

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

January 21, 2010

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 21st day of January, 2010, 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, except Director Silverman, thus constituting a quorum.

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"); Susan Ley and Jennifer Weinberg of Tech Radium; 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 December 17, 2009, regular meeting and the December 9 and 10, 2009, special meetings. Upon a motion made by Director Lund and seconded by Director Bradley, the Board voted unanimously to approve the minutes of the December 17, 2009, regular meeting, and the December 9 and 10, 2009, special meetings, as amended.

PRESENTATION FOR IRIS ALERTS

Ms. Ley and Ms. Weinberg discussed and demonstrated the Iris system, a web-based emergency notification system. Ms. Weinberg and Ms. Ley described different methods of initiating District resident participation and said that use is unlimited at a cost of \$0.29 per month per connection. Ms. Ley stated that the District's monthly fee would not be adjusted for residences that do not provide any contact information.

Upon Board inquiry, Mr. Bare said that he is not aware of any other utility districts utilizing the program. Upon inquiry by Director Vandewater regarding information database security, Ms. Weinberg stated that Tech Radium's licensing agreement prohibits disclosure. She added that Tech Radium has access to the 411 database to obtain contact information and that information for unlisted numbers is obtained through mail contact.

The Board discussed administration of the proposed system and requested that SWWC consider acting as the system administrator. Director Bradley recommended that the Board consider implementing a procedure for notifying the Board in advance of sending any mass notices.

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 58.09% of the 2009 taxes had been collected as of the end of December, 2009. Mr. Keefe also provided and reviewed a delinquent tax report from the District's delinquent tax attorney and discussed updating and revising business listings pursuant to the District's Strategic Partnership Agreement with the City of Houston. 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.

APPROVE VIRTUAL CHECK MERCHANT PROCESSING APPLICATION AND ADDENDUM

Mr. Keefe next reported that the District's tax assessor collector must now accept credit card and electronic fund transfer payments and presented documents to implement these payment forms. Mr. Keefe noted a 3% service fee for credit card payments and a flat \$5.00 for electronic check payments, both assessed against the taxpayer. Upon a motion by Director Bradley and a second by Director Lund, the Board voted unanimously to approve the Virtual Check Merchant Processing Application and Addendum.

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 Vandewater and seconded by Director Lund, the

Board voted unanimously to approve the bookkeeper's report and the checks presented for payment.

ACCEPT ANNUAL DISCLOSURE STATEMENTS FOR INVESTMENT OFFICER AND BOOKKEEPER

The Board considered accepting the Disclosure Statements from the District's bookkeeper and Investment Officer as required by the Public Funds Investment Act. Upon a motion made by Director Vandewater and seconded by Director Lund, the Board voted unanimously to accept the Disclosure Statements from the District's bookkeeper and Investment Officer and to authorize filing with the Texas Ethics Commission.

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 replacement of 24 meters and installation of an air lift on clarifier number 3 at the wastewater treatment plant. Mr. Bare also reported a call from the Texas Commission on Environmental Quality ("TCEQ") regarding a hose extended from the back door of the Dry Clean Supercenter. Mr. Bare continued that SWWC later confirmed that the hose was a condensation line discharging to a manhole. He said that the TCEQ has investigated and closed the case without further event. Mr. Bare reported on the status of a leaking water fountain on the trail. The Board discussed contracting with a general maintenance contractor to perform routine general maintenance and repairs on an as-needed basis. Following discussion, the Board concurred to place upon the February special agenda an item to consider proposals for a general maintenance and repair contract. Mr. Murr said that he had suggestions for reputable contractors for this purpose and would provide them to ABHR. Mr. Bare said that the District's monthly water accountability is 102%, due to a returned rental meter with several months of unreported water use. Upon inquiry by Director Myers regarding hydrant flushing, Mr. Bare said that the orange color in the water as it initially comes from the hydrant is attributable to iron in the general water supply. Upon a motion made by Director Bradley and seconded by Director Lund, the Board voted unanimously to approve the operator's report.

Mr. Bare confirmed that he contacted the North Harris County Regional Water Authority ("NHCRWA") to use the NHCRWA's mobile teaching labs from 2:00 p.m. to 5:00 p.m. on March 27, 2010, for the District's community information event. Director Myers said that he will discuss the Coles Crossing Community Center building use agreement with the Coles Crossing Community Association, Inc. ("CCCAI"), at the next CCCAI meeting.

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 Lund 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 said that Seaback was not mowing during the months of December and January, as previously discussed.

Mr. Burke discussed the status of joint ditch and detention repairs and said that he understood that No. 364 has released No. 364's pro rata share of the final pay estimate.

HARRIS COUNTY WIDENING OF SPRING CYPRESS ROAD, INCLUDING WATERLINE RELOCATION

Mr. Burke discussed the status of Harris County's widening of Spring Cypress Road and the relocation of the joint waterline and said that water plant paving and tie-ins at Barker-Cypress Road are complete. He recommended that the Board approve Pay Estimate No. 4 in the amount of \$22,142.42, of which the District's share is \$12,399.76, 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. 4 in the amount of \$22,142.42, of which the District's share is \$12,399.76, to C.E. Barker, Ltd. He added that the contractor contacted him Monday about delays incurred while the District isolated parts of the system and said that the District should anticipate a request for a change order for mobilization and remobilization charges in the approximate amount of \$4,000. The Board discussed a letter response received from Jones & Carter regarding the drawings of the waterlines along Spring Cypress Road. Ms. Edwards said that Jones & Carter has declined to offer compensation to the District for any costs incurred as a result of alleged engineering errors and omissions. The Board discussed options for pursuing remedies against Jones & Carter.

JARVIS ROAD IMPROVEMENTS

Mr. Burke reported that SEC is meeting with representatives from Weisser Engineering and Harris County Precinct 3 to discuss stormwater detention capacity for improvements planned for Jarvis Road.

UTILITY COMMITMENT REQUESTS

There were no utility commitment requests. Mr. Burke discussed new pool plan review requests and requested that the Board consider modifying the District's Rate Order to increase the pool plan review fee to adequately cover the total expenses of the review.

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

The Board reviewed No. 364's request to purchase or lease 98,900 gallons per day ("gpd") of water supply capacity and the District's letter response to No. 364.

PUMP LOWERING PROJECT AT WATER WELL NOS. 1 AND 2

Mr. Burke discussed the status of the pump lowering project at water well nos. 1 and 2 and said that a notice to proceed was issued. He continued that the pump on well no. 1 will be pulled and tested next week.

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 JDC/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. Vinson confirmed that a title commitment was received and that title is in the name of JDC/Greenleaf, Ltd. Ms. Edwards suggested the Board accept the conveyance of the Property, subject to receipt of an acceptable Phase I environmental survey ("Phase I"). Upon a motion by Director Vandewater and a second by Director Lund, the Board voted unanimously to accept a deed from JDC Greenleaf to the District for a 50-foot strip of land between the regional detention basin and the Jarvis Road right-of-way, subject to receipt of an acceptable Phase I environmental report and authorize payment of the delinquent taxes on the Property, as required by the seller, in the amount of \$5,971.11.

ELEVATED STORAGE TANK WAIVER

Mr. Burke said that the TCEQ requested additional system modeling information, but that the District has a waiver for up to 3,535 connections and did not need an elevated storage tank waiver at present. The Board concurred to defer any action on the waiver request at this time and to take this item off its agenda.

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

Mr. Burke said that the tank is no longer leaking, but recommended pursuing cathodic protection. He said that SEC has requested a proposal from Corpro for cathodic protection.

WATER REUSE

Mr. Burke said the reuse application to the TCEQ was filed mid-January, 2010, and that a response is anticipated within 90 days.

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

Mr. Burke reported that SEC is working with SWWC to complete the EPP for submittal to TCEQ by March 1, 2010.

REQUEST FOR SANITARY SEWER SERVICE TO EN-TOUCH FACILITY ON SPRING CYPRESS ROAD

Mr. Burke presented a letter request from En-Touch Systems, Inc. ("En-Touch"), for sanitary sewer service to its office building on Spring Cypress Road. Mr. Burke stated that En-Touch receives District water service and uses a private septic system for sewer service. Mr. Burke reviewed a written summary of options to provide sanitary sewer service to the property and cost estimates for each, a copy of which is attached. The Board suggested requesting an easement between two homes as a shorter route to connect En-Touch to the sanitary sewer system. Mr. Burke stated that he will investigate this option and report to the Board next month.

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

APPROVE LETTER TO TEXAS COMMISSION ON ENVIRONMENTAL QUALITY NOTIFYING OF USE OF SURPLUS FUNDS (WELL NOS. 1 AND 2)

Ms. Edwards presented for execution a letter from the District to the TCEQ notifying the TCEQ that the District will fund the pump lowering project at water well nos. 1 and 2 with available surplus funds from previous bond issues. Following

discussion, Director Bradley made a motion to authorize execution of the letter from the District to TCEQ. Director Lund 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 also discussed Beazer Homes' current marketing campaign.

LANDSCAPE ARCHITECT REPORT

Mr. Murr discussed the Phase III trail continuation project and said that the sidewalk near Sampson Elementary is completed, including re-sodding and landscaping. He continued that the north trail is excavated and that the tennis center sidewalk is complete. He said that the contractor is staking the trail on the north side of detention pond on Monday. He recommended that the Board approve Pay Estimate No. 1 in the amount of \$24,064.11, to Millis Development and Construction, Inc. Mr. Murr also discussed a fill permit application, directing the Board's attention to an acknowledgment regarding fill on private property that needs to be signed by CCCAI. Mr. Murr also discussed further minor changes to the signage language. The Board also discussed the trail connection to No. 364's trail and drainage in and around the trails.

Mr. Murr said that he met with SWWC at the wastewater treatment plant to identify trees that need to be trimmed and will prepare a request for proposals.

Upon a motion by Director Lund and a second by Director Bradley, the Board voted unanimously to (1) authorize Mr. Murr to solicit proposals for tree trimming at the wastewater treatment plant; and (2) approve Pay Estimate No. 1 in the amount of \$24,064.11 payable to Millis Development and Construction, Inc.

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

Director Myers reported that Precinct 3 has preliminarily agreed to cooperate with the District to acquire detention capacity in the Coles Crossing regional detention basin for the Jarvis Road project in exchange for installation of a concrete sidewalk along Barker Cypress from Cypress Creek to Jarvis Road. He continued that Precinct 3 will arrange a meeting to coordinate the scope and limits of the proposed excavation within the Coles Crossing detention basin. Ms. Edwards proposed that the District convey a permanent construction and maintenance easement to Harris County for the detention area. Mr. Burke said that he would prepare a legal description for the easement.

INSTALLATION OF DISTRICT MESSAGE BOARD

Director Bradley said that CCCAI is considering upgrading the entry marquis to an electronic display marquis.

RECYCLING SERVICES

There was no additional discussion for this agenda item.

DISCUSS INTER-DISTRICT EMERGENCY PREPAREDNESS PLAN

There was no additional discussion for this agenda item.

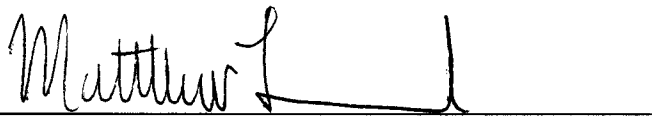
POSSIBLE CONSOLIDATION OF DISTRICT AND HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364

Ms. Vinson described the legal provisions governing consolidation of municipal utility districts. The Board discussed confirming feasibility of consolidation through a preliminary financial analysis and concurred to request that the District's financial advisor provide a preliminary financial analysis at the District's regular February meeting.

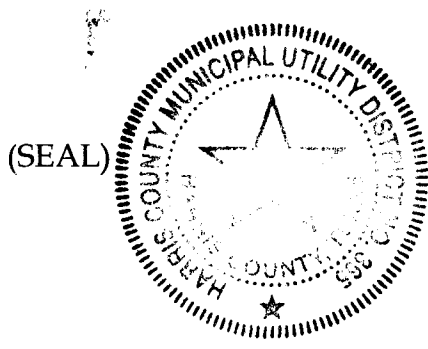
DISCUSS SPECIAL MEETING AGENDA FOR FEBRUARY

The Board discussed agenda items to be discussed at the February special meeting.

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



Secretary, Board of Directors



LIST OF ATTACHMENTS TO MINUTES

	Minutes <u>Page</u>
tax assessor/collector's report.....	2
delinquent tax report.....	2
operations report.....	3
termination list	4
engineer's report	4
written summary of options and cost estimates for sanitary sewer service to Spring Cypress Road.....	6
written report regarding home sales in The Park at Arbordale.....	7