

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

October 22, 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 22nd day of October, 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.; Chad Millis of Millis Development; Greg Coleman of Beazer Homes Texas, LP ("Beazer"); John Elder of Acclaim Energy Advisors ("Acclaim"); 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 September 24, 2008, meeting. Director Myers commented regarding consistency in references to Harris County Municipal Utility District No. 364 ("No. 364") and the remote well and regarding placement of motions regarding pay estimates. Upon a motion made by Director Lund and seconded by Director Bradley, the Board voted unanimously to approve the minutes of the September 24, 2009, regular meeting, as amended.

PUBLIC COMMENT

There was no public comment.

PRESENTATION BY ACCLAIM ENERGY ADVISORS REGARDING ELECTRICAL USAGE AND ENERGY SAVINGS AND CENTERPOINT DEMAND RESPONSE PROGRAM

Ms. Edwards explained that Jeremy Eves of EnerNOC, Inc. ("EnerNOC") previously presented a demand response program offered by the Electric Reliability Council of Texas ("ERCOT"). Ms. Edwards said that Acclaim offers a similar program through CenterPoint Energy ("CenterPoint") and that EnerNOC will be offering the CenterPoint program as well in November and has offered to extend a 60%/40% incentive split to the District.

Mr. Elder explained that Acclaim recommends participating in a demand response program for the wastewater treatment plant only. He continued that through the CenterPoint program, the District's operator has an hour notice to shift the plant from electricity to generator power and that such a transfer would only be required between 1:00 p.m. and 7:00 p.m. Mr. Elder said that there are approximately 25 to 30 utility districts participating in the program, that enrollment opens next month and that limited participation space is available. He said that should the District enroll, the District must submit to a 20 minute test at the beginning of each year, that CenterPoint may only demand response from a district four times during the summer, that there is no penalty for failure to perform and that the District can expect to make \$5,000 annually by enrolling the wastewater treatment plant in the program regardless of whether or not the District is called upon to participate in a demand response event.

Following discussion, the Board concurred to continue review of the programs proposed by both Acclaim and EnerNOC at the District's November special meeting. No action was taken.

AGREEMENT TO PARTICIPATE IN DEMAND RESPONSE PROGRAM

No action was taken on this agenda item.

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 99.74% of the 2008 taxes had been collected as of the end of September, 2009. Mr. Keefe also said that he continues to discuss reserves F, E and C of Cole's Crossing Section 9 with the Harris County Appraisal District to split out the lift station. After discussion, Director Silverman 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.

CONDUCT PUBLIC HEARING REGARDING DISTRICT'S TAX RATE, ADOPT ORDER LEVYING TAXES, AND AUTHORIZE EXECUTION OF AMENDMENT TO INFORMATION FORM

The Board opened the public hearing on the District's proposed tax levy. Mr. Keefe confirmed that notice of the proposed levy had been published. Upon receipt of no comments from the public, the Board considered an Order Levying Taxes, reflecting a tax rate of \$0.50 per \$100 valuation consisting of \$0.33 for debt service and \$0.17 for operations and maintenance. Upon a motion made by Director Bradley and seconded by Director Lund, the Board unanimously adopted the Order Levying Taxes.

Ms. Edwards also reviewed the District's proposed Amendment to Information Form to reflect the District's 2009 tax rate. After discussion, Director Bradley moved to approve the Amendment to Information Form and file it with the Texas Commission on Environmental Quality ("TCEQ") and in the Harris County Deed Records. Director Lund seconded the motion, which passed by unanimous vote.

FINANCIAL AND BOOKKEEPING MATTERS, INCLUDING PAYMENT OF THE BILLS AND REVIEW OF INVESTMENTS AND AMENDMENT OF BUDGET FOR FISCAL YEAR ENDING AUGUST 31, 2010

Ms. McLennan reviewed with the Board the bookkeeper's report, investment report, budget comparisons for both District and joint facilities, an amended budget for the fiscal year ending August 31, 2010, including the 2009 maintenance tax rate, and the bills and checks presented for payment. Director Myers asked that the maintenance reserve be removed as a budget line item, that the maintenance tax be revised to show the certified 2009 value, and that the GIS system be removed as a budget line item. After review of the invoices and corresponding checks, and upon a motion made by Director Silverman and seconded by Director Vandewater, the Board voted unanimously to approve the bookkeeper's report and the checks presented for payment, and to amend the budget for the fiscal year ending August 31, 2010, as revised.

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. He reported the District's four month water accountability at 98% and said that the wells pumped over 47 million gallons of water during September, 2009. He

reviewed routine maintenance and repairs including replacement of a leaking meter on Barker Cypress Road, clearing a sludge line at the wastewater treatment plant, and painting the booster pumps on Spring Cypress Road. He continued that the water well permits were amended to add 6 million gallons to accommodate high pumpage during the summer months. Upon inquiry by Director Myers, Mr. Bare confirmed that bacteria testing of the wastewater effluent and replacement of high usage meters continues. Mr. Bare next presented customer correspondence from the homeowners' association of The Park at Arbordale requesting a water bill adjustment for a leak in the irrigation system that was subsequently repaired on August 8, 2009. Mr. Bare confirmed that the leak was on the customer's side of the meter. 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 any adjustment to the homeowner's association of The Park at Arbordale for the leak on the customer's side of the meter.

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 Vandwater 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 Silverman seconded the motion, which carried unanimously. A copy of the termination list is attached.

DISCUSS INTER-DISTRICT EMERGENCY PREPAREDNESS PLAN

Director Lund said that no new information is available and that he has not received a copy of the Coles Crossing Homeowners' Association's ("HOA") 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 from Seaback Maintenance ("Seaback") for September.

Mr. Burke discussed the status of joint ditch and detention repairs and recommended payment of Pay Estimate No. 3 in the amount of \$9,840.46, of which the

District's share is \$4,663.06, payable to C.E. Barker, Ltd. Upon a motion by Director Bradley and a second by Director Lund, the Board voted unanimously to approve Pay Estimate No. 3 in the amount of \$9,840.46, of which the District's share is \$4,663.06, 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 WATERLINE RELOCATION

Mr. Burke reported that the contractor has remobilized and that the remote well is back in service. The Board discussed and concurred to remove water conservation signs posted throughout the District. Mr. Burke continued that Harris County has finished work on the driveway inlets at water plant no. 1.

JARVIS ROAD IMPROVEMENTS

There was no additional discussion regarding this project.

UTILITY COMMITMENT REQUESTS

There were no utility commitment requests.

WATER PLANT CAPACITY ANALYSIS

There was no additional discussion regarding this project.

PUMP LOWERING PROJECT AT WATER WELL NOS. 1 AND 2

Mr. Burke reported that SEC is preparing a bid package to lower the pumps in water well nos. 1 and 2 and requested authorization to advertise for bids for construction when the package is completed. He continued that SEC's electrical engineer is conducting a site visit to determine what existing electrical structures can be salvaged. Upon a motion by Director Bradley and a second by Lund, the Board voted unanimously to authorize the district engineer to advertise for bids for the lowering of pumps at water well nos. 1 and 2.

Mr. Burke also said that he spoke to Tom Rowland with the North Harris County Regional Water Authority ("NHCRWA") and NHCRWA's attorney, Robin Bobbit, to apprise the NHCRWA that Cole's Crossing may need to request surface water ahead of NHCRWA's schedule. He said that he is preparing a letter to Jimmie Schindewolf of NHCRWA to more fully explain the District's capacity issues. Director Myers requested that Mr. Burke forward a draft for his review.

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

Mr. Burke reported that SEC received two pool permit letters. He discussed with the Board the procedure for permitting pools within the District.

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 said that SEC will get the contractor to inspect the tanks and assess the current situation. He said that he would report his findings to the Board before moving forward with the project.

WATER REUSE

Mr. Burke reported on the feasibility study for a water reuse system for Coles Crossing and presented a project time line for review. Director Myers said that the critical issue is whether or not the District can obtain a permit from the Texas Commission on Environmental Quality ("TCEQ"). Director Myers said that the Harris County Flood Control District ("HCFCD") review periods can be removed from the time line because HCFCD has no jurisdiction over the project. Messrs. Murr and Burke said that their respective companies will each bill the District directly for their feasibility analysis.

REPAIRS TO EXISTING ASPHALT TRAILS

No Board action was taken on this item.

Upon a motion by Director Vandewater and a second by Director Lund, the Board voted unanimously to approve the engineer's report.

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 discussed the percentage of construction completed to date and the percentage required for Beazer to receive developer reimbursement. Upon inquiry by Director Myers, Mr. Coleman reported that Beazer plans to connect The Park at Arbordale to District trails during construction of the second phase of the development.

LANDSCAPE ARCHITECT REPORT

Mr. Murr introduced Mr. Millis. Mr. Murr said that he has walked the development site with Mr. Millis and is developing a construction chronology and preparing contracts. Mr. Murr reported that No. 364 has cut its trail on the north end and has applied fly ash. Mr. Murr said that the concrete work on the District's trail will be completed over Christmas break, with the priority being the area nearest the school. Upon inquiry by Director Bradley, Mr. Millis said that he plans to start construction on the north end of the trail and that he anticipates construction to last 4 to 5 months.

Mr. Murr next reported his progress on preparation of a public space irrigation analysis proposal. Director Myers said that No. 364 is meeting with the HOA on Friday to discuss same.

Mr. Murr discussed with the Board a proposal from Silversand Services to thin the vegetation along the nature trail. Upon a motion by Director Lund and a second by Director Vandewater, the Board voted unanimously to approve the Silversand Services proposal to thin vegetation along the nature trail. Mr. Murr said that he will walk the trail with the contractor tomorrow to inspect the work completed. The Board noted contractor debris piles that need to be addressed.

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

Director Myers said that he and Director Lund are meeting with Randy Schilhab of Precinct 3 on Thursday, October 29, 2009 at 10:00 a.m. on Clay Road.

INSTALLATION OF DISTRICT MESSAGE BOARD

There was no additional discussion for this agenda item.

RECYCLING SERVICES AND CONTRACT FOR RESIDENTIAL TRASH COLLECTION

Director Bradley reported that she received a telephone call indicating that the HOA will include recycling in its 2010 draft budget.

DISCUSS PATROL AGREEMENT WITH HARRIS COUNTY FOR 2010

Ms. Edwards discussed correspondence received from County Judge Ed Emmett's office regarding a 7.1% fee increase for patrol services to become effective January 1, 2010, bringing the total annual fee per officer to \$61,000. Discussion ensued regarding additional security needed before and after school hours. Director Myers said that he would contact Sergeant Martinez and ask for an extra patrol hour before

school starts and after school is released. The Board directed Ms. McLennan to revise the budget to show the total annual patrol cost of \$68,000.

DISCUSS SPECIAL MEETING AGENDA FOR NOVEMBER

The Board concurred to meet in regular session on November 19, 2009, and special session on November 12, 2009.

DISCUSS HOLIDAY MEETING CALENDAR

The Board concurred to meet in regular session on December 17, 2009, and special session on December 10, 2009.

SET JOINT DISTRICT MEETING CALENDAR FOR 2010

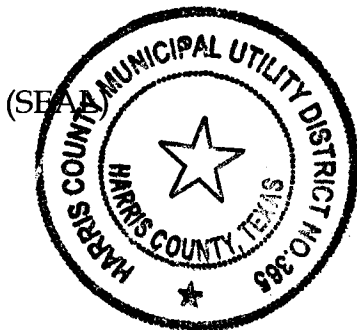
The Board concurred to continue joint meetings during 2010 on the first Wednesday of every quarter at the Coles Crossing Community Center.

AUTHORIZE ATTENDANCE AT ASSOCIATION OF WATER BOARD DIRECTORS SEMINAR ON OCTOBER 27, 2009

No action was taken on this agenda item.

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


Secretary, Board of Directors



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