

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

Minutes of Board of Directors Meeting
June 4, 2012

ACTIONS TAKEN

1. The Board of Directors (“Board”) voted to approve the minutes of the May 7, 2012 meeting as revised.
 2. The Board approved the Acceptance of Qualification Statement, Bond, Oath of Office, Affidavit of Current Director and Election Not to Disclose Certain Information for Directors Geaslen and Nicosia.
 3. The Board authorized SPH to submit the District Registration Form relative to the election of Board Members.
 4. The Board approved the Tax Assessor-Collector’s Report as presented by Michael Arterburn of Utility Tax Service, L.L.C., including payment of the bills associated therewith.
 5. The Board authorized Mr. Eby and Mr. Creed to contact Malcomson Road Utility District to clarify service commitments for certain properties.
 6. The Board approved the Operations and Maintenance Report as presented by Eric Thiry of Environmental Development Partners, L.L.C. (“EDP”).
 7. The Board authorized Mr. Eby to have necessary repairs and replacements made at the park.
 8. The Board approved the Engineering Report presented by Dennis Eby of Eby Engineers, Inc., and certain action items reflected therein.
 9. 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.
 10. The Board authorized completion, execution and filing with the Secretary of State of a Voting System Annual Filing Form relative to District elections.
 11. The Board authorized Mr. Creed to make final contact with Mr. Glausser regarding the form of Special Warranty Deed for Lift Station Site.
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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 June 4, 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, Director

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

Also present were Sergeant Blackledge 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"); Michael Arterburn of Utility Tax Service, L.L.C.; Spencer Creed of Schwartz, Page, & Harding, L.L.P. ("SPH"); and Jacquelin Harvell, administrative assistant.

The meeting was called to order at 6:02p.m. by President Geaslen.

APPROVAL OF MINUTES

President Geaslen asked that the approval of the minutes be given first consideration. It was noted that Mr. Creed had provided certain additional revisions to same to Mrs. Harvell. After review, and upon motion made by Director Garner, seconded by Director Nicosia, the Board voted unanimously to approve the minutes of the May 7, 2012 meeting as revised.

ACCEPTANCE OF DIRECTOR DOCUMENTATION

The Board considered acceptance of a Qualification Statement, Bond, Oath of Office, Affidavit of Current Director and Election Not to Disclose Certain Information for Directors Geaslen and Nicosia. Motion for such approval was made by Director Nicosia, seconded by Director Garner, and carried unanimously.

CONSIDER ELECTION OF OFFICERS OF BOARD OF DIRECTORS

Director Nicosia motioned that the officers remain unchanged, other than that Director Theriot be appointed as Assistant Secretary. Director Garner seconded the motion and it carried without dissent.

APPROVAL OF DISTRICT REGISTRATION FORM RELATIVE TO ELECTION OF DIRECTORS

Director Nicosia made a motion to authorize SPH to file the District Registration Form with the Texas Commission on Environmental Quality, which was seconded by Director Garner and carried unanimously.

SECURITY PATROL REPORT BY THE CONSTABLE'S OFFICE

The President recognized Sergeant Blackledge, current officer for the District. The officer then reported recent activities within the District, as noted on the Harris County Constable's Security Patrol Report for May 2012, attached hereto as Exhibit A. Sergeant Blackledge informed the Board that there were no incidents of note aside from an incident at Hewlett Packard ("HP") in which a remodeling contractor was electrocuted and fell off of a ladder.

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

Mr. Arterburn reviewed for the board the total receivables, expenditures, and the cash balance in the tax account. He informed the board that the 2011 taxes were 99.98% collected as of the report date and noted the total delinquent accounts at present. He verified that HP made a payment within the month of May and brought all of their accounts current.

After some discussion, Director Garner 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.

The Officer and Mr. Arterburn then exited the meeting.

PUBLIC POWER POOL PROPOSAL

The Board next acknowledged Donald Lee, the Executive Director of the District's aggregation group for electricity purchases from Austin, Texas, who made a presentation, a copy of which is attached hereto as **Exhibit C**

Mr. Lee explained the purpose and benefit of the aggregation group and thanked the District for its participation. He further discussed the upcoming proposal term beginning in 2014 and reviewed the presentation with the Board. He verified that the Public Power Pool ("PPP") would be presenting the Board with its next procurement proposal by the end of June and then it would require a decision within 30 days as to whether the District would participate in same.

Mr. Creed inquired as to what paperwork is required if the District should decide to opt out of the PPP. Mr. Lee explained that the PPP would accept any clear form of communication or a written resolution as to same. At this time Mr. Lee exited the meeting.

Mr. Eby noted the most recent rate quote he had received from Champions Electric and the Board had some discussion as to how to handle the matter of choosing a provider. The Board agreed to wait until the PPP came back with its proposal, and that the item would be left on the agenda for review at next month's meeting.

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 June 4, 2012, a copy of which is attached hereto as **Exhibit D**

Mr. Thiry informed the Board that not much had changed regarding the backflow preventor installation at the Central Plant. He verified that there was a plan made for installation, but that he was having some trouble getting the backflow prevention supplier to come out and price the product.

Mr. Thiry stated that there was no update on the water valve survey. He explained that the residential survey is entirely complete. He also noted that the Centre at Cypress Creek (“The Centre”) had completed the abandonment of the water line that had been connected to the old Chasewood water plant. He explained that the work had been completed without incident and will be billed to the District. He then stated that, as previously discussed, the District will be back-charging the Centre for half of the cost. He noted that their second backflow preventor installation has been delayed.

Mr. Thiry verified that the Consumer Confidence Report will be submitted as per the Board’s approval. He did note that the violation from May is listed on the report because, as previously discussed, the District failed to take a second sample per the recently changed groundwater rule requirements. Mr. Thiry also informed the Board that, per Mr. VanGrieken’s request at last month’s meeting, he had surveyed the fire hydrants and repainted approximately ten that were showing some cosmetic wear.

Mr. Thiry reviewed the collections and noted that the District’s residential water usage has doubled from last month. He also noted that the previous chart spike on page 6 of his report had leveled out. Mr. Thiry explained that, while this month’s water accountability rate was low, the one year average is still approximately 98%. He stated that there were no permit violations at the plant, but that there were three water quality complaints in April, and none in May.

Mr. Thiry informed the Board that he expected to receive a quote soon for installation of the Lonestar backflow preventor at the Central Plant. Additionally he stated that there is a meter on the fire line that he would like to replace with a detector. The Board then had some discussion about what to do with the meter once it is replaced.

At this time Mr. Eby noted that he had requested a few things from the developers that he had not received. Director Garner advised that him on who to contact. At this time Director Garner motioned that Mr. Eby contact the appropriate developer’s and obtain final information. Director Nicosia seconded the motion which carried unanimously.

DISCUSSION OF CREDIT FOR WATER USE ASSOCIATED WITH COMERCIAL CHILLING EQUIPMENT

Further discussing water issues, Mr. Thiry stated that progress had been made on Lonestar’s request for an evaporation credit against its sanitary sewer charges for water used by its chilling equipment. He verified that Lonestar does have meters on both its makeup water and blow down water supply and that Chasewood has both meters on Chasewood #2, but only a makeup water meter at Chasewood #4. He indicated that a meter should be installed at

Chasewood #4 so that the District can accurately measure the amount of water returning to the sanitary sewer system. Mr. Thiry verified that the District owns the meter outside the Central Plant and that there is then a sub meter for the water to the cooling towers. Mr. Thiry noted that he will have to read the sub meter and then the meter for the blow down water that flows into the sanitary sewer system. He explained that he will read these meters monthly and calculate the return so that the facilities are not responsible for paying sewer fees on the portion of the water that evaporates out of the system. He noted that in addition to the manual reading and calculations required monthly, there would also be meter maintenance required, including calibrations and an administrative fee would be appropriate to cover the time and service provided accordingly. Mr. Thiry and the Board discussed the fees and it was decided that these fees would need to be built into the rate order and it would have to be therefore amended. He also verified that all connections will be required to be metered. Mr. Thiry and the Board also decided that proof of yearly meter calibration would be required every year (during the second quarter) by customers receiving the credit in order to maintain accurate records during high usage months. The Board noted its intention to allow this credit for the chilling water evaporation based upon the above conditions.

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

RATE ORDER AMMENDMENT

Following additional discussion, upon motion by Director Nicosia, seconded by Director Garner, and unanimously carried, the Board amended its Rate Order, effective June 1, 2012, to allow an evaporation credit against sanitary sewer charges for water used by commercial chilling equipment subject to the following conditions: (1) all makeup water and blow off water supplies shall be metered, (2) the credit shall be calculated by the Operator based upon the amount of makeup water net of the blow off water, (3) a \$100.00 monthly administrative fee shall be assessed to cover Operator's costs in performing the necessary calculations and (4) customers receiving the credit must provide evidence of meter calibration testing on an annual basis.

ENGINEERING REPORT

President Geaslen then recognized Mr. Eby for presentation of the Engineer's Report dated June 4, 2012, relative to the status of various projects within the District, a copy of which is attached hereto as **Exhibit E**.

Mr. Eby first addressed some miscellaneous concerns at the park. He explained that President Geaslen notified him recently of vandalism at the park and that there were pictures included in his report. He noted that at least five lights were destroyed, possibly including lighting at the gazebo and in the parking lot. He agreed to get a quote for the appropriate repairs. At this time Director Nicosia stated that he had noticed that two of the children's safety swings had been altered or damaged at the park a few weeks back. Mr. Eby agreed to look into that matter and obtain pricing for those also. The Board then had some discussion as to the hours in which vandalism was occurring. The Board also discussed potentially modifying the hours of the patrol officers to prevent further incidents. Mr. Eby noted that there was damage done to the split rail fence and that the cost was \$75.00 for repair.

Director Nicosia made a motion that the Engineer arrange for necessary repairs or replacements to be made to the swings at the park. Director Garner seconded the motion which carried unanimously. Director Nicosia also motioned that the damaged lights be repaired at the lowest reasonable cost to the District once the Engineer had secured multiple bids for such work. Director Garner seconded this motion and it carried without dissent. It was noted that to date one bid in the amount of \$1,6000.00 had been received from NTS.

Mr. Eby stated that he had obtained a bid to replace the mulch as previously discussed and it totaled \$3,850.00 for certified playground mulch. Director Nicosia inquired as to the difference in function and cost if the District were to put in a specialty rubberized material from recycled tires instead of the mulch. The Board requested that Mr. Eby research this option and its nuances in a potential flood, in addition to obtaining a price quote.

Mr. Eby addressed the concerns about the pond in the park and its collection of trash. He stated that children are throwing trash into it. He offered to get a price to fill it in and try to figure out whether any special conditions apply giving that the pond was constructed in part with grant funds. Upon some discussion with the Board, Mr. Eby agreed that a "V" swale may be cut which will cause the land to dry out within approximately in one year. He noted that after such a time the area could potentially be cleaned out and the plants could be cut and reclaimed with seed. Mr. Eby then stated that the pavilion would need to be re-stained in the near future and that he would look into the cost of such work as well. Director Nicosia then stated that debris was collecting on the roof of the pavilion and Mr. Eby agreed to have Bryan Gardens clean it off.

Returning to a previous discussion, President Geaslen agreed to contact the Constable's office and request an adjustment of the patrol schedule for the summer months.

Mr. Eby next reviewed the 25 trees on the trail that were approved for removal at last month's meeting. He noted that because Jones Road Tree Service was so inexpensive that they were busy and thus fairly slow and that they could not get to the work until approximately the

15th of June. He also offered to make one more effort to contact the flood control district about the tree removal because it was noted that the trees had been repainted recently.

At this time President Geaslen inquired as to the status of the security camera replacement. Mr. Eby stated that he was trying to devise a plan to protect the other cameras from vandalism before replacing any more. The Board asked that this matter be resolved promptly so that more cameras could be installed.

Mr. Eby then discussed the plan review letter for the transfer of service accounts from HP to TCH Northwest Associates (“TCH”), a copy of which is attached to his report. He noted that after a couple of miscellaneous items are resolved the plans should be approved shortly. He also explained that the new fire system should tie into the District line and be separated from Lonestar, but that those plans are not approved yet.

Mr. Eby noted that the District is providing water to the fire line serving TCH’s existing parking garage, which is located within Malcomson Road Utility District (“Malcomson”), and that TCH is involved in discussions with Malcomson to confirm whether they will be able to serve TCH’s vacant tract within Malcomson. Following discussion, the Board concurred that if the District will continue to provide service to the parking garage then it needs to receive some of the benefit from the property’s taxable value. Upon motion by Director Nicosia, seconded by Director Garner and unanimously carried, SPH and Mr. Eby were authorized to prepare correspondence to Malcomson to inquire as to its ability to serve the parking garage and to notify Malcomson of the District’s position on its continuing to provide such service.

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

BOOKKEEPING REPORT

The Board considered the Bookkeeper’s Report. In connection therewith, Ms. Redden reviewed with the Board the Bookkeeping Report dated June 4, 2012, a copy of which is attached hereto as **Exhibit F**, including the checks presented for payment.

Ms. Redden discussed the receivables and checks presented for signature. She also reviewed the investment sections of her report. Ms. Redden informed the Board that here were two voided checks to Director Theriot and Director Rhodes, but noted that the check to Director Theriot had been reissued to cover the costs of a required open government training course. Ms. Redden further covered items in her report such as debt service, chloramination credit, revenue

expenditures, and other expenses. Ms. Redden answered questions and further discussed required transfers for operating costs and debt service.

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

DEVELOPERS' REPORTS

HEWLETT-PACKARD COMPANY ("HP")

No representative of HP was present at the meeting.

GENESIS CAPITAL PARTNERS L.L.C. ("Genesis")

No representative of Genesis was present at the meeting.

CENTRE AT CYPRESS CREEK ("The Centre")

No representative of The Centre was present at the meeting.

LONE STAR COLLEGE SYSTEM ("Lonestar")

Director Garner noted that all Lonestar business had been previously discussed in the Operator's and Engineering Reports. Mr. Eby inquired as to the status of the items contained within his previous letter to HP that were to be completed in connection with the transfer of service accounts to Lonestar. Director Garner advised that Mr. Eby should contact Mr. Al Leuindowsky to discuss the matter further.

TCH NORTH WEST ASSOCIATES L.P. ("TCH")

No representative of Trammell Crowe was present at the meeting.

COMPLETION, EXECUTION, AND FILING WITH SECRETARY OF STATE OF VOTING SYSTEM ANNUAL FILING FORM RELATIVE TO DISTRICT ELECTIONS

The Board considered authorizing completion, execution and filing with the Secretary of State of the Voting System Annual Filing Form relative to District elections. Motion to authorize SPH to file the aforementioned form was made by Director Nicosia, and seconded by Director Garner. It carried without dissent.

CONSIDER REQUEST FROM RECORDS MANAGEMENT OFFICER TO DESTROY NOTES OF BOARD OF DIRECTOR MEETINGS FROM JANUARY 2011 TO JANUARY 2012

The Board opted to defer on this item until the next meeting, as the Records Management Officer was not in attendance.

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 requested that the Board revisit agenda item (b) under the Engineering Report. He asked to review the status of this project. Mr. Thiry noted that the installation of the SCADA system by the North Harris County Regional Water Authority ("NHCRWA") was completed, but not online yet. Mr. Thiry agreed to follow up on the status of such project and asked that it remain on the agenda for next month's meeting. Additionally, Mr. Eby noted that he had submitted the application for the additional reimbursement for the chloramination credit to the NCHRWA and he agreed to follow up on same.

Mr. Creed informed the Board that the District had received another voluntary government survey, a copy of which is attached hereto as **Exhibit G**, in which the Board declined to participate. Next Mr. Creed handed out information relative to the TCEQ Public Drinking Water Conference to be held in Austin on August 7th and 8th of 2012.

Mr. Creed presented the Board the delinquent tax report prepared by Perdue, Brandon, Fielder, Collins & Mott, and L.L.P., a copy of which is attached hereto as **Exhibit H**.

Mr. Creed next provided an update for the Board concerning conveyance of a 0.1455 acre lift station site by Special Warranty Deed. He noted that he had received additional communication from Mr. Glausser that he would not agree to the language addressing delinquent taxes that was discussed last month, and that he would require language be added to the deed whereby the District would indemnify him for any liability or expense arising out of unpaid taxes accrued against the property. Mr. Creed reviewed with the Board both the provision it previously agreed to at its May meeting and a proposed indemnification provision based upon Mr. Glausser's requirements. Following discussion of the circumstances and the public policy considerations of such an indemnification, the Board concurred that it could not agree to the inclusion of an indemnification provision in the deed. Upon motion by Director Nicosia, seconded by Director Garner and unanimously carried, the Board determined not to approve acceptance of the deed with an indemnification provision, that it was willing to accept the deed in the form presented at its May meeting, and that SPH be authorized to communicate its decision to Mr. Glausser.

CONSIDER STATUS OF DISTRICT WEBSITE

At this time President Geaslen asked for an update on the website. Mrs. Harvell informed him that she had a conversation with Mr. Dulin and was waiting for the agreed upon changes to take effect. President Geaslen requested that Mrs. Harvell contact him and inform him that his check is waiting to be released upon notification that all requested changes have been made. Mrs. Harvell agreed to take such action.

CONSIDER DISTRICT'S PARTICIPATION IN GREENWAY TRAIL PROJECT (The "Project")

At this time the Board reviewed the last information received regarding the Greenway Trail Project. Director Garner requested an update. President Geaslen explained that District participation was at a standstill until the Project had other Districts that were willing to participate and help fund the Project. He further noted that he had some outstanding questions that needed to be addressed. President Geaslen stated that he desired answers for the following questions: Is this a non-profit project? Whose governing laws will the project team follow? What leadership has been chosen and how? Who will engineer the study? What is the plan once the study is complete? Do the current participating districts have the available funding or would it require bonds? Who would attend the meetings on behalf of the District? How is the county involved? The Board agreed that if these questions could be answered and if there was a

reasonable plan in place that it would be willing to consider participation. Director Garner agreed to pursue the answers to such questions and report back to the Board with any results.

ADJOURNMENT OF BOARD MEETING

It was noted that the next Board Meeting would be held as normally scheduled on July 2, 2012. Citing no further business to come before the Board at this time, Director Nicosia made a motion to adjourn at 7:47 p.m., duly seconded by Director Garner, which carried without dissent.

Secretary

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