

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

May 21, 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 21st day of May, 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"); Michael Murr of Murr, Inc.; 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 April 8, 2009, joint meeting, the April 9, 2009, special meeting, and the April 16, 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 April 8, 2009, joint meeting, as amended; the April 9, 2009, special meeting, as amended; and the April 16, 2009, regular meeting, 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 97% of the 2008 taxes had been collected as of the end of April, 2009. The Board also considered a request for a tax payment installment agreement with Kim and Shauna Jessee concerning tax account number 0112-001-0500. After discussion, Director Bradley moved to approve the tax assessor/collector's report and the checks drawn on the District's tax account and to offer a six month installment agreement to Kim and Shauna Jessee concerning tax account number 0112-001-0500. 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 added that the balances in the tax depositories are unusually high pending resolution of tax suits. He also discussed historical collections and said that the HEB Pantry Store payable is still showing as a District account, but that error should be corrected in the near future, which will significantly improve the District's 2008 taxes collected percentage.

FINANCIAL AND BOOKKEEPING MATTERS, INCLUDING PAYMENT OF THE BILLS AND REVIEW OF INVESTMENTS AND JOINT FACILITIES BUDGET FOR FISCAL YEAR ENDING AUGUST 31, 2010

Ms. McLennan reviewed with the Board the bookkeeper's report, investment report, budget comparison, and the bills and checks presented for payment. The Board also reviewed draft joint facilities budgets for the fiscal year ending August 31, 2010. Ms. McLennan noted higher surface water, sludge hauling and utility expenses for the joint facilities, but fewer special project costs. Director Silverman noted that the report reflects that one of the District's certificates of deposit matured on May 5, 2009, and asked Ms. McLennan to confirm whether it had in fact matured. After review of the invoices and corresponding checks, and upon a motion made by Director Vandewater and seconded by Director Silverman, the Board voted unanimously to approve the bookkeeper's report and the checks presented for payment and to authorize the District bookkeeper to submit the draft budgets to No. 364 for review and comment. A copy of the bookkeeper's report is attached.

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 repairs included installation of reflectors on fire hydrants and replacement of an isolation valve at the ground storage tank. The Board also discussed the number of actual service disconnections last month, the notification process involved with disconnections and the fees assessed upon the customer. Mr. Bare reported that the wastewater discharged from the Dry Clean Super Center was compliant. Upon a motion made by Director Lund and seconded by Director Bradley, the Board voted unanimously to approve the operator's report.

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 termination 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 Bradley 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 AND REPAIR OF STORMWATER DETENTION AND DRAINAGE CHANNEL FACILITIES

Mr. Burke reported that he had received bids for the joint ditch and detention repairs and recommended that the Board award the contract to the low bidder, C.E. Barker, Ltd., in the amount of \$101,507.70. He added that the work includes work along No. 364's new trail and that item 13a provides \$11,000 to protect and/or repair those trails during and after the detention and channel facility repair. Director Lund noted C.E. Barker's higher unit costs for repair of No. 364's trail. Upon inquiry by Director Myers, Mr. Burke said that the contractor will pay the hauling contractors by the cubic yard for silt hauled. Mr. Burke said that SEC broke out the total cubic yards for each of the individual areas to be de-silted and included restoration of the work. Following discussion, the Board concurred to submit the bid to No. 364 for review and comment, because the project is a Major Expenditure under the Joint Facilities Agreement terms, and to defer awarding the contract until a subsequent meeting. Mr. Burke said that the bid is good for 60 days.

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 presented the construction contract for execution. No Board action was taken on this agenda item as the Board had previously approved the construction contract.

THE PARK AT ARBORDALE

There was no discussion regarding this project.

JARVIS ROAD IMPROVEMENTS

There was no discussion regarding this project.

UTILITY COMMITMENT REQUESTS

Mr. Burke reported seven swimming pool approval letters and two requests for commercial buildout plan reviews. He also discussed with the Board an inquiry received from a developer regarding plans for two hotel sites within the District along U.S. Highway 290. No Board action was required for this agenda item.

WATER PLANT CAPACITY ANALYSIS

The Board discussed the water capacity analysis previously received from No. 364. Mr. Burke updated the Board regarding the engineering analysis regarding water plant capacity and said that he just received historical data from SWWC and had no new information to report. Accordingly, no Board action was needed on this agenda item.

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: (1) installation of fuel storage tanks at one water plant and at the wastewater treatment plant; (2) installation of an emergency generator at Lift Station No. 2; and (3) deferred installation of a generator at The Park at Arbordale lift station. He discussed estimated costs for installation of the auxiliary power facilities and said that he has not yet received cost information for a natural gas generator installation. Mr. Burke also provided a list of recommended actions for implementation during storm events to mitigate risk and damage. Upon inquiry from Director Vandewater, Mr. Bare said that the recommendations had been distributed to SWWC staff and operators as a guideline. Upon inquiry by Director Myers, Mr. Burke added that the current fuel capacity would provide less than a day of run time when both districts are fully built-out. No Board action was taken on this agenda item.

DEEDS AND EASEMENTS

No deeds and easements were presented.

ELEVATED STORAGE TANK WAIVER

Mr. Burke said that SEC is working on the waiver. No Board action was taken on this agenda item.

REPAIR OF LEAK AT WATER PLANT NO. 2 AND CATHODIC PROTECTION

Mr. Burke discussed repair of ground storage tank no. 2. He said that SEC put a camera into ground storage tank no. 1 and found the same issue with corrosion on the floor of the tank. Mr. Burke reviewed with the Board a proposal from Gemini Contracting Services to repair both tanks with a trowel-on epoxy for \$8,000 total.

Following discussion, Director Bradley moved to approve the engineer's report and authorize repairs to ground storage tank nos. 1 and 2 at water plant no. 2 by Gemini Contracting Services in an amount not to exceed \$8,000. Director Lund seconded the motion which passed unanimously.

Burke added that SEC continues to work towards identifying a maintenance contractor for the trail system.

DEVELOPER'S REPORT

Mr. Coleman reported that three homes have been sold in The Park at Arbordale so far this month. Upon inquiry by Director Myers, Mr. Coleman said that the storm troupers are being maintained and photographed each time. A copy of Mr. Coleman's written report is attached.

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

No action was taken on this agenda item.

LANDSCAPE ARCHITECT REPORT

The Board first discussed the District's phase 3 trail improvements project. Mr. Murr said that he was waiting for the soil report to finalize the design. Mr. Burke discussed a proposal from Aviles for soil testing in the amount of \$6,395. The Board reviewed the boring locations and discussed reducing the number of borings. Mr. Murr said that he anticipated having bid packages ready in July assuming completion of the geotechnical study. Following discussion, Director Bradley moved to approve the Aviles proposal. Director Lund seconded the motion which passed unanimously.

Mr. Murr added that No. 364's trail project has gone out for bid.

Director Bradley confirmed that the water fountain at the trailhead in Phase 2 had been repaired.

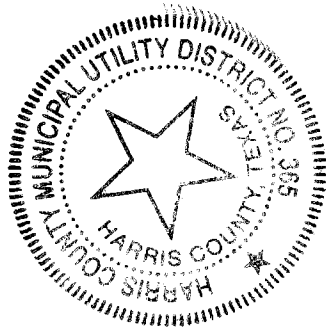
Mr. Murr also reported that construction of the sidewalk at the swim center is complete. Upon inquiry by Director Bradley, Director Lund confirmed that he requested the relocation of two signs and removal of two stumps. Director Bradley said that the Cole's Crossing Homeowners Association is installing a fence with a gate. No Board action was taken on this agenda item.

RECYCLING SERVICES

Ms. Vinson discussed with the Board the terms and conditions for continuation or termination of the contract. The Board discussed a potentially lower rate for whole community participation. Ms. Vinson also discussed with the Board possible recycling services through trash providers. She also added that if the Board extends the recycling contract beyond the six month trial period, the District would then own the recycling bins. Director Lund said that he is investigating the option of a centralized recycling pick up location. No Board action was taken on this agenda item.

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

(SEAL)



Matthew R. Lund
Secretary, Board of Directors

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