

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

September 24, 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 24th day of September, 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.; Greg Coleman of Beazer Homes Texas, LP ("Beazer"); Cliff Kavanaugh and Greg Lentz of First Southwest Company; and Susan Edwards and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES

The Board considered approving the minutes of the August 20, 2009, regular meeting and the August 13, and September 10, 2009, special meetings. Upon a motion made by Director Vandewater and seconded by Director Lund, the Board voted unanimously to approve the minutes of the August 20, 2009, regular meeting, as submitted, and the August 13, and September 10, 2009, special meetings, as amended.

PUBLIC COMMENT

Director Bradley discussed a request from the Cole's Crossing Homeowner's Association ("HOA") to share a cost of \$27,000 to split grass and planting bed irrigation meters to better manage water consumption. Ms. Edwards recommended that the Board obtain the request in writing from the HOA. Director Silverman requested that Mr. Murr review the written proposal when received. The Board requested that Mr. Murr prepare an analysis of irrigation in the public spaces maintained by the HOA for a meeting with the HOA and Harris County Municipal Utility District No. 364 ("No. 364") to review HOA irrigation of public spaces.

TAX ASSESSMENT AND COLLECTION MATTERS, INCLUDING DELINQUENT TAX COLLECTIONS, INSTALLMENT AGREEMENTS, AND PAYMENT OF TAX BILLS

Mr. Keefe distributed the District's monthly tax report reflecting that 99.6% of the 2008 taxes had been collected as of the end of August, 2009. After discussion, Director Bradley moved to approve the tax assessor/collector's report and the checks drawn on the District's tax account. Director Lund seconded the motion, which passed unanimously. Copies of the tax assessor/collector's report and the delinquent tax report are attached.

DISCUSS 2009 TAX RATE, SET PUBLIC HEARING DATE, AND AUTHORIZE NOTICE OF PUBLIC HEARING REGARDING ADOPTION OF TAX RATE

Mr. Kavanaugh distributed a written tax rate analysis, a copy of which is attached. Mr. Kavanaugh recommended a debt service tax rate of \$0.33 per \$100 valuation. Discussion ensued regarding operating fund reserve, debt service funds, the effect of the proposed rate upon the average homestead, developer reimbursement obligations, and projects. Upon a motion made by Director Lund and seconded by Director Silverman, the Board unanimously authorized the tax assessor to publish notice of a public hearing on October 22, 2009, regarding the District's proposed adoption of a tax rate comprised of \$0.33 for debt service and \$0.17 for operations and maintenance.

The Board also concurred to post the proposed rate and hearing dates on the District website.

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, including handwritten check number 1973 in the amount of \$12,607.76, payable to C.E. Barker, Ltd. and check number 2380 in the amount of \$825.90, payable to Deep Water Corrosion Service. 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.

ENGAGE COMPANY TO CONDUCT ARBITRAGE REBATE STUDY FOR SERIES 1999 BONDS

Ms. Edwards reviewed a proposal from OmniCap, LLP to prepare an analysis to determine if an arbitrage rebate payment is due to the Internal Revenue Service

regarding the District's Series 1999 Bonds. She stated that payments, if any, are due to the Internal Revenue Service sixty days after the fifth anniversary of the Bonds. Following review and discussion, Director Silverman moved to approve the proposal from OmniCap, L.L.P., as presented, regarding the District's Series 1999 Bonds. Director Lund seconded the motion, which passed by unanimous vote.

OPERATION OF DISTRICT WATER, SANITARY SEWER, AND STORMWATER FACILITIES, BILLINGS, REPAIRS AND MAINTENANCE, INCLUDING HEARING ON TERMINATION OF WATER SERVICE TO DELINQUENT CUSTOMERS AND AUTHORIZE TERMINATION OF SERVICE

Mr. Bare reviewed the written operations report with the Board, a copy of which is attached. With regard to maintenance, he discussed replacement of the air conditioning unit at water plant no. 2 and repair to a lift pump at the wastewater treatment plant. The Board concurred to leave the water conservation signs posted in the District while well no. 2 is offline in connection with the Spring-Cypress Road utility relocation and then remove the signs. Mr. Bare also discussed a request from the District customer at 1400 Falcon Heights for reimbursement of a plumbing invoice in the amount of \$125 because the customer stated that SWWC told her to engage a plumber. Mr. Bare stated that he listened to the recording of the customer's call to SWWC and she was not told to hire a plumber by SWWC. Mr. Bare stated that the Texas Commission on Environmental Quality ("TCEQ") conducted an inspection at water plant no. 1 and had no comments on the plant's condition or operation. Upon a motion made by Director Silverman and seconded by Director Bradley, the Board voted unanimously to approve the operator's report and to deny reimbursement to the District customer at 1400 Falcon Heights.

The Board also 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 Bradley seconded the motion, which carried unanimously. A copy of the termination list is attached.

DISCUSS INTER-DISTRICT EMERGENCY PREPAREDNESS PLAN

Director Silverman said that no new information is available. Director Lund said that he has not received a copy of the HOA's draft community emergency communication plan for comment.

## 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 AND REPAIR OF STORMWATER CHANNEL FACILITIES

Mr. Burke presented invoices form Seaback Maintenance ("Seaback") for August.

Mr. Burke discussed the status of joint ditch and detention repairs and recommended payment of Pay Estimate No. 2 in the amount of \$27,604.75 of which the District's share is \$12,607.76, payable to C.E. Barker, Ltd. Mr. Burke said that he has not conducted a walk through to note punch list items. Director Bradley said that she had some items to add to the punch list. The Board also discussed Change Order No. 1 to install a timber bent on the Greenwood Manor outfall pipe and additional rip-rap at the blowout in the main pond at the main channel. Following discussion, the Board concurred to take no action on Change Order No. 1.

## 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. Mr. Burke stated that the remote well will be offline for approximately one week in early October for the waterline relocation required by the road widening.

## JARVIS ROAD IMPROVEMENTS

There was no additional discussion regarding this project.

## UTILITY COMMITMENT REQUESTS

There were no utility commitment requests.

## WATER PLANT CAPACITY ANALYSIS

Mr. Burke reviewed a revised and reissued water capacity analysis incorporating lower anticipated capacity need by No. 364 as provided by No. 364, capacity for fire

protection, and an increased peak use based on the summer season of 2009. He said that the revised calculations still show a projected run time of over 22 hours per day for all three wells. Mr. Burke recommended the addition of a 420,000 gallon ground storage tank and lowering the pumps in both well nos. 1 and 2 as soon as practicable. The Board discussed drilling a fourth well and schedules for receiving surface water. Mr. Burke said that it is most probable that surface water will reach water plant no. 2 first and recommended building the additional ground storage tank at that plant. Mr. Burke estimated lowering the well pumps will cost \$150,000 each. Mr. Burke continued that the remote well can be addressed in 3 to 4 years. He said that the engineer for No. 364 is aware of the issues and in agreement as to the necessity of same. Ms. Edwards discussed with the Board use of surplus funds for the rehabilitation project and notifying the Texas Commission on Environmental Quality ("TCEQ") when the plans are complete. Upon a motion by Director Lund and a second by Director Vandewater, the Board voted unanimously to authorize SEC to prepare a bid package for the pump lowering.

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

Ms. Edwards discussed with the Board two additional easements required for the construction of District No. 364's current trail project. Upon a motion made by Director Bradley and seconded by Director Silverman, the Board voted unanimously to execute and record the non-exclusive public easement, as submitted.

ELEVATED STORAGE TANK WAIVER

Mr. Burke said that an updated waiver request has been filed with the TCEQ.

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

Mr. Burke stated this project is on hold pending completion of the remote well waterline relocation.

WATER REUSE

Mr. Burke reviewed with the Board a proposal in the amount of \$47,500 for an engineering feasibility analysis of a water reuse system for Coles Crossing. The Board discussed requesting cost participation from No. 364 and then concurred that the District will pay for the initial feasibility study independently and then seek partial reimbursement if No. 364 chooses to participate at a later date.

## REPAIRS TO EXISTING ASPHALT TRAILS

Mr. Burke reported that the repairs are complete.

Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to (1) approve the engineer's report; (2) approve pay estimate no. 2 in the amount of \$27,604.75 and payment of the District's share in the amount of \$12,607.76 to C.E. Barker, Ltd.; and (3) authorize the water reuse feasibility study.

## AGREEMENT WITH ENERNOC TO PARTICIPATE IN ELECTRICITY DEMAND RESPONSE PROGRAM

Ms. Edwards said that she is reviewing a proposed agreement received from Enernoc. She also said that she was contacted by the District's energy broker, Acclaim Energy, with a similar proposal.

## APPROVE AMENDMENT OF COLES CROSSING JOINT FACILITIES AGREEMENT

Ms. Edwards reported that No. 364 had approved the proposed Second Amendment of the Joint Facilities Agreement as submitted. Director Silverman moved to approve the Second Agreement and authorize execution of same. Director Bradley seconded the motion, which passed unanimously.

## REPORT REGARDING DEVELOPMENT IN THE DISTRICT

Mr. Coleman submitted a written report and updated the Board regarding home sales in The Park at Arbordale. A copy of the report is attached. Mr. Coleman stated that Beazer will continue to pay for the monthly inspection and maintenance of the storm trooper at the drainage outfall until Section 2 is completed, as requested by the Board, but explained that, because these costs are eligible, Beazer will include the costs for reimbursement along with its other development cost in the future.

## LANDSCAPE ARCHITECT REPORT

Mr. Murr reported that he had received bids for the construction of the Phase 3 of the District trail continuation project and recommended that the Board award the contract to the low bidder, Millis Development and Construction, Inc., in the amount of \$416,900.10. The Board discussed the alternate bid items. Mr. Murr recommended that the Board approve the limestone base. Mr. Burke explained the structural integrity of the trail, including application of the base material over the fabric. Mr. Coleman said that Beazer would permit access to the construction area through The Park at Arbordale. After discussion, the Board concurred to defer action until the special meeting on October 8 to give the Board members adequate time to consider the alternate bids.

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

There was no additional discussion for this agenda item.

DISCUSS SPECIAL MEETING AGENDA FOR OCTOBER

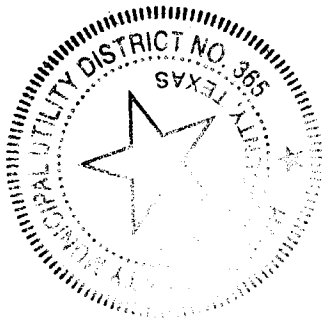
The Board agreed to review and consider award of the Trail Continuation Project, Phase 3 on the special agenda.

DISCUSS AND APPROVE JOINT MEETINGS AGENDA FOR OCTOBER

The Board agreed to include rehabilitation of water well nos. 1 and 2, the water capacity analysis, water reuse feasibility, and trails on the joint meeting agenda.

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

(SEAL)



  
Secretary, Board of Directors

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