

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286**

Minutes of Special Board of Directors Meeting  
March 11, 2013

**ACTIONS TAKEN**

---

1. The Board of Directors ("Board") voted to approve the minutes of the February 4, 2013 meeting as written.
  2. The Board approved the Harris County Constable's Security Patrol Report.
  3. The Board approved the Tax Assessor-Collector's Report as presented by Utility Tax Service L.L.C., including payment of the bills associated therewith.
  4. The Board accepted a proposal from Southern Flowmeter, Inc. in the amount of \$3,495 for the repairs to seven commercial meters in the District.
  5. The Board approved the Operations and Maintenance Report presented by Environmental Development Partners, L.L.C. ("EDP").
  6. The Board approved the Public Funds Depositor Collateral Security Agreement between the District and Compass Bank and authorized the District's Investment Officer to execute same.
  7. The Board adopted an Order designating Compass Bank as the District's depository.
  8. The Board approved a proposal from Blastco Texas Inc. in the amount of \$19,000 for the recoating of Water Plant No. 2.
  9. The Board authorized the installation of a backflow preventor by EDP on Nobel Energy's domestic water supply meter.
  10. The Board approved the Engineering Report presented by Eby Engineers, Inc.
  11. The Board approved the Bookkeeper's Report as presented by Claudia Redden & Associates, L.L.C., including the checks presented for payment.
  12. The Board authorized the District's consultants to research the District's accounts and prepare an Unclaimed Property Report as of March 1, 2013 and file same with the State Comptroller prior to July 1, 2013, if necessary.
-

The Board of Harris County Municipal Utility District No. 286 ("District") met in special session at the Board's regular meeting place, 8015 FM 1960 West, Houston, Harris, County, Texas 77070 on March 11, 2013 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  
Michael Rhodes, Secretary  
Steve Garner, Assistant Secretary  
Rosalind Theriot, Assistant Secretary

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

Also present were Sergeant James Rouse and Deputy Joseph Martino of the Harris County Constable's Office, Precinct No. 4; Claudia Redden of Claudia Redden & Associates L.L.C. ("Redden"); Dennis Eby of Eby Engineers, Inc. ("Eby"); Andrew Phelps of Environmental Development Partners, L.L.C. ("EDP"); Mike Arterburn of Utility Tax Service, L.L.C.; Paul Vangrieken of Genesis Capital Partners L.L.C. ("Genesis"); Brian Attaway and Brandon Houston of Trammell Crow Company ("Trammell Crow"); Tom Kirkland, developer of a potential hotel within the District; and Spencer Creed of Schwartz, Page, & Harding, L.L.P. ("SPH").

President Geaslen called the meeting to order at 6:00 p.m. and declared same open for such business as might properly come before it.

#### **APPROVAL OF MINUTES**

The President asked that the approval of past minutes be given first consideration. After review, upon motion made by Director Theriot, seconded by Director Rhodes, the Board voted unanimously to approve the minutes of the February 4, 2013 meeting, as written.

#### **SECURITY PATROL REPORT BY THE CONSTABLE'S OFFICE**

The President recognized Sergeant Rouse and Deputy Martino, who then reported on recent activities within the District, as noted on the Harris County Constable's Security Patrol Report for February 2013, a copy of which is attached hereto as **Exhibit A**. After discussion of the aforementioned matters, Director Theriot moved that the Security Patrol Report be approved as presented. Director Rhodes seconded said motion, which unanimously carried.

#### **TAX ASSESSOR-COLLECTOR REPORT**

The Board next considered the Tax Assessor-Collector Report. In connection therewith, Mr. Arterburn presented and reviewed with the Board the Tax Assessor-Collector's Report dated as of February 28, 2013, a copy of which is attached hereto as **Exhibit B**. He reviewed the total receivables, the cash balance, disbursements, and checks as reflected in the report. After discussion of the aforementioned matters, Director Nicosia 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 Rhodes seconded said motion, which carried unanimously.

Mr. Creed entered the meeting during the previous discussion.

Mr. Arterburn exited the meeting at this time.

### **OPERATIONS REPORT**

The Board next considered the Operations and Maintenance Report. In connection therewith, Mr. Phelps presented and reviewed with the Board the Operations and Maintenance Report dated March 7, 2013, a copy of which is attached hereto as **Exhibit C**.

Mr. Phelps advised that the annual testing of commercial meters in the District was recently performed and recommended repairs to seven meters. He then presented and reviewed a proposal from Southern Flowmeter, Inc. ("Southern Flowmeter") regarding such repairs and noted that the cost of same is \$3,495, a copy of which is attached to the Operations and Maintenance Report. After discussion, Director Rhodes moved that Southern Flowmeter's proposal for the repairs to the seven commercial meters be accepted. Director Nicosia seconded said motion, which carried unanimously.

Mr. Phelps then presented and discussed with the Board a list of delinquent District customers, a copy of which is attached to the Operations and Maintenance Report. He noted that there were 12 accounts named in the delinquent list. After discussion, Director Theriot moved that (i) the Operations and Maintenance Report be approved as presented and (ii) to authorize EDP to terminate water service to the accounts listed on the delinquent list in the manner specified in the District's Rate Order if payment for same is not received by the District prior to the deadline. Director Rhodes seconded said motion, which unanimously carried.

### **ALTERNATIVE PAYMENT PROGRAM**

In connection with the implementation of an alternative payment program for payment of customer utility bills, Mr. Phelps advised that Compass Bank will generate the agreements relative to such program once an account has been set up for the District.

### **COLLATERAL SECURITY AGREEMENT**

The board next considered approval of a Public Funds Depositor Collateral Security Agreement ("Agreement") between the District and Compass Bank. Mr. Creed noted that in accordance with the District's investment policy, the depository is required to evidence its agreement to secure District funds in excess of federal deposit insurance by eligible security as provided for by the Public Funds Collateral Act, V.T.C.A. Government Code Section 2257.001 et seq. He presented to the Board the Agreement, a copy of which is attached hereto as **Exhibit D**. Mr. Creed advised that the form thereof is that adopted by the District in connection with its investment policy. After discussion, on motion made by Director Rhodes and seconded by Director Nicosia, the Board voted unanimously to approve the Public Funds Depositor Collateral

Security Agreement with Compass Bank and to authorize the District's Investment Officer to execute same on behalf of the Board and the District.

### **ORDER SELECTING DEPOSITORY BANK**

A discussion next ensued concerning the designation of Compass Bank as the District's depository. The Board determined that Compass Bank was qualified to act as a depository for the District. After further discussion of the matter, it was moved by Director Rhodes, seconded by Director Nicosia, and unanimously carried that there be passed and adopted the Order attached hereto as **Exhibit E** selecting and naming Compass Bank as a depository for the District.

### **ENGINEERING REPORT**

President Geaslen then recognized Mr. Eby for presentation of the Engineer's Report dated March 10, 2013 relative to the status of various projects within the District, a copy of which is attached hereto as **Exhibit F**.

Mr. Eby advised that he is still researching the proposed construction of a chloramines feed line between the two storage tanks at Water Plant No. 1 and that he hopes to have something for the Board's consideration in the near future.

In connection with the recoating of Water Plant No. 2, Mr. Eby presented and reviewed a proposal obtained from Blastco Texas Inc. ("Blastco") in the amount of \$19,000. After discussion, Director Theriot moved that the proposal from Blastco for the recoating of Water Plant No. 2 be accepted. Director Rhodes seconded said motion, which carried unanimously.

Director Geaslen requested that Mr. Eby follow up to obtain a proposal for the testing of the depth of the water level within the District's waterwell No. 1, to which Mr. Eby agreed.

Mr. Eby advised that there were a number of signs along the District's walking trail that are either missing or damaged and that he is in the process of replacing same.

Mr. Eby next advised that he had met with Eric Thiry recently regarding the portable generator and various options to protect same from the elements as the exterior of the generator has begun to fade. A discussion ensued concerning the purchase or construction of a cover for the generator.

A discussion next ensued concerning the construction of a secondary water line feed from the District's water plant as an additional pathway for water to reach District customers in the event there is a break in the current water line. Mr. Eby stated that he will research the costs associated with same and report back at next month's meeting.

Mr. Attaway next reported that the backflow preventor on Nobel Energy's meter for the domestic water supply was recently installed by EDP. He noted that they have also received a proposal from EDP for the installation of a backflow preventor on its fire line and that EDP will proceed with the installation of same once payment is received. Mr. Attaway advised that a

detector meter will also need to be installed, but that they are awaiting a proposal from EDP on the cost of same. Mr. Attaway then requested that the Board consider authorizing EDP to proceed with the installation of the backflow preventor on the fire line while the payment is being processed. After discussion, Director Nicosia moved that EDP be authorized to proceed with the installation of the backflow preventor on the fire line as requested. Director Theriot seconded said motion, which carried unanimously.

Mr. Attaway then discussed Phase II of the project, which he noted will break ground in July 2013. He advised that they also intend on constructing an amenity pond and that they will request an irrigation meter from the District in the future for same. Director Geaslan suggested that Mr. Attaway consider requesting an irrigation meter for the pond from Malcomson Road Utility District ("Malcomson") as the Phase II building will be located in Malcomson, to which Mr. Attaway agreed. A discussion then ensued concerning the District's Strategic Partnership Agreement with the City of Houston (the "City") and whether the Noble Energy Center One is located within the commercial property previously annexed by the City for limited purposes. Mr. Attaway responded that he will provide Mr. Arterburn and Mr. Creed with information to determine same. Mr. Attaway advised that the Noble Energy building is expected to be one-hundred percent (100%) occupied by July of this year.

In connection with the transfer of water service for the Central Plant from Hewlett Packard ("HP") to Lone Star College, Mr. Eby reported that he has not yet received the necessary documentation from Lone Star College that was to be provided in connection with the transfer, but that he will follow up again with Lone Star College concerning same. After discussion, the Board instructed Eby to not approve any plans and EDP to withhold the installation of any new taps for Lone Star College and its Energy Manufacturing Institute until Eby receives the documents requested from Lone Star College.

In connection with the construction of the Lone Star College Energy Manufacturing Institute, Mr. Eby presented and reviewed correspondence to Cobb Fendley Engineers regarding comments to development plans received for the building, a copy of which is attached to the Engineer's Report. A discussion then ensued concerning same.

Mr. Eby then presented and reviewed a proposal from NAPCO Chemical Company, Inc. ("NAPCO") relative to the addition of fluoride into the District's water supply, a copy of which is attached to the Engineer's Report. He noted that 95% of the water utilized in the District is surface water. A discussion then ensued concerning same. The Board deferred taking any action on the proposal pending Eby's receipt of additional cost information.

Director Theriot next queried Mr. Eby as to whether, discussed last month, the outstanding County permit previously issued in the name of the District has been resolved. Mr. Eby responded that he will follow up on same and report back to the Board at next month's meeting.

A discussion next ensued concerning the termination of telephone service with AT&T as the phone line between Water Plant Nos. 1 and 2 was not operational. Mr. Eby stated that he had not yet done so, but that he will contact AT&T to terminate service of the phone line between Water Plants Nos. 1 and 2 following the meeting.

After discussion of the report, Director Theriot moved that the Engineering Report be approved as presented. Director Rhodes 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 March 11, 2013, a copy of which is attached hereto as **Exhibit G**, including the checks presented for payment. Ms. Redden advised that the report reflects two wire transfers from the District's tax account to the District's Debt Service Fund. She noted that that the one wire transfer in the amount of \$414,542.36 is an error, and should have been transferred to the District's General Operating Fund. Ms. Redden stated that she will transfer such amount to the General Operating Fund following the meeting.

After discussion, Director Theriot moved that the Board approve the Bookkeeper's Report, including the checks presented for payment. Director Rhodes seconded said motion, which carried unanimously.

### **UNCLAIMED PROPERTY**

The Board considered authorizing the preparation of an Unclaimed Property Report as of March 1, 2013 which is to be filed with the State Comptroller prior to July 1, 2013. After discussion on the matter, Director Nicosia moved that the District's consultants be authorized to research the District's accounts to determine the necessity of preparing an Unclaimed Property Report, and, if such report is necessary, that the District's Bookkeeper be authorized to file same with the State Comptroller prior to July 1, 2013. Director Rhodes seconded said motion, which unanimously carried.

### **DEVELOPERS' REPORTS**

#### **HP**

The Board then deferred consideration of development in the District by HP after noting that no representative of HP was present at today's meeting.

#### **GENESIS CAPTIAL PARTNER, L.L.C. ("GENESIS")**

The Board then considered the development in the District by Genesis. In connection therewith, Mr. Vangrieken introduced Mr. Kirkland to the Board and advised that Mr. Kirkland was in attendance to discuss the proposed development of a hotel project in the District. Mr. Kirkland then discussed the proposed development plans for the hotel and the projected timeline for the construction of same. Mr. Vangrieken then discussed the proposed development of a ten story office building and retail center adjacent to the hotel. A discussion then ensued concerning water and sanitary sewer capacity to service such development. Mr. Vangrieken advised that, at this point, it does not appear that any new public facilities will be constructed to serve the project. Mr. Eby requested that he be provided with the proposed utility capacity requirements for the project to ensure that they do not exceed prior estimates.

Mr. Creed next advised that in accordance with the prior agreement by and among the District, Genesis Capital Partners IX, Ltd., CTP Office, Ltd., CTP Land, Ltd. and Genesis Capital Partners XVII, L.P., the surcharge payment assessed by the District to property owners within the Chasewood Tract is scheduled to end May 2013. A discussion then ensued concerning the possible extension of same. Mr. Vangrieken advised that the attorney for Genesis will prepare an amendment to the agreement relative to same and the Board requested that an item be included on next month's agenda to consider same.

#### **CENTRE AT CYPRESS CREEK ("THE CENTRE")**

The Board then deferred consideration of the development in the District by The Centre as no representative was present to discuss same.

#### **LONE STAR**

The Board then deferred consideration of development in the District by Lone Star as no representative was present to discuss same.

#### **ATTORNEY'S REPORT**


The Board next considered the attorney's report. In connection therewith, Mr. Creed presented and reviewed correspondence received from Enhanced Energy Services ("EES") relative to electricity service, a copy of which is attached hereto as **Exhibit H**. At the Board's request, a copy of same was provided to Mr. Eby for his review and recommendation. Mr. Creed advised that the District's current contract for electricity service is scheduled to expire December 2013, and that he will add an item to the July Board meeting to begin consideration of alternative electricity providers.

#### **DISTRICT WEBSITE**

In connection with the District's website, Director Theriot advised that she has nothing new to report concerning same.

#### **ADJOURNMENT OF BOARD MEETING**

Citing no further business to come before the Board at this time, Director Rhodes made a motion to adjourn at 7:37 p.m., duly seconded by Director Geaslen, which carried without dissent.

  
Secretary

**LIST OF EXHIBITS**

- Exhibit A. Harris County Constable's Security Report
- Exhibit B. Tax Assessor-Collector's Report
- Exhibit C. Operations and Maintenance Report
- Exhibit D. Collateral Security Agreement with Compass Bank
- Exhibit E. Order Selecting Depository
- Exhibit F. Engineer's Report
- Exhibit G. Bookkeeper's Report
- Exhibit H. Correspondence from EES