

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

August 13, 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 13th day of August, 2009, at 16314 Madewood Street, Cypress, Texas 77429, inside the boundaries of the District, and the roll was called of the members of the Board:

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| 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.

Also present at the meeting were Tim Brown and Barry Groff, residents of the District; Nicole McCarthy, resident of Harris County Municipal Utility District No. 364 ("No. 364"); Michael Murr of Murr Incorporated; John O'Donnell and Paul Marks of Water Logic; and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENT

In response to inquiry by Mr. Groff, the Board discussed District debt, the District's debt service schedule and anticipated debt retirement dates. Directors Silverman and Myers discussed the District's tax rate history, the rules that govern taxes levied in utility districts, the effect of improved value upon tax rates and future reimbursement to developers.

In response to inquiry by Mr. Brown, Director Myers said that a splash pad has not been approved for construction and is conceptual only at this time. Director Silverman added that the District's only current recreational facility construction project is the trail system. Messrs. Brown and Groff said that they were opposed to the construction of a splash pad. Ms. McCarthy said that she was in support of a splash pad and knew of others in the community who supported the concept as well. Director Bradley added that no additional District debt would be incurred if the Board approved construction of the splash pad. The Board concurred to revise the agenda wording from "construction" to "discussion" of splash pad.

PRESENTATION BY WATER LOGIC

Mr. O'Donnell said that the District currently has receivers installed on 18 controllers in the District's common areas. He explained how the receiver receives weather broadcasts. Mr. O'Donnell said that he had agreed with the Cole's Crossing

Homeowners Association (“HOA”) to limit water accumulation to a 3.5 inch measuring threshold. He reviewed graphs showing water use and savings since the installation of the receivers in 2006. Mr. O’Donnell said that the controllers were adjusted in 2008 to add more water to the common areas to sustain new trees planted by the HOA. He added that the District has saved over 11 million gallons since the initial installation and that a District can expect to save 40% on average per year.

Upon inquiry by Director Myers concerning disconnection of some of the controllers, Mr. O’Donnell said that all of the controllers are now reconnected. Mr. O’Donnell added that he knew of one or more controllers that had battery powered clocks installed by the HOA’s irrigation contractor. The Board discussed how to better control access to the controllers in order to discourage manipulation of the Water Logic system. Mr. O’Donnell offered that Water Logic could change the password to get into the unit and lock out contractors. He added that the timing on the irrigation zones is still controlled by the user. The Board, Mr. Burke and Mr. Groff discussed the impact of the water authority fees and the schedule for delivery of surface water to the District. Following discussion, Mr. O’Donnell said that he would adjust the controllers to return to the 3.5 inch measuring threshold. The Board also concurred to add an additional controller on Greenwood Manor Drive.

CONSTRUCTION OF SPLASH PAD

There was no additional discussion regarding this agenda item.

TRAIL IMPROVEMENT PROJECTS, INCLUDING PHASE 3

Mr. Burke reported that he and Mr. Murr are working to address Harris County comments and plan to advertise within the next two weeks. He said that bids will be received on September 16 and a recommendation of award will be presented at the regular September meeting. In response to inquiry by Mr. Groff, Director Myers said that the width of the trail in Phase 3 will be the same as in previous phases. The Board also discussed ongoing drainage channel repair in association with the trail construction. Mr. Burke said that the contractor would return to complete the repair including repair to the area where the interlocking blocks continue to cause a sodding problem in the regional detention basin. He said that the contractor would add additional rip-rap instead of sod. Mr. Burke added that the gates are being painted now and should be reinstalled shortly.

COORDINATION WITH HARRIS COUNTY PRECINCT 3 FOR LANDSCAPING, SIDEWALK AND TRAIL PROJECT

Upon a motion by Director Bradley and a second by Director Lund, the Board voted unanimously to authorize Director Myers to sign and submit a letter, as presented, to Commissioner Radack seeking a cooperative effort between the District and Harris County Precinct 3 for landscaping, sidewalks and trails.

DISTRICT RECYCLING PROJECT AND TRASH COLLECTION

Director Bradley reported that decreased recyclable tonnage for the month of July is most likely attributable to summer vacation schedules. She also reported that the recycling contractor is now accepting glass. In response to inquiry by Mr. Brown, Director Bradley reported that the current cost to recycle is \$3.50 per household. Ms. McCarthy and Director Bradley further explained that the District is working with the HOA and No. 364 to negotiate a trash collection contract through the districts at a rate that will make the cumulative cost of trash and recycling together comparable to the current trash collection rate alone. Director Myers added that the current HOA trash collection contract expires in December. He also said that the cost to recycle has not been passed through directly to residents yet. No Board action was taken.

WATER REUSE

Director Myers discussed the District's proposal to store treated effluent in the regional detention pond and pump the water into common areas for irrigation. Director Myers discussed the volume of water used in the District to irrigate common areas and the corresponding water authority fees incurred. Mr. Murr discussed the information required to determine the feasibility of a water reuse system. Upon a motion by Director Bradley and a second by Director Silverman, the Board voted unanimously to authorize preparation of a preliminary feasibility report for the Board's September 10, 2009 meeting. Director Silverman requested that the feasibility analysis include a comparative cost to construct another well to meet the District's water demand.

DROUGHT CONTINGENCY PLAN

Director Silverman explained the differences between the District's and No. 364's drought contingency plans. Director Silverman presented a proposal to align the District's trigger conditions with No. 364's trigger conditions. Director Vandewater said that the current drought contingency plan does not address reconnection of services following disconnection due to violation of the plan. Director Silverman also recommended changing the extreme drought trigger condition from 100% of the production capacity of the facilities within a 24 hour period. He continued that the District met that extreme drought trigger condition on at least one day recently. Director Silverman also recommended revised watering schedules and revising the rate order to reduce the gallons of water per day allowed to each user under a base fee. Additionally, he recommended that the District add a regressive water rate to the moderate drought stage of the drought contingency plan following a reduction of gallons of water per day allowed to each user under a base fee within the rate order. Discussion continued regarding the ability of users to comply with the proposed revised watering schedules due to different irrigation controller types.

Director Vandewater recommended that the notice provisions be revised to require a door hanger to each user notifying residents at Stage 1 and outlining the plan should drought conditions continue. Director Silverman recommended that the District obtain new signs before next summer that directed residents to the District website for additional drought compliance information. The Board discussed providing a magnet to each District resident with information regarding drought conditions and requested that the District operator determine if the magnet could be produced and provided for credit as part of the District's Water Smart program participation.

Mr. Murr suggested that the District prepare and distribute written suggestions teaching residents how to program the water or, as an incentive, hire a company annually to assist and instruct residents on how to properly program residential irrigation controllers.

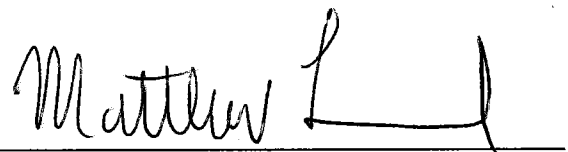
DISTRICT/COMMUNITY EMERGENCY PREPAREDNESS

Director Silverman explained the District's intent to meet with neighboring districts to discuss options and cooperation during emergency events. No Board action was taken.

COMMUNITY MESSAGE BOARD AND/OR MESSAGING SYSTEM

The Board discussed possible locations for a community message board. No action was taken.

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



Secretary, Board of Directors

(SEAL)

