

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286**

Minutes of Board of Directors Meeting  
January 2, 2017

**ACTIONS TAKEN**

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1. The Board approved the minutes of the December 5, 2016, meeting.
  2. The Board approved the audit report for the fiscal year ended September 30, 2016, authorized the President to execute the Annual Filing Affidavit, and authorized the filing of the audit report and Annual Filing Affidavit with the appropriate governmental authorities.
  3. The Board approved a 48-month term contract with Director Energy for electricity services, to begin upon the expiration of the District's current electricity contract.
  4. The Board approved the Interlocal Agreement for Law Enforcement Services with Harris County.
  5. The Board approved the Tax Assessor-Collector's Report as presented by Utility Tax Service L.L.C., including the checks presented for payment.
  6. The Board adopted a Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes and authorized Perdue, Brandon, Fielder, Collins & Mott, LLP to proceed with the collection of the District's 2017 delinquent personal property accounts, including the filing of lawsuits, as necessary.
  7. The Board approved the Operations and Maintenance Report presented by EDP.
  8. The Board authorized EDP to provide information to entities receiving water from the District in 2016 for purposes of Consumer Confidence Report reporting requirements.
  9. The Board approved the Engineering Report presented by Eby Engineers, Inc.
  10. The Board approved the Bookkeeper's Report as presented by Claudia Redden & Associates, L.L.C., including the checks presented for payment.
  11. The Board approved the Resolution Adopting List of Qualified Brokers.
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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, 20303 Chasewood Park Drive, Houston, Harris, County, Texas 77070 on January 2, 2017, 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  
Michael Rhodes, Vice President  
Steve Garner, Secretary  
Rosalind Theriot, Assistant Secretary  
Becky Campbell, Assistant Secretary

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

Also present were Deputy Singh 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. ("Eby"); Eric Thiry and Greg Camp of Environmental Development Partners, L.L.C. ("EDP"); Paul Vangrieken of Genesis Capital Advisors, L.L.C. ("Genesis"); Mark Roth of Roth & Eyring, CPA; Mike Harrington of American Enerpower ("AE"); and Kara Richardson of Marks Richardson PC ("MRPC").

#### **APPROVAL OF MINUTES**

As the first order of business, the Board considered approval of the minutes of the Board of Directors meeting held on December 5, 2016. After discussion, Director Garner made a motion to approve the minutes of the December 5, 2016, Board of Directors meeting, as written. Director Theriot seconded the motion, which carried unanimously.

#### **SECURITY PATROL REPORT BY THE CONSTABLE'S OFFICE**

The Board next considered the Security Patrol Report (**Exhibit A**). Deputy Singh reviewed the report. The Board discussed recent crimes involving credit card fraud. Deputy Singh advised that people should make a police report if someone fraudulently uses their card or opens a card in their name. She next discussed certain incidents that were erroneously coded to the District and noted that she is working internally to make sure that the new deputies are coding incidents properly.

Deputy Singh exited the meeting at this time.

#### **APPROVAL OF AUDIT REPORT**

The Board next considered approval of an audit report for fiscal year ended September 30, 2016. Mr. Roth presented a draft of the audit report and correspondence regarding the report (**Exhibit B**). He stated that he spot-checked the consultant fees to ensure they were being billed according to the contracts and found no billing errors to report. He noted that the Capacity Reservation Payment due from TCH Northwest Associates by December 31, 2015, and December 31, 2016, have yet to be received. Ms. Richardson stated that her office will follow up on the matter as they previously sent invoices to TCH for both payments. The Board discussed the legal and engineering fees owed to the

District by LFUD and related to the new interconnect. The Board concurred to not bill LFUD for those amounts. After discussion, Director Theriot made a motion to approve the audit report for the fiscal year ended September 30, 2016, as revised, to authorize the President to execute the Annual Filing Affidavit on behalf of the Board and District, and to file the audit report and Annual Filing Affidavit with the appropriate governmental authorities, including the Texas Commission on Environmental Quality. Director Cronin seconded the motion, which carried unanimously.

Mr. Roth exited the meeting at this time.

### **AMERICAN ENERPOWER PRESENTATION**

The Board next considered a presentation from American Enerpower relative to electricity service. Mr. Harrington addressed the Board and reviewed the attached Competitor Analysis for services and rates for the District (**Exhibit C**). He noted that the District's current contract expires in 2 years and has a rate of \$0.0561/KWh. He stated that electricity is near a 15-year low with current prices below \$0.04/KWh. The Board discussed the various contract terms available. Director Geaslen suggested that the Board approve the 36-month term so that the contract would expire in January. Mr. Harrington recommended the 48-month term. After discussion, Director Campbell made a motion to approve a 48-month contract with Direct Energy, to begin upon the expiration of the District's current contract. Director Theriot seconded the motion, which carried with Director Geaslen abstaining from the vote. Mr. Harrington stated that he will forward the contract and Form 1295 to Ms. Richardson for review before execution.

Mr. Harrington left the meeting at this time.

### **INTERLOCAL AGREEMENT FOR LAW ENFORCEMENT SERVICES**

The Board next considered the approval of the Interlocal Agreement for Law Enforcement Services with Harris County. Ms. Richardson reviewed the Agreement with the Board and noted that the cost and coverage is the same as last year, and that the contract term will begin March 1st. After discussion, Director Theriot made a motion to approve the Agreement and to authorize the President and Secretary to execute same on behalf of the Board and the District. Director Garner seconded the motion, which carried unanimously.

### **SECURITY MONITORING SERVICES**

The Board next considered the status of security monitoring services. No one present had anything new to report.

### **DEVELOPERS' REPORTS**

#### **GENESIS CAPITAL PARTNER, L.L.C.**

The Board next considered the status of development in the District by Genesis. Mr. Vangrieken asked about the District's increase in water rates for commercial customers. Director Geaslen explained that the Board made the decisions to re-impose the NHCRWA fee due to declines in the District's strategic partnership agreement revenue. He noted that imposing the fee on residential

customers would not generate enough money to make up for the shortfall in sales tax revenue, which is solely attributable to the commercial business in the District. Mr. Vangrieken stated that imposing the fee solely upon commercial customers creates an undue burden on business in the District and could potentially drive some businesses out of the District by adversely affecting rental rates and the viability of the development.

### **TAX ASSESSOR-COLLECTOR REPORT**

The Board next considered the Tax Assessor-Collector Report. MS. Richardson presented the attached Tax Assessor-Collector Report (**Exhibit D**) dated December 31, 2016, as prepared by the District's Tax Assessor-Collector, Utility Tax Service, LLC. The Board reviewed the total receivables, the cash balance, disbursements, and checks as reflected in the report. After discussion of the report, Director Campbell made a motion to approve the Tax Assessor-Collector Report as presented and to approve the checks identified in the report for payment. Director Theriot seconded the motion, which carried unanimously.

### **RESOLUTION AUTHORIZING AN ADDITIONAL PENALTY ON DELINQUENT PERSONAL PROPERTY TAXES**

The Board next considered the adoption of a Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes, (**Exhibit E**). Ms. Richardson advised that the Board is authorized pursuant to Section 33.11 of the Texas Tax Code, as amended, to impose, under certain conditions, an additional penalty not to exceed twenty percent (20%) of the delinquent personal property taxes due to the District that became delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent. After discussion, Director Theriot made a motion to adopt the Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes and to authorize that Perdue, Brandon, Fielder, Collins & Mott, LLP to proceed with the collection of the District's 2017 delinquent personal property accounts following proper notice as provided in the Resolution, including the filing of lawsuits, as necessary. Director Campbell seconded the motion, which carried unanimously.

### **OPERATIONS REPORT**

The Board next considered the Operations and Maintenance Report (**Exhibit F**).

Mr. Thiry reviewed repairs EDP made during the month. He stated that the non-potable pump at the WWTP was replaced at a cost of \$3,079.80 and recommended that Board consider modifying that system in the future. Director Theriot asked how long the new pump should last. Mr. Thiry stated that pumps run continuously and the bearing start to fail and leak eventually so he estimates that the new pump will last about 2 years. He stated that he will work on a long term solution that can be implemented when this new pump eventually fails.

Mr. Thiry next reported that one of the blowers is in the shop for repair and noted that he will bring the repair estimate with him next month.

Mr. Thiry next reported that the interconnect construction is complete except for a few repair items that remain to close out the project.

Mr. Thiry next reported that EDP found a sinkhole by the rainwater drain at Water Plant No. 1 which he attributes to leaking underground pipes. He stated that the estimated cost to repair is \$2,500. After discussion, Director Theriot made a motion to authorize the repair of the sinkhole. Director Campbell seconded the motion, which carried unanimously.

Mr. Thiry next reported that the new generator company, Gen Solutions, performed maintenance and load bank tests on the generators. He noted that the muffler fell apart during the test on the generator at the WWTP and that the problem was likely due to corrosion. He presented a quote from Gen Solutions for \$4,528.18 to repair but noted that Gen Solutions will do the work as a subcontractor of EDP.

Mr. Thiry next reported that he will check on the WWTP flowmeter to make sure that it is measuring correctly. He noted that it currently appears to be reading lower than normal.

The Board next discussed accounts that have had water service cut off and never turned back on. Director Theriot discussed an account on Lakewood Cove and noted that it is not showing up on the report but that the home still appears occupied. Director Geaslen suggested that EDP pull the meter to make sure that it hasn't been tampered with. Director Theriot asked that EDP go by a home on Faulkey Gulley to see if the resident has moved away.

The Board next discussed the gazebo repair invoice. Mr. Thiry stated that EDP did the repair to the light fixture because an electrician would have been significantly more expensive.

After discussion, Director Campbell made a motion to approve the Operations and Maintenance Report as presented. Director Theriot seconded the motion, which carried unanimously.

### **REPLACEMENT OR REPAIR OF GENERATOR AT WATER PLANT**

The Board concurred to remove this item from future agendas.

### **CONSUMER CONFIDENCE REPORTS**

The Board next considered authorizing EDP to provide required information to districts receiving water through an emergency interconnect relative to Consumer Confidence Reports. After discussion, Director Theriot made a motion to authorize EDP to provide the required information. Director Campbell seconded the motion, which unanimously carried.

### **ENGINEERING REPORT**

The Board next considered the Engineering Report (**Exhibit G**).

Mr. Eby reported that he is waiting to receive a detailed invoice from the contractor performing the trail repairs before paying the invoice. He noted that the project is substantially complete but that he wants to fully review the repair list.

Mr. Eby next stated that he had nothing new to report regarding the lift station rehabilitation project. He noted that he hired an electrical engineer to begin the design work for the installation of generators at the other two lift stations and noted that the mobile generator will likely be moved to the lift station located in Chasewood. Mr. Vangrieken asked if the Board might consider a permanent generator for Chasewood for aesthetic purposes. Mr. Eby stated that he will evaluate options.

Mr. Eby next noted that he did not have an executed TEC Form 1295s in connection with the proposals for the Water Plant Roof Repair. He noted that the low bid was from All-Tex and that he will bring the Form 1295 next month.

The Board next considered the status of the contract with CES Utilities Inc. ("CES") for the water and sanitary sewer to serve the new Lone Star Science Building. Ms. Richardson noted that the easement conveyance documents have been sent to both Lone Star and the Compaq Center West Owner's Association for execution. After discussion, Director Theriot made a motion to approve the easement conveyance documents with both entities, contingent upon the receipt of the fully executed documents. Director Campbell seconded the motion, which carried unanimously.

After discussion, Director Theriot made a motion to approve the Engineering Report and the invoices set forth therein. Director Campbell seconded the motion, which carried unanimously.

### **TRAIL REPAIRS**

The Board next discussed trail repairs, including the proposed easement acquisition from Mr. Terpstra. Mr. Eby stated that he met with representatives from Harris County regarding the trails and that they has proposed to provide labor and equipment if the District provides the materials. Mr. Eby estimated that the materials would cost \$12,930.78, assuming that the District owns the easement from Mr. Terpstra. He stated that he has recently spoken with Mr. Terpstra regarding the potential acquisition. Director Campbell stated that when she and Mr. Terpstra last spoke, she offered Mr. Terpstra \$5,000 for the easement, on behalf of the District. She noted that she has not received a response to the offer yet.

### **BOOKKEEPING REPORT**

The Board next considered the Bookkeeper's Report. Ms. Redden reviewed the Bookkeeping Report (**Exhibit H**), including the checks presented for payment. She noted that one (1) check presented for approval, to Reliant, is not reflected on the report. She noted that she has not received the invoice from Reliant yet but that she estimated the amount as to avoid any late fees. After discussion, Director Theriot made a motion to approve the Bookkeeper's Report, including the checks presented for payment. Director Campbell seconded the motion, which carried unanimously.

The Board next discussed the District's various TCEQ accounts. Ms. Redden noted that the District currently has three accounts and noted that she will get with the TCEQ to see if the accounts can be consolidated for the purpose of payment and regulatory assessment fees.

**RESOLUTION ADOPTING LIST OF QUALIFIED BROKERS**

Ms. Richardson next advised the Board that requirements in the Public Funds Investment Act require the Board of Directors of the District to review, revise and adopt at least annually a list of qualified brokers authorized to engage in investment transactions with the District. She reviewed with the Board a Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, and a list of financial institutions, brokers and dealers attached thereto as Exhibit "A", (**Exhibit I**). Ms. Richardson noted that the list of brokers was provided by the District bookkeeper, and recommended to the Board that if any of the directors have a relationship with any of the institutions shown on the list that could create a conflict of interest, then that institution(s) should be deleted from the list that the Board adopts. After discussion, Director Campbell made a motion to approve the Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District. Director Theriot seconded the motion, which carried unanimously.

**REQUEST FROM GHORBA**

The Board next considered a request from the Greater Houston Off-Road Biking Association regarding trail maintenance, including approval of amendment to Interlocal Agreement with HCFCD. Ms. Richardson stated that she sent Mr. Eby an example of the more detailed map HCFCD requires.

**ITEMS FOR FUTURE AGENDAS**

The Board next considered matters for possible placement on future agendas.

**ADJOURNMENT OF BOARD MEETING**

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

  
Secretary, Board of Directors

**LIST OF EXHIBITS**

January 2, 2017

- Exhibit A. Patrol Report
- Exhibit B. Draft Audit for Fiscal Year Ending September 30, 2016
- Exhibit C. American Enerpower Competitor Analysis
- Exhibit D. Tax Assessor-Collector's Report
- Exhibit E. Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes
- Exhibit F. Operations and Maintenance Report
- Exhibit G. Engineering Report
- Exhibit H. Bookkeeping Report
- Exhibit I. Qualified Brokers List