

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

Minutes of Board of Directors Meeting
January 9, 2012

ACTIONS TAKEN

1. The Board of Directors ("Board") voted to approve the minutes of the December 5, 2011 meeting as written.
2. The Board approved the Tax Assessor-Collector's Report as presented by Mike Arterburn of Utility Tax Service, L.L.C. ("UTS"), including payment of the bills associated therewith.
3. The Board adopted a resolution concerning exemptions from taxation for 2012.
4. The Board approved a Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes and authorized its delinquent tax attorney to collect delinquent personal property taxes beginning April 1, 2012, including the filing of lawsuits, as necessary.
5. The Board authorized the Operator to make appropriate replacements to the diffuser air drops at the wastewater treatment plant for a cost of up to \$7,000.
6. The Board authorized the Operator to clean the aeration basin at the wastewater treatment plant at a cost of \$3,500 and to remove the RES box at an estimated cost of \$1,000.
7. The Board requested that the Engineer solicit bids for a company to consistently maintain the skate park.
8. The Board requested that Mr. Creed obtain an insurance proposal from Aquasurance including alternative quotes to increase the amount of the District's consultant fidelity bond.
9. The Board authorized the Operator to provide required information to districts receiving water from the District relative to Consumer Confidence Reports.
10. The Board authorized the Engineer to install speed bumps at the park entrance for a cost of \$1050.00.
11. The Board adopted a resolution establishing criteria for the development and maintenance of recreational facilities.

12. The Board approved the Operations and Maintenance Report as presented by Environmental Development Partners, L.L.C. ("EDP").
 13. The Board authorized the Engineer to pursue the reimbursement of certain previously denied surface water conversion costs from the North Harris County Regional Water Authority ("NHCRWA").
 14. 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; and
 15. The Board approved the Attorney's Report as presented by Spencer Creed of Schwartz, Page, & Harding, L.L.P. ("SPH").
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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 January 9, 2011 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
Jeffrey Carlyle, Director
Michael Rhodes, Secretary
Stephen Garner, Director

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

Also present were officers of the Harris County Constable's Office, Sergeant Rouse and Deputy Wayne Curry of 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"); Mike Arterburn of Utility Tax Service, L.L.C. ("UTS"); Michael H. Arterburn, RTA of UTS; Spencer Creed of Schwartz, Page, & Harding, L.L.P. ("SPH"); Kevin Drewes of Genesis Capital Management ("Genesis"); Jessica Dixon of CBRE, and Jacquelin Scott Harvell, administrative assistant.

The meeting was called to order at 6:03 p.m. by President Geaslen.

NOMINATION OF ACTING SECRETARY

The President asked that the issue of nominating a secretary pro-tem in the absence of both the Secretary and the Assistant Secretary be given first consideration and that Director Carlyle be nominated as acting secretary for the Board. The motion was made by Director Nicosia, seconded by Director Carlyle and carried unanimously.

APPROVAL OF MINUTES

The President asked that the approval of past minutes be considered. After review and upon motion made by Director Carlyle, seconded by Director Nicosia, the Board voted unanimously to approve the minutes of the December 5, 2011 meeting as written.

SECURITY PATROL REPORT BY THE CONSTABLE'S OFFICE

The President recognized Sergeant Rouse and Deputy Curry. The officers then reported recent activities within the District, as noted on the Harris County Constable's Security Patrol Report for December 2011, attached hereto as **Exhibit A**.

Sergeant Rouse verified that Officer Cormiere is covering the District until Officer Martino returns from medical leave, which is expected in February. Director Geaslen requested that Officer Cormiere's contact information be provided to the Board.

The officers noted that there was one family disturbance call during the month, but that no charges were filed. Additional community occurrences were discussed including an issue regarding the joy riding of vehicles within the Willowbrook area.

Director Carlyle reported to the officers that he recently took pictures of the vandalism at the skate park and painted the affected areas to cover over such vandalism. He offered to send the pictures to the officers for their review and records.

Mr. Eby also offered to send Sergeant Rouse the still photographs taken from the surveillance footage of the suspects who previously damaged the cameras in the park.

The two officers exited the meeting at this time.

Mr. Drewes entered the meeting during the Security Patrol Report.

TAX ASSESSOR-COLLECTOR REPORT

Mr. Arterburn was next recognized by the President for discussion of the District's tax matters. Mr. Arterburn introduced Michael Arterburn and notified the board that Michael Arterburn would be attending District meetings in lieu of himself during certain future Board meetings.

Mr. Mike Arterburn then reviewed with the Board the Tax Assessor-Collector's Report including the Total Receivables, Receipts, Disbursements, and Cash Balance, dated as of December 31, 2011, a copy of which is attached hereto and considered a part of these minutes as **Exhibit B**.

Mr. Arterburn next discussed certain prior year account discrepancies due to the sale of property between Hewlett Packard ("HP") and Lonestar College ("Lonestar"). He noted that two accounts went delinquent because the appraisal district did not complete the appropriate "split out" process. Specifically he stated that two (2) accounts were split out from the underlying parent tract but that the associated acreage was never deducted from the parent tract, and thus it was taxed twice, but HP only paid the taxes once in connection with the parent tract. Further he informed the Board that the applicable base tax was \$30,000 and the penalty and interest was approximately \$12,000.00. Mr. Arterburn said that the appraisal district actually asked for a refund, which is inappropriate procedure and that HP must make the formal request, which is forthcoming. He further explained that the accounts were split out properly but that the parent account was never reduced. Mr. Arterburn clarified that HP did pay the appropriate amounts but under the

wrong tax accounts heading. He noted that the account is certified in the property owner's name, which as of January 2011 was Lonestar. He stated that on January 13, 2012 a refund to HP will be approved by his offices, but that only the base tax on the account will be refunded because it is up to the Board whether to refund any of the penalty and interest under the circumstances. Upon some discussion the Board decided to take no further action until the formal refund request is presented by HP.

After some discussion, Director Carlyle 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 Nicosia seconded said motion, which carried unanimously.

Ms. Dixon and Mrs. Redden entered during the Tax Assessor's Report

EXEMPTIONS FROM TAXATION 2012

Mr. Creed next reviewed with the Board a Resolution Concerning Exemptions from Taxation, a copy of which is attached hereto as Exhibit **C**. The Board, upon discussion and a motion by Director Carlyle and second by Director Nicosia, voted unanimously to adopt the resolution and the exemptions reflected therein.

RESOLUTION AUTHORIZING ADDITIONAL PENALTY ON DELINQUENT PERSONAL PROPERTY TAXES

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

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 January 6, 2012, a copy of which is attached hereto as **Exhibit E**.

Mr. Thiry first informed the Board that the 3rd Backflow preventor at Lonestar, located in the "Commons" building, has been installed. He explained that their next move would be to install a 4th one at the "Central Plant North."

Mr. Thiry explained that the water valve survey was scheduled to finish on January 9, 2012, but that the rainy weather had delayed the process. He noted that the final item involved checking some revisions at HP. He stated that, weather permitting, the work is to be completed on January 10, 2012 and that once it is finished the information will be given to the Engineer. He verified that his team is still searching for six valves that were not able

to be previously located and that once they were found the locations would be sent to the Engineer. He stated that all minor repairs, cleaning, and marking of the curbs are complete.

Mr. Thiry stated, concerning the Centre at Cypress Creek (“The Centre”), that he has confirmed by excavation that their private line is no longer connected to the District’s public line. Mr. Eby noted that the District had agreed with the Centre to split the associated cost of \$1700 and so the District is responsible to pay \$850. He explained that the Centre is next going to install a second backflow preventor for their building.

Mr. Thiry next addressed the process underway at the Wastewater Treatment Plant. He explained that the work had to be done in two phases and that in order to paint the old plant he had to do some work including the cleaning of the basins so that the painters could get in. He stated that the diffuser included approximately 15 two inch pipes that were corroded and needed to be replaced. He noted that he wants to replace those himself for a price not to exceed \$7,000.00. He verified that he tried to buy the necessary pipes from a contractor and the asking price was approximately \$7,000 for materials alone, so he requested authorization for EDP to buy the pipes direct from a steel company and do the work itself. The Board voted to authorize Mr. Thiry to replace the diffuser pipes for up to \$7,000 upon motion by Director Carlyle and seconded by Director Nicosia, which carried unanimously. Next Director Nicosia motioned that the Board authorize Mr. Thiry to complete the appropriate cleaning of the clarifier at the aeration basin for an approximate cost of \$3.500. The motion carried without dissent.

Mr. Thiry then discussed a request from the Engineer to remove the galvanized “RES” box at the Wastewater Treatment Plant weighing 1000 lbs. He clarified that the box was originally designed to screen returnings, but that has been modified and is no longer operable and therefore simply corroding. He stated that he plans to remove the RES box for a cost of \$1,000. The Board concurred to approve such work.

Mr. Thiry noted that the North Harris County Regional Water Authority’s (“NHCRWA”) invoice this month did include the appropriate credit amount. Reviewing page five, Mr. Thiry stated that the purchase reports were slightly modified, but that essentially there was 96% accountability for the month.

Mr. Thiry stated that residential connections went down; vacant connections went up and noted that the fluctuation was due to residents moving in and out and therefore changing service. He also explained that there were some spikes in usage due to some increased flushing required to keep the water supply fresh.

At this time Director Carlyle notified the Board that he will be moving outside of the District and so he will no longer be on the Board once he has moved and/or no longer holds property within the District. The Board noted that presently Director Carlyle and Director

Rhodes paint over the skate park vandalism and that the paint for same is stored in Director Carlyle's garage. Mr. Thiry requested that whoever sees any vandalism at the park needs to report such to him from here on out so that he can have it cleaned up. Upon further discussion Director Carlyle made the motion to have the Engineer find a company to do appropriate park cleaning and painting maintenance on a regular and as needed basis. This motion was seconded by Director Nicosia and carried unanimously.

RENEWAL OF DISTRICT INSURANCE COVERAGE

At this time the Board had some discussion as to the current insurance provider and the coverages. It was requested by President Geaslen that Mr. Creed request a proposal for renewal from Aquasurance. Upon further discussion of renewal of District insurance coverage, Director Carlyle made a motion to have the attorney solicit a proposal for similar coverage from Aquasurance. Director Nicosia seconded the motion and it carried without dissent.

AUTHORIZATION OF OPERATOR TO PROVIDE INFORMATION TO DISTRICTS RECEIVING WATER

Next the Operator asked that it be given authorization to provide the required information to districts receiving water from the District relative to Consumer Confidence Reports. The motion was made by Director Carlyle, seconded by Director Nicosia and carried unanimously.

After discussion, Director Nicosia moved that the Operator's Report be approved as presented and removal of the RES box at the Wastewater Treatment Plant be authorized. Director Carlyle seconded said motion, which carried unanimously.

ENGINEERING REPORT

President Geaslen then recognized Mr. Eby for presentation of the Engineer's Report dated January 9, 2012, relative to the status of various projects within the District, a copy of which is attached hereto as **Exhibit F**.

Mr. Eby first informed the Board that the painting project at the Wastewater Treatment Plant is approximately 75% complete, requiring another 5 to 7 days of work in good weather. He verified that if an issue is expected to arise then he and the Operator would work together to try to get the aeration basin finished and pump into there temporarily until the project is complete to avoid off site pumping. He noted that such a solution would be possible as cleaning of the clarifier is nearly complete and the crew can soon move onto the aeration basin.

Mr. Eby explained that he is still working with the Centre and Mr. Creed to get a required waterline easement dedicated. He also noted that the Wastewater treatment permit renewal was published and so the next step is obtaining the permit.

Mr. Eby directed the Board's attention to the invoices from Jones Road Tree Service attached to his report. Upon discussion regarding the clean-up and hauling of trees from the park the Board asked that Ms. Redden hold the check until further notice upon verification of the job status. Mr. Eby noted that the rest of the work on the trail is scheduled for the present week of January 9, 2012 and asked the Board to review the add-on for \$1,500 in additional tree service.

Mr. Eby next turned the Board's attention to Item #8-the Playground Safety Report. He noted that the report details the recent park inspection and it shows diligence in taking care of safety issues. He further addressed a couple of items that need attention in the summary notes section of the report. He stated that according to the inspector, a steering wheel is broken/missing from a play structure and that solar climber needs new footing. The Board asked that Mr. Eby have these items fixed immediately. Mr. Eby also addressed the report note stating that the protective wood fiber chips will need maintenance in 6 to 12 months. Mr. Eby was pleased to report with the applicable standard of care that the inspector tightened some bolts, etc. and that the playground area is in compliance.

Mr. Eby then addressed the NHCRWA reimbursement letter attached to his report and the last paragraph contained therein. He noted the disallowed \$26,200 construction costs and \$4,142.12 in associated engineering for the second connection to the District's storage tank and asked that the board authorize him to submit separately for those credits and to follow up on that final reimbursement. Director Carlyle made a motion that the Board authorize Mr. Eby to pursue and submit for the credits as suggested. Director Nicosia seconded the motion which carried without dissent.

Finally Mr. Eby discussed an item on the second to last page of his report. He noted that the security cameras are up and working at the park but that the cars are going too fast to capture license plate detail. He suggested that four speed bumps (each 6 foot in length) be installed so that when the cars have to go over these to get in and out of the park entrance the license plates on cars are visible via cameras. A motion to accept this proposal for speed bump installation totaling \$1050.00 was made by Director Carlyle, seconded by Director Nicosia and carried unanimously.

Mr. Creed requested that the Board approve the waterline easement being dedicated to serve the Centre, subject to the receipt of any comments concerning the form of easement from the Centre's attorney.

Following some discussion, Director Carlyle moved that the Engineering Report be approved as presented and that the referenced waterline easement be accepted and Director Nicosia seconded said motion, which unanimously carried.

RESOLUTION ESTABLISHING STANDARDS FOR RECREATIONAL FACILITIES

The Board then considered the adoption of a Resolution Establishing Standards for Recreational Facilities, a copy of which is attached hereto as **Exhibit G**. Mr. Creed reviewed same with the Board. The motion was made by Director Carlyle to adopt such resolution and it was seconded by Director Nicosia, and then 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 January 9, 2012, a copy of which is attached hereto as **Exhibit H**, including the checks presented for payment.

Upon request, Ms. Redden clarified for the Board charges listed on the report.

Ms. Redden then noted that DCM Demolition has requested a refund for the two deposits they put down for temporary water service. She explained that they put up two deposits totaling \$2,000 and that they used \$400 of that, so she would be refunding them \$1600.

Ms. Redden noted the correct amount of check #8177 payable to "Fox Hunt Land Research Services" is \$50.00 and that the check #8196 to "C-Link Corporation" will replace prior check #7827 to reflect the 10% discount offered by the vendor. Ms. Redden also clarified that the December revenues are in the accounts, so the funding is there to cover the listed checks, but that they have not been listed as of yet on the report due to the early December meeting.

Ms. Redden requested in the future, that the Operator and the Engineer identify on reports and invoices whether their charges are to be paid from special allocations for the appropriate capital improvement projects. Mr. Eby and Mr. Thiry informed Ms. Redden that approximately \$50,000 in charges for the Wastewater Treatment Plant are to be coming from the allocated capital funds and that the related contractor invoices will be from Blastco and EDP. Ms. Redden offered to itemize the billings she has coming out of the capital improvements fund on her report next month.

At this time the Board had some discussion as to their Fidelity Bond insurance coverage and requested that Mr. Creed look into the cost for increased coverage. Director Geaslen noted that the District's current coverage is at \$250,000 and that he wishes to obtain quotes for increasing the coverage alternative amounts from \$500,000 to \$2,000,000.

Ms. Redden then noted that the electricity usage report would need updating on the website. She next addressed the NHCRWA letter about depreciation and credits. Ms. Redden verified that next month she will have budget comparisons on her report and she addressed the requested quarterly investment report. She also asked that the Operator clarify certain charges so that she could enter them appropriately into the accounts.

Following some discussion, Director Carlyle moved that the Bookkeeping Report be approved as presented and Director Nicosia seconded said motion, which unanimously carried.

DEVELOPERS' REPORTS

HEWLETT-PACKARD COMPANY

The Board noted that no representative of HP was present at this meeting.

GENESIS

The President recognized Genesis Capital Property Manager Kevin Drewes who discussed negotiations for the contract sale of certain vacant property. He noted that they met with the potential developer in October but that due to the holidays the communication has slowed since that time. He advised the discussions are in regards to selling one part of the tract to a hotel tenant.

CENTRE AT CYPRESS CREEK

The President recognized Ms. Jessica Dixon for the Centre who cited no new business.

LONE STAR COLLEGE SYSTEM ("LONESTAR")

The Board noted that no representative of Lonestar was present at this meeting.

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

The Board noted that no representative of Trammell Crowe was present at this meeting.

UTILITY COMMITMENT REQUESTS

There were no utility commitment requests presented for consideration.

ATTORNEY'S REPORT

The Board next considered the attorney's report as presented by Mr. Creed.

Mr. Creed first noted that the Board received a voluntary government survey from the U.S. Department of Commerce, a copy of which is attached hereto as **Exhibit I**. The Board declined participation due to the associated cost.

Mr. Creed also notified the Board that effective January 2012, SPH has adjusted the hourly rates for himself and Ms. Thai, the primary paralegal assigned to the District. He reviewed those new rate schedules as well as the rate schedule for SPH associate Christina Cole.

GREENWAY PROJECT

The Board next considered participation by the District in the Cypress Creek Greenway Project. Director Carlyle discussed the potential benefits and attributes of partnering for this project as well as the financial commitment required. At this time the Board opted to take no action until other Districts come forth and commit to the project.

WEBSITE

President Geaslen noted at this time that Director Carlyle's replacement should be responsible for website maintenance. The Board asked Mrs. Harvell to work with Director Carlyle to compose desired changes to the website functionality and obtain a quote for same from the website management company.

ADJOURNMENT OF BOARD MEETING

Citing no further business to come before the Board at this time, Director Nicosia made a motion to adjourn at 7:36 p.m., duly seconded by Director Carlyle, which carried without dissent.

Secretary

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