

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

Minutes of Board of Directors Meeting
April 2, 2012

ACTIONS TAKEN

1. The Board of Directors (“Board”) voted to approve the minutes of the March 5, 2012 meeting as written.
 2. The Board appointed Director Carlyle as Assistant Secretary
 3. The Board approved the Tax Assessor-Collector’s Report as presented by Mr. Arterburn of Utility Tax Service L.L.C., including payment of the bills associated therewith.
 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 presented by Dennis Eby of Eby Engineers, Inc., and certain action items reflected therein.
 6. The Board authorized the purchase and placement of signs to prohibit four wheeler vehicles within the park and trails at a cost not to exceed \$2,500.
 7. 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.
 8. The Board approved a Resolution authorizing additional penalty on delinquent real property taxes.
 9. The Board adopted a new prevailing wage rate scale for construction projects.
 10. The Board approved a Resolution concerning records retention schedules.
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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 April 2, 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
Jeffrey Carlyle, Director

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

Also present were Sergeant 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 ("EDP"); Mike Arterburn of Utility Tax Service, L. L. C.; Spencer Creed of Schwartz, Page, & Harding, L.L.P. ("SPH"); Kevin Drewes of Genesis Capital Management ("Genesis"); Jessica Dixon of CB Richard Ellis ("CBRE"); and Jacquelin Scott, administrative assistant.

The meeting was called to order 7:03 p.m. by President Geaslen.

APPROVAL OF MINUTES

President Geaslen asked that the approval of the minutes be given first consideration. After review, and upon motion made by Director Carlyle, seconded by Director Garner, the Board voted unanimously to approve the minutes of the March 5, 2012 meeting.

APPOINTMENT OF ASSISTANT SECRETARY

The President asked that the issue of appointing an additional assistant secretary to act in the absence of the Secretary, be given first consideration and that Director Carlyle be nominated as assistant secretary for the Board. The motion was made by Director Garner, seconded by Director Carlyle and carried unanimously.

SECURITY PATROL REPORT BY THE CONSTABLE'S OFFICE

The President recognized Sergeant Blackledge 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 March 2012, attached hereto as **Exhibit A**. Sergeant Blackledge informed the Board that there had been very little activity in the district aside from some minor graffiti and some house alarms going off.

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 March 31, 2012, a copy of which is attached hereto and considered a part of these minutes as **Exhibit B**.

Mr. Arterburn discussed the pending issue of Hewlett-Packard's ("HP") accounts that were split by the appraisal district and the allocation of the taxes associated with such. He noted that the situation has been resolved as per the requirements of the tax code and that approximately \$7,000 still remains unpaid on the two (2) accounts. Mr. Arterburn further advised that approximately \$18,000 in penalty and interest has been paid and that HP is requesting that the District waive such penalty and interest amount but that there was no basis for the District to do so under the tax code.

After some discussion, Director Carlyle moved that the Tax Assessor-Collector Report be approved as presented, that the checks, as identified in said report, be approved for payment and that HP's request for waiver of penalty and interest be denied. Director Garner seconded said motion, which carried unanimously.

RESOLUTION AUTHORIZING ADDITIONAL PENALTY ON DELINQUENT REAL PROPERTY TAXES

The Board voted to adopt a Resolution Authorizing an Additional Penalty on Delinquent Real Property Taxes and authorize the delinquent tax attorney to collect delinquent real property taxes beginning July 1, 2012, including the filing of lawsuits, as necessary, a copy of which is attached hereto as **Exhibit C**. The motion was made by Director Carlyle, seconded by Director Garner, and carried without dissent.

OPERATIONS REPORT

The Board next considered the Operations and Maintenance Report. In connection therewith, Eric Thiry of Environmental Development Partners (“EDP”) presented and reviewed with the Board the Operations and Maintenance Report dated March 30, 2012, a copy of which is attached hereto as **Exhibit D.**

Mr. Thiry first discussed the front page of his report and noted that the specifics of the recent repairs are listed on such. He stated that there has been no change in the status of installing the Lonestar College (“Lonestar”) backflow preventors as they were still working on plans and quotes for the Central Plant installation.

Mr. Thiry then discussed the recent excavation done to locate water valves on Cypresswood Place and noted the pictures in his report. He informed the Board that while all the excavation work was done in the corner lawn area, a resident has come forth and complained that it resulted in the maladjustment of his front door. Mr. Thiry explained that the resident further discussed the interior doors and how they were all hanging ajar, therefore indicating a foundation shift, which he alleges is due to the valve work. Mr. Thiry stated that presently the resident was only requesting that the District fix his front door.

After some discussion as to the plausibility of the claims and the resolution of the issues, Director Garner made a motion to deny the request. The motion was seconded by Director Carlyle and unanimously carried. The Board requested that the Operator send a letter informing the resident of the decision.

Mr. Thiry noted that he was in the process of filling out required forms for the Department of Homeland Security and the Texas Water Development Board, copies of which are attached to his report. He further stated that the North Harris County Regional Water Authority (“NCHRWA”) has requested information from the board concerning projected future water usage for the District, which EDP has provided.

Mr. Thiry reviewed the billing summary, the water monitoring account and noted that there were no permit violations for the month. He notified the Board that he anticipates his next report to reflect a spike on plate counts due to an issue with bleach. Mr. Thiry explained that when surface water is running all the time there is very little chemical additive, but that when well water is running it requires various chemicals for compliance, including bleach. He explained that the bleach used had been sitting in a tank for a while and had degraded, therefore the count was off and the ammonia levels increased. He stated that the process of adjusting the ammonia levels back to normal took about a week, therefore the reading would be slightly abnormal. He further noted that in the future he will not keep as much bleach on hand, so that this issue does not reoccur.

Mr. Thiry informed the Board that he believes the 104% water accountability reading is in some way related to the running of well #1. Mr. Thiry noted a few customer calls about leaks, and that there were no disconnects and 18 delinquent accounts for the billing cycle. He also drew

the Board's attention to the attached annual report of identity theft procedures as required, and stated that there were no recommended changes this year.

Mr. Thiry discussed Lonestar's request to deduct the sanitary sewer fee associated with the water utilized for its chilling equipment and informed the Board that he is still working to gather information for purposes of the Board's making a decision on such request. The Board therefore deferred taking any action on that item.

After discussion, Director Garner moved that the Operator's Report be approved as presented. Director Carlyle seconded said motion, which unanimously carried.

Mr. Arterburn exited the meeting at this time.

CONSIDER AMMENDMENT OF RATE ORDER

The Board deferred discussion of this item until the next meeting.

CONSUMER CONFIDENCE REPORT

Following discussion of the applicable requirements, Director Carlyle moved that EDP be authorized to prepare a draft Consumer Confidence Report for review by the Board of Directors. Director Garner seconded the motion, which unanimously carried.

ENGINEERING REPORT

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

Mr. Eby explained that there was no flare inspection report.

Ms. Dixon noted that the second backflow preventor had not yet been installed for the Centre at Cypress Creek because it first needed to be confirmed that the associated water line was properly located within an easement.

Mr. Eby next reviewed an invoice from Bryan Gardens and discussed Roger Schuett's removal of graffiti at the park. He verified that the graffiti at the park had been removed and that the requested repairs were completed. Next Mr. Eby discussed certain dead trees that need to be removed. He clarified that he had spoken to someone at the Harris County Flood Control District who informed him that, although though many trees near the retention pond were marked for

removal, that the funding was not available to do so. The Board had some further discussion about the trees along the trails and at the park and their concern about four-wheelers being driven on the sidewalks. Mr. Eby suggested that signs be posted along Cypresswood Drive and at the park which prohibit four wheeler vehicles.

Mr. Eby and the Board discussed the sign placement and Director Carlyle motioned that the Engineer be authorized to purchase and place approximately one dozen signs, for an amount no greater than \$2,500. Director Garner seconded the motion and it carried without dissent. It was noted that such amount should be sufficient to cover all access points to the park and trails.

Mr. Eby continued his report by discussing the letter sent to Trammel Crowe and the Invoice from C-Link for the warranty work on the security cameras. He also noted that he was working to devise a cage which would protect the security cameras at the park from theft. He stated that he would work with Mr. Schuett and present their solution at the next Board Meeting. Director Geaslen also requested that the Engineer look into the acquisition of larger cameras with older technology which may detour vandalism or theft.

Director Garner moved that the Engineering Report be approved as presented and the included invoices be approved. Director Carlyle seconded said motion, which unanimously carried.

RESOLUTION CONCERNING RECORDS RETENTION SCHEDULES

Mr. Creed presented and reviewed with the Board a Resolution Concerning Records Retention Schedules and a memorandum to the Board of Directors concerning same, copies of which are attached hereto as **Exhibit F.** Following discussion, Director Carlyle moved that the attached Resolution Concerning Records Retention Schedules be adopted by the Board. Director Garner seconded the motion, which unanimously carried.

REVIEW OF ANNUAL SURVEY OF WAGE RATE SCALES

The Board reviewed the annual survey of wage rate scales. Mr. Creed presented a schedule that is in keeping with the Department of Labor wage scale. He noted that it was cost effective and easily confirmable each year. In connection therewith, he presented a Resolution Adopting Prevailing Wage Rate Scale, a copy of which is attached hereto as **Exhibit G.** Director Garner made the motion to accept the new schedule and adopt the Resolution, and the motion was seconded by Director Carlyle. It carried without dissent.

BOOKKEEPING REPORT

The Board considered the Bookkeeper's Report. In connection therewith, Ms. Redden reviewed with the Board the Bookkeeping Report dated April 2, 2012, a copy of which is attached hereto as **Exhibit H**, including the checks presented for payment.

Ms. Redden discussed the receivables and checks presented for signature. She also noted the refund from a conference which Director Carlyle was unable to attend. She reviewed the strategic partnership monies, electricity usage, chloramination credit, and graph analysis for the Board.

After discussion, Director Carlyle moved that the Bookkeeping Report be approved as presented. Director Garner seconded said motion, which unanimously carried.

DEVELOPERS' REPORTS

HEWLETT-PACKARD COMPANY

No representative of Hewlett-Packard was present at the meeting.

GENESIS CAPITAL PARTNERS L.L.C.

No new business was stated in conjunction with Genesis Capital Partners L.L.C.

CENTRE AT CYPRESS CREEK

Ms. Dixon addressed the Board stating that the Centre at Cypress Creek recently acquired two new tenants and began demolition on the recently acquired .0375 acre tract of land including the removal of the water tower and fencing.

LONE STAR COLLEGE SYSTEM ("LONESTAR")

Director Garner informed the Board that Lonestar had also acquired a few new tenants.

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

No representative of Trammell Crowe was present at the meeting.

UTILITY COMMITMENT REQUESTS

There were no utility commitment requests presented for consideration.

ATTORNEY'S REPORT

Mr. Creed reported to the Board concerning the status of the delinquent tax account for the tract serving as a District lift station site. He reminded the Board that there are approximately \$18,000 in taxes, penalties, and interest reflected as owing on the account to all jurisdictions for the tax years 2004-2011. He further reminded the Board that a deed had been prepared to convey the tract to the District effective January 1, 2004, at which point the tract should become tax exempt. Mr. Creed advised that the form of deed had been provided to the owner, Mr. Glausser for review and that Mr. Glausser indicated he will only sign the deed if language is added to confirm that the District assumes responsibility for any taxes occurring after the effective date of the deed. Mr. Creed next reviewed the proposed language with the Board. He stated that he and Mr. Arterburn have contacted the Harris County Appraisal District ("HCAD") to confirm how they will process the deed once received and their treatment of the outstanding taxes based upon the effective date. Following discussion, the Board deferred taking any action until next month following receipt of a response from HCAD.

ADJOURNMENT OF BOARD MEETING

Citing no further business to come before the Board at this time, Director Carlyle made a motion to adjourn at 7:10 p.m., duly seconded by Director Garner, which carried without dissent.

Secretary

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