

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

June 25, 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 25<sup>th</sup> day of June, 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 May 14, 2009, special meeting, the May 21, 2009, regular meeting, and the June 4, 2009, special meeting. Upon a motion made by Director Vandewater and seconded by Director Lund, the Board voted unanimously to approve the minutes of the May 14, May 21, and June 4, 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 97.3% of the 2008 taxes had been collected as of the end of May, 2009. Mr. Keefe reported that the Harris County Appraisal District has not yet removed HEB from the District's tax rolls. After discussion, Director Bradley moved to approve the tax assessor/collector's report and the checks drawn on the District's tax account. Director Silverman seconded the motion, which passed unanimously. Copies of the tax assessor/collector's report and the delinquent tax report are attached.

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 added to the report payment to C.E. Barker, Ltd., for utility relocation along Spring Cypress. Mr. Burke confirmed that the amounts paid for utility relocation along Spring Cypress will be shared by Harris County Municipal Utility District No. 364 ("No. 364") and subsequently reimbursed by Harris County. In response to inquiry by Director Silverman at the May meeting, Ms. McLennan stated that certificates of deposit previously reported as maturing on May 5, 2009, have been corrected within the report to show actual purchase and maturity dates. Ms. McLennan also reported that no comments were received from No. 364 regarding the joint budgets submitted for review. After review of the invoices and corresponding checks, and upon a motion made by Director Silverman 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.

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 noted a pumpage increase due to drought conditions, replacement of 24 meters, and repair to the onsite lift pump at the wastewater treatment plant.

Mr. Bare reported an electrical failure at the remote well at approximately 3:30 a.m. on Friday, June 19<sup>th</sup>. Mr. Bare said the remote well failed to restart automatically and wells nos. 1 and 2 were unable to fill the ground storage tanks alone to meet the morning demand. Mr. Bare reminded the Board that ground storage tank no. 1 was down for repairs, so that capacity was not available to meet the demand either. Mr. Bare stated that when the ground storage tanks reached a given low level, the system shut down automatically, so the wells would not be damaged, and water supply in Coles Crossing was out for approximately one hour. Mr. Bare stated that the field operator made a temporary repair to restore water service. Mr. Bare reported that a permanent repair was effected Monday morning, June 22<sup>nd</sup>. The Board discussed comments by residents regarding SWWC's response and customer service during the event.

Mr. Bare presented a written request with photographs from a resident, Larry Cross, seeking reimbursement for laundry apparently damaged by dirty water during the low pressure event. A copy of the request is attached. After carefully considering the information provided by Mr. Cross, the Board concurred to decline Mr. Cross's request for reimbursement and authorize the operator to respond to Mr. Cross in writing, subject to Director Bradley's review. Director Myers asked that the operator include information in the utility bill regarding potential for dirty water during low

pressure events and offering information regarding products available to assist residents with stain removal.

The Board discussed recent high water demand due to drought conditions. Mr. Bare requested that irrigation by the Cole's Crossing Homeowner's Association ("HOA") not occur between 5:00 a.m. and 8:00 a.m. Mr. Burke said that the HOA uses approximately 350,000 gallons per day, which equates to 15-20% of the total use. Following discussion, the Board concurred to discuss water conservation measures and enforcement of same at the joint meeting in July and to include water conservation information on the District website.

Mr. Bare reported that water demand has not yet reached drought contingency plan triggers, but recommended that the Board post voluntary water conservation signs. The Board concurred to post voluntary water conservation signs throughout the District.

Mr. Bare also discussed new Texas Commission on Environmental Quality ("TCEQ") rules regarding E.coli testing of wastewater effluent. Upon a motion made by Director Silverman and seconded by Director Lund, the Board voted unanimously to approve the operator's report and to authorize the District operator to initiate E.coli testing of the wastewater effluent to identify current E.coli levels.

#### 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 Silverman 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 District's Rate Order. Director Lund seconded the motion, which carried unanimously. A copy of the termination list is attached.

#### DESIGNATE HOMELAND SECURITY CONTACT

The Board next considered a request received from the TCEQ to designate a primary and secondary contact for compliance with the Homeland Security Act. Following discussion, the Board concurred to designate Mike Thornhill with SWWC as the District's primary emergency contact and Mr. Bare as the District's secondary contact.

## 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 noted that the contracts are ready for the Board's execution.

### 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 and the District's relocation of the joint water line. Mr. Burke reviewed a pay estimate to C.E. Barker, Inc., in the amount of \$101,507.70 and a Change Order for \$33,741.39, which includes some field adjustments and demobilization costs. Mr. Burke said that the next phase of the contract requires that the remote well be taken offline for five days which is not feasible during this high demand period. Mr. Burke explained that relocating the line was made very difficult by the existing facilities under the road and that the contractor is going to place the line along an existing well collection line under Barker Cypress once water demand subsides and the remote well can feasibly be taken off line for five days.

### JARVIS ROAD IMPROVEMENTS

Director Myers said that Harris County is reactivating work on in the Jarvis Road improvements and that he anticipates a meeting with Harris County to discuss the County's proposed expansion of the Coles Crossing regional detention facility and the District's proposed sidewalk installation from Jarvis to the Randall's shopping center. There was no additional discussion regarding this project.

### UTILITY COMMITMENT REQUESTS

Mr. Burke reported several swimming pool approval letters and a request from VP Hospitality and HB Hospitality for 22,995 gallons per day of water and wastewater capacity to serve 222 hotel units on a 2.10 acre tract. Mr. Burke said that if service is provided in this amount, the remaining 21 acres will be limited to 1,100 gallons per day per acre. Ms. Edwards recommended that the Board provide a statement of utility

availability through the District engineer. Following discussion, the Board concurred to authorize the District engineer to send a letter of availability to HB Hospitality and VP Hospitality.

#### WATER PLANT CAPACITY ANALYSIS

Ms. Edwards discussed with the Board correspondence received from No. 364 asking to purchase 687 ESFCs of unused water supply capacity, if available, from the District in the joint facilities to serve proposed future development within No. 364 as well as a 4.57 acre annexation tract. Ms. Edwards said the District must respond to the request within 60 days of receipt, or by August 2, 2009. Mr. Burke reviewed a water capacity analysis prepared by SEC, a copy of which is attached. Director Silverman noted that Stillwater receives water from Longwood and should be removed from the analysis. The Board discussed installing larger pumps to increase the well capacity, the existing waiver for elevated storage, schedules for converting to surface water, and estimated costs to drill another well. Following discussion and based on the engineer's water plant capacity analysis report, the Board concurred that the District has no additional capacity and will require the District's current allocation to serve the District at build out. Mr. Burke said that he would identify the HOA meters and consider what the districts can do to more fully utilize the water plant no. 2 well. The Board also concurred to discuss the analysis with No. 364 at the joint meeting and to authorize Mr. Burke to distribute and discuss the analysis with No. 364 consultants before the joint meeting.

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

No Board action was taken on this agenda item.

#### DEEDS AND EASEMENTS

No deeds or easements were presented.

#### ELEVATED STORAGE TANK WAIVER

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

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

Mr. Burke discussed the repair of the ground storage tank at water plant no. 2, noting that the repair with a trowel-on epoxy is complete, but that the tank still leaks.

## WATER REUSE

Mr. Burke reported on irrigation use by the District and No. 364 and estimated the average savings to the District if water reuse were implemented, both in gallons per day and dollars, regained equivalent households units, and saved wear on the wells, as shown in his attached written report.

## REPAIRS TO EXISTING ASPHALT TRAILS

Mr. Burke presented a proposal for repair of the asphalt trail. He added that SEC will coordinate the trail tie-in at the bridge with Mr. Murr and that the repairs are being made to the larger cracks and not to the hairline cracks.

Upon a motion made by Director Lund and seconded by Director Silverman, the Board voted unanimously to (1) approve the engineer's report; (2) approve the Change Order to the Spring Cypress waterline relocation contract; and (3) approve a proposal from AAA Asphalt Paving in the amount of \$12,600 for repair to the existing asphalt trails.

## DEVELOPER'S REPORT

Mr. Coleman reported that four homes were sold in May and five homes have been sold in The Park at Arbordale so far this month. Director Myers said that David Beyer of Storm Water Solutions confirmed that the storm troupers are being maintained and photographed each time. A copy of Mr. Coleman's written report is attached. The Board also discussed the number of lots with homes needed in the subdivision to qualify the developer for reimbursement.

## 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. Burke said that storm water pollution prevention measures were added because more than an acre is being disturbed. Mr. Burke also discussed SEC's concerns regarding removal of the guard rails and recommends landscaping around the rails to hide the rails. Director Myers said that he thinks Harris County will cut back any landscaping that is too close to the road.

Mr. Murr reported that the plans are almost ready for submittal to Harris County for review.

APPROVE INTERLOCAL AGREEMENT WITH HARRIS-GALVESTON SUBSIDENCE DISTRICT

Ms. Edwards presented an Interlocal Agreement with Harris-Galveston Subsidence District for the Water Wise Program, wherein the District sponsors half of the fifth grade enrollment at Sampson Elementary at a cost of \$34.50 per student. Upon a motion made by Director Silverman and seconded by Director Bradley, the Board voted unanimously to approve the Interlocal Agreement with Harris-Galveston Subsidence District for the Water Wise Program.

RECYCLING SERVICES

No Board action was taken on this agenda item.

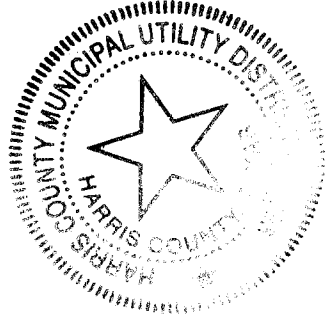
CONTRACT FOR RESIDENTIAL TRASH COLLECTION

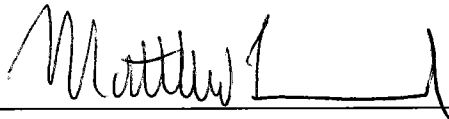
Directors Lund and Bradley reviewed preliminary trash collection service information discussed with WCA Waste Corporation and Texas Trash.

DISCUSS AND APPROVE JOINT AND SPECIAL MEETING AGENDAS FOR JULY

The Board discussed potential agenda items for the joint and special meetings in July and concurred upon agenda items for both. The Board also concurred to reschedule the regular July meeting from July 16 to July 23. Director Myers requested that the HOA be notified of all meetings.

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



  
Secretary, Board of Directors

(SEAL)

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