

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

August 20, 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 20th day of August, 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; Michael Murr of Murr, Inc.; Sheri Greenwood of BKD, Inc.; Jeremy Eves of Enernoc; and Susan Edwards and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PRESENTATION BY JEREMY EVES OF ENERNOC REGARDING ELECTRICAL USAGE AND POTENTIAL SAVINGS

Mr. Eves discussed an energy demand response program wherein the District would agree to voluntarily go on generator power at its plant facilities when electricity demand was overloading the grid. Mr. Eves added that incentive payments from state funds are available to participants whether they are required to go on to stand-by power or not. Mr. Eves said that the proposed commitment would include installation of real time equipment to meter usage and software for web based monitoring and control. He added that the District, if participating, would be required to submit to a 15 minute test each year. Mr. Eves added that the District would have the option to opt out of the program every four months. Mr. Eves said that, in the event of a required switch to the generator to stabilize the power grid, the District will receive a 10 minute notification and an interface will automatically engage transfer switch for the back up generators and verify that the switch is operable. Following discussion, the Board concurred to have Mr. Eves submit an agreement to ABHR for review, to authorize Director Myers to execute a letter of authorization allowing Enernoc to review records of District facility electrical usage and to request an October joint meeting agenda item to discuss the program.

## APPROVE MINUTES

The Board considered approving the minutes of the July 23, 2009, regular meeting and the August 4, 2009, special meeting. Upon a motion made by Director Silverman and seconded by Director Lund, the Board voted unanimously to approve the minutes of the July 23, 2009, regular meeting, as submitted, and the August 4, 2009, special meeting, as amended.

## PUBLIC COMMENT

There was no one present to make public comment.

## 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 99.5% of the 2008 taxes had been collected as of the end of July, 2009. He also reviewed a delinquent tax report from Perdue, Brandon, Fielder, Collins & Mott, L.L.P., the District's delinquent tax attorneys. Mr. Keefe reported that there was an overall reduction in District value and the District was required to issue a significant tax refund following Randall Properties' successful tax value protest. After discussion, Director Lund 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.

## 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 comparisons for both District and joint facilities, and the bills and checks presented for payment. 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 and to hold payment to C.E. Barker Limited on the drainage repairs until payment from Harris County Municipal Utility District No. 364 ("No. 364") is received.

## ENGAGE AUDITOR TO CONDUCT AUDIT FOR FISCAL YEAR ENDING AUGUST 31, 2009

Ms. Greenwood reviewed a proposal for auditing services from BKD. Ms. Greenwood stated the estimated fees are \$15,900 for the District and \$1,600 to audit each joint facility account. After discussion, Director Silverman moved to approve the proposal from BKD, LLP. The motion was seconded by Director Lund, and passed unanimously.

CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY AND LIST OF QUALIFIED BROKER/DEALERS AND ADOPT RESOLUTION REGARDING ANNUAL REVIEW OF INVESTMENT POLICY

The Board reviewed the District's list of qualified broker/dealers to determine if any amendments were necessary. Upon a motion made by Director Bradley, seconded by Director Vandewater, the Board voted unanimously to adopt a Resolution Establishing Authorized Depository Institutions and Qualified Broker Dealers.

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 noted a big increase in water demand in July. He reported that SWWC performed preventative maintenance to the chlorinator at the water plant. Upon inquiry by Director Lund, Mr. Bare said that he would check to see when the booster pumps and piping at the water plant were last painted. Upon a motion made by Director Silverman and seconded by Director Lund, 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 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.

AMENDMENT OF RATE ORDER

The Board considered revising the rate order to more efficiently distribute the cost of water production and distribution among residential, public space and commercial users and to institute water rates to encourage water conservation. The Board discussed either eliminating a charge category for irrigation meters or making the irrigation rate structure the same as public and commercial. Following discussion, the Board concurred to request that ABHR prepare a draft revision to Sections E and F concerning public space and irrigation users. The Board discussed installing Water

Logic devices on common area irrigation controllers and locking the device to restrict access to the controller.

#### ORDER ADOPTING AMENDED AND RESTATED DROUGHT CONTINGENCY PLAN

The Board discussed possibly amending the District's drought contingency plan to coordinate with the drought contingency plan adopted by Harris County Municipal Utility District No. 364 ("No. 364"). Ms. Edwards presented a draft incorporating the most recent comments made and revisions requested by the Board. The Board reviewed the draft and requested that ABHR further revise the draft drought contingency plan by striking text in Section c(1) regarding locations without addresses, revising the triggers to correspond to run time hours used by No. 364 instead of percentages, adding hand watering as an option under moderate drought restrictions that exclude lawn watering, adding a restriction to power washing and restricting watering by public space users in severe drought events.

#### DISCUSS INTER-DISTRICT EMERGENCY PREPAREDNESS PLAN

Director Silverman said that no new information is available.

#### 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 invoices form Seaback Maintenance ("Seaback") for July and said that Seaback mowed the wildflower areas.

Mr. Burke discussed the status of joint ditch and detention repairs and recommended payment of Pay Estimate No. 1 in the amount of \$44,647.42 of which the District's share is \$18,597.37, payable to C.E. Barker, Ltd.

#### 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

Mr. Burke reported that SEC is coordinating with Harris County regarding the installation of two inlets requested at the water plant no. 1 driveway to drain the plant site.

JARVIS ROAD IMPROVEMENTS

There was no additional discussion regarding this project.

UTILITY COMMITMENT REQUESTS

Mr. Burke reported one swimming pool approval letter.

WATER PLANT CAPACITY ANALYSIS

Mr. Burke stated that he had received comment from No. 364's engineer on the water capacity analysis prepared by SEC and is in the process of incorporating the comments for future Board review. He said that No. 364 is adjusting its requested capacity.

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 an updated waiver request has been filed with the Texas Commission on Environmental Quality ("TCEQ").

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

Mr. Burke discussed a proposal for installation of cathodic protection systems for 4 ground storage tanks at an estimated cost of \$40,000. Mr. Burke said that he wants to video the District's tanks before moving forward.

## WATER REUSE

Mr. Burke reported that SEC is working on a proposal and will present it at the September 24, 2009 Board meeting.

## REPAIRS TO EXISTING ASPHALT TRAILS

Mr. Burke reported that the contractor is repairing the trails this week and that the trails will remain open during the repair.

Upon a motion by Director Lund and a second by Director Vandewater, the Board voted unanimously to approve the engineer's report and approve Pay Estimate No. 1 in the amount of \$44,647.42 and payment of the District's share in the amount of \$18,597.37 to C.E. Barker, Ltd.

## APPROVE AMENDMENT OF COLES CROSSING JOINT FACILITIES AGREEMENT

Ms. Edwards discussed with the Board an amendment to the joint facilities agreement proposed by No. 364. Ms. Edwards presented a proposed revision of Exhibit C to remove the reference to water capacity by connection and adding a statement to the body of the agreement to clarify that the information in the exhibit is only an illustrative example based on water consumption at the time of the signing of the contract and not a binding term of the agreement. Following discussion, the Board agreed that ABHR will forward the proposed amendment to No. 364's attorney.

## DEVELOPER'S REPORT

The Board discussed a request from Beazer Homes to take over maintenance of the storm troopers within The Park at Arbordale. Mr. Burke recommended that the Board defer taking maintenance of the storm troopers until Section 2 is paved. Director Myers said that he wanted stricter silt rules and onsite controls during the paving of Section 2.

Mr. Burke reported that utility drawings for the hotels planned for U.S. Highway 290 frontage have been submitted for review and comment.

## LANDSCAPE ARCHITECT REPORT

Mr. Murr discussed the plans for the District's phase 3 trail improvements project and said that the project would be advertised beginning next Friday, with a pre-bid meeting on September 8, 2009, and contract award at the District's September 24, 2009, meeting. Mr. Murr said that the project would be advertised for bid in the Houston Business Journal.

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

There was no additional discussion for this agenda item.

INSTALLATION OF DISTRICT MESSAGE BOARD

There was no additional discussion for this agenda item.

RECYCLING SERVICES AND CONTRACT FOR RESIDENTIAL TRASH COLLECTION

Director Bradley said that she was contacted by a Cole's Crossing Homeowner's Association ("HOA") board member director and advised that the HOA may retain the trash collection contract responsibility and may go out for bids for a new contractor. Director Bradley said that she has asked for assurance that recycling would be incorporated and continued and that the HOA consider buying back the District's recycling bins if the HOA continues with trash collection and incorporates recycling.

RENEWAL OF DISTRICT'S INSURANCE POLICIES

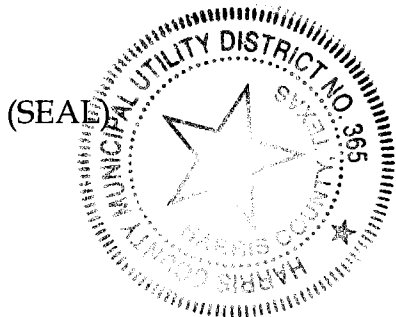
Ms. Edwards said that the District's current insurance policies expire at the end of August and reviewed the renewal proposal. Upon a motion by Director Silverman, seconded by Director Bradley, the Board voted unanimously to approve renewal of the District's insurance policies through Anco-McDonald Waterworks Insurance Services, L.L.C.

DISCUSS SPECIAL MEETING AGENDAS FOR SEPTEMBER

No additional agenda items were submitted for inclusion on the September 10, 2009 special meeting agenda.

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

  
Secretary, Board of Directors



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