

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

Minutes of Board of Directors Meeting
June 3, 2013

ACTIONS TAKEN

1. The Board of Directors ("Board") voted to approve the minutes of the May 6, 2013, and May 8, 2013, meetings as written.
 2. The Board approved the termination of the legal services agreement between the District and Schwartz, Page & Harding, LLP ("SPH").
 3. The Board adopted an Order Establishing Office of the District.
 4. The Board approved the Tax Assessor-Collector's Report as presented by Utility Tax Service L.L.C. ("UTS"), including payment of the bills associated therewith.
 5. The Board approved the Operations and Maintenance Report presented by Environmental Development Partners, L.L.C. ("EDP").
 6. The Board approved and authorized the payment of Pay Estimate No. 1 totaling \$5,670.00 from JACH Controls & Automations, LLC ("JACH") in connection with the installation of the Supervisory Control and Data Acquisition ("SCADA") system.
 7. The Board approved and authorized the payment of Pay Estimate No. 1 totaling \$17,100.00 from Blastco Texas, Inc. ("Blastco") in connection with the painting at Water Plant No. 2.
 8. The Board approved a Utility Commitment Letter with Chasewood Park Hotel, LP.
 9. The Board approved the Engineering Report as presented by Eby Engineers, Inc. ("Eby").
 10. The Board approved the Bookkeeper's Report as presented by Claudia Redden & Associates, L.L.C., including the checks presented for payment.
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The Board of Harris County Municipal Utility District No. 286 ("District") met in regular session at the Board's regular meeting place, 8015 FM 1960 West, Houston, Harris, County, Texas 77070 on June 3, 2013, in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted officers and members of said Board of Directors, as follows:

David Geaslen, President
Paul D. Nicosia, Vice-President
Michael Rhodes, Secretary
Steve Garner, Assistant Secretary
Rosalind Theriot, Assistant Secretary

All of said persons were present, except Director Nicosia, therefore constituting a quorum.

Also present were Sergeant James Rouse and Deputy Joseph Martino of the Harris County Constable's Office, Precinct No. 4; Claudia Redden of Claudia Redden & Associates L.L.C.; Dennis Eby of Eby Engineers, Inc.; Eric Thiry of Environmental Development Partners, L.L.C.; Michael Arterburn of Utility Tax Service, L.L.C.; Thomas Kirkland of MAS Lodging Capital ("MAS"); Natalie Ruiz of IPS Group ("IPS"); and Kara Richardson of Marks Richardson PC ("MRPC").

President Geaslen called the meeting to order at 6:00 p.m. and declared same open for such business as might properly come before it.

APPROVAL OF MINUTES

The Board considered approval of the minutes of the Board of Directors meetings held on May 6, 2013, and May 8, 2013. After discussion, Director Theriot moved that the minutes of the May 6, 2013, Board of Directors meeting be approved as written. Director Garner seconded said motion, which carried unanimously. Director Theriot next made a motion to approve the minutes of the May 6, 2013, Board of Directors meeting. Director Garner seconded said motion, which carried unanimously.

TERMINATION OF LEGAL SERVICES

The Board next considered terminating the District's agreement for legal services with SPH. After discussion on the matter, Director Theriot moved that the Board terminate the District's agreement for legal services with SPH. Director Garner seconded said motion, which carried unanimously.

ORDER ESTABLISHING OFFICE OF THE DISTRICT

The Board next considered the adoption of the attached Order Establishing an Office of the District (**Exhibit A**) which establishes an office of the District at 3700 Buffalo Speedway, Suite 830, Houston, Harris County, Texas. After consideration of the matter, Director Theriot made a motion to approve said order. Director Garner seconded said motion, which carried unanimously.

TAX ASSESSOR-COLLECTOR REPORT

The Board next considered the Tax Assessor-Collector Report. In connection therewith, Mr. Arterburn presented and reviewed with the Board the attached Tax Assessor-Collector Report (**Exhibit B**) dated May 31, 2013. He reviewed the total receivables, the cash balance, disbursements, and checks as reflected in the report. After discussion of the report, Director Garner moved that the Tax Assessor-Collector Report be approved as presented, and that the checks identified in said report be approved for payment. Director Theriot seconded said motion, which carried unanimously.

Sergeant Rouse and Deputy Martino entered the meeting at this time.

SECURITY PATROL REPORT BY THE CONSTABLE'S OFFICE

The Board next considered the Security Patrol Report. Deputy Martino reported on recent District activity as noted in the report previously circulated to the Board via email.

Director Theriot next inquired about adjusting the timing of the traffic lights on Jones Road leading out of the subdivision. Sergeant Rouse stated that he will look into the matter.

Sergeant Rouse next updated the Board with respect to the new schedule of patrol hours in the District.

OPERATIONS REPORT

The Board next considered the Operations and Maintenance Report. In connection therewith, Mr. Thiry presented and reviewed the attached Operations and Maintenance Report (**Exhibit C**) dated May 31, 2013.

Mr. Thiry reported that the testing of the commercial meters has been completed and that EDP repaired seven (7) meters that were found to be faulty. A discussion next ensued relative to the cost to the District to test and repair the meters and the lost revenue to the District for any unaccounted for and unbilled water delivered to customers via such faulty meters. Mr. Thiry stated that he will investigate the lost water revenue for the seven (7) defective meters and report his findings to the Board next month.

Ms. Redden entered the meeting at this time.

Mr. Thiry next advised that EDP is working on the installation of the chemical feed system for supplemental disinfection at the Water Plant.

Mr. Thiry next reported that EDP is working with Lone Star and Eby to facilitate the installation of backflow prevention devices for the domestic and fire water supply to the Central Plant.

In connection with the construction of the Lone Star College Energy Manufacturing Institute ("EMI"), Mr. Eby stated that he is concerned that construction is not proceeding in accordance with the approved plans and asked that Mr. Thiry investigate same. Mr. Eby stated that he sent EMI an email informing them that Lone Star would be responsible for any costs required to correct any deficiencies or deviations from the District approved plans and specifications.

Mr. Thiry next reported that the backflow preventer for the domestic water supply for Nobel Energy has been installed along with the 8-inch TS&V and backflow preventer for the fine line. He further noted that the backflow preventer modifications to the parking garage have been completed.

Mr. Thiry next presented and reviewed the final approved Consumer Confidence Report ("CCR") and noted that the District's former attorney, Mr. Spencer Creed of SPH, reviewed the CCR and provided comments to EDP. He further stated that EDP will mail the CCR to the customers in the District tomorrow.

After discussion, Director Theriot moved to approve the Operations and Maintenance Report as presented. Director Rhodes seconded said motion, which unanimously carried.

ELECTRICITY SERVICE PROVIDERS

The Board next discussed obtaining proposals from electricity service providers for electricity to serve the District. Mr. Eby reported that he will begin gathering information from various providers to present to the Board.

ALTERNATIVE PAYMENT PROGRAM

In connection with the implementation of an alternative payment program for payment of customer utility bills, Mr. Thiry advised that he spoke with representatives of Compass Bank regarding potential issues with certain fee schedules included in the various program agreements, as identified by Mr. Creed, and that Compass stated that such issues are addressed in an addendum between EDP and the District. After discussion, Ms. Richardson stated she will look at the agreements and fee schedules to verify that all issues are properly addressed.

ENGINEERING REPORT

President Geaslen then recognized Mr. Eby for presentation of the attached Engineer's Report (**Exhibit D**) dated June 2, 2013.

Mr. Eby advised that the installation of the SCADA system at Water Plant No. 2 is complete but that he has not yet had the opportunity to meet with the Operator to go over the operation of the equipment. In connection therewith, Mr. Eby presented for the Board's approval Pay Estimate No. 1 from JACH in the amount of \$5,670.00. After discussion on the matter, Director Rhodes made a motion to approve payment of Pay Estimate No. 1 to JACH as set forth above. Director Theriot seconded said motion, which carried unanimously.

Mr. Eby next reported on the recoating of Water Plant No. 2 by Blastco and noted that the project is almost complete with the exception of some minor touch-up painting. Mr. Eby presented for the Board's approval Pay Estimate No. 1 for \$17,100.00. After discussion, Director Rhodes made a motion to approve payment of Pay Estimate No. 1 to Blastco as set forth above. Director Theriot seconded said motion, which carried unanimously.

Mr. Eby next reported that someone is scheduled to come out on Thursday to repair the flare at Water Plant No. 1.

Mr. Eby next suggested that the well cap should be retro-fitted to test the water level.

Mr. Eby next presented invoice 18598, dated January 11, 2013, from Brian Gardens Landscape in the amount of \$350.00 for work performed on the trail. The Board asked that Ms. Redden verify that same has not previously been paid by the District prior to the District approving payment of the invoice.

Mr. Eby next presented and reviewed with the Board the attached Playground Safety Compliance Audit (**EXHIBIT E**) performed in connection with the playground equipment and facilities located at Lakewood Crossing Park (the "Park").

Mr. Eby next reported on the status of a generator shelter for the District's portable generator. In connection therewith, he noted that last month the Board directed that the generator be relocated to the garage at the District's Waste Water Treatment Plant ("WWTP"), but that the Operator has stated that the generator will not fit in the specified location at the WWTP. After discussion on the matter, Mr. Eby and Mr. Thiry concurred they would investigate the issue and try to come up with a solution.

Mr. Eby next reported that the fluoride treatment project has been delayed due to delays with the delivery of the building. He noted that the building should be delivered in four (4) weeks.

Mr. Eby next discussed the proposed construction of an interconnect line to provide a secondary water line feed at Water Plant No. 1. He stated that the Operator plans to dig up the line to locate the existing line to determine how far it extends toward the cul-de-sac and how far it would need to be extended.

The Board next considered the status of the Centre at Cypress Creek ("Centre"). In connection therewith, Mr. Eby reported that a new restaurant is opening at Centre and that, after a discussion with Transwestern and EDP regarding the inspection, it was noted that some modifications to the grease trap will likely be required.

Mr. Eby next reported that Lone Star College has hired Eby to perform the site work in connection with the Lone Star meter transfers at the Central Plant, and that he has begun working on the plans.

Mr. Eby next advised that he sent lengthy correspondence to Cobb-Fendly relative to Eby's review of the plans, specifications and other documents submitted by Cobb-Fendly and relating to the proposed construction of the EMI by Lone Star. Mr. Eby stated that he expects that Cobb-Fendly will resubmit plans to Eby in the next few days.

Mr. Eby next noted that HP contacted him and stated that they are planning on constructing a basketball court on the HP site. Director Geaslen suggested that Mr. Eby discuss with HP the possibility of HP constructing a trail to connect with the District's trail.

Mr. Eby next advised that he sent the information requested by Lake Forest Utility District under the Public Information Act. After discussion on the matter, the Board concurred to take the item off of future agendas.

The Board next considered a request from Chasewood Park Hotel, LP ("Chasewood") for water and sanitary sewer capacity to serve a proposed hotel development in the District. Ms. Richardson noted that Chasewood has indicated the need for approximately 27,139 gallons per day of sanitary sewer and water capacity. Mr. Eby noted that the District has sufficient capacity to serve the proposed development and recommended that the Board approve the request as set forth above. Ms. Richardson presented a proposed Utility Commitment Letter ("UCL") setting forth the terms and conditions of the proposed capacity commitment and recommended that the Board approve the commitment based upon said terms and conditions and execute the proposed UCL as presented. After discussion, Director Rhodes moved that the utility commitment request with Chasewood be approved as set forth above, based upon the terms and conditions set forth in the UCL and that the President be authorized to execute the UCL on behalf of the Board and District. Director Theriot seconded said motion, which unanimously carried.

Mr. Eby next reported that he is in the process of reviewing the plans for the day care facility at the Lone Star Campus.

The Board next considered the status of the drinking fountains located at the Park. In connection therewith, Director Geaslen suggested that the District remove and plug the fountain with the blockage and water back-up issues. Mr. Eby suggested that such fountain could be removed and plugged for approximately \$500. A discussion next followed regarding the need to repair the drain on a second drinking fountain in the Park. Mr. Eby noted that the sump could be expanded in size to help with the back-up issues. He further reported that shrubs will be installed on June 6th, and also recommended that the Board authorize him to purchase rocks for the fountain at a cost of \$175.00. The Board concurred.

After discussion, Director Theriot moved that the Engineering Report, and the invoices set forth therein, be approved as presented. Director Garner seconded said motion, which unanimously carried.

BOOKKEEPING REPORT

The Board considered the Bookkeeper's Report. In connection therewith, Ms. Redden reviewed the attached Bookkeeping Report (**Exhibit F**) dated June 3, 2013, including the checks

presented for payment. After discussion, Director Rhodes moved that the Board approve the Bookkeeper's Report, including the checks presented for payment. Director Theriot seconded said motion, which carried unanimously.

DEVELOPERS' REPORTS

HP

The Board deferred consideration of development in the District by HP after noting that no representative of HP was present at today's meeting.

GENESIS CAPITAL PARTNER, L.L.C. ("GENESIS")

The Board deferred consideration of development in the District by Genesis after noting that no representative of Genesis was present at today's meeting.

CENTRE AT CYPRESS CREEK

The Board deferred consideration of the development in the District by Centre as no representative was present to discuss same.

LONE STAR

The Board considered development in the District by Lone Star. Director Garner noted that the bond proposition failed to pass.

TCH NORTHWEST ASSOCIATES ("TCH")

The Board deferred consideration of the development in the District by TCH as no representative was present to discuss same.

CYPRESS CREEK GREENWAY

The Board deferred consideration of the status of the Cypress Creek Greenway Project when it was noted there was nothing new to report.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Ms. Richardson discussed the progress of the transition of legal counsel from SPH to MRPC.

DISTRICT WEBSITE

In connection with the District's website, Director Theriot advised that she has updated the website to reflect MRPC as the attorneys for the District.


AMENDMENT OF RATE ORDER

The Board next considered amending the District's Rate Order with respect to the commercial water and sewer rate structure provisions. In connection therewith, Director Geaslen noted that the District has not increased the rates billed to commercial customers in many years and proposed changing the water and sewer rate structures as follows: a) \$21.50 for all water metered up to 10,000 gallons; b) \$2.00 per thousand gallons of water metered over 10,000 gallons and up to 500,000 thousand gallons; c) \$2.50 per thousand gallons of water metered over 500,000 and up to 1,000,000 gallons; and d) \$3.25 per thousand gallons of all water metered over 1,000,000 gallons.

After discussion on the matter, Director Garner requested that the Operator prepare a chart showing the impact of the proposed fee increase to the various commercial customers in the District. Director Geaslen requested that Mr. Thiry base such analysis on increasing the rate for water metered between 10,001-500,000 to \$2.25 per thousand gallons and the rate for water metered over 1,000,000 gallons to \$3.00 per thousand gallons.

ADJOURNMENT OF BOARD MEETING

Citing no further business to come before the Board at this time, Director Theriot made a motion to adjourn at 7:20 p.m., duly seconded by Director Garner, which carried without dissent.


Secretary

LIST OF EXHIBITS

April 1, 2013

- Exhibit A. Order Establishing Office of the District
- Exhibit B. Tax Assessor-Collector's Report
- Exhibit C. Operations and Maintenance Report
- Exhibit D. Engineer's Report
- Exhibit E. Playground Safety Compliance Audit Form
- Exhibit F. Bookkeeping Report
- Exhibit G. Commercial Rates Packet