

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

February 19, 2009

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 365 (the "District") met in regular session, open to the public, on the 19th day of February, 2009, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board:

Joe Myers	President
Megan Bradley	Vice President
Alan Silverman	Assistant Vice President
Matthew Lund	Secretary
Mike Vandewater	Assistant Secretary

and all of the above were present except Director Silverman, thus constituting a quorum.

Also present at the meeting were Brian Bare of SWWC Services, Inc. ("SWWC"); Michael Keefe of Bob Leared Interests, Inc.; Chris Burke of Sander Engineering Corporation ("SEC"); Shirley McLennan of McLennan & Associates; Greg Coleman of Beazer Homes ("Beazer"); and Susan Edwards, Alia Vinson, and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES

The Board considered approving the minutes of the January 8, 2009, special meeting, the January 14, 2009, joint meeting, and the January 15, 2009, regular meeting. Upon a motion made by Director Lund and seconded by Director Bradley, the Board voted unanimously to approve the minutes of the January 8, 2009, January 14, 2009, and January 15, 2009, meetings, as submitted.

TAX ASSESSMENT AND COLLECTIONS MATTERS, INCLUDING DELINQUENT TAX COLLECTIONS, INSTALLMENT AGREEMENTS, AND PAYMENT OF TAX BILLS

Mr. Keefe distributed the District's monthly tax report reflecting that 93.9% of the 2008 taxes had been collected as of January 31, 2009. After discussion, Director Bradley moved to approve the tax assessor/collector's report and the checks drawn on the District's tax account. Director Lund seconded the motion, which passed unanimously. Copies of the tax assessor/collector's report and the delinquent tax report are attached.

Mr. Keefe also discussed the updated sales tax vendor listing with the City of Houston and discussed vendors that have been removed and two vendors that have

been added, including L.A. Fitness. He said that he is discussing retroactive collections from L.A. Fitness with the City of Houston

FINANCIAL AND BOOKKEEPING MATTERS, INCLUDING PAYMENT OF THE BILLS AND REVIEW OF INVESTMENTS

Ms. McLennan reviewed with the Board the bookkeeper's report, investment report, budget comparison, and the bills and checks presented for payment. Ms. McLennan discussed housing for the Association of Water Board Directors ("AWBD") summer conference. The Board also considered whether to move more funds into certificates of deposit and reviewed current interest rates. Director Bradley said that she has asked the Cole's Crossing Homeowners Association ("HOA") to invoice the District for its share of the cleanup following Hurricane Ike. After review of the invoices and corresponding checks, and upon a motion made by Director Bradley and seconded by Director Lund, the Board voted unanimously to approve the bookkeeper's report and the checks presented for payment. A copy of the bookkeeper's report is attached.

LETTER TO CLOSE CHASE BANK ACCOUNTS AND TRANSFER FUNDS TO COMPASS BANK

Ms. McLennan presented to the Board letters from the District to Chase Bank authorizing closure of all District accounts at Chase Bank. She further requested that the Board authorize transfer of all District funds from Chase Bank to Compass Bank. Upon a motion by Director Bradley and a second by Director Lund, the Board voted unanimously to authorize: (1) execution of letters instructing Chase Bank to close all District accounts; and (2) transfer of all District funds from Chase Bank to Compass Bank.

Ms. Vinson reported that ABHR has written a letter to Chase Bank on behalf of districts that have been charged back fees requesting a refund to the districts' accounts within 30 days.

ADOPT AMENDED AND RESTATED INVESTMENT POLICY

Ms. Vinson discussed the requirements of the Public Funds Investment Act and the Public Funds Collateral Act in connection with the District's investments. She discussed with the Board the current investment policy dated December 17, 1998, and recommended revisions to same including specifically naming TexStar as an authorized investment pool. She reported that TexStar would not sign the certificate and the investment policy without being specifically named. After review and discussion, Director Bradley moved that the Board adopt the Resolution Adopting the Amended and Restated Investment Policy. Director Lund seconded the motion, which carried unanimously.

APPROVE ANNUAL REPORT AND AUTHORIZING FILING OF SAME WITH APPROPRIATE INFORMATION DEPOSITORIES IN ACCORDANCE WITH THE DISTRICT'S CONTINUING DISCLOSURE OF INFORMATION AGREEMENT AND AS REQUIRED BY SEC RULE 15C2-12

The Board considered authorizing filing of the District's Annual Report. After discussion, Director Vandewater moved that the Board approve the report and authorize filing. Director Lund seconded the motion, which passed by unanimous vote.

REVIEW ARBITRAGE REBATE STUDY FOR SERIES 1998 BONDS

Ms. Edwards presented to and reviewed with the Board an arbitrage rebate liability report for the period ending December 29, 2008, for the District's Series 1998 unlimited tax bonds. Ms Edwards said that the report concluded that the District owed no rebate or yield reduction payment with respect to the Series 1998 bonds. Upon a motion by Director Lund and second by Director Vandewater, the Board voted unanimously to approve the arbitrage rebate liability report for the period ending December 29, 2008, for the District's Series 1998 unlimited tax bonds.

OPERATION OF DISTRICT WATER, SANITARY SEWER, AND STORMWATER FACILITIES, BILLINGS, REPAIRS AND MAINTENANCE

Mr. Bare reviewed the written operations report with the Board, a copy of which is attached. He reviewed routine maintenance and repairs in the District, including repair of three commercial meters and replacement of the measuring chambers, removal of a fire hydrant near CVS Pharmacy, and silt clearing from the wastewater treatment plant basin. The Board also discussed removal of two trees on the wastewater treatment plant perimeter fence at an estimated cost of \$1,000 and replacement of 150 missing fire hydrant reflectors at an estimated cost of \$1,600. Upon inquiry from Director Lund regarding the monthly accountability, Mr. Bare attributed the water loss to monthly flushing of the lines. Upon a motion made by Director Lund and seconded by Director Vandewater, the Board voted unanimously to: (1) approve the operator's report; (2) authorize removal of two trees on the wastewater treatment plant perimeter fence; and (3) authorize replacement of 150 missing fire hydrant reflectors.

HEARING ON TERMINATION OF WATER SERVICE TO DELINQUENT CUSTOMERS AND AUTHORIZE TERMINATION OF SERVICE

The Board conducted a hearing on the termination of utility service to delinquent accounts. Mr. Bare reported that the persons on the attached termination list were mailed written notice prior to this meeting in accordance with the Rate Order, notifying them of the opportunity to appear before the Board of Directors to explain, contest, or correct the utility service bill and to show reason why utility service should not be terminated for reason of nonpayment. Director Lund moved that, since the customers on the attached list were neither present at the meeting nor had presented any

statement on the matter, utility service should be terminated in accordance with procedures set forth in the Rate Order. Director Vandewater seconded the motion, which carried unanimously. A copy of the termination list is attached.

#### ENGINEER'S REPORT

The Board reviewed a written engineer's report submitted by SEC on the status of various projects in the District as follows in these minutes. A copy of the engineer's report is attached.

#### MAINTENANCE OF STORMWATER CHANNEL FACILITIES

Mr. Burke reported that Seaback Maintenance ("Seaback") mowed in December and finish cut the Dry Creek Detention Pond in January. Mr. Burke said that SEC is preparing plans and specifications for a bid package for drainage channel and detention repairs. Mr. Burke discussed with the Board a broken gate on the East Channel at Coles Crossing Drive in Harris County MUD No. 364, stating that a hinge broke due to lack of maintenance. He said he will have the hinge replaced and ask Seaback to grease it regularly. The Board also discussed broken locks on the gate near the tennis courts. The Board asked Mr. Burke to investigate installing protective mechanisms to deter the use of bolt cutters.

#### ACCESS ROAD AT WASTEWATER PLANT

Mr. Burke next discussed the status of the construction of the access road at the wastewater treatment plant and presented and recommended payment of Pay Estimate No. 2 and Final in the amount of \$18,252.97 payable to C.E. Barker, Ltd. Mr. Burke also reviewed with the Board proposals for additional paving in front of the chlorine storage area at an estimated cost of \$9,516.80. Mr. Burke recommended that the Board extend a fuel containment drain and remove and replace sidewalk near the chlorine containment chamber for an estimated cost of \$700. The Board concurred to move forward with the extension of the fuel containment drainage and removal and replacement of the sidewalk, but to defer any improvement to the drive up to the chlorine storage chamber.

#### HARRIS COUNTY WIDENING OF SPRING CYPRESS ROAD

The Board discussed the status of the widening of Spring Cypress Road by Harris County. Mr. Burke said that he had submitted the reimbursable costs to Harris County and requested a revised contract. Mr. Burke also reported on the misalignment of the drive to The Park at Arbordale lift station. Mr. Coleman reported that the drive was re-poured yesterday and now appears to be properly aligned.

## REPAIR OF BASIN LEAKS AT WASTEWATER TREATMENT PLANT

Mr. Burke updated the Board regarding the repair of five leaks in the wastewater treatment plant basin, confirmed that the leaks had been stopped, and said that payment could be released to Epoxy Designs.

## THE PARK AT ARBORDALE

There was no discussion on this agenda item.

## JARVIS ROAD IMPROVEMENTS

No action was taken by the Board. Mr. Burke said that he was waiting to hear from Harris County regarding detention provisions related to the Jarvis Road widening.

## UTILITY COMMITMENT REQUESTS

No commitment requests were presented.

## GIS HOSTING

There was no discussion on this agenda item.

## WATER PLANT CAPACITY ANALYSIS

No new information was reported regarding the analysis. Director Myers discussed the water use in the District by the HOA. He said that he met with Don Richards attempting to get the excessive irrigation use corrected. Ms. Vinson suggested that Water Logic may be willing to visit the District and readjust the irrigation devices.

## AUXILIARY POWER FOR WATER PLANT NO. 1, WASTEWATER TREATMENT PLANT, LIFT STATION NO. 2 AND THE PARK AT ARBORDALE LIFT STATION

Ms. Vinson said that the amount of funds available for hazard mitigation grants has been determined and said that districts should be notified shortly whether they may submit a formal grant application. The Board also discussed additional fuel capacity options.

## PERENNIAL SEEDING ON DETENTION BASIN SOUTH SLOPE

Director Lund said Seaback seeded a 15 to 20 foot strip from the HOA Community Center to the pedestrian bridge.

## DEEDS AND EASEMENTS

Ms. Edwards updated the Board regarding deeds conveying property to the District for the regional detention basin, the commercial ditch, and the lift station no. 2

site on Barker Cypress, stating that the Phase I environmental assessments had not been received but the consultant stated no further investigation is recommended. Following discussion, Director Bradley moved to accept the deeds conveying property to the District for the regional detention basin, the commercial ditch, and the lift station no. 2 site on Barker Cypress, and to move the delinquent taxes on the sites to the uncollectable list, subject to receipt of the written environmental assessment reports as described. Director Lund seconded the motion which passed unanimously.

REPAIR OF LEAK AT WATER PLANT NO. 2

Mr. Burke reported that SEC and SWWC will drain, clean, and inspect the tank next week.

POLICY REGARDING DISTRICT FACILITY OPERATION DURING STORM/POWER OUTAGE EVENT

Mr. Burke reported that SEC and SWWC are preparing a policy for review by the Board.

REQUEST FOR INCREASE IN ENGINEERING FEES

Mr. Burke presented a proposal for a 3.6% increase in hourly rates for 2009.

Following discussion, Director Vandewater moved to: (1) approve the engineer's report; (2) approve the extension of the fuel containment drainage and removal and replacement of the sidewalk at the wastewater treatment plant; and (3) approve a 3.6% hourly rate increase for SEC. Director Lund seconded the motion which passed unanimously.

DEVELOPER'S REPORT

Mr. Coleman updated the Board with regard to the construction of facilities to serve The Park at Arbordale and confirmed that the trash troopers are being maintained.

LANDSCAPE ARCHITECT REPORT

No reports were provided.

UPDATE ON COORDINATION WITH HARRIS COUNTY PRECINCT 3 FOR LANDSCAPING AND TRAIL PROJECT

No action was taken on this agenda item.

CONSTRUCTION OF SPLASH PAD

No action was taken on this agenda item. Director Bradley reported that the conceptual thumbnails had been posted to the website.

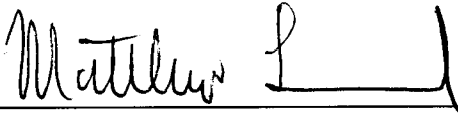
RECYCLING CONTRACT

The Board discussed adding collection data to the District's website and hosting a recycling information event in May or June.

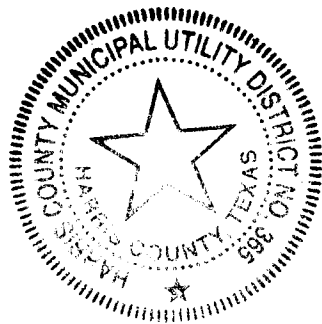
DISCUSS ASSOCIATION OF WATER BOARD DIRECTORS WINTER CONFERENCE, APPROVE REIMBURSEMENT OF ELIGIBLE EXPENSES, AND AUTHORIZE ATTENDANCE AT SUMMER CONFERENCE

The Board considered expenses submitted by Board members who attended the winter conference and considered authorizing attendance at the AWBD summer conference. Upon a motion made by Director Lund and seconded by Director Bradley, the Board unanimously authorized reimbursement of the expenses submitted by the Board members for the winter conference and authorized attendance by the directors at the AWBD summer conference with up to 4 per diems per director attending.

There being no further business to come before the Board, the meeting was adjourned.

  
Secretary, Board of Directors

(SEAL)



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