

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

Minutes of Board of Directors Meeting
May 7, 2012

ACTIONS TAKEN

1. The Board of Directors (“Board”) voted to approve the minutes of the April 2, 2012 meeting as written.
 2. The Board approved acceptance of a Special Warranty Deed for a lift station site and authorized the President to execute same.
 3. The Board approved the Tax Assessor-Collector’s Report as presented by Mike 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 authorized payment for half of the charges associated with disconnection of the water line connected to the private water plant facility owned by the Centre at Cypress Creek, at a cost of approximately \$2,000.00.
 6. The Board voted to approve the Consumer Confidence Water Quality Report for distribution by the Operator, subject to the TCEQ’s release of its template language for same.
 7. The Board authorized the cutting and stacking of trees marked for removal from 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 considered and accepted the resignation of Director Carlyle from the Board of Directors.
 11. The Board appointed Rosalind Theriot to fill the vacancy on the Board of Directors.
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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 May 7, 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, 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, L.L.C. ("EDP"); Mike Arterburn and Michael 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"); Edward Jones of Hewlett Packard ("HP"); Paul VanGrieken of Genesis Capital Partners L.L.C. ("Genesis"); Jessica Dixon of CB Richard Ellis ("CBRE"); Rosalind Theriot, District resident; and Jacquelin Scott, administrative assistant.

The meeting was called to order at 6:00p.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 Rhodes, the Board voted unanimously to approve the minutes of the April 2, 2012 meeting.

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 April 2012, attached hereto as **Exhibit A**. Sergeant Blackledge informed the Board that there had been very little activity during the month

of April, and discussed same briefly. The Board had some discussion about street lights located on Cypresswood Drive. The Officers then exited the meeting.

Mr. Creed entered during the Officer's report.

TAX ASSESSOR-COLLECTOR REPORT

Mr. Mike 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 April 30, 2012 a copy of which is attached hereto and considered a part of these minutes as **Exhibit B**.

Mr. Arterburn informed the Board that there was a considerable increase in receivables in the recent month. He also explained that the 2011 collection percentage has dropped significantly due to the last Hewlett Packard ("HP") account having been certified recently and the resulting taxes being reflected as due. Mr. Arterburn clarified that HP has until June 1, 2012 to pay the bill without further penalty.

The Board next considered the status of the acceptance of a Special Warranty Deed for a lift station site. Mr. Arterburn advised that he has been working to obtain confirmation from the Harris County Appraisal District ("HCAD") as to how it will treat the effective date of the proposed deed of the site to the District. He noted that within the last few days he has received confirmation that HCAD will consider the deed effective January 1, 2004, which should void any tax liability accruing after that date. Mr. Creed next reviewed with the Board the history of the site and discussions with Mr. Glausser's office concerning the conveyance of same to the District. He noted that upon receiving confirmation of HCAD's treatment of the deed, SPH had forwarded the proposed form of deed to Mr. Glausser's office for review. Mr. Creed advised that Mr. Glausser objected to the proposed deed, that he stated he felt certain of the language therein was inappropriate and had been misrepresented to him, and that he would not agree to sign same. Mr. Creed reviewed with the Board a blackline version of a revised deed which had subsequently been sent to Mr. Glausser in an attempt to address his objections, and recommended that the Board approve acceptance and execution of the deed in such form, subject to the execution of same by Mr. Glausser. Following discussion, upon motion by Director Rhodes seconded by Director Carlyle and unanimously carried, the Board approved the revised form of deed and authorized the President to execute same on behalf of the District. Mr. Creed noted it was not yet clear whether Mr. Glausser would be willing to execute the deed.

After some discussion, Director Carlyle made a motion that the Board approve the Tax Assessor's Report and approve the payments reflected therein. Director Garner seconded the motion which carried unanimously.

Ms. Redden entered the meeting during the Tax Assessors Report.

ELECTRICITY CONTRACT

President Geaslen next decided to address the District's participation in the Public Power Pool ("PPP"). He explained that the PPP will be discussing a new electricity contract cycle that would run through 2014 and that the proposal must be accepted or declined by the Board within thirty (30) days of receipt pursuant to the PPP's bylaws. President Geaslen clarified that he had sent the other Board members a message in anticipation of the proposal being presented at the May meeting and the necessity for immediate decision making. He noted that the proposal will now be presented at the June meeting. In order to prepare for this decision, Director Geaslen requested that Mr. Eby get alternate bids to check electricity pricing. Mr. Eby stated that he checked with Champion Energy and got a rate quote for 2 year, 3 year, and 4 year contracts. Director Geaslen next addressed the concern over the delivery charges and clarified that they make a considerable difference in the overall price. He also clarified that the Board is currently paying \$ 0.07 per kilowatt hour and that the new company has offered \$0.04 per kilowatt hour. Director Geaslen further noted that previously the District had stayed in the public power pool because it was cost effective, but that with the new cost considerations that the Board would likely opt out of the renewal. Mr. Eby agreed to obtain more bids within the month to present at the next Board meeting. The Board discussed the quote and agreed to wait until next meeting and review of the anticipated proposal before taking any action.

During this discussion the Tax Assessor-Collectors exited the meeting.

At this time the Board briefly introduced Rosalind Theriot to the others in attendance.

OPERATIONS REPORT

The Board next considered the Operations and Maintenance Report. In connection therewith, Mr. Thiry presented and reviewed with the Board the Operations and Maintenance Report dated May 7, 2012, a copy of which is attached hereto as **Exhibit C**

Mr. Thiry notified the Board that there were no problems to report at the wastewater treatment plant. Mr. Thiry said that that one issue that was not addressed on his report was that

he was contacted by the North Harris County Regional Water Authority (“NHCRWA”) about the installation of the SCADA system. He was informed that on May 16th NHCRWA would require the power to be turned off to the plant in order to complete the installation. He verified that the generator could not be used at that time either. He verified that the interconnect system with Malcomson Road Utility District would be utilized for the approximately four hours required to complete the installation. Mr. Eby then noted that he had received an email that stated the electrical supply would not need to be shut off. Mr. Thiry agreed to clarify the issue.

Mr. Thiry next stated that the valve survey had seen no change in status. He also showed the pictures in his report of the Centre at Cypress Creek’s demolished water plant facility. He stated that there is a pipe sticking up that still has pressurized water. He noted that in order to appropriately plug and abandon it water supply to Chasewood must be shut off for a short time. Mr. Thiry stated that he visited with the superintendent of Chasewood and that they cannot be without water during weekdays. Mr. Thiry explained that it is likely the procedure would therefore have to be done on a weekend. Mr. Drewes stated that water must be on from approximately 7am until 6pm on weekdays and until 1pm on Saturdays per their lease requirements. He and the Operator agreed to work together to find a time that was acceptable to do the work.

Mr. Thiry provided the most recent production report for Well #2. He stated that it was working well and in the same condition as last year at this time. He also reported that the water table appears to have bounced back with no problems.

Mr. Thiry informed the Board that pages 7 and 8 of his report included the Consumer Confidence Report/Water Quality Report that is sent to each resident yearly per TCEQ’s requirements. He noted that it will be finalized later in May, once the TCEQ releases its template language for same, and then it will be mailed out prior to July 1, 2012.

Mr. Thiry recounted for the Board that the purple spikes on the “Water Quality Monitoring” chart in his report will even out as the heterotrophic plate count has been corrected. He noted that this condition was due to the previous incident in which the disinfection was at the wrong levels due to the degradation of the sodium hydrochloride disinfectant that was used. He further noted that smaller amounts are now kept on hand to prevent this issue from occurring again.

He verified that the production report reflected 92% water accountability for the month. He also noted that the wells were run and that there were no issues at the water plant. He reviewed page 14 of his report including the customer service calls. He clarified that most calls were due to high consumption concerns. He further stated that, as per page 15 of his disconnection reporting, 9 letters were mailed out last month.

Mr. Thiry next informed the Board as to the status of the customer's prior complaint regarding his door hanging ajar due to sidewalk work performed by the District. He stated that he sent an email response to the customer explaining that the Board declined to pay for the repairs. President Geaslen expressed concern at this time about the settling of the sidewalk work in this area. He noted that he believes that it is too low and would like to have Mr. Thiry address the issue. Mr. Thiry stated that it was intentionally poured that way but Mr. Eby and Mr. Thiry agreed to go take a look and assess the situation.

Mr. Thiry noted that he met with a representative from Lonestar College ("Lonestar") regarding installation of the backflow preventors at the Central Plant and said that he is currently working up pricing for same. Mr. Eby noted that he still needs current plans from Lonestar to review what work is being performed at the Central Plant. Mr. Thiry also stated that there is an 8 inch fire connection that currently has a check valve that will need to be upgraded. He also stated that adequate backflow preventors will be installed on the domestic water supply and that Brian Goodwin will be working with him on this.

At this time Mr. VanGrieken voiced some concern about the appearance of the fire hydrants on the Highway 249 frontage road. He stated that they look very worn and asked that they be looked at. The Board noted that the hydrants in the subdivision look good, but Mr. Thiry agreed to take a look at all the hydrants near the Chasewood buildings and paint those requiring same.

Mr. Thiry clarified the allocation of costs to the Centre at Cypress Creek ("The Centre") for the plugging and abandoning of a section of water line as set forth in his report. He noted that originally it was agreed that The Centre would pay half of the associated costs and the District would pay the other half, which would be approximately \$2,000.00. Director Rhodes made a motion that the Board cover the cost of half of the work as agreed. Director Carlyle seconded the motion which carried without dissent.

The Board next considered and reviewed the approval of its Consumer Confidence Report. Director Garner motioned that the report be accepted and that the Operator be authorized to distribute same as legally necessary, subject to the TCEQ's release of its required template language. Director Nicosia seconded the motion and it carried unanimously.

The Board briefly discussed the request by Lonestar College to deduct sanitary sewer fees associated with water utilized for its chilling equipment. Mr. Thiry noted that he is attempting to see how much water is being returned by the equipment to the District's sanitary sewer system, and that he would have more information in the next month. Mr. Thiry stated that Lonestar has one cooling tower with meters for both the makeup and blowdown water, and

Genesis has two buildings with cooling towers and that they both have meters for makeup water and one has a meter for blowdown water. Mr. Thiry stated that he is working with Mr. Creed and Lonestar to determine all the specifics. Mr. Thiry agreed to come to the next meeting with a proposed plan and explained that now that they know there is a blow down meter it makes the information more possible to access.

The Board requested that Mr. Thiry establish protocols for this issue and its resolution in the future. Mr. Thiry agreed.

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

Ms. Dixon entered during the Operator's report.

CONSIDER AMMENDMENT OF RATE ORDER

The Board agreed to make no amendment to the rate order at this time.

ENGINEERING REPORT

President Geaslen then recognized Mr. Eby for presentation of the Engineer's Report dated May 7, 2012, relative to the status of various projects within the District, a copy of which is attached hereto as **Exhibit D**.

Mr. Eby first noted that much of his report is related to the park. He explained that the Bryan Gardens Invoice was for moving the rocks that were being thrown at the security cameras. He also clarified that the bill from C-Link was to reinstall the security camera at the water plant. He advised the Board that Jones Road Tree Service removed three trees down by the detention pond and that Roger Schuett's invoice covers removal of graffiti from the park and reinstallation of the split rail fence and similar work. Mr. Eby stated that SignQuick put up 10 signs to discourage motorized vehicles on the trail and sidewalk. He also noted that he had two of these signs still remaining.

Mr. Eby discussed the matter of the dead trees in the park and trail areas and near the detention pond. He verified that the most recent estimate reflected 18 dead trees on Cypresswood Drive by the detention pond that need removal. He also stated that it was likely that approximately 25 trees need to be cut. He stated that the major concern with the dead trees is safety. He clarified that the very dangerous trees were taken care of this week. He further asked

the Board if they would like to go ahead and cut down the trees that are marked for removal by flood control but that are stalled by budget issues. Mr. Eby noted that if the Board authorized it he could have the trees cut down and left on the property for \$1,800.00 or that they could be cut and hauled off for \$5,000.00. President Geaslen also noted that some of the growth needs taken down with a chainsaw. The Board discussed stacking cut tree sections at the back of the property cleanly to where they were pushed back approximately six feet off the path. President Geaslen stated that he would support hauling some of the branches off site. Director Rhodes motioned that the trees in question be cut at the estimated price of \$ 1,800.00 and left on site tactfully stacked out of the way. Director Nicosia seconded the motion which carried unanimously.

Finally, Mr. Eby noted that in the playground swing set area there is a need for mulch. He stated that the swing set behind the gazebo has matting showing. He noted that he guessed it would cost about \$50.00 per yard to mulch the area. President Geaslen requested that Mr. Eby get a quote and that if it was under \$2,000.00 he could simply provide authorization for the work.

Director Carlyle 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 May 7, 2012, a copy of which is attached hereto as **Exhibit E**, including the checks presented for payment.

Ms. Redden discussed the receivables and checks presented for signature per her report. She noted that since last meeting was held early in the month this report reflects two months of revenue and receivables. President Geaslen asked that Ms. Redden hold the check for Don Dulin pending confirmation that the requested website changes have been made.

She also reviewed the checks for the day totaling approximately \$98,000.00, which simply include normal operation expenses for the month.

Ms. Redden reviewed page 5 of her report that covers the MBIA Texas Class Account and interest earnings. She reviewed the investment sections of her report, projects, liabilities, transfers, capital allocation funds, demand revenue, total debt service funds, and the next bond payment due.

Ms. Redden answered questions and further discussed the budget comparison and graphical analysis in her report and noted that water purchases from NHCRWA continue to be the biggest ticket item.

Finally the Board asked about the utility deposit on file with the District for the YMCA. The Board requested that their specific deposit be reviewed and an update provided at next month's meeting.

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

CONSIDER RESIGNATION OF DIRECTOR CARLYLE

The Board considered the resignation of Director Carlyle from the Board of Directors. The resignation of Director Carlyle was presented to the Board, to be effective immediately. The motion to accept such was made reluctantly by Director Rhodes, and seconded by Director Garner. The motion carried without dissent. The Board thanked Mr. Carlyle for his years of dedicated service to the District.

CONSIDER APPOINTMENT OF ROSALIND THERIOT TO BOARD

The Board considered appointment of a replacement Board member for the District. Ms. Theriot expressed a desire to serve on the Board of Directors. The Board was then presented with evidence of qualifications of Ms. Theriot to serve on the Board of Directors. Mr. Creed advised that the qualification statement required to be executed had been executed by Ms. Theriot. Ms. Theriot took the oath of office and the Board noted that a blanket position bond was in effect and the Board found said bond to be in proper form and amount and executed by a qualified surety company. After discussion on the matter, it was moved by Director Rhodes, seconded by Director Nicosia and unanimously carried that the Board approve said bond, accept said qualification statement and oath, and appoint Rosalind Theriot as a member of the Board for the unexpired term of Jeffrey Carlyle. Director Theriot participated in the remainder of the meeting. President Geaslen requested that Mr. Thiry set up a time to give Director Theriot a tour of the water plant and sewer plant and provide her with a Director's badge.

DISCUSS TRAINING REQUIREMENTS FOR TEXAS OPEN MEETINGS ACT AND TEXAS PUBLIC INFORMATION ACT AND CONFLICTS REPORTING REQUIREMENTS FOR NEW DIRECTOR

Mr. Creed noted that Director Theriot had been provided with memorandums on these topics as prepared by SPH.

APPROVAL OF DISTRICT REGISTRATION FORM (“DRF”) RELATIVE TO APPOINTMENT OF NEW DIRECTOR

Following discussion, it was moved by Director Rhodes, seconded by Director Nicosia and unanimously carried that a revised DRF reflecting Director Theriot’s appointment be approved and filed as required.

DEVELOPERS' REPORTS

HEWLETT-PACKARD COMPANY

Mr. Edward Jones of Hewlett-Packard (“HP”) was present at the meeting. Mr. Eby stated that he met with the engineer and went over the plans but that nothing new had been accomplished on the transfer of Buildings 14 & 15 from HP to TCH Northwest Associates. Mr. Jones asked if a letter of intent had been submitted so that the meters could be transferred. Mr. Eby replied that no plans or letter had been submitted at this time. Mr. Jones also informed the Board that there are a few irrigation meters that he was able to identify and show ownership for, and that he would be working with Mr. Thiry to transfer them to Lonestar. The Board concurred that it had no objection to the transfer of such irrigation meters to Lonestar.

GENESIS

Mr. VanGrieken of Genesis Capital Partners L.L.C. was present at the meeting. He noted that he hopes to receive a letter of intent from their potential hotel developer soon. He also explained that his last comments for the letter of map revision (“LOMR”) concerning the floodplain were returned in late February to FEMA and that there is an approximate 90 day turn around. He verified that Harris County Flood Control District has approved everything but that he doesn’t expect to hear back until June. He noted that the LOMR is necessary to move forward with the hotel project.

CENTRE AT CYPRESS CREEK (“The Centre”)

Ms. Dixon informed the Board that The Centre has two new tenants and that their demolition of the old water tank is almost complete. She also stated that the plans for access road paving were submitted to Mr. Eby and that the plan for the installation of the second backflow preventor is well underway.

LONE STAR COLLEGE SYSTEM (“LONESTAR”)

Director Garner stated that he believed that all Lonestar business had been covered in the meeting already. Mr. Eby requested that Director Garner check with Lonestar’s engineer to see if plans were being prepared for his review as requested.

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

The Board next considered the attorney's report as presented by Mr. Creed. Mr. Creed simply noted that the District had received a voluntary 2012 Census of Government’s Survey and that he would decline to respond unless otherwise instructed by the Board. The Board concurred not to participate in the voluntary survey.

CONSIDERATION OF ADDITIONS TO AGENDA

Director Garner asked that an item concerning the Greenway Trail Project be added to next month’s agenda.

ADJOURNMENT OF BOARD MEETING

Citing no further business to come before the Board at this time, Director Nicosia made a motion to adjourn at 7:25 p.m., duly seconded by Director Rhodes, which carried without dissent.

Secretary

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