

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

December 17, 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 17th day of December, 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"); Sherri Greenwood of BKD, Inc.; and Susan Edwards, Alia Vinson, and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENT

There was no public comment.

APPROVE MINUTES

The Board considered approving the minutes of the November 19, 2009, regular meeting and the November 12, 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 November 19, 2009, regular meeting, as submitted, and the November 12, 2009, special meeting, as revised.

APPROVE AUDIT FOR FISCAL YEAR ENDING AUGUST 31, 2009

Ms. Greenwood reviewed a draft audit of the District's funds for the fiscal year ending August 31, 2009, a copy of which is attached to these minutes. Upon a motion made by Director Bradley, seconded by Director Vandewater, the Board voted unanimously to approve the audit and management letter, subject to final review and comments.

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 3.3% of the 2009 taxes had been collected as of the end of November, 2009. Mr. Keefe also provided and reviewed a delinquent tax report from the District's delinquent tax attorney. Mr. Keefe discussed correspondence received from the City of Houston regarding new procedures for updating and revising business listings within the District pursuant to the District's Strategic Partnership Agreement with the City of Houston. Mr. Keefe also said that reserves F, E and C of Coles Crossing Section 9 are still in the name of JDC Greenleaf, but that values have been adjusted to reflect uses reported to the Harris County Appraisal District. After discussion, Director Silverman moved to approve the tax assessor/collector's report and the checks drawn on the District's tax account. Director Bradley 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, including handwritten check numbers 2033, 2034 and 2035. Upon inquiry by Director Silverman regarding the January, 2010, maturity of a certificate of deposit with Compass Bank, Ms. McLennan discussed moving the funds upon maturity into a money market account with Compass Bank. 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.

REVIEW ARBITRAGE REBATE STUDY FOR SERIES 1999 BONDS

Ms. Edwards presented to and reviewed with the Board an arbitrage rebate liability report for the period ending November 18, 2009, for the District's Series 1999 unlimited tax bonds. Ms. Edwards said that the report concluded that the District owed no rebate or yield reduction payment with respect to the Series 1999 bonds. No Board action was taken.

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 reviewed routine maintenance and repairs in the District, including

preventative maintenance on the clarifier and blowers at the wastewater treatment plant and the well motor, booster pump and chlorine analyzer at the water plant. Upon inquiry by Director Myers regarding lower water accountability, Mr. Bare said that, on average, accountability in the 93% to 95% range is normal for a District of similar age and size with ongoing construction. Mr. Bare also discussed temporary low pressure in Sections 11 and 12 that occurred when SWWC attempted to isolate a line in The Park at Arbordale. Mr. Bare stated that pressure has been fully restored and that SWWC and Mr. Burke are in the process of updating the valve survey in response to the low pressure event.

Upon a motion made by Director Bradley and seconded by Director Silverman, the Board voted unanimously to approve the operator's report.

The Board also conducted a hearing on the termination of utility service to delinquent accounts. Mr. Bare reported that the persons on the 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 Bradley 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.

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 November and said that Seaback would not be mowing during the months of December and January.

Mr. Burke discussed the status of joint ditch and detention repairs and recommended payment of Pay Estimate No. 4 and final in the amount of \$9,141.43, of which the District's share is \$4,362.96, payable to C.E. Barker, Ltd. Upon a motion by Director Lund and a second by Director Bradley, the Board voted unanimously to approve Pay Estimate No. 4 and final in the amount of \$9,141.43, of which the District's share is \$4,362.96, payable to C.E. Barker, Ltd.

HARRIS COUNTY WIDENING OF SPRING CYPRESS ROAD, INCLUDING WATERLINE RELOCATION

Mr. Burke reported that the contractor is working on water plant paving and making tie-ins at Barker-Cypress Road.

JARVIS ROAD IMPROVEMENTS

There was no additional discussion regarding this project.

UTILITY COMMITMENT REQUESTS

There were no utility commitment requests.

REQUEST FROM HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364 ("No. 364") TO PURCHASE OR LEASE WATER PLANT CAPACITY

Ms. Edwards reviewed correspondence received from No. 364 dated November 23, 2009, requesting to purchase or lease 98,900 gallons per day ("gpd") of additional water plant capacity and further stating that, in the event that the District is unable to sell or lease the requested additional capacity, No. 364's letter constitutes notice of its intent to expand the joint facilities to provide the additional capacity required. Ms. Edwards stated that the Board is required to respond within 60 days of the date of the letter request.

Mr. Burke reported that after buildout, including The Park at Arbordale and retail along U.S. Highway 290, the District only has 30,000 gpd of excess capacity available. The Board discussed the possibilities of increasing capacity within well number 2, early delivery of surface water through the North Harris County Regional Water Authority, renting excess capacity from adjacent utility districts and/or leasing capacity to No. 364 on an interim basis. Mr. Burke discussed the data used in SEC's analysis. Following discussion, Director Bradley moved to authorize ABHR to draft a response to No. 364's letter notifying No. 364 that the District is unable to sell or lease the requested additional capacity and suggesting water reuse or conservation efforts that may provide additional capacity within the current joint facilities. Director Lund seconded the motion which carried unanimously.

PUMP LOWERING PROJECT AT WATER WELL NOS. 1 AND 2

Mr. Burke reported that he had received bids for the lowering of water wells nos. 1 and 2 and recommended that the Board award the contract to the low bidder, Alsay, Inc., in the amount of \$289,234. After discussion, based on the engineer's recommendation, and because it would result in the best and most economical completion of the project, Director Lund moved to approve the award of the contract to Alsay, Inc. Director Bradley seconded the motion which passed unanimously.

AUXILIARY POWER FOR WATER PLANT NO. 1, WASTEWATER TREATMENT PLANT, LIFT STATION NO. 2 AND THE PARK AT ARBORDALE LIFT STATION

There was no additional discussion regarding this project.

DEED, EASEMENTS, AND ENCROACHMENTS, INCLUDING REQUEST TO IDC/GREENLEAF TO ACQUIRE STRIP OF LAND ADJACENT TO DETENTION BASIN

The Board discussed acquisition of the 50-foot strip of land between the regional detention basin and the Jarvis Road right-of-way (the "Property"). Ms. Edwards said that Jones & Carter ("J&C") provided a description of the Property and that ABHR has requested a title commitment to confirm ownership of the Property. The Board concurred to defer action pending receipt of the title commitment.

ELEVATED STORAGE TANK WAIVER

Mr. Burke said that the Texas Commission on Environmental Quality ("TCEQ") has requested additional system modeling information. Mr. Burke said that he will prepare pricing for the additional system modeling and submit it to the Board for approval.

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

Mr. Burke said that the tank is no longer leaking. He said that SEC will continue to monitor the tank and recommended final payment in the amount of \$6,845 to Gemini Contracting. Upon a motion by Director Lund and second by Director Bradley, the Board voted unanimously to authorize final payment in the amount of \$6,845 to Gemini Contracting.

WATER REUSE

Mr. Burke said that preparation of the application continues and that SEC plans to submit the reuse application to the TCEQ in mid-January, 2010. Ms. Vinson confirmed that ABHR has provided the form user contract to be included with the application. Upon a motion by Director Lund and a second by Director Bradley, the Board voted unanimously to authorize application to the TCEQ for a water reuse system.

EMERGENCY PREPAREDNESS PLAN ("EPP") PURSUANT TO S.B. 361

Mr. Burke reported that the TCEQ has adopted new rules regarding the EPP and that SEC plans to submit the report to TCEQ by March 1, 2010.

Upon a motion by Director Lund and a second by Director Bradley, 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 said that Beazer is applying for Harris County permit renewal for the storm troupers in The Park at Arbordale and that the storm troupers have been recently cleaned. Mr. Coleman reported regarding Beazer's development and market position within the Houston metro area.

LANDSCAPE ARCHITECT REPORT

Mr. Murr discussed the Phase III trail continuation project and said that construction should begin on December 17, 2009. Mr. Murr also discussed a fill problem on the north trail and installing a drain under the north trail to drain the property. Director Myers said that the trail appears to be built over an extreme event swale that cannot be blocked and said he would visit the area.

Mr. Murr next presented a public space irrigation analysis proposal for an amount not to exceed \$29,140, which includes irrigation recommendations and maps showing the location of the controllers, but not design of an irrigation system.

Mr. Murr said that he has not yet coordinated trimming of the trees at the wastewater treatment plant.

Following discussion, Director Silverman moved to approve the irrigation analysis proposal for an amount not to exceed \$29,140. Director Bradley seconded the motion which passed unanimously.

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

Director Myers reviewed a draft letter to Harris County regarding participation in the construction of a sidewalk on the north side of Jarvis Road from Barker Cypress to the school and continuing to the park and ride area in exchange for the County's future use of the detention basin on Jarvis. Upon a motion by Director Silverman and a second by Director Bradley, the Board unanimously approved the draft and authorized ABHR to forward the letter to Commissioner Radack upon receipt of a final version from Director Myers.

INSTALLATION OF DISTRICT MESSAGE BOARD

The Board discussed a messaging system available through IRIS Alerts. The Board requested that a representative of IRIS Alerts attend the January regular meeting to discuss the product and program.

RECYCLING SERVICES

There was no additional discussion for this agenda item.

PATROL AGREEMENT WITH HARRIS COUNTY SHERIFF'S OFFICE FOR 2010

Ms. Edwards reviewed with the Board a security contract for 2010 with the Harris County Sheriff's Office for one security patrol officer. She also discussed correspondence from Harris County notifying the District of an increase to patrol fees beginning in 2010. Following discussion, Director Silverman moved to approve the contract. Director Lund seconded the motion, which passed unanimously.

Director Myers said that he would discuss additional patrol hours during school hours with the patrol officer.

TRAVEL REIMBURSEMENT GUIDELINES AND DIRECTOR EXPENSES FOR THE ASSOCIATION OF WATER BOARD DIRECTORS WINTER CONFERENCE

Ms. Edwards discussed with the Board the District's Travel Reimbursement Guidelines with respect to the upcoming Association of Water Board Directors winter conference in Dallas. No Board action was taken on this agenda item.

DISCUSS INTER-DISTRICT EMERGENCY PREPAREDNESS PLAN

There was no additional discussion for this agenda item.

DISCUSS TRASH COLLECTION CONTRACT

Director Bradley updated the Board on the trash collection contract being negotiated by the HOA. There was no additional discussion for this agenda item.

POSSIBLE CONSOLIDATION OF DISTRICT AND HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364

Ms. Vinson described the legal provisions governing consolidation of municipal utility districts. Following discussion, the Board requested that possible consolidation of the District and No. 364 be placed on the January joint agenda.

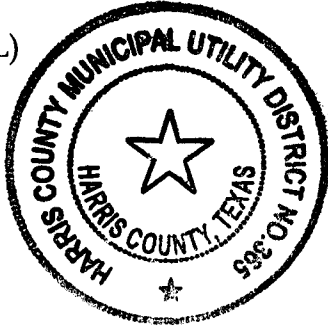
DISCUSS SPECIAL MEETING AND JOINT MEETING AGENDAS FOR JANUARY

The Board discussed agenda items to be discussed at the January special and joint meetings.

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

Matthew R. [Signature]
Secretary, Board of Directors

(SEAL)



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