

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

July 8, 2009

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 365 (the "District") met in special session, open to the public, on the 8th day of July, 2009, at the Information Center, 13050 Barker Cypress Road, Cypress, Texas, 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
Michael Vandewater	Assistant Secretary

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

Also present at the meeting were Alan Beard, Vince DeAnglis, Ross Crawford and Dale Trevino, directors of Harris County Municipal Utility District No. 364 ("No. 364"); Jon Polley of Johnson, Radcliffe, Petrov & Bobbitt PLLC; Chris Burke of Sander Engineering Corporation ("SEC"); Gary Struzik and Steve Stacey with Klotz & Associates, Inc. ("Klotz"); Michael Murr of Murr Incorporated; Rick Haddock of Sweitzer & Associates; Brian Bare of SWWC, Inc.; Paul Bland and Don Richards of the Cole's Crossing Homeowner's Association ("HOA"); Jennifer Petras of Planned Community Management, Inc. ("PCMI"); Katie Hoy and Anna Fernandez, residents of the District; and Susan Edwards and Jane Miller of Allen Boone Humphries Robinson LLP.

JOINT FACILITIES OPERATIONS AND FINANCES

Mr. Burke reported that the pitting on the floors of ground storage tank no. 2 at water plant no. 2 has been repaired, but that the tanks are still leaking. He said that the contractor will return after the high demand, summer season to further repair the tanks. Mr. Burke added that some of the pitting eroded all the way through the tank floors and that the entire floor of the tanks may need to be coated. He added that the contractor has not submitted an invoice for the repairs. Mr. Burke also discussed cathodic protection installation with the Boards at an estimated cost of \$8,000 to \$10,000 per tank.

Mr. Bare reported an electrical failure at the remote well at approximately 3:30 a.m. on Friday, June 19th. 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 Boards 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 shuts down automatically, so the wells would not be damaged. 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 22nd. Mr. DeAnglis questioned Mr. Bare regarding SWWC's response times and customer service during the event.

Mr. Burke next reported regarding the relocation of waterline and right-of-way adjustments along Spring Cypress Road. He explained 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. He added the contractor will build the driveway, but construction in the right of way will be deferred until the remote well may be taken offline.

JOINT FACILITIES BUDGETS FOR FISCAL YEAR ENDING AUGUST 31, 2010

The Board discussed the schedule to adopt the joint facilities budgets and submittal to No. 364 for comment and concurred to defer action on this agenda item, pending receipt of comments from No. 364.

COLES CROSSING JOGGING TRAIL IMPROVEMENTS

Mr. Haddock reported that No. 364 had chosen American Wall Systems to construct No. 364's trail improvements. He said that the plans are under review at Harris County. Mr. Stacey discussed three additional easements needed from the District to complete the pavement loops in the trail and said that he is preparing descriptions of the easement areas.

Mr. Murr provided an overview of the No. 365 trail plan. Specifically, the Board and No. 364 discussed benches and irrigation along the trail. Mr. Murr said that the plans are under review at Harris County. Mr. DeAnglis mentioned graffiti along the trail. Mr. Myers discussed the District's graffiti removal agreement with the HOA.

MAINTENANCE AND REPAIR OF STORMWATER CHANNEL FACILITIES

Mr. Burke reported that he had received bids for the joint ditch and detention repairs and that the Board awarded the contract to 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 for the repair of No. 364 trails during and after the detention and channel facility repair. Mr. Burke added that the bid is good for 60 days. He said that the share for each District varies for different areas of work included in the contract with the exception of item 13a which would be paid entirely by No. 364, if needed.

REPORT ON WATER SUPPLY CAPACITY ANALYSIS AND HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364 REQUEST TO PURCHASE CAPACITY

Mr. Burke reviewed with the Board a water system capacity analysis prepared by SEC in response to No. 364's request to purchase capacity from the District. Mr. Burke said that he met with engineers for No. 364 to review the analysis before presentation to the Board and No. 364. Mr. Burke said, and Mr. Struzik agreed, that the total capacity No. 364 asked to purchase will be decreased and certain calculation adjustments will be made to the analysis before it is finalized. Ms. Edwards added that when the Joint Facilities Agreement was drafted, it was never intended that a fixed gallons per day quantity would be attributed to each connection but that plant capacity was allocated by a percentage and No. 365's engineer would evaluate, based on actual consumption patterns and equipment performance, capacity available to each district. The Board and No. 364 also discussed with Mr. Burke adding a fire flow component of approximately 200,000 to 300,000 gallons per day above peak day usage within the analysis.

In summation, Mr. Burke said that in order to extend additional capacity to No. 364, the water supply facilities would need an additional ground storage tank, a hydro-pneumatic tank and an additional water supply source. Mr. Struzik commented that if the HOA could reduce its irrigation demand permanently, additional water supply capacity would be available. The Board and No. 364 also discussed possible water reuse to irrigate common areas and discussed accessing surface water as an alternate water source.

Mr. Polley commented that the Joint Facilities Agreement is not clear as to the allocation per District. Ms. Edwards recommended amending Exhibit C to the Joint Facilities Agreement to eliminate the gallons per day reference.

Following discussion, the Boards concurred to conduct a special joint meeting to discuss the water capacity analysis following revision. Ms. Edwards reminded the Board and No. 364 of the District's August 2, 2009, deadline to respond to No. 364's request to purchase capacity. No. 364 agreed by Board action to withdraw the existing request to purchase capacity and to issue a new request letter. The Board and No. 364 concurred to meet in mid-August to review the revised analysis.

DROUGHT AND WATER CONSERVATION MEASURES

Mr. Bare reported that the District had not reached any of the triggers required to enforce water use restrictions pursuant to the districts' Drought Contingency Plans. He said that he had purchased signs to post within the District requesting residents to voluntarily conserve water as authorized by the Board at its June 25th meeting. Mr. Trevino said that before signs are posted within No. 364, he wanted to address excessive irrigation by the HOA and make sure that the HOA follows the same standard of care required of residents.

Mr. Bare said that he met with the HOA landscaping maintenance contractor regarding limiting irrigation between 4:00 a.m. and 8:00 a.m. Mr. Richards discussed the irrigation zones and the controllers. Director Myers added that the HOA uses a ground storage tank worth of water each day for irrigation purposes which makes up 16% to 20% of the districts' total water use per day. Mr. Trevino and Mr. DeAnglis commented that the HOA needs to establish an irrigation schedule and more efficiently manage the system. Mr. Richards added that the HOA pays for irrigation of soccer fields owned by the District. Mr. Bland added that the HOA spent \$40,000 on controllers last year, of which \$6,700 was spent to create more efficient zoning. Mr. Richards added that some water loss was occurring as a result of damage to the irrigation system.

Director Vandewater suggested coordinating information on the website to explain the purpose of the signs for voluntary conservation. Director Myers asked that a link to the North Harris County Regional Water Authority ("NHCRWA") be added to the District website. Director Bradley moved to post signs requesting voluntary water conservation from District residents. The motion failed for lack of a second.

TRASH COLLECTION CONTRACT

Directors Lund and Bradley discussed trash collection information received from WCA Waste Corporation and Texas Trash and the proposal to have the districts assume trash collection in January, 2010. Director Bradley discussed the possibility of combining trash pickup and recycling at the same price as current trash collection. Director Myers discussed the benefit to residents by allowing residents to pay trash collection monthly rather than in quarterly fees. Discussion ensued among Mr. Richards, Director Vandewater and No. 364 regarding a possible expectation by District residents that the overall HOA fee would be reduced if the trash collection costs are assumed by the districts. Ms. Hoy and Ms. Fernandez commented regarding resident expectation that the HOA provide substantial information regarding the use of HOA funds, especially if the HOA fees are not reduced when and if the districts assume trash collection responsibilities. Mr. Richards said that the HOA would assess the HOA's anticipated budget for next year and provide residents with the proposed numbers with and without trash collection by the HOA.

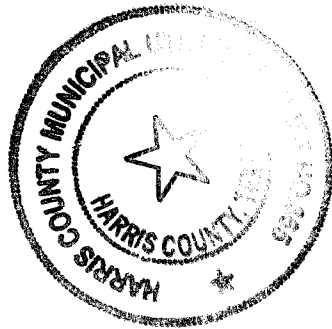
WATER REUSE

Mr. Myers reported that the District had approved testing of wastewater effluent and was considering holding the treated effluent for reuse. The Board discussed the distribution system and irrigation system components necessary to institute reuse of treated effluent and the estimated cost of the systems. Mr. Polley discussed state regulations regarding release and reuse of water and reuse credit programs offered through the NHCRWA. The Board also discussed the current rates paid by the HOA

and recommended that the Board re-evaluate the rates charged to each type of user. No action was taken on this agenda item.

There being no further business to come before the Board, the Board concurred to adjourn.

(SEAL)



Matthew R. L.
Secretary, Board of Directors