

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 261

Minutes of Meeting of Board of Directors
October 12, 2017

The Board of Directors ("Board") of Harris County Municipal Utility District No. 261 ("District") met on October 12, 2017 at 2701 W. Dallas St., Houston, Harris County, Texas, in accordance with the duly posted notice of said meeting, with a quorum of Directors present as follows:

S. Brady Whitaker, President
Jason VanLoo, Vice President
John F. Oyen, Secretary
Larry Goldberg, Assistant Secretary

and the following absent:

Emory Milton Dooley, Jr., Director.

Also present were Mr. Nathan White, operator for the District; Ms. Pat Hall, tax assessor-collector for the District; Ms. Michelle Lofton, the District's bookkeeper; Mr. Troy Bordelon and Mr. Nawa Panthi, engineers for the District; and Mr. W. James Murdaugh, Jr., attorney for District.

The President called the meeting to order and declared it open for such business as might regularly come before it.

1. The Board reviewed the minutes of the meeting held on September 14, 2017. Upon motion duly made, seconded and unanimously carried, the Board approved the minutes as presented.

2. Ms. Hall presented the tax assessor-collector's report, which showed 99.8% tax collections for 2016. The Board reviewed the delinquent tax report with the attorney, and no action was requested or required. Upon motion duly made, seconded and unanimously carried, the Board approved the tax assessor-collector's report and payment of the checks listed thereon.

3. The tax assessor-collector confirmed that her office had published notice of the District's intent to hold a public hearing and set the 2017 tax rate at this meeting. Accordingly, the Board called a public hearing on the District's proposed 2017 tax rate. It appeared that the Harris County Appraisal District had heretofore prepared and certified to the District's tax assessor-collector the final 2017 appraisal roll of the District. The Board considered the amount of taxes to be raised

based on said valuation in order to meet debt service requirements on the District's outstanding bonds and for maintenance purposes. It was moved, seconded and unanimously carried that there be passed and adopted the attached Order accepting the final appraisal roll and setting a tax rate of \$0.14 for each \$100 of assessed valuation shown on such appraisal roll for the purpose of debt service, and a rate of \$0.36 per \$100 valuation for maintenance and operations purposes. The Board executed the amendment to the District's Statement of Directors to reflect the tax rate, and the attorneys were directed to file executed copies with the Harris County Clerk and the Texas Commission on Environmental Quality as required by the Texas Water Code, and to furnish the tax assessor for the District a certified copy of the Order levying the tax.

4. The Board reviewed the bookkeeper's report with Ms. Lofton. The Board noted and approved the investment report and reviewed the energy usage report as well as her additional report concerning year-to-year comparisons of water billing from Windfern Forest Utility District. After further discussion, upon motion duly made, seconded and unanimously carried, the Board approved the bookkeeper's report and payment of the checks listed thereon.

5. The attorney then discussed the need for minor amendments to the District's investment policy in light of recent legislation. After a full review and discussion the Board unanimously approved and adopted the attached order adopting investment policy.

6. Mr. White approached the Board and presented the operations report. He noted 484 active connections with 98% water accountability. Three bacteriological tests had been performed, all with good results. No excursions had occurred at the Rolling Fork sewage treatment plant, which had operated at 32.7% of capacity. The operator then submitted a delinquent account to the Board for termination of utility service and stated that the account in question had been given written notification of the opportunity to appear, either in person or in writing, at the Board meeting to contest, explain, or correct the charges, services, or disconnection. The operator noted that the account listed had neither attended the Board meeting nor contacted the operator's office or the District to contest or explain the charges. After discussion, upon motion duly made, seconded and unanimously carried, the Board authorized the District's operator to proceed with termination of utility service to said account pursuant to the provisions of the District's Rate Order.

7. Mr. White continued his report with respect to recent repairs and maintenance, especially addressing problems related to concerns over water odor. The operators had performed

significant work testing the District's water system, and with the Board's approval they agreed to begin a free chlorine "burn" in the District's water system on Monday, October 16, 2017. He also agreed to provide the necessary information in advance to all District customers.

8. There was no information to present from Stuckey's Contract Services, and the operator confirmed that he was coordinating with Mr. Morrison of the attorney's office on the District's FEMA claim. Director Goldberg reviewed recent work performed in the District by Stuckey's, and the attorney agreed to coordinate with the bookkeeper to investigate the possibility of the use of surplus construction funds for the significant projects authorized for Stuckey's at the September meeting.

9. With respect to the District's FEMA claim, the Board discussed Hurricane Harvey and FEMA relief under Federal Disaster DR-4332. The deadline for filing for public assistance was September 24, 2017 (30 days post August 25, 2017). In this regard, the District's attorneys filed or will file the following documents on behalf of the District with the Federal Emergency Management Agency (FEMA): (1) Request for Public Assistance; (2) Designation of Subrecipient Agent; and (3) Direct Deposit Authorization. In connection with the Designation of Subrecipient Agent form, upon motion duly made and seconded, the Board unanimously voted to authorize and ratify Richard Morrison of Smith, Murdaugh, Little & Bonham, L.L.P., as its Primary Agent, the District's operator as its Secondary Agent, the District's bookkeeper as its Chief Financial Officer, and the District's regular attorney as its Certifying Official. In addition, the above Agents are hereby authorized to execute and file Application for Public Assistance on behalf of the District for the purpose of obtaining certain state and federal financial assistance under the Robert T. Stafford Disaster Relief & Emergency Assistance Act, (Public Law 93-288 as amended) or otherwise available.

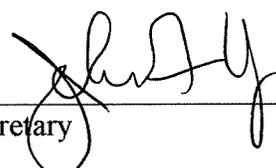
10. Mr. Bordelon presented the engineer's report and confirmed that the survey relating to the perimeter wall and cable company lines was almost complete with findings expected at the November meeting.

11. The Board reviewed the status of the Congo Lane fence project, and it was Director Goldberg's opinion that corners have been staked but no other progress was visible. The attorney then distributed four legal memoranda related to recent legislation and possible effects on District actions. He also confirmed that the District would proceed with respect to possible claims

against cable companies upon completion of the pending survey previously discussed. He further requested that the appropriate directors provide a copy of the fully executed agreement with the homeowners association for shared maintenance of certain property and facilities in its final form so that the District records would be complete.

12. The Board discussed the rate study performed by Mr. Bordelon's firm, and a thorough review was presented by Mr. Panthi. After considerable discussion the Board agreed to review the possibility of increasing their minimum rates charged for water, and the engineers and operator agreed to coordinate to provide specific recommendations for rate order changes prior to the next Board meeting. The attorney agreed to be sure an item was on the November agenda for amendment of the District's rate order as appropriate.

There being no further business to come before the Board, the meeting was adjourned.


Secretary