

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 26
Minutes of Meeting of Board of Directors
April 9, 2019

The Board of Directors of Harris County Municipal Utility District No. 26 met at 20810 Lee Road, Humble, Harris County, Texas on April 9, 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 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"), who entered later in the meeting as noted herein; Michael Williams of Municipal Operations and Consulting, Inc. ("MOC"); Dave Ciarella of Enhanced Energy Services of America, LLC ("EES"); Barbara Nussa of Republic Services, Inc. ("Republic"); Michael Willett and Rob Miller of Touchstone District Services ("Touchstone"); Sergeant Hinkel and Corporal Alejo of the Harris County Precinct Four Constable's Office ("HCP4"); Anthea Moran of Masterson Advisors LLC ("Masterson"), who entered later in the meeting as noted herein; Frank Ross, resident of the District, who entered later in the meeting as noted herein; 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 March 12, 2019, Board of Directors meeting. Following discussion, Director Wofford moved that the minutes of the March 12, 2019, Board meeting be approved, as written. Director Buchanan seconded the motion, which unanimously carried.

ENHANCED ENERGY SERVICES OF AMERICA, LLC

The Board next considered authorizing the use of the District's electricity usage information in an upcoming presentation by EES at the Association of Water Board Directors ("AWBD") conference. Mr. Ciarella addressed the Board and discussed the proposed usage of certain District information in the presentation related to electricity usage. Following discussion, Director McKeand moved that EES be authorized to use the District's electricity usage information at the upcoming AWBD conference. Director Wofford seconded the motion, which unanimously carried.

Ms. Moran entered the meeting at this time.

STATUS OF THE DISTRICT'S APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY ("TCEQ") FOR APPROVAL OF THE DISTRICT'S \$1,630,000 UNLIMITED TAX BONDS

The Board next considered the status of the District's Bond Application Report in connection with its proposed \$1,630,000 Unlimited Tax Bonds, Series 2019 (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.

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 May 14, 2019, 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.

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 Masterson be authorized to advertise for the sale of the Bonds in accordance with applicable legal requirements. Director McKeand 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 McKeand 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 \$1,630.00. After discussion on the matter, Director Buchanan moved that the District's bookkeeper be authorized to prepare a check in the amount of \$1,630.00 payable to the Attorney General of Texas and that said check be approved for payment. Director McKeand seconded said motion, which unanimously carried.

HARRIS COUNTY PRECINCT FOUR CONSTABLE'S OFFICE SECURITY REPORT

Corporal Alejo then presented and reviewed the HCP4 security report for the month of March 2019, a copy of which is attached hereto as **Exhibit A**, and responded to questions from the Board and public. No action was taken by the Board at this time.

Mr. Ross entered the meeting at this time.

COMMENTS FROM THE PUBLIC

There were no comments from the public at this time.

Sergeant Hinkel and Corporal Alejo exited the meeting 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.

RATE ORDER

The Board next considered increasing the District's residential sanitary sewer rate to cover Republic's increase in solid waste collection and disposal fees and the amendment of its Rate Order in connection therewith. Mr. Creed presented correspondence to the Board from Republic, a copy of which is attached hereto as **Exhibit C**, advising of an increase in the rates for monthly solid waste collection and disposal services from \$12.94 to \$13.22 per home in accordance with the CPI-U index, with such rate adjustment to become effective on May 1, 2019. Mr. Creed advised the Board that SPH has reviewed the CPI-U index and the District's contract with Republic and that Republic's proposed increase is consistent with same. After discussion on the matter, it was moved by Director McKeand, seconded by Director Buchanan and unanimously carried, that: (i) the District increase its monthly flat fee for residential sanitary sewer and solid waste collection and disposal service from \$23.29 to \$23.57 in order to cover the solid waste collection and disposal rate increase, (ii) that any and all Rate Orders heretofore adopted be revoked, and (iii) that the Rate Order attached hereto as **Exhibit D** be passed and adopted to be effective as of May 1, 2019.

TAX ASSESSOR-COLLECTOR REPORT

Ms. Oliver then presented and reviewed the tax assessor-collector's report for March 2019, 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 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 ADDITIONAL PENALTY ON DELINQUENT REAL PROPERTY TAXES

The Board next considered the adoption of a Resolution Authorizing an Additional Penalty on Delinquent Real Property Taxes. Mr. Creed advised that the Board is authorized, pursuant to Section 33.07 of the Texas Tax Code, as amended, to impose, under certain conditions on July 1, 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 July 1 of the year in which they become delinquent. After discussion, it was moved by Director McKeand, seconded by Director Buchanan and unanimously carried, that the Resolution Authorizing an Additional Penalty on Delinquent Real Property Taxes, attached hereto as **Exhibit F**, be adopted by the Board.

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 April 9, 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 McKeand, seconded by Director Wofford and unanimously carried that the engineering report and all action items therein be approved, including (i) approval of Pay Estimate No. 3 in the amount of \$37,623.02 and Change Order No. 1 in the amount of \$38,722.81 to J.T. Vaughn Construction, LLC in connection with the Deerbrook Estates drainage channel improvement project, and (ii) authorization of Jones & Carter to renew the Kenswick

Trace Storm Water Quality Permit and to pay the application fee in the total amount of approximately \$1,000.

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

PROFESSIONAL SERVICES AGREEMENT BETWEEN THE DISTRICT AND JONES AND CARTER, INC.

The Board next considered the approval of a new Professional Services Agreement (the "PSA") between the District and Jones & Carter, a copy of which is attached hereto as **Exhibit H**. Mr. Jenkins addressed the provisions of the PSA with the Board. Following discussion, Director McKeand moved that the Board approve the PSA, that the President be authorized to execute same on behalf of the Board and the District, and that SPH be authorized to acknowledge the associated Texas Ethics Commission Form 1295 provided by Jones & Carter. Director Wofford seconded the motion, which unanimously carried.

LEASE AGREEMENT BETWEEN THE DISTRICT AND T-MOBILE

Mr. Creed advised that the District has received a revised lease from T-Mobile and SPH is reviewing same. The Board deferred approval of the lease until its next meeting.

OPERATION AND MAINTENANCE REPORT

Mr. Williams then presented to and reviewed with the Board the operations and maintenance report for the month of March 2019, 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 \$2,470.66 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 McKeand, seconded by Director Buchanan and unanimously carried, that such accounts be moved to the uncollectible roll as recommended by MOC.

CONSUMER CONFIDENCE REPORT

The Board considered authorizing MOC to prepare a draft Consumer Confidence Report ("CCR") for review by the Board. Mr. Creed advised that pursuant to CCR requirements promulgated by the United States Environmental Protection Agency and the TCEQ, the District is required to provide a report containing various information regarding the District's water supply to all customers of the District by July 1, 2019. After discussion on the matter, it was moved by Director Buchanan, seconded by Director McKeand and unanimously carried, that MOC be authorized to prepare a draft CCR and SPH be authorized to review same for compliance with the TCEQ's regulatory requirements and its 2019 template.

IDENTITY THEFT PREVENTION PROGRAM

The Board then considered review of the District's Identity Theft Prevention Program (the "Program"). In connection therewith, Mr. Williams presented MOC's annual report, a copy of which is attached to the Operator's report, and advised the Board regarding the District's experience with identity theft during the prior year, current identity theft methods, the types of accounts maintained by the District and the District's business arrangements with other entities. Mr. Williams recommended that no changes be made to the District's Program. After discussion on the matter, the Board concurred that no changes were necessary to the District's Program at this time.

WATER CONSERVATION PLAN

Mr. Creed next advised the Board that the District previously adopted a Water Conservation Plan ("WCP"), and that pursuant to Title 30, Section 288.2 of the Texas Administrative Code, is required to review and revise its Plan, as applicable, by May 1, 2019, and every five (5) years thereafter. Mr. Williams advised that MOC is in the process of updating the District's WCP. Following discussion, Director Wofford moved that the Board approve the updated WCP, subject to the completion of same, and adopt the Resolution Regarding Review of Water Conservation Plan, attached hereto as **Exhibit J**. Director Buchanan seconded the motion, which unanimously carried.

DROUGHT CONTINGENCY PLAN

Mr. Creed next discussed with the Board the requirements of Title 30, Section 288.30 of the Texas Administrative Code for retail public water suppliers such as the District to review and, if appropriate, revise their DCP no later than May 1, 2019, and every five years thereafter. He further advised that no changes are being recommended to the District's DCP at this time. After discussion, Director Wofford moved that the District adopt the Resolution Regarding Review of Drought Contingency Plan, attached hereto as **Exhibit K**. Director Buchanan seconded such motion, which passed unanimously.

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 L**. 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 McKeand seconded the motion, which unanimously carried.

The Board next reviewed a proposed operating budget for the fiscal year ending April 30, 2020, a copy of which is included with **Exhibit L**. After discussion, Director Buchanan moved that the budget for the fiscal year ending April 30, 2020, be adopted, as presented. Director McKeand 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.

ATTORNEY'S REPORT

The Board next considered the attorney's report. In that regard, Mr. Creed advised that the open house event regarding the District's upcoming 2019 Bond and Maintenance Tax Election (the "Election") is scheduled to be held on April 17, 2019, from 6:00 p.m. to 8:00 p.m. at 7903 Forest Point Drive in Humble, Texas.

2019 BOND AND MAINTENANCE TAX ELECTION

The Board next discussed the District's upcoming Election. 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.

All those present except Directors Boudreaux, Wofford, and McKeand and Messrs. Willet and Miller exited at this time. Discussion ensued concerning additional preparations for the upcoming open house event.

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 March 2019
<u>Exhibit B</u>	Customer Service Report provided by Republic Services, Inc.
<u>Exhibit C</u>	Correspondence from Republic Services, Inc.
<u>Exhibit D</u>	Rate Order
<u>Exhibit E</u>	Tax Assessor-Collector's Report
<u>Exhibit F</u>	Resolution Authorizing an Additional Penalty on Delinquent Real Property Taxes
<u>Exhibit G</u>	Engineering Report
<u>Exhibit H</u>	Professional Services Agreement between the District and Jones & Carter
<u>Exhibit I</u>	Operations and Maintenance Report
<u>Exhibit J</u>	Resolution Regarding Review of Water Conservation Plan
<u>Exhibit K</u>	Resolution Regarding Review of Drought Contingency Plan
<u>Exhibit L</u>	Bookkeeper's Report