

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

Minutes of Board of Directors Meeting
November 5, 2012

ACTIONS TAKEN

1. The Board of Directors ("Board") voted to approve the minutes of the October 1, 2012 meeting as written.
 2. The Board voted to approve the minutes of the October 2, 2012 meeting as written.
 3. The Board approved the Operations and Maintenance Report presented by Eric Thiry of Environmental Development Partners, L.L.C. ("EDP").
 4. The Board approved the Engineering Report and the invoices presented by Dennis Eby of Eby Engineers, Inc.
 5. The Board approved the Bookkeeper's Report as presented by Sarah Redden of Claudia Redden & Associates, L.L.C., including the checks presented for payment.
 6. 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.
 7. The Board approved a Water Supply Contract between the District and TCH Northwest Associates, L.L.C., and authorized the President to execute same.
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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 November 5, 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
Michael Rhodes, Secretary
Steve Garner, Assistant Secretary
Rosalind Theriot, Director

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

Also present were Officer Blackledge and Officer Lopez of the Harris County Constable's Office, Precinct No. 4; Sarah 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"); Spencer Creed of Schwartz, Page, & Harding, L.L.P. ("SPH"); Paul VanGrieken of Genesis Capital Partners, L.L.C. ("Genesis"); Michael Arterburn of Utility Tax Service, L.L.C.; John Sakolosky representing Lake Forest Utility District; James Robertson of Cypress Creek Flood Control Coalition; David Smalling of RBC Capital Markets, LLC ("RBC"); Brian Attaway of Trammell Crow Company ("Trammell Crow"); and Jacquelin Harvell, administrative assistant.

The meeting was called to order at 6:00 p.m. by President Geaslen.

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 Garner, the Board voted unanimously to approve the minutes of the October 1, 2012 meeting, as written.

Additionally, upon motion made by Director Nicosia, seconded by Director Garner, the Board voted unanimously to approve the minutes of the October 2, 2012 meeting, as written.

SECURITY PATROL REPORT BY THE CONSTABLE'S OFFICE

The President recognized Officer Blackledge, and Corporal Lopez, who introduced themselves then reported on recent activities within the District, as noted on the Harris County Constable's Security Patrol Report for October 2012, attached hereto as Exhibit A. They noted that there were 12 alarm calls during the month, two incidents at the Hewlett-Packard ("HP") campus and one burglary. Officer Blackledge asked if the patrol hours will be changed in the future and the Board decided to defer the decision until closer to the holiday season.

After their report, the officers exited the meeting.

Mr. VanGrieken and Ms. Redden entered during the Constable's report.

CYPRESS CREEK GREENBELT PARKS AND TRAILS MASTER PLAN

At this time the Board recognized John Sakolosky representing Lake Forest Utility District and James Robertson of Cypress Creek Flood Control Coalition, who made a presentation about the Cypress Creek Greenbelt Parks and Trails Master Plan project in the area. Mr. Robertson explained that the District is in a central location to where their group wants to connect all the area trails and parks so the District's participation is considered essential to the project. Mr. Robertson stated that the goal is to get 10 districts to participate, each committing \$20,000, which will go toward hiring an engineer and other persons required to plan this trail connection. He stated that they hope to have a signed inter-local agreement by the end of the year or by early spring with the parties that are committed. He further stated that if the signatures are obtained by the end of year that they anticipate the final design report would be done by October 2013. Mr. Robertson reviewed the proposed schedule for the project and gave Mr. Creed a copy of the project summary, which is attached hereto as Exhibit B.

Mr. Sakolosky noted that the districts and entities that have agreed to participate thus far are Lakewood Utility District, Prestonwood Forest Municipal Utility District, Charterwood Municipal Utility District, Harris County Municipal Utility District No. 468 and the Houston Parks Board. He noted that other business entities are in contact and that the County will not contribute funding, but is interested in staying involved and has expressed a willingness to partner in this endeavor.

Further he stated that Harris County Commissioner Jack Cagle has been involved in the discussions and that a Precinct #3 park is being developed in conjunction with the project. Mr. Sakolosky stated that in the Vintage subdivision area the old Compaq recreation area is being repurposed into a park to link into the project and that 53 acres across from the District's park were recently sold and are anticipated to be preserved for similar uses. They explained that the purpose of the group is to fund the overall design study and that each participant will then pursue their own trails on their own schedule and that no participant will be expected to fund construction of any facilities located outside its boundaries. After their presentation and some discussion, Mr. Sakolosky and Mr. Robertson thanked the Board for its time and exited the meeting.

The Board had some further discussion and asked that the attorney review the rules that govern such a project and the funds for same and that the item remain on the agenda for additional consideration.

Mr. Smalling entered the meeting during this presentation.

POTENTIAL CASH DEFEASANCE OF THE DISTRICT'S REMAINING UNLIMITED TAX BONDS

The Board recognized Mr. David Smalling with RBC to discuss the possible cash defeasance of bonds per the agenda. He reviewed with the Board a summary of the potential

transaction, a copy of which is attached hereto as Exhibit C. Mr. Smalling noted that the District currently has a large operating fund balance and approximately \$635,000 in bonds outstanding (for the years 2014 through 2016). He clarified that the bonds have a 5.75% interest rate and that a payoff would mean that the interest saved would be about \$56,000 over the payout period and that there would no longer be a debt service tax after that and all outstanding debt would be defeased. Mr. Smalling stated that he would wait until the District had collected its 2012 debt service taxes and use that money to defease approximately \$180,000 of the bonds and the remaining funds would come from the District's operating account. He stated that the District would then have 9 to 10 months of operating reserves to cover budgeted expenses. Mr. Smalling noted that the bonds would not be called until March, and that the District must give notice to the bond holders by early February if it decides to pay off such bonds. Mr. Arterburn verified that if the District wanted to move the current debt service rate to operations and maintenance in the future, unless home values jumps significantly, then no rollback rate limitations should prevent it from doing so. He noted that he will prepare a written report on this issue for the Board's consideration at the next meeting. He further stated that the District's available operations and maintenance tax is capped at \$0.50. The Board had some further discussion and decided to wait until they have Mr. Arterburn's report before making a decision on how to proceed.

Mr. Attaway entered during Mr. Smalling's report.

TAX ASSESSOR-COLLECTOR REPORT

Mr. Michael 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 October 31, 2012 a copy of which is attached hereto and considered a part of these minutes as Exhibit D.

He reviewed the total receivables, the cash balance, disbursements, and checks as reflected in the report. Mr. Arterburn stated that the District is at 92% collected for the 2011 tax year.

After discussion of the aforementioned matters, 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 Theriot seconded said motion, which carried unanimously.

Mr. Arterburn exited after his report.

Mr. Smalling exited during the tax assessor-collector's report.

OPERATIONS REPORT

The Board next considered the Operations and Maintenance Report. In connection therewith, Mr. Eric Thiry of EDP presented and reviewed with the Board the Operations and Maintenance Report dated November 2, 2012, a copy of which is attached hereto as Exhibit E.

Mr. Thiry began by stating that there have been no major repairs in the District this month. He also stated that he has been talking with Lonestar to complete their commitment to install a backflow preventor at the central plant. He stated that he expects to hear back from them soon that they want to go ahead with the installation or have hired a contractor to do so. Mr. Thiry stated that he would update the Board on the status at the next meeting.

Mr. Thiry stated that Noble Energy wants to move forward with installation of a backflow preventor on its meter for domestic water supply with the goal in mind of having the account transferred from HP into its name. Mr. Thiry explained that they will be doing construction on the inside of their building through July, and while he can do a partial customer service inspection, he cannot do a final inspection until they are finished with construction. He said that if they install a backflow preventor on the meter that he can do a partial inspection so they can transfer the account, but then EDP will need to complete the inspection after final construction. The Board concurred with that approach.

The Board had some discussion about the requirements for transfer of the TCH Northwest Associates, L.L.C. ("TCH") account for its parking garage and the status of its fire supply line. Mr. Thiry noted that they are working on the plans for the garage. Mr. Eby stated that he believes there are items on his list that still have to be satisfied, and once they are satisfied then the District can go ahead and transfer the account. He noted that he will review the status of any outstanding items with Mr. Attaway.

Mr. Attaway stated that his company is doing a lot of work internally to make sure that they are ready to do their inspection. The Operator clarified that the backflow preventors are installed at cost and if they do the installation then EDP will send an invoice for same.

Next, Mr. Thiry shifted focus to the recent wire theft issue. The Board inquired as to whether or not they could include the doors to the control rooms at the District's plant sites as part of the previous security proposals. Mr. Thiry stated that a thief would have to get into the control room to cut copper wires and that adding door contacts is going to upgrade the concept of the security system and the cost. He verified that he is projecting a cost of \$2,500 per site at present.

Director Theriot made a motion to authorize the President to approve up to \$3,000 for the installation of security monitoring equipment at each plant once appropriate bids are solicited. The motion was seconded by Director Nicosia and carried without dissent.

Mr. Thiry then reviewed the homeland security updates on page 2 of his report. He reviewed the collections and receivables and the water quality monitoring report. He did state that he wants to work with the Engineer in the future on modifying certain chemicals at the Water Plant because of high detention times.

Mr. Thiry reported a 99% accountability rate and that 97% of water utilized by the District last month was purchased surface water from the North Harris County Regional Water Authority ("NCHRWA"). Mr. Thiry verified that there were no problems at the Wastewater

Treatment Plant and reviewed the customer service report. He stated that there are no major items on the invoice but that it covers the servicing of plant equipment and the valve repairs which mostly consisted of cleaning out stacks and exposing them. Mr. Thiry stated that all valves except one or two have been located and that those last ones are ones that need to be excavated. Mr. Eby noted that he needs a map of the valve locations.

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

ENGINEERING REPORT

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

Mr. Eby reviewed with the Board the invoices for park projects. He explained the two repairs, one for a drinking fountain and the other for repair of the spring for the tot toy. He stated that there was no cost for replacement of the spring but labor was charged. Mr. Eby also explained that the repair to the trail on Jones Road was initially done incorrectly so he took pictures and had them go back out to clean it up again under Jones Road near the Water Plant. He clarified that he had a drain put in place to take out water so it does not pool there.

Mr. Eby next reviewed the issue of security cameras. He reminded the Board that the digital video recorder at the park was broken so he had sent it off to be replaced and he explained that the new one is in and will be installed soon. Mr. Eby stated that Comcast has not installed the cable lines yet, but that it has been mapped out. He explained that the delay had to do with locating utility lines, etc. and the cable should be going in soon.

Mr. Eby next verified that he did get an inspection report from Jeff Cummins of the flare at the Water Plant. He also noted that he talked to Mr. Cummins about doing some additional work. Mr. Eby explained that well #1 is capped off and so there is no way to test the well for depth of water level. He asked to have it hooked up so it could be tested. Mr. Eby requested this stating he would like to have a proposal to see what it would take to complete such testing since the water level has never been tested. Mr. Eby stated that they may drop a wire down the middle of the well and set it up to run tests. At this time the Board had some further discussion regarding requirements for accurate testing of the well. The Board requested that Mr. Eby obtain proposals to have such testing done by companies with the appropriate equipment.

After some further discussion, Director Theriot moved that the Engineering Report be approved as presented, including the associated invoices. Director Nicosia seconded said motion, which unanimously carried.

PROVISION OF WATER SERVICE TO PROPERTY OWNED BY TCH

Mr. Creed advised the Board that, regarding the TCH project, the Board had been provided a copy of the proposed form of contract related to the District's continued supply of

water to their parking garage for standby fire protection. Mr. Creed stated that he worked with TCH and their attorney, Mr. Thiry, Mr. Eby and others to complete this version and, because the garage is in Malcomson Road Utility District ("Malcomson"), approval of the contract is subject to the consent of Malcomson. Mr. Attaway explained that TCH has not approached Malcomson yet, but that they plan to do so at their meeting on November 6, 2012. Mr. Attaway and Mr. Creed reviewed the proposed contract with the Board, a copy of which is attached hereto as Exhibit G. Following discussion, Director Garner made a motion to approve the proposed form of contract and authorize the President to sign same on the District's behalf. Director Theriot seconded the motion, which carried unanimously.

BOOKKEEPING REPORT

The Board considered the Bookkeeper's Report. In connection therewith, Ms. Redden reviewed with the Board the Bookkeeping Report dated November 5, 2012, a copy of which is attached hereto as Exhibit H, including the checks presented for payment.

Ms. Redden further discussed the District's operating account balance, total deposits, checks, sales tax payment, investments, and ongoing capital projects. Finally she reviewed the electricity usage, the debt service fund and the next bond payment.

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

DEVELOPERS' REPORTS

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

At this time Mr. Attaway noted that all matters were previously addressed regarding the provision of water service to its parking garage located outside of the District.

GENESIS CAPTIAL PARTNER, L.L.C. ("Genesis")

Mr. VanGrieken passed out an amortization schedule and list of checks received. He also explained that he had another meeting with the hotel developers and stated that they have decided they will have to plat the site. He noted that they hope to get this under contract in two to three weeks and do a presentation to the hotel parent company in January. Mr. VanGrieken stated that he will be working with the District on these sites and that road and utility construction will start as soon as permits are obtained. The Board asked that an estimate for the cost of the public utility infrastructure on the project be prepared as soon as possible for budgeting purposes. The Engineer agreed to meet with Mr. VanGrieken in order to prepare such figures for the District.

HEWLETT-PACKARD COMPANY ("HP")

The President recognized that no representative of HP was present at this meeting.

LONE STAR COLLEGE SYSTEM ("Lonestar")

Mr. Creed stated that his office received a call about an energy and manufacturing institute that is going to be constructed on the site where two other buildings were previously demolished by Lonestar. He explained that they will likely make a utility commitment request at the next meeting.

CENTRE AT CYPRESS CREEK "The Centre")

The Board deferred consideration of the status of development of the Centre at Cypress Creek after noting that no representatives were present to discuss same.

UTILITY COMMITMENT REQUESTS

There were no utility commitments to be considered at this time.

ATTORNEY'S REPORT

Mr. Creed addressed a government survey that was received by the District from the U.S. Department of Commerce, a copy of which is attached hereto as Exhibit I. The Board agreed to decline participation in such survey. Mr. Creed also stated that the Board had been given a copy of correspondence from the Harris County Constables Office – Precinct 4, a copy of which is attached hereto as Exhibit J. He explained that, according to the correspondence, the Commissioner's Court has decided rates will stay the same for contract peace officers for the next year, but that all contracts will be moved to the County's fiscal year which runs March through February. He explained that they will likely ask to extend the term of the District's current contract through February 2013 and then the next full term will begin in March 2013.

DISTRICT WEBSITE

Director Theriot stated that Don Dulin did provide a traffic report for the District's website and that it received approximately 70 visits for the month of October.

ADJOURNMENT OF BOARD MEETING

Citing no further business to come before the Board at this time, Director Nicosia made a motion to adjourn at 7:45 p.m., duly seconded by Director Theriot, which carried without dissent.

Assistant Secretary 