 2018, a copy of which is attached hereto as **Exhibit A**, and responded to questions from the Board and public.

Mr. Creed next presented to and reviewed with the Board a renewal Interlocal Agreement for Law Enforcement Services (the "Agreement") between Harris County and the District. He advised that the Agreement incorporates the assignment of an additional Sergeant, as requested by the Board. Following discussion, Director Buchanan moved that the Agreement 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 McKeand seconded the motion, which unanimously carried.

Sergeant Hinkel exited the meeting at this time.

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 December 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 McKeand seconded said motion, which carried unanimously.

DELINQUENT TAX COLLECTIONS ATTORNEY REPORT

Mr. Creed next presented the District's delinquent tax report dated January 8, 2019, from Perdue, Brandon, Fielder, Collins & Mott, L.L.P., a copy of which is attached as **Exhibit D**, and noted that no action was required by the Board 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 2019, 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 2019, 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 McKeand 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 2019, and that the Resolution attached hereto as **Exhibit E** relative to same be approved and adopted by the Board and District. Director Wofford seconded said motion, which carried unanimously.

The Board noted that next year it would like for the financial advisor to review the feasibility of the District's offering a general residential homestead exemption.

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, attached hereto as **Exhibit F**. 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 Wofford, seconded by Director McKeand and unanimously carried, that the Resolution be adopted.

Ms. Oliver and Ms. Nussa exited the meeting at this time.

AUTHORIZE PREPARATION AND SUBMISSION OF DISTRICT INFORMATION TO TEXAS COMPTROLLER OF PUBLIC ACCOUNTS FOR INCLUSION IN THE SPECIAL PURPOSE DISTRICT PUBLIC INFORMATION DATABASE

Mr. Creed next informed the Board that, pursuant to the provisions of Chapter 403, Government Code, and Chapter 203, Local Government Code, the District is required to submit information to the Texas Comptroller of Public Accounts (the "Comptroller") for inclusion in the Special Purpose District Public Information Database. Mr. Creed then presented an engagement letter from the District's auditor, Mark C. Eyring, CPA, PLLC ("Eyring"), for the preparation and submission of the required information. Following discussion, Director McKeand moved, Director Wofford seconded, and it was unanimously carried that (i) the engagement letter from Eyring be approved and the Texas Ethics Commission Form 1295 for same be accepted and acknowledged, and (ii) Eyring be authorized to prepare the required information and submit same to the Comptroller for inclusion in the Special Purpose District Information Database.

DEVELOPER'S REPORT

It was noted that no developers of the District were present at the meeting.

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. Mueller presented to and reviewed with the Board a written engineering report dated January 8, 2019, a copy of which is attached hereto as **Exhibit G**, 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 McKeand, seconded by Director Buchanan and unanimously carried that the engineering report and all action items therein be approved, including (i) approval of the estimate of probable costs (20 year summary) related to capital and maintenance costs associated with the District's water and sanitary sewer systems, a copy of which is included with the engineering

report, for use in preparing a bond election report, and (ii) approval and execution by the President of the "Secondary Operator" Notice related to the Deerbrook Estates Drainage Channel improvements project, a copy of which is attached to the engineering report.

Mr. Ferguson exited the meeting at this time.

STATUS OF 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 2019. Mr. Mueller advised that Jones & Carter is in the process of addressing comments to the bond application report and expects to complete the application this month.

LEASE AGREEMENT BETWEEN THE DISTRICT AND T-MOBILE

Mr. Mueller reminded the Board that Jones & Carter has reviewed T-Mobile's site layout detailing the location of the proposed antenna and supporting equipment at Water Plant No. 3, and that they have no objections to the proposed layout. He advised that T-Mobile responded to SPH's comments provided to the proposed form of lease agreement and that Jones & Carter has forwarded T-Mobile's response to SPH for review. Mr. Creed advised that SPH has provided additional comments back to T-Mobile and is awaiting a response.

STATUS OF FIRST AMENDMENT TO COMMUNICATION SITE LEASE AGREEMENT BETWEEN THE DISTRICT AND CLEAR WIRELESS, LLC ("CW")

The Board next considered the status of the First Amendment to Communication Site Lease Agreement between the District and CW. Mr. Creed advised that CW has approved the form of First Amendment approved last month by the Board, with one minor change, and reviewed the change with the Board. Mr. Creed also advised that the District is in receipt of a proposed letter agreement from CW, a copy of which is attached hereto as **Exhibit H**, requesting the District's consent for CW to install new fiber lines through the conduit within the existing leased space located at Water Plant No. 3. Following discussion, Director McKeand moved that the Board approve the installation of the fiber lines, as discussed, and authorize execution of the letter agreement by the President on behalf of the Board and the District, subject to review of the plans for installation of the lines by Jones & Carter, and confirmation from MOC that the lines will not impact operation of the plant. Director Buchanan seconded the motion, which unanimously carried.

Mr. Ross and Mr. Chau 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 December 2018, 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 \$3,322.99 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 Wofford, seconded by Director McKeand 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 2019, 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 during the past year. After discussion on the matter, Director Wofford moved that the Board authorize MOC to provide the required information as set forth hereinabove. Director McKeand seconded said motion, which carried unanimously.

BOOKKEEPING REPORT AND PAYMENT OF BILLS

As the next order of business, Ms. Kelsey presented to and reviewed with the Board the bookkeeping report prepared by MCI, 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 McKeand moved that the Board approve the bookkeeping report and that the disbursements identified therein be approved for payment. Director Buchanan seconded the motion, which unanimously carried.

STATUS OF NEW UTILITY CONSTRUCTION BY FM 1960 AUTOPLEX, INC.

Mr. Mueller next addressed the Board regarding the status of new utility construction by FM 1960 Autoplex, Inc. He advised that FM 1960 Autoplex, Inc.'s site contractor is proceeding with private site construction. No action was taken by the Board.

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 Arthur J. Gallagher & Co. and will expire on March 31, 2019. After discussion, Director Wofford moved that SPH be authorized to solicit a one-year term renewal proposal from Arthur J. Gallagher & Co. for consideration at the next Board meeting. Director McKeand seconded the motion, which unanimously carried.

ATTORNEY'S REPORT

The Board next considered the attorney's report. A discussion ensued regarding the District's potential 2019 bond and maintenance tax election, including increasing the District's

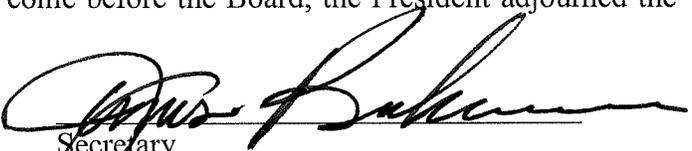
maximum maintenance tax authorization from \$0.25 to \$0.50. Following discussion on the matter, Director Buchanan moved that a proposition for the establishment of a \$0.50 maximum maintenance tax authorization be included on the ballot for the proposed election. The motion carried with Directors Buchanan, Wofford, and Boudreaux voting in favor of such motion, and Director McKeand abstaining.

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 December 2018
<u>Exhibit B</u>	Customer Service Report provided by Republic Services, Inc.
<u>Exhibit C</u>	Tax Assessor-Collector's Report
<u>Exhibit D</u>	Delinquent Tax Report
<u>Exhibit E</u>	Resolution Concerning Exemptions From Taxation
<u>Exhibit F</u>	Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes
<u>Exhibit G</u>	Engineering Report
<u>Exhibit H</u>	Letter Agreement between Clear Wireless, LLC and the District
<u>Exhibit I</u>	Operations and Maintenance Report
<u>Exhibit J</u>	Bookkeeper's Report