

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

April 16, 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 16th day of April, 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 Lund, 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"); Larry Wepler of Jones & Carter, Inc. ("J&C"); 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 March 12, 2009, regular meeting, as amended. Upon a motion made by Director Silverman and seconded by Director Vandewater, the Board voted unanimously to approve the minutes of the March 12, 2009 meeting, as amended.

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 96.5% of the 2008 taxes had been collected as of the end of March, 2009. Mr. Keefe said that the appraisal district had incorrectly included the HEB Supermarket on Highway 290 in the District's valuation, that the mistake had been corrected, that the District value would decrease by \$3.7 million dollars, that no refund would be required, and that the District's anticipated tax receipts would fall by \$20,000 as a result of the decrease in value. Upon inquiry, Ms. McLennan confirmed that no amendment to the budget as a result of the decrease in value is necessary. Mr. Keefe also said that the City of Houston

did not collect sales tax from two vendors that were omitted from the City of Houston sales tax lists and, accordingly, the District would not receive any retroactive sales tax payments from those vendors. After discussion, Director Bradley 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

The Board discussed a delinquent property tax payment by resident Paul Bland, which was initially paid to SWWC instead of to the tax assessor/collector. Mr. Keefe said that when the payment was received in the office of the tax/assessor collector, it was rejected because penalties and interest were not included in the payment amount. Ms. Edwards stated that state law limits the Board's authorization to waive penalties and interest, which may be granted only 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 Mr. Bland and Mr. Keefe, the Board concluded that no error by either the appraisal district or the tax assessor/collector occurred. Director Myers requested that Ms. Edwards send a letter to Mr. Bland explaining why the Board could not waive the penalties and interest.

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. She said that the District has received partial February account charges from Chase Bank and has not yet received a cashier's check to close out the capital projects account at Chase Bank. Ms. McLennan also reported that CenterPoint estimated electric utility charges from December through February and that payment has been withheld pending confirmation of amounts due as a result of actual readings. After review of the invoices and corresponding checks, and upon a motion made by Director Silverman and seconded by Director Vandewater, 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.

CREDIT RATING UPGRADE AND FILING OF MATERIAL EVENT NOTICE

Ms. Edwards stated that Standard & Poor's upgraded the District's credit rating from BBB+ to an A rating. She stated that the District is required to provide a material event notice regarding the upgrade to the State Information Depository. Ms. Edwards stated that this notice has been prepared and provided to the State Information Depository.

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 also reported that the Dry Clean Supercenter wastewater sample taken on March 2, 2009, exceeded the Maximum Contaminant Level for tetrachloroethylene. Upon inquiry from Director Silverman regarding water accountability, Mr. Bare responded that the accountability may be impacted by the age of system, builders in the area and drainage of the ground storage tank. Upon a motion made by Director Bradley and seconded by Director Vandewater, the Board voted unanimously to approve the operator's report and authorize ABHR to prepare and send a warning letter to the Dry Clean Supercenter. A copy of the operator's report and wastewater quality testing results for the Dry Clean Supercenter is attached to these minutes.

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 Bradley 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.

ORDER ADOPTING DROUGHT CONTINGENCY PLAN

The Board next considered adopting a Second Amended and Restated Drought Contingency Plan. Director Vandewater requested that the Plan be revised to allow any available Director to invoke drought response measures in the event of an emergency. Director Silverman moved to adopt the Order Adopting a Second Amended and Restated Drought Contingency Plan subject to the revision proposed by Director Vandewater with the Region H Regional Water Planning Group, to authorize ABHR to publish the Order in the Houston Chronicle notifying the public of penalties for violation of the Order, to authorize SWWC to administer the plan as written, and to authorize ABHR to forward a copy of the Plan to No. 364. Director Vandewater seconded the motion which passed unanimously.

ORDER ADOPTING IDENTITY THEFT PREVENTION PROGRAM

The Board also reviewed an Order Adopting Identity Theft Program. Following discussion by the District operator regarding implementation, Director Vandewater

moved to approve the Order Adopting Identity Theft Program and authorize the district operator to implement the program. Director Silverman seconded the motion which passed unanimously.

APPROVE CONSUMER CONFIDENCE REPORT AND AUTHORIZE OPERATOR TO MAIL CONSUMER CONFIDENCE REPORT AND FILE CERTIFICATE OF MAILING WITH THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Mr. Bare reviewed a draft Consumer Confidence Report ("CCR"), a copy of which is attached, regarding the quality of the District's water. He said the CCR must be filed with the Texas Commission on Environmental Quality ("Commission") and mailed to District residents by July 1, 2009. Following review and discussion, Director Bradley moved that the Board approve the CCR and authorize the operator to file the CCR with the Commission and mail it to District customers. Director Vandewater seconded the motion and it passed unanimously.

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 presented two proposals for ditch and detention repairs, both over \$50,000. He requested that the Board authorize SEC to advertise for bids if he cannot get a bid under \$50,000. He said that the job would include hauling approximately 1,500 yards of silt.

SIDEWALK AND DRAINAGE REPAIR AT WASTEWATER TREATMENT PLANT

There was no discussion regarding this project.

HARRIS COUNTY WIDENING OF SPRING CYPRESS ROAD, INCLUDING APPROVAL OF REIMBURSEMENT AGREEMENT, ABANDONMENT OF WATERLINE EASEMENTS WITHIN HARRIS COUNTY RIGHT-OF-WAY, AND DISTRICT'S WATERLINE RELOCATION CONSTRUCTION CONTRACT

The Board discussed the status of the widening of Spring Cypress Road by Harris County. Mr. Burke said that revised reimbursement contracts were received and presented same for execution.

THE PARK AT ARBORDALE

Mr. Wepler discussed with the Board change orders nos. 4 and 5 and presented a summary prepared by J&C showing the difference between bid costs for the waterline and the forcemain serving The Park at Arbordale and the as-built costs as reflected in change orders nos. 4 and 5, a copy of which summary is attached to these minutes. Mr. Wepler stated that the developer had previously approved change order no. 4 and change order no. 5 is proposed to revise adjustments made by change order no. 4, which was never approved by the Board. Ms. Edwards said that the Texas Commission on Environmental Quality ("TCEQ") rules require that the Board approve change orders and pay estimates in order to qualify the amounts for reimbursement to the developer from bond proceeds. Director Myers said that even though the summary shows the change orders result in an overall contract cost savings, he believes the costs are unreasonably inflated. He also said that he disagreed with the contractor's decision to perform unauthorized work without Board approval. Following discussion, Director Vandewater moved to approve change orders nos. 4 and 5 for the developer's approval but without approving the disputed amount for reimbursement. Director Bradley seconded the motion, which passed by a vote of 3 to 0, with Director Myers abstaining from the vote.

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

Mr. Burke reviewed with the Board a letter request from Bart and Diane Lyons of Western Trails subdivision requesting water and sewer service from the District. Mr. Burke stated that the District does not own utility lines in the vicinity of the Lyons' home.

GIS HOSTING

There was no discussion on this agenda item.

WATER PLANT CAPACITY ANALYSIS

The Board discussed the water capacity analysis previously received from No. 364. Director Myers stated his concern that the analysis refers to TCEQ water supply per connection, which he regards as the minimum capacity required. Director Myers stated that capacity should be evaluated based on actual usage information, as well as well run times, well pump sizes, and TCEQ criteria. Director Myers stated he wants to know how much of the total water supply capacity is currently being used by the districts. The Board reviewed the procedure set forth in the Joint Facilities Agreement for requesting additional capacity, including capacity for a proposed annexation. Ms.

Edwards added the Joint Facilities Agreement allocates capacity using percentages, not number of connections. Director Myers said that his concern is determining what the water supply facilities can actually provide and he does not want to see the system operating at its maximum capacity on a routine basis. Mr. Burke said that he anticipates that such an analysis would cost between \$3,000 and \$5,000. The Board concurred that the District engineer will bill the joint facilities water account for the engineering analysis. Mr. Burke stated that, in the future, a new elevated storage tank waiver request must be submitted to TCEQ.

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

Mr. Burke distributed and discussed with the Board a memorandum discussing emergency power at the plants. Mr. Burke proposed installation of fuel storage tanks at water plants nos. 1 and 2 and at the wastewater treatment plant.

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 said that he continues to try to get one additional quote to repair ground storage tank no. 2, but requested authorization to advertise for the repairs if he cannot obtain a bid below \$50,000. He said that he would include the installation of cathodic protection with the repair work.

Following discussion, Director Bradley moved to (1) approve the engineer's report; (2) authorize SEC to advertise for bids for the repair of the drainage channels absent receipt of a proposal under \$50,000; (3) approve a reimbursement agreement with Harris County for the relocation of the waterline along Spring Cypress Road and authorize execution of same; (4) authorize SEC to forward a letter to Bart and Diane Lyons denying out-of-district service; (5) authorize the District engineer to prepare a joint water system capacity analysis for an amount not to exceed \$5,000; (6) authorize the District engineer to prepare an elevated water storage waiver application; and (7) authorize the District engineer to advertise for bids for the repair of ground storage tank no. 2 at water plant no. 2 absent receipt of a proposal under \$50,000. Director Vandewater 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. He also confirmed that Storm Water Solutions, L.P., is monitoring the stormwater pollution prevention facilities and the stormwater quality feature at the outfall and provided photograph of the trash trooper at the outfall.

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 directed ABHR to send a letter to the contractor responsible for the construction of the Phase 2 trails regarding repair of the water fountain at the trail head under warranty.

APPROVE PLANS SUBMITTED BY HARRIS COUNTY MUD 364 FOR TRAILS TO BE BUILT IN RECREATIONAL EASEMENT

The Board reviewed plans submitted by No. 364 for construction of improvements within the public recreational easement. Upon a motion by Director Bradley and a second by Director Silverman, the Board voted unanimously to approve the plans.

AGREEMENT WITH COLE'S CROSSING HOMEOWNERS' ASSOCIATION ("HOA") FOR INSTALLATION OF SIDEWALK AT SWIM CENTER

The Board next considered an agreement with the HOA for the District's installation of a sidewalk at the swim center to be owned by HOA. Following discussion, Director Bradley moved to approve the agreement. Director Silverman seconded the motion which passed unanimously.

RECYCLING CONTRACT

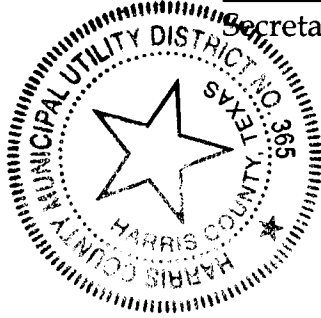
Director Bradley discussed with the Board the efficacy of the program as a whole.

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

Matthew R. L.

Secretary, Board of Directors

(SEAL)



LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
tax assessor/collector's report and delinquent tax report.....	2
bookkeeper's report.....	2
operations report.....	3
written operator's report and wastewater quality testing results	3
termination list	3
Consumer Confidence Report.....	4
engineer's report	4
summary prepared by J&C.....	5