

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 26
Minutes of Meeting of Board of Directors
March 12, 2019

The Board of Directors of Harris County Municipal Utility District No. 26 met at 20810 Lee Road, Humble, Harris County, Texas on March 12, 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 Buchanan, who entered later in the meeting as noted herein, and Director Green, thus constituting a quorum.

Also present were Mason Mueller and Bradley Jenkins of Jones & Carter, Inc. ("Jones and Carter"); Cindi Oliver of Equi-Tax, Inc. ("Equi-Tax"); Bill Russell of Myrtle Cruz, Inc. ("MCI"); Lonnie Wright of Municipal Operations and Consulting, Inc. ("MOC"); Barbara Nussa of Republic Services, Inc. ("Republic"); Michael Willett and Rob Miller of Touchstone District Services ("Touchstone"); Sergeant Hinkel of the Harris County Precinct Four Constable's Office ("HCP4"); Dale Ferguson, resident 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 6, 2019, and February 12, 2019, Board of Directors meetings. Following discussion, Director Boudreaux moved that the minutes of the February 6, 2019, and February 12, 2019, Board meetings be approved, as written. Director Wofford seconded the motion, which unanimously carried.

Director Buchanan entered the meeting at this time.

HARRIS COUNTY PRECINCT FOUR CONSTABLE'S OFFICE SECURITY REPORT

Sergeant Hinkel then presented and reviewed the HCP4 security report for the month of February 2019, a copy of which is attached hereto as **Exhibit A**, and responded to questions from the Board and public. Director Boudreaux inquired as to whether the Board could be provided with security statistics for the District over the last five (5) years in order to identify possible trends. Sergeant Hinkel advised that he would attempt to obtain such information to present to the Board. He then exited the meeting.

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 2019, 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

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.

RESOLUTION AUTHORIZING REQUEST TO HARRIS COUNTY APPRAISAL DISTRICT FOR APPRAISAL OF PROPERTY

Mr. Creed next advised that the District's financial advisor has requested that the District obtain an updated estimate of value as of March 1, 2019, from the Harris County Appraisal District. The Board then considered approval of a Resolution Requesting Appraisal of Property (the "Resolution") as of March 1, 2019. After discussion, Director McKeand moved that the Board adopt the Resolution attached hereto as **Exhibit D**, and that the President be authorized to execute same on behalf of the Board and the District. Director Wofford seconded the motion, which unanimously carried.

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.

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

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 March 12, 2019, a copy of which is attached hereto as **Exhibit E**, 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 approval of Pay Estimate No. 2 in the amount of \$53,696.04 to J.T. Vaughn Construction, LLC in connection with the Deerbrook Estates drainage channel improvement project.

Mr. Mueller next addressed the Board regarding the status of water sampling and testing for hardness levels by MOC. He advised that MOC obtained sample data for the District's water supply, a copy of which is attached to the engineering report, from various sites within the District. Mr. Mueller advised that Jones & Carter also prepared a summary of hardness readings from a Texas Commission on Environmental Quality ("TCEQ") database for the District and other nearby water systems, as well as a summary of possible water softening alternatives that was prepared for another public water system, copies of which are included with the engineering report. Following discussion on the matter, no action was taken by the Board and it noted that the District's hardness levels appear to be within acceptable limits.

Mr. Jenkins addressed the Board regarding a proposed new form of Professional Services Agreement between the District and Jones & Carter. He advised that a copy of the proposed agreement will be forwarded to the Board prior to the next meeting. Mr. Creed noted that an item will be included on the next agenda for the Board to consider approval of same.

Mr. Jenkins exited the meeting at this time.

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 McKeand moved that the District's operator be authorized to make such filing on behalf of the District. Director Buchanan seconded the motion, which carried unanimously.

STATUS OF 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 2019. Mr. Creed advised the Board that SPH received the Staff Memorandum and draft Order approving the issuance of the Bonds from the TCEQ, copies of which have been provided to the Board at tonight's meeting. He then discussed the financial advisor's proposed schedule for sale of the District's Bonds, with which the Board concurred.

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. Mr. Creed advised that SPH has provided additional comments back to T-Mobile on the proposed lease and is awaiting a response to same.

OPERATION AND MAINTENANCE REPORT

Mr. Wright then presented to and reviewed with the Board the operations and maintenance report for the month of February 2019, a copy of which is attached hereto as **Exhibit F**.

Mr. Wright recommended that the Board consider authorizing MOC to move certain delinquent accounts in the total amount of \$4,560.76 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 McKeand and unanimously carried, that such accounts be moved to the uncollectible roll as recommended by MOC.

Mr. Wright discussed an appeal of District charges received from a customer who resides at 9027 Farm Ridge Lane. He reported that the customer has requested the Board consider authorizing an account adjustment due to the high amount that was billed as a result of a water leak. After discussion by the Board of the relevant facts and circumstances, Director Buchanan moved that the account be billed at the lowest tiered rate (plus the associated regional water authority fees) as a one-time courtesy. Director McKeand seconded the motion, which unanimously carried.

WATER LOSS AUDIT; WATER CONSERVATION PLAN ANNUAL IMPLEMENTATION REPORT

The Board next considered approval of the District's 2018 water loss audit, and the filing of same with the Texas Water Development Board ("TWBD") on or before May 1, 2019, as well as the filing of a water conservation plan annual implementation report with the TWBD. After discussion, it was moved by Director Wofford that the District's 2018 water loss audit be approved, subject to the finalization of same, and that MOC be authorized to file same with the TWBD on or before the May 1, 2019, deadline and to also file the water conservation plan annual implementation report. Director Buchanan seconded the motion, which unanimously carried.

WATER CONSERVATION PLAN; DROUGHT CONTINGENCY PLAN

The Board next considered the status of MOC and Jones and Carter's review of the District's Water Conservation Plan ("WCP") and Drought Contingency Plan ("DCP") for any required updates. It was noted that MOC and Jones and Carter are in the process of reviewing the WCP and DCP.

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, 2019. Following discussion, Director McKeand moved that the District's Rate Order, attached hereto as **Exhibit G**, be amended to reflect a well pumpage fee of \$4.24 for each 1,000 gallons of water billed to each customer of the District, 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.

Sergeant Hinkel re-entered 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 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 H**. 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. The Board deferred approval of the District's operating budget for fiscal year ended April 30, 2020, until the next meeting.

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, 2019. After discussion, Director McKeand 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, 2019. Director Buchanan seconded said 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.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

Mr. Creed next presented to and reviewed with the Board correspondence from Build America Mutual Assurance Company ("BAM"), attached hereto as **Exhibit I**, providing information regarding BAM's 2019 Annual Meeting and detailing the District's option to fill out a proxy card with regard to the re-election of two (2) nominees to BAM's Board of Directors. After discussion, the Board concurred to take no action on the matter.

ORDER ESTABLISHING MEETING PLACE INSIDE THE DISTRICT

The Board next considered establishing a meeting place inside the boundaries of the District. After discussion, Director McKeand moved to designate a meeting place at 7903 Forest Point Drive, Humble, Texas 77338 as a District public meeting place for the Board and interested members of the public, subject to confirmation by Touchstone that such location is available to hold the District's bond election open house, and if not, that the President be authorized to designate an alternative meeting place located within the boundaries of the District, and that the Order Establishing Meeting Place Inside the District attached hereto as **Exhibit J** be adopted. Director Boudreaux seconded the motion, which carried unanimously.

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 dated February 25, 2019, 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.

Mr. Creed reviewed with the Board the number of officers added to the District's patrol contract with HCP4 over the last five (5) years.

2019 BOND AND MAINTENANCE TAX ELECTION

The Board next discussed the District's 2019 Bond and Maintenance Tax Election (the "Election"). A discussion ensued regarding scheduling of the open house event to take place within the District. Following discussion, Director Buchanan moved that the open house event be scheduled for April 17, 2019, from 7:00 p.m. – 9:00 p.m. Director Wofford seconded the motion, which unanimously carried.

Mr. Willett addressed the Board at this time on behalf of Touchstone and provided the Board with sample District logos, copies of which are attached hereto at **Exhibit L**. Discussions ensued concerning the provision of shirts to be printed with the District's logo for Board members to wear at the open house event, utilization of a news post function on the District's website, and Election related postings on social media applications. Following discussion, Director Buchanan moved that (i) the District's logo be printed in the font of logo number 4 in the color of logo number 1 as depicted on **Exhibit L**, (ii) white shirts be provided to the Board members that include the District's logo, (iii) the news post functions be available on the District's website through the end of the Election period, and (iv) that no postings pertaining to the Election be made on social media applications at this time. Director McKeand seconded the motion, which unanimously carried.

EXECUTIVE SESSION

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

ADDITIONAL DISCUSSION CONCERNING SECURITY REPORT

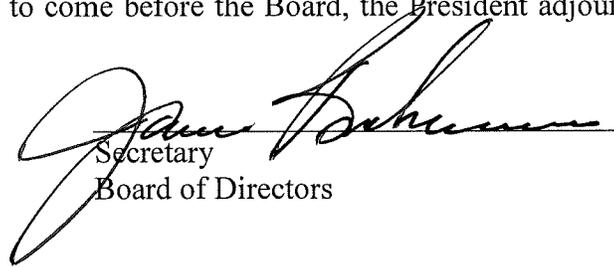
A discussion re-ensued regarding security statistics. Sergeant Hinkel advised that HCP4 has security statistics information for the District dating back to 2011. He advised that he will review the District's security reports over the last few months and determine the number of calls received from the apartment complexes located within the District.

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

516031

LIST OF ATTACHMENTS TO MINUTES

<u>Exhibit A</u>	Security Report for the month of February 2019
<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>	Resolution Requesting Appraisal of Property
<u>Exhibit E</u>	Engineering Report
<u>Exhibit F</u>	Operations and Maintenance Report
<u>Exhibit G</u>	Rate Order
<u>Exhibit H</u>	Bookkeeper's Report
<u>Exhibit I</u>	Correspondence from Build America Mutual Assurance Company
<u>Exhibit J</u>	Order Establishing Meeting Place Inside the District
<u>Exhibit K</u>	Report from Municipal Risk Management Group, L.L.C.
<u>Exhibit L</u>	Sample District Logos provided by Touchstone District Services