

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

March 12, 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 12th day of March, 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.

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 February 13, 2009, special meeting and the February 19, 2009, regular meeting. Upon a motion made by Director Vandewater and seconded by Director Lund, the Board voted unanimously to approve the minutes of the February 13, 2009, and February 19, 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 95.3% of the 2008 taxes had been collected as of February 28, 2009. After discussion, Director Silverman moved to approve the tax assessor/collector's report and the checks drawn on the District's tax account. Director Vandewater 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 a request for waiver of penalty and interest from Cynthia Balter concerning tax account number 3310010-001-0084. Ms. Edwards stated that state law limits the Board's authorization to waive penalties and interest on a

delinquent tax if an act or omission of an officer, employee, or agent of the District or the appraisal district caused or resulted in the taxpayer's failure to pay the tax before delinquency. After carefully considering the information submitted by the taxpayer through Mr. Keefe, the Board concluded that the tax assessor collector committed an error with regard to the account by returning the taxpayer's check for payment of taxes to the address on the check instead of the address on the tax account. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to waive penalty and interest for 2008 taxes to Cynthia Balter concerning tax account number 3310010-001-0084 and authorize the tax assessor collector to return Ms. Balter's check submitted for payment of penalty and interest.

Mr. Keefe also updated the Board regarding retroactive sales tax collection against two vendors that have been added to the City of Houston sales tax lists. He said that the State Comptroller will visit the locations and make a determination regarding retroactive collection.

ADOPT RESOLUTION CONCERNING TAX COLLECTION PROCEDURES AND RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

The Board considered adopting a Resolution Concerning Tax Collection Procedures ("Resolution"), which provides that the Board rejects the procedures permitting the District to refrain from sending tax bills for less than \$15.00, permitting the split payment of taxes, and permitting discounts for the early payment of taxes. Upon a motion made by Director Silverman and seconded by Director Lund, the Board voted unanimously to adopt the Resolution.

The Board also considered adopting a Resolution Concerning Exemptions from Taxation ("Resolution"), which provides for the exemption from ad valorem taxation of \$20,000 of the appraised value of residence homesteads of individuals who are disabled or are sixty-five years of age or older, but rejects a general homestead exemption as well as any exemptions for charitable organizations and travel trailers. Upon a motion made by Director Silverman and seconded by Director Lund, the Board voted unanimously to adopt the Resolution as described.

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. After review of the invoices and corresponding checks, and upon a motion made by Director Vandewater 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.

Ms. McLennan updated the Board with regard to the District's accounts with Chase Bank. She stated that Chase Bank charged the District some additional service fees, but that the accounts were officially closed yesterday.

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. Mr. Bare reported that the bearings failed in the well motor at water plant number 1 and said that SWWC has pulled the motor to replace the bearings at an estimated cost of \$12,000. He also reported that he has not received confirmation or an invoice for removal of trees on the fence at the wastewater treatment plant. Mr. Bare noted there was no new discharge monitoring report attached to the report because the Board met a week early this month. Upon a motion made by Director Bradley and seconded by Director Silverman, the Board voted unanimously to approve the operator's report.

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

Mr. Bare stated notice of water termination letters to delinquent accounts notifying customers of the earlier meeting date were not sent out. In the absence of prior customer notification of the opportunity to be heard, the Board took no action to terminate water service to delinquent accounts.

EMERGENCY PREPAREDNESS FOR 2009 STORM SEASON

Mr. Burke reported that SEC is working on a plan to extend fuel to serve the District facilities during emergency events. He also discussed with the Board correspondence received from the State of Texas in response to the District's request for Federal Emergency Management Agency ("FEMA") grant funds for the installation of auxiliary power. He stated that FEMA grant funds will not be available.

REVIEW DROUGHT CONTINGENCY PLAN

Ms. Vinson discussed with the Board new TCEQ requirements that a retail public water suppliers adopt the next revision of its drought contingency plan no later than May 1, 2009, and every five years thereafter to coincide with the regional planning group. She said that the plan had been distributed to the District operator for review. Ms. Edwards discussed with the Board penalties for violation of the Order and enforcement and notice mechanisms, including posting of signs within the District during enforcement periods. Mr. Bare said that he did not anticipate any changes to the current plan.

REVIEW REQUIREMENT AND AUTHORIZE PREPARATION OF IDENTITY THEFT PREVENTION PROGRAM

Ms. Edwards reported that the Federal Trade Commission (the "FTC") has issued a new rule regarding identity theft prevention, known as the "Red Flag Rule," applicable to any creditor who "regularly extends, renews, or continues credit or arranges for the extension, renewal, or continuation of credit." She added that the Red Flag Rule requires all water districts that provide water or sewer services for personal, family, business or household purposes to develop and implement a written Identity Theft Prevention Program (the "Program") by May 1, 2009. Upon a motion by Director Bradley and a second by Director Lund, the Board voted unanimously to authorize ABHR and SWWC to prepare a written plan for Board review at the April Board meeting.

The Board discussed an April 1, 2009, symposium offered by the Association of Water Board Directors discussing the Identity Theft Prevention Program and Red Flag Rule. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to authorize any interested director to attend the symposium.

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 AND REPAIR OF STORMWATER DETENTION AND DRAINAGE CHANNEL FACILITIES

Mr. Burke reported that Seaback Maintenance ("Seaback") will grease the gates on the channels regularly to keep them loose. He said that Seaback's invoice also included the perennial seeding. Mr. Burke said that he would walk the channel and detention ponds with Director Myers to confirm repairs needed and that he had sent a preliminary list of repairs to contractors for price quotes. Mr. Burke added that repairs should be carefully coordinated with the construction of the Phase 3 trail to make sure that no heavy equipment crosses completed trail facilities.

ACCESS ROAD AT WASTEWATER PLANT

Mr. Burke next discussed the status of construction of an extension of the fuel containment drain and removal and replacement of the sidewalk. He said the contractor now cannot complete the work at the prices previously quoted because the prices only applied if the District had decided to construct the earlier proposed drive to the chlorine storage chamber. Mr. Burke said that the contractor would consider the additional work when back on site to relocate the waterline along Spring Cypress Road.

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 revised reimbursement contracts had not yet been received from Harris County.

THE PARK AT ARBORDALE

There was no discussion on this agenda item.

JARVIS ROAD IMPROVEMENTS

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

Mr. Burke reported that Harris County Municipal Utility District No. 364 ("No. 364") is reviewing its allotted capacity and making a determination regarding capacity needed to serve anticipated development within No. 364. Mr. Burke discussed current wastewater plant flows and loading. Mr. Burke noted that the wastewater influent load exceeded 75% of the plant's design capacity although wastewater plant flows were less than 75% of design capacity. Ms. Edwards stated that Texas Commission on Environmental Quality rules require design of a wastewater plant expansion be initiated when average daily flow, not loading, exceeds 75% of design capacity for three consecutive months. Mr. Burke also discussed monitoring pressure records at water plant number 2 in preparation for an application for a new elevated storage tank waiver. He said that NTS can install a chart recorder at water plant no. 2 for \$2,775. Upon a motion by Director Lund and seconded by Director Vandewater, the Board voted unanimously to authorize the installation of a chart recorder at water plant no. 2 in the amount of \$2,775.

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

There was no additional discussion by the Board.

PERENNIAL SEEDING ON DETENTION BASIN SOUTH SLOPE

There was no additional discussion by the Board.

DEEDS AND EASEMENTS

No deeds and easements were presented.

REPAIR OF LEAK AT WATER PLANT NO. 2

Mr. Burke reported that SEC and SWWC drained and inspected the ground storage tank and found that the ground storage tank has significant corrosion pits across its floor. He recommended cleaning each of the pits, filling the pits and then sealing the entire floor of the tank. Mr. Burke said that he will check the other ground storage tank for similar problems and request pricing from a contractor to repair both tanks.

POLICY REGARDING DISTRICT FACILITY OPERATION DURING STORM/POWER OUTAGE EVENT

There was no additional discussion by the Board.

Following discussion, Director Vandewater moved to approve the engineer's report. 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 Beazer has met with CE Barker regarding a pending change order and expects to have something ready in the next week for the Board's review. He also confirmed that Storm Water Solutions, L.P., is monitoring the stormwater pollution prevention facilities. Director Myers requested that Beazer attach Storm Water Solutions, L.P.'s service and inspection reports to the developer's written report in the future.

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.

LANDSCAPE ARCHITECT REPORT

The Board received a report from Mr. Murr on the status of various projects in the District as follows in these minutes.

PHASE 3 TRAIL IMPROVEMENTS PROJECT

Mr. Murr discussed the phase 3 trail plan and the proposed connection with No. 364's contracted trail. He also discussed the proposed sidewalk on Destrehan Street connecting the east and west sidewalks and said that the sidewalks are planned as concrete for about 100 feet and then transition to an 8 foot asphalt sidewalk. He stated that he does not plan to bid the proposed "green parking" in the first phase of construction. The Board also discussed reconfiguration of the tennis center parking and improvement of access to the track behind Sampson Elementary.

The Board then discussed a proposed sidewalk connecting Coles Crossing Drive to the lap pool. Mr. Murr presented a design proposal from Murr, Inc., in the amount of \$2,000 and three contractor proposals for construction of the sidewalk. The Board discussed a proposed agreement with the Coles Crossing Homeowners Association ("HOA") for installation of the improvements on HOA property. Upon a motion by Director Bradley and a second by Director Silverman, the Board voted unanimously to approve (1) accepting the design proposal for the sidewalk from Murr, Inc.; (2) authorizing ABHR to prepare an agreement with the HOA to allow the installation; and (3) awarding the contract to Division III in the amount of \$34,015.50 subject to execution of the written agreement with the HOA. Director Lund said that he would discuss possible participation in costs with No. 364.

WATER FOUNTAIN REPAIR

No new information was available.

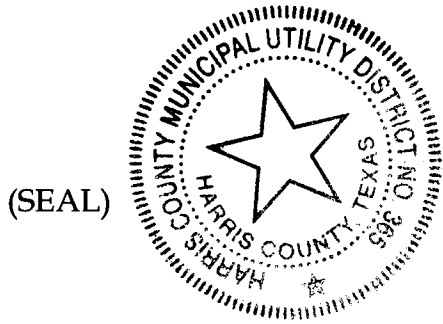
RECYCLING CONTRACT

Director Bradley discussed with the Board community comments received regarding the recycling trial. The Board also requested that the operator include a reminder regarding recycling dates in the water bills.

DISCUSS AND APPROVE JOINT MEETING AGENDA FOR APRIL

The Board concurred that, in addition to the regular joint operation and finance items, the joint agenda should include an item on the construction of the sidewalk to the lap pool.

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




Secretary, Board of Directors

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