

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

Minutes of Board of Directors Meeting

October 1, 2012

ACTIONS TAKEN

1. The Board of Directors (“Board”) voted to approve the minutes of the September 10, 2012 meeting as written.
 2. The Board approved the Tax Assessor-Collector’s Report as presented by Michael Arterburn of Utility Tax Service, L.L.C. (“UTS”), including payment of the bills associated therewith.
 3. The Board adopted an Order levying its 2012 tax rate and amended its District Information Form accordingly.
 4. The Board approved the Operations and Maintenance Report as presented by Eric Thiry of Environmental Development Partners, L.L.C. (“EDP”).
 5. The Board approved the Engineering Report and the associated action items as presented by Dennis Eby of Eby Engineers, Inc. (“Eby”).
 6. The Board approved the Bookkeeper’s Report as presented by Claudia Redden of Claudia Redden & Associates, L.L.C.; including the checks presented for payment.
 7. The Board approved the Attorney’s Report as presented by Spencer Creed of Schwartz, Page, & Harding, L.L.P. (“SPH”).
 8. The Board adopted a Resolution in connection with the annual review of its Investment Policy.
 9. The Board authorized Mr. Creed to complete a letter to send with the District’s funds to be allocated towards recreational facilities in connection with the Fallen Warriors Memorial Program.
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The Board of Harris County Municipal Utility District No. 286 ("District") met at the Board's regular meeting place, 8015 FM 1960 West, Houston, Harris, County, Texas 77070 on October 1, 2012 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
Steve Garner, Assistant Secretary
Michael Rhodes, Secretary
Rosalind Theriot, Assistant Secretary

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

Also present were Officer Blackledge and Sergeant Rouse 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 of Environmental Development Partners, L.L.C. ("EDP"); Michael Arterburn of Utility Tax Service, L.L.C.; Spencer Creed of Schwartz, Page, & Harding, L.L.P. ("SPH"); Mr. Paul VanGrieken of Genesis Capital Partners, L.L.C. ("Genesis"); Hunter Goodwin of Oldham Goodwin Group; Thomas Kirkland of TEKMAK; and Jacquelin Harvell, administrative assistant.

The meeting was called to order at 6:00 p.m. by President Geaslen.

APPROVAL OF MINUTES

The President asked that the approval of past minutes be given first consideration. After review and upon motion made by Director Theriot, seconded by Director Nicosia, the Board voted unanimously to approve the minutes of the September 10, 2012 meeting as written.

SECURITY PATROL REPORT BY THE CONSTABLE'S OFFICE

The President recognized Deputy Martino and Sergeant Rouse, current officers for the District. The Officers then reported recent activities within the District, as noted on the Harris County Constable's Security Patrol Report for September 2012, attached hereto as **Exhibit A**.

The Officers discussed the activities during the month with the Board. Officer Blackledge stated that there were a few alarm calls, and one daytime burglary on Oaks Crossing. The Officer stated that additionally there was one problem with improper disposal of raw crude oil and an issue with a disgruntled employee calling their employer's answering service after hours to run up charges.

The Officers then exited the meeting.

TAX ASSESSOR-COLLECTOR REPORT

Mr. Arterburn was next recognized by the President for discussion of the District's tax matters. He disseminated to and reviewed with the Board the Tax Assessor-Collector's Report dated as of September 30, 2012, a copy of which is attached hereto and considered a part of these minutes as **Exhibit B**.

Mr. Arterburn discussed the receivables, cash balance, and disbursements as listed on the report. He stated that the District is currently at 99.99% collected for the past three years. Mr. Arterburn also stated that a check for \$20,000 was paid to the debt service fund. Additionally Mr. Arterburn noted that the original certified appraised value of the District had been adjusted and that there is still an amount of potentially 4 to 6 million dollars in uncertified value waiting to be captured. He noted that the report reflects a present District value of over 42 million dollars. Finally, Mr. Arterburn noted the delinquent role and asked that certain delinquent personal property accounts be moved to the uncollectable roll. Director Nicosia made a motion that the Tax Assessor be authorized to move the noted accounts to the uncollectable roll. Director Theriot seconded the motion, which carried without dissent.

After some discussion, Director Theriot moved that the Tax Assessor-Collector Report be approved as presented, and that the checks, as identified in said report, be approved for payment. Director Garner seconded said motion, which carried unanimously.

PUBLIC HEARING REGARDING ADOPTION OF THE DISTRICT'S 2012 TAX RATE AND LEVY OF THE DISTRICT'S 2012 TAX RATE AND ADOPTION OF AN ORDER IN CONNECTION THEREWITH

The Board conducted a hearing regarding the imposition of a proposed debt service tax rate and a maintenance tax rate for 2012. It was noted that no taxpayer appeared at the hearing and it was therefore closed.

Mr. Creed confirmed that the notice had been published in The Houston Chronicle, in accordance with all legal requirements and as directed at the previous meeting.

After discussion on the matter, Director Nicosia moved that: (i) the Board adopt the tax rate as proposed at the District's September 10, 2012, meeting as reflected in the notice, being a 2012 debt service tax rate of \$.0475 per \$100 of valuation and a 2012 maintenance tax rate of \$.1325 per \$100 of valuation, resulting in a total 2012 tax rate of \$.18 per \$100 of valuation; and (ii) the order Levying Taxes attached hereto as **Exhibit C** be adopted in connection therewith and that the President be authorized to execute and the Secretary to attest same on behalf of the Board and the District.

Director Theriot seconded said motion, which carried unanimously.

AMMENDMENT TO DISTRICT INFORMATION FORM

Mr. Creed next presented and reviewed with the Board an Amendment to the Second Amended and Restated District Information Form, relative to the District's 2012 tax rate. After discussion regarding said form, Director Nicosia moved that the Amendment to the Second 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. Director Theriot seconded the motion, which carried unanimously.

OPERATIONS REPORT

The Board next considered the Operations and Maintenance Report. In connection therewith, Eric Thiry presented and reviewed with the Board the Operations and Maintenance Report dated October 1, 2012, a copy of which is attached hereto as **Exhibit D**.

Mr. Thiry noted that his report had been updated from the version previously emailed to the Directors and that the invoice included therein is very small for the month. He stated that he has not received any word from Lonestar College ("Lonestar") on installation of their backflow preventor since the last correspondence was sent regarding a quote for installation. Director Garner noted that he would address the issue with the appropriate parties at Lonestar.

Mr. Thiry then discussed the valve survey. He stated that recently 7 valves have been located by excavation, 18 valve stacks have been cleaned, and there are approximately 8 valve excavations that need to be completed. He noted he hopes to have them completed within the week.

Mr. Thiry then directed the Board's attention to the previously discussed security system options. Mr. Thiry stated that he solicited bids from various companies and reviewed the bid included in his report from Kimmons Investigative Services, Inc., for perimeter beams, keypads, and door alarms. He further discussed an alarm proposal received for a plant similar to the District's but not specifically bid for the District. He discussed the Honeywell option using wireless door contacts and explained that a wireless system eliminates the significant costs required when running conduit underground as necessary for a wired system. Mr. Thiry explained that this type of a system would require generator and panel doors to be opened with a keypad and in the absence of such permissions they would be tied into a dialer which would call the Operator, Engineer, Constable, or whomever the District so approved. He estimated that these systems could be installed at the plants for approximately \$2,000.00 per property. Mr. Thiry agreed to solicit a bid specifically for the District so that he could proceed with having such a system installed. Mr. Thiry verified that the cameras at the plant are working and that it is likely that an alarm with sounds and flashing lights would be a significant deterrent of any attempted theft, but that likely the alarm system should call the Operator. Additionally, the Board requested that the auto-dialers for District facilities be operated wirelessly to eliminate the potential issues caused by cut or damaged phone lines. Mr. Thiry also agreed to get a bid for wireless auto dialer systems.

At this time the Board asked if internet service had been connected at the water plant. Mr. Eby noted that it has not yet been completed because Comcast needs other signatures to do the work, and that he would further discuss this during the Engineering Report.

Mr. Thiry reviewed the collections and the water quality monitoring report. Mr. Thiry reported that production and accountability were down to 90%. Mr. Thiry noted that the North Harris County Regional Water Authority (“NHCRWA”) had cut back on the supply of surface water because of issues at Lake Houston, so the District has been using less water from them. He stated that the District used 52% of its water from NHCRWA last month. He verified that there were no regulatory violations and that the wastewater plant experienced no problems. Mr. Thiry advised that he is still feeding magnesium hydroxide to keep the alkalinity levels up at the wastewater plant and that he is currently doing so at 5 plants in the area. He further stated that he is still trying to find a more economical solution for the District. He stated that a PH level close to 7 is desirable, but a PH level below 6 is a permit violation. Finally Mr. Thiry reviewed the customer service calls; disconnect reports, and delinquent accounts.

After discussion, Director Garner moved that (i) the Operator’s Report be approved, as presented, (ii) that Mr. Thiry be authorized to obtain the above referenced proposals for wireless monitoring of a security system at the District’s plants and the auto-dialers for District facilities, and (iii) that the president be authorized to approve and execute such proposals subject to them being approximately as quoted above. Director Theriot seconded said motion, which unanimously carried.

ENGINEERING REPORT

President Geaslen then recognized Mr. Eby for presentation of the Engineer’s Report dated October 1, 2012, relative to the status of various projects within the District, a copy of which is attached hereto as **Exhibit E**.

Mr. Eby stated that his report includes a few invoices for park items this month. He stated that there will likely be another water fountain repair bill in the future because both had problems this month, but that one was repaired per the attached invoice. Mr. Eby noted that Adams Constructors filled up the mulch in the play areas about 2 weeks ago, so that should be good for another year.

President Geaslen requested that the Engineer have an inspection conducted of the flare at the water plant, because the well has been producing gas. The Engineer agreed to do so. Mr. Eby next discussed the issue of Brian Garden’s work on the trails and presented a proposal for drainage repairs, a copy of which is attached to his report. President Geaslen also requested that Brian Gardens clean up the dirt that has accumulated on the trail. It was noted that an additional cost is likely for such work.

The Board was then asked to consider the status of the broken park equipment found on the playground. Mr. Eby stated that, per the original Playwell paperwork, which he located,

Playwell verified that they will provide a new spring and hardware under warranty at no cost. Mr. Eby noted that they will have a contractor doing the installation, so only the labor cost will be incurred. Mr. Eby also noted that he removed the base of the spring by its hardware so that there is only concrete left and it does not present a safety issue.

Mr. Eby then addressed the request made by President Geaslen to get information on off-site backup of hard drives containing security footage at the plant facilities. Mr. Eby reminded the Board that Comcast will be boring under the driveway to provide the internet service, but once that is in place he will be able to perform a wireless upload of data. Mr. Eby stated that Carbonite is a very good solution in the event that a computer is ever stolen. He further stated that the cost is approximately \$229 a year for businesses for 250 gigabytes of data. Mr. Eby verified that after Comcast gets service installed he will buy software and have Carbonite installed so that offsite backup is being performed. Director Nicosia made a motion that Mr. Eby be authorized to obtain this backup service. Director Theriot seconded the motion, which carried unanimously.

Following further discussion, Director Nicosia moved that the Engineering Report be approved as presented along with the additional action items listed therein and Director Garner seconded said motion, which unanimously carried.

WATER SUPPLY TO TCH NORTHWEST ASSOCIATES (“TCH”) PROPERTY

Mr. Creed stated that he received word back from TCH’s attorney concerning the draft water supply contract. Mr. Creed stated that he is still working with their attorney to try and prepare an agreement that may be presented to Board. Mr. Creed then reviewed two business points of the contract with the Board, as raised by TCH, being the amount of the capacity reservation payment and the provision for renewal option terms. Following discussion, the Board concurred that (i) the capacity reservation payment may be calculated based upon ½ the District’s tax rate as proposed by TCH, subject to there being a minimum annual payment amount of \$5,000, and (ii) the District shall have the right to terminate any of TCH’s 5 year renewal options by providing 180 days advance written notice of such termination. Mr. Creed advised that he would incorporate these items into the draft agreement to be further discussed with TCH’s attorney.

BOOKKEEPING REPORT

The Board considered the Bookkeeper’s Report. In connection therewith, Ms. Redden reviewed with the Board the Bookkeeping Report dated October 1, 2012, a copy of which is attached hereto as **Exhibit F**, including the checks presented for payment.

Ms. Redden advised the Board regarding collections and noted that no sales tax revenue checks were received since the last report. Next Ms. Redden reviewed payroll taxes and noted that there is no unclaimed property this year to be filed with the state of Texas. Ms. Redden

stated that a wire transfer was made to cover the District's September bond payment of \$100,000.

At this time President Geaslen asked that Ms. Redden review page 4 of her report regarding historical net operating funds available to the District. He stated that he believes the historical tracking numbers are off. She advised that she would do so. Next Ms. Redden reviewed debt service requirements and stated that the next bond payment is due March 1.

Ms. Redden next reviewed the issues of utility reporting, the annual depreciation credit for NCHRWA, and sales tax revenues. Ms. Redden noted that September was the end of the District's fiscal year and after she receives the September reports from operator she will close out the year.

After discussion, Director Nicosia moved that the Bookkeeping Report be approved as presented and the checks therein be approved. Director Theriot seconded said motion, which unanimously carried.

ENERGY REPORTING

Mr. Creed noted that this is a required annual compliance item, and the required information is included in the Bookkeeper's report every month. He noted that such information is reflected on page 9 of this month's report.

ANNUAL REVIEW OF INVESTMENT POLICY

The Board considered the annual review of its Order Establishing Policy for Investment of District Funds and Appointing Investment Officer ("Investment Policy"), and the adoption of a Resolution in connection therewith. Mr. Creed reviewed with the Board a Resolution Regarding Review of Order Establishing Policy for Investment of District Funds and Appointing Investment Officer ("Resolution"), a copy of which is attached hereto as **Exhibit G**. He advised there were no recommended changes at this time. Following discussion, Director Theriot moved that the Investment Policy be affirmed, that the Resolution be adopted, and that the President and Secretary be authorized to execute same. Director Nicosia seconded said motion, which unanimously carried.

DEVELOPERS' REPORTS

HEWLETT-PACKARD COMPANY "HP"

No representative of HP was present at the meeting.

GENESIS

Mr. VanGrieken of Genesis Capital Partners L.L.C. was present at the meeting. Hunter Goodwin of Oldham Goodwin Group and Thomas Kirkland of TEKMAK attended with Mr. VanGrieken, and advised that they were representatives from the proposed hotel development. The developers discussed the possibility of putting in a Marriott Springhill Suites 5 story hotel with 128 rooms and 4,000 sq. ft. of conference room meeting space, plus a lounge. Discussion then turned to potential tap fees, tax rates, water rates, and the construction of a road because the hotel will be on the backside of the property. The developers stated that they expect the front of the hotel to have two retail pad sites with common water and sewer lines. They stated that they will work with the engineer to identify those sites. They stated that at the next meeting, they hope to be in a better position to discuss options to help induce development of the hotel. Mr. Creed agreed to work with Mr. Oldham to review the issue of whether a hotel occupancy tax may be an option under the District's Strategic Partnership Agreement with the City. Mr. Eby was requested to review the capacity and meter size requirements for the project so that a tap fee and possible adjustments thereto can be considered.

CENTRE AT CYPRESS CREEK

No new business was cited regarding the Centre at Cypress Creek.

LONE STAR COLLEGE SYSTEM ("LONESTAR")

Director Garner advised that he had nothing new to report regarding Lonestar.

TCH NORTH WEST ASSOCIATES L.P. (Trammell Crowe)

No representative was present at this meeting from TCH.

DISTRICT WATER CONSERVATION PROGRAM- UPCOMING EVENT

The Board noted that the activities would be held on October 2th, 2012 and Mr. Thiry verified that he would be there with the NHCRWA materials to present to District residents regarding water conservation. Mr. Thiry noted that he is getting handouts from NCHRWA, a copy of which is attached to his report. He also stated that he could not get the NCHRWA trailer, as it was already booked. Ms. Theriot noted that she was finalizing everything on her end for the event. Mr. Creed noted that notes will need to be taken at the event for purposes of preparing the meeting minutes.

FALLEN WARRIORS MEMORIAL

The Board reviewed their discussion from last month regarding the Fallen Warriors Memorial Facility and its \$5,000 contribution approved contingent upon verification of certain items. Director Nicosia verified that most items on the available contribution list were previously

purchased, including the benches. Mr. Creed re-verified that the funds must be used for specific recreational facilities such as landscaping and irrigation. Mr. Creed was asked to prepare a letter to clarify the usage of funds which the President agreed to sign and send with the check to the appropriate parties. Following further discussion, motion to have this letter drafted and sent was made by Director Nicosia. It was seconded by Director Theriot and carried without dissent.

MASTER TRAILS PLANNING

It was requested that the agenda for the next meeting include the Master Trails project. After some discussion Director Garner agreed to request a member of the team proposing such project to attend the next Board meeting and answer questions.

ATTORNEY'S REPORT

Creed noted that the Board had received a recent Census Bureau survey. After some discussion, the Board chose to take no action regarding this item at this time.

ADJOURNMENT OF BOARD MEETING

Citing no further business to come before the Board at this time, Director Nicosia made a motion to adjourn at 7:31 p.m., duly seconded by Director Garner, which carried without dissent.

Secretary

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