

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

The Board of Directors of Harris County Municipal Utility District No. 26 met at 20810 Lee Road, Humble, Harris County, Texas on February 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"); Bradley Jenkins, who entered later in the meeting as noted herein, and Mason Mueller of Jones & Carter, Inc. ("Jones and Carter"); Jeffrey Sonnheim of Equi-Tax, Inc. ("Equi-Tax"); Michael Williams 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"); Mark Eyring of Roth & Eyring, PLLC ("Roth & Eyring"); Lisa Newsum, Phillip Newsum, Younes Aitouazdi, Frank Ross, Vince Morelos, Lauren Woodall, and Kristopher 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 January 9, 2018, Board of Directors meeting. Following discussion, Director Buchanan moved that the minutes of the January 9, 2018, Board meeting be approved, as written. Director Boudreaux seconded the motion, which unanimously carried.

Mr. Jenkins entered the meeting at this time.

ENHANCED ENERGY SERVICES OF AMERICA, LLC

The Board deferred a presentation by Enhanced Energy Services of America, LLC regarding electricity pricing until the next meeting.

ENGAGEMENT OF AUDITOR

The Board recognized Mr. Eyring who addressed the Board relative to Roth & Eyring's engagement to conduct audits of the District's financial records for the fiscal years ending April 30, 2018, and April 30, 2019. Mr. Eyring advised the Board that the estimated cost for the preparation of audits for both of the fiscal years ending April 30, 2018, and April 30, 2019, is \$10,950.00 per year. After discussion on the matter, Director Buchannan moved that Roth & Eyring be engaged to conduct the District's audits for the fiscal years ending April 30, 2018, and April 30, 2019, that the President be authorized to execute the engagement letter, a copy of which is attached hereto as **Exhibit A**, on behalf of the Board and the District, and that the associated Texas Ethics Commission Form 1295 be accepted and acknowledged by SPH. Director Boudreaux seconded said motion, which carried unanimously.

HARRIS COUNTY PRECINCT FOUR CONSTABLE'S OFFICE SECURITY REPORT

Sergeant Hinkel presented and reviewed the HCP4 security report for the month of January 2018, a copy of which is attached hereto as **Exhibit B**. A discussion ensued among the Board and the residents present at the meeting with regard to recent crime activities in the District. No action was taken by the Board at this time.

Several residents exited the meeting at this time, with the remainder exiting periodically during the meeting.

STATUS OF THE DISTRICT'S \$4,000,000 UNLIMITED TAX BONDS, SERIES 2018 AND APPROVAL OF AUDIT REPORT RELATIVE TO PAYMENT OF PROCEEDS FROM SAID BONDS

The Board next considered the status of the District's \$4,000,000 Unlimited Tax Bonds, Series 2018 (the "Bonds") and the review and approval of an audit report relative to the payment of the proceeds of the Bonds. Mr. Creed reported that the District has received preliminary approval of the transcript of proceedings relative to the sale of the Bonds from the Attorney General of the State of Texas, and that he anticipates the closing of the sale of the Bonds to occur on February 15, 2018, at 10:00 a.m. as planned.

The Board next considered the approval of an audit report prepared by Roth & Eyring in connection with issuance of the Bonds and the disbursement of bond proceeds in accordance with same. Mr. Eyring reviewed in detail with the Board a draft of said audit report, a copy of which is attached hereto as **Exhibit C**, in connection with the proposed disbursement of bond proceeds. Mr. Eyring advised the Board of the procedures performed by Roth & Eyring in connection with the preparation of the audit report and of the various documents reviewed in connection therewith. Mr. Creed noted that LGI Homes has raised a question concerning the reimbursement of approximately \$30,000 in additional engineering fees associated with Deerbrook Estates, Section 11, that such matter will need to be further reviewed and that if appropriate the payment will be addressed through a supplemental audit. After review and discussion of the report, it was moved by Director Buchanan, seconded by Director Boudreaux and unanimously carried, that the audit report prepared in connection with the Bonds be approved, and that the Board authorize the disbursement of the bond proceeds in accordance

with and as set forth in the audit report, subject to the closing of the sale of the Bonds on February 15, 2018.

INTERNAL REVENUE SERVICE FORM 8038-G

The Board next considered authorizing the execution and filing of Internal Revenue Service Reporting Form 8038-G (the "Form") relative to the issuance of the Bonds. After discussion on the matter, it was moved by Director Buchanan, seconded by Director Boudreaux and unanimously carried, that the President be authorized to execute said the Form on behalf of the Board and the District and that the Form be filed as required.

CORRESPONDENCE FROM BOND COUNSEL REGARDING EXPENDITURE AND INVESTMENT OF BOND PROCEEDS

Mr. Creed next presented correspondence from SPH, as Bond Counsel for the issuance of the Bonds, addressed to the Board regarding certain provisions of the federal tax law and regulations of the Internal Revenue Service pertaining to the expenditure and investment of proceeds of the Bonds and reviewed same in detail, a copy of which is attached hereto as **Exhibit D**. He advised the Board that certain periodic reviews and reports would be required to monitor compliance with the requirements set forth therein and that arbitrage rebate or yield reduction payments could be required to be made based on said review and reports. Mr. Creed also advised the Board that the District's Bookkeeper would monitor investment rates and that the District's Financial Advisor would review the debt service fund balance and coverage in connection with the annual tax rate recommendation. He advised the Board, however, that compliance with the requirements is ultimately the responsibility of the Board.

DISTRICT INFORMATION FORM RELATIVE TO THE BONDS

Mr. Creed next presented and discussed with the Board an Amendment to the District's Fifth Amended and Restated District Information Form in connection with the issuance of the Bonds. After discussion regarding said form, Director Buchanan moved that the Amendment to the District's Fifth Amended and Restated District Information Form be approved and that the Board members present be authorized to execute same on behalf of the Board and the District, effective upon closing on the sale of the Bonds. Director Boudreaux seconded said motion, which unanimously carried.

OTHER MATTERS IN CONNECTION WITH THE ISSUANCE OF THE BONDS

There was next discussion regarding the approval of various documents to be utilized at the closing on the Bonds. Mr. Creed reviewed the various closing documents with the Board. After discussion on the matter, Director Buchanan moved that such closing documents be approved and that the President be authorized to execute and the Secretary to attest same on behalf of the Board and the District. Director Boudreaux seconded said 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 E**. No action was taken by the Board at this time.

COMMENTS FROM THE PUBLIC

Ms. Newsum addressed the Board with regard to the proposed addition of deputies to the District's patrol contract with Harris County, and requested that an item be included on the next agenda concerning the funding of same. A discussion ensued concerning the Board's historical involvement with funding the patrol contract, including its recent addition of two (2) deputies for a total of twelve (12) officers being funded by the District. No action was taken by the Board 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 F**. A discussion ensued concerning the purpose of a payment in the amount of \$53,250 received by the District from the Department of Public Safety. Mr. Russell advised that he would follow up to confirm the purpose of the payment and report back to the Board. 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.

Mr. Russell noted that a draft operating budget for the next fiscal year was attached to the report and requested that the Board and consultants review same and provide any comments in advance of the next meeting.

TAX ASSESSOR-COLLECTOR REPORT

Mr. Sonnheim then presented and reviewed the tax assessor-collector's report for January 2018, a copy of which is attached hereto as **Exhibit G**, 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"), as well as the status of discussions with representatives of Autoplex, Inc. concerning utility service and 2017 property tax issues raised by the property owners, as discussed at previous meetings. Mr. Creed advised that, according to Equi-Tax, the 2017 property taxes have been paid, and that he anticipates a draft of the in-district service agreement will soon be forwarded to Autoplex for review and comment.

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 February 9, 2018, a copy of which is attached hereto as **Exhibit H**, 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 Wofford, seconded by Director Buchanan and unanimously carried that the engineering report be approved, including approval of the Addendum Regarding FEMA Guidelines and Grant Terms and Conditions associated with the construction contract with Camino Services, L.L.C. for repair of the wastewater treatment plant outfall.

Mr. Jenkins advised that Jones & Carter has completed the annual water plant inspections, as previously authorized by the Board. He stated that minor operational issues were found as detailed in the Engineering Report, and recommended repair of same by MOC.

In connection with plan approval for Phase II of the Willowbend apartment project, Mr. Jenkins advised that the District is in receipt of a request from the Harris County Flood Control District ("HCFCD") for a letter regarding the drainage capacity for this development. He stated that a draft of the letter has been prepared, a copy of which is included with **Exhibit H**. Following discussion, Director Wofford moved that the subject letter be approved, executed by Jones & Carter, and forwarded to the HCFCD on behalf of the District. The motion carried with Directors McKeand, Green, Boudreaux, and Wofford voting "aye" and Director Buchanan voting "nay".

Mr. Jenkins advised that the District is in receipt of a request from T-Mobile to install equipment on the District's elevated storage tank, and that it has provided a letter of no objection from the current lessee, Clearwire Antenna (a/k/a Sprint). A discussion ensued regarding the terms and conditions of the proposed lease. Following discussion, the Board requested that Jones & Carter advise T-Mobile to provide a copy of its proposed lease agreement to SPH for review.

Mr. Jenkins advised that Mr. Peterson of Jones & Carter would be attending the next meeting to discuss any questions the Board may have about Jones & Carter's involvement in the Autoplex project.

ANNUAL REVIEW OF WAGE RATE SCALE

Mr. Creed next presented to the Board for review and approval a Resolution Adopting Prevailing Wage Rate Scale for Construction Projects, attached hereto as **Exhibit I**. He reviewed various provisions of the Resolution with the Board. Mr. Creed informed the Board that the District previously adopted the U.S. Department of Labor's wage rates, which have recently been updated as of January 2018. After discussion and consideration of the proposed Resolution, Director Buchanan moved that the Board adopt the Resolution with Exhibit "A" to same reflecting the updated wage rates for the Department of Labor and that the President and Secretary be authorized to execute same on behalf of the Board and the District. Director Green seconded said motion, which unanimously carried.

OPERATION AND MAINTENANCE REPORT

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

Mr. Williams recommended that the Board consider authorizing MOC to move certain delinquent accounts, in the total amount of \$1,388.42 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 Buchanan and unanimously carried, that such accounts be moved to the uncollectible roll as recommended by MOC.

A discussion ensued regarding unauthorized discharges into the District's system. Following discussion, the Board requested that an item be included on the next agenda in connection with increasing the charges associated with violation of the provisions contained in the Order Regulating the Introduction of Wastewater Into the Sanitary Sewer System of the District.

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, Director McKeand motioned to implement mass messaging options for the District. The motion failed for lack of a second and no action was taken by the Board.

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. Mr. Creed noted that the District has not yet received the one-year term renewal proposal from AquaSurance, L.L.C. The Board deferred taking action until the March meeting.

ATTORNEY'S REPORT

The Board next considered the attorney's report. In that regard, Mr. Creed presented to and reviewed with the Board the 5th year compliance report prepared by Arbitrage Compliance Specialists, Inc. for the District's Series 2013 Refunding Bonds, a copy of which is attached hereto as **Exhibit K**. He noted that, according to the report, no action is required by the Board at this time.

A discussion ensued regarding the funding of costs associated with the addition of deputies to the District's patrol contract with Harris County by increasing the water rates. 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 January 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

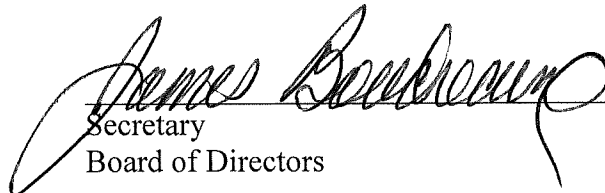
The Board then considered items for placement on a future agenda. No items were requested to be added to future agendas other than those items hereinabove discussed.

ADDITIONAL MATTERS

A discussion ensued regarding the construction of an access road to reach the trash rack at the Deerbrook Estates drainage channel. Mr. Jenkins advised that an alternate bid item for the road could be added to the upcoming drainage channel improvements project, to which the Board agreed.

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

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| <u>Exhibit A</u> | Engagement Letter (Roth and Eyring, PLLC) |
| <u>Exhibit B</u> | Security Report for the month of January 2018 |
| <u>Exhibit C</u> | Draft Developer Reimbursement Audit Report |
| <u>Exhibit D</u> | SPH Correspondence regarding Series 2018 Bonds |
| <u>Exhibit E</u> | Customer Service Report prepared by Republic Services, Inc. |
| <u>Exhibit F</u> | Bookkeeper's Report |
| <u>Exhibit G</u> | Tax Assessor-Collector's Report |
| <u>Exhibit H</u> | Engineering Report |
| <u>Exhibit I</u> | Resolution Adopting Prevailing Wage Rate Scale for Construction Projects |
| <u>Exhibit J</u> | Operations and Maintenance Report |
| <u>Exhibit K</u> | 5 th Year Compliance Report prepared by Arbitrage Compliance Specialists, Inc. for the District's Series 2013 Refunding Bonds |
| <u>Exhibit L</u> | President's Report for the month of January 2018 |