

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

February 18, 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 18<sup>th</sup> day of February, 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.

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.; Cliff Kavanaugh and Greg Lentz of First Southwest Company; 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 January 21, 2010, regular meeting and the January 14, 2010, special meeting. Upon a motion made by Director Lund and seconded by Director Vandewater, the Board voted unanimously to approve the minutes of the January 21, 2010, regular meeting, and the January 14, 2010, special meeting, as submitted.

POSSIBLE CONSOLIDATION WITH HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364 ("NO. 364"), INCLUDING REVIEW OF FINANCIAL ANALYSIS

Mr. Kavanaugh presented a preliminary financial analysis of the proposed consolidation, a copy of which is attached. He discussed current and projected tax rates for the District and No. 364 separately, and the necessary debt service tax rates if the districts consolidated. He reported that No. 364's outstanding bonds have a later

maturity date then No. 365's outstanding bonds. Mr. Kavanaugh also reported that No. 364 has a bond application pending at the Texas Commission on Environmental Quality for an additional \$2.37 million bond issue. Mr. Kavanaugh noted that the districts have the same credit rating and that the District's 2009 tax rate is 50 cents and No. 364's tax rate is 53 cents. The Board expressed an interest in analyzing the effects of consolidation on the districts' operating costs. Ms. Vinson and Ms. Edwards then presented a proposed consolidation outline, detailing the sequence and timing of events leading to a consolidation. Following discussion, the Board requested that ABHR include discussion of the consolidation outline and the preliminary financial analysis on the April, 2010, joint meeting agenda.

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 96.5% of the 2009 taxes had been collected as of the end of January, 2010. 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. A copy of the tax assessor/collector's report is 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 Bradley and seconded by Director Lund, the Board voted unanimously to approve the bookkeeper's report and the checks presented for payment.

DISCUSS ASSOCIATION OF WATER BOARD DIRECTORS WINTER CONFERENCE, APPROVE REIMBURSEMENT OF ELIGIBLE EXPENSES, AND AUTHORIZE ATTENDANCE AT SUMMER CONFERENCE

The Board considered expenses submitted by Board members who attended the winter conference and considered authorizing attendance at the AWBD summer conference. Upon a motion made by Director Vandewater and seconded by Director Lund, the Board unanimously authorized reimbursement of the expenses submitted by the Board members for the winter conference and authorized attendance by the directors at the AWBD summer conference, with up to 4 per diems per director attending.

ANNUAL REVIEW OF INVESTMENT POLICY AND ADOPT RESOLUTION REGARDING ANNUAL REVIEW OF INVESTMENT POLICY

The Board reviewed the District's Investment Policy adopted February 19, 2009, to determine if any amendments were necessary. After discussion, the Board determined to make no amendments at this time. Upon a motion made by Director Vandewater, seconded by Director Bradley, the Board voted unanimously to adopt a Resolution Regarding Annual Review of Investment Policy.

RESOLUTION ESTABLISHING THE AUTHORIZED DEPOSITORY INSTITUTIONS AND LIST OF QUALIFIED BROKER/DEALERS WITH WHOM THE DISTRICT MAY ENGAGE IN INVESTMENT TRANSACTIONS

The Board reviewed the District's list of qualified broker/dealers and authorized depository institutions. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to adopt the Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions.

ANNUAL REPORT AND AUTHORIZE FILING OF SAME WITH APPROPRIATE INFORMATION DEPOSITORIES IN ACCORDANCE WITH THE DISTRICT'S CONTINUING DISCLOSURE OF INFORMATION AGREEMENT AND AS REQUIRED BY SEC RULE 15C2-12

Ms. Edwards reviewed an Annual Report containing updated financial and operating data to be filed in accordance with the continuing disclosure provisions contained in the District's bond resolutions. Following review and discussion, Director Silverman moved to approve the Annual Report, authorize the attorney to submit the District's updated financial and operating data in compliance with the continuing disclosure provisions contained in the bond resolutions, and direct that the Annual Report be filed appropriately and retained in the District's official records. Director Vandewater seconded the motion, which passed unanimously.

AMENDMENT TO THE CONTINUING DISCLOSURE AGREEMENT TO COMPLY WITH SEC RULE 15C2-12

Ms. Edwards explained that in connection with the issuance of the District's bonds, the District agreed (the "Continuing Disclosure Undertaking") to provide updated annual financial information and operating data and audited financial statements (the "Annual Reports") and certain material event notices ("Material Event Notices") to certain nationally recognized municipal securities information repositories ("NRMSIRs") and the appropriate state information depository ("SID") in accordance with United States Securities and Exchange Commission (the "SEC") Rule 15c2-12 (the "Rule"). She added that effective July 1, 2009, the SEC has amended the Rule (the "Amendment") to provide that filing of annual financial and operating information,

audited financial statements and material event notices shall only be filed through an electronic system administered by the Municipal Securities Rulemaking Board ("MSRB"). The MSRB, in accordance with the Amendment, has established the Electronic Municipal Market Access System ("EMMA") to receive annual financial information and operating data, audited financial statements and certain material event notices. She added that when the District issued each series of bonds, the District reserved the right to amend the Continuing Disclosure Undertaking in the event that the SEC amended the Rule. After discussion, Director Silverman moved to approve the Amendment to Continuing Disclosure Undertaking. Director Vandewater seconded the motion, which passed unanimously.

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 completion of a valve survey, testing of commercial meters, replacement of 25 meters and replacement of 14 fire hydrants. Mr. Bare said that the District's monthly water accountability is 96.4%. The Board also reviewed the Water Smart application and concurred with the water conservation goals outlined by SEC. Upon a motion made by Director Silverman and seconded by Director Bradley, the Board voted unanimously to (1) approve the operator's report; (2) approve the Water Smart application and authorize the District operator to file the application; and (3) authorize the District operator to continue with conservation-related messages and brochure inserts in District water bills.

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 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.

DROUGHT CONTINGENCY PLAN AND RATE ORDER

No Board action was taken.

## 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.

## STORMWATER CHANNEL MAINTENANCE

Mr. Burke presented an invoice from Seaback Maintenance ("Seaback") for December, 2009, and January, 2010, for mowing of Dry Creek.

## SPRING-CYPRESS ROAD WIDENING AND WATERLINE RELOCATION

Mr. Burke discussed the status of Harris County's widening of Spring-Cypress Road and the relocation of the joint waterline. He reported that the water plant paving and tie-ins at Barker-Cypress Road are complete and that the contractor is working on cleanup. Mr. Burke said that SEC will schedule a walk through.

## JARVIS ROAD WIDENING AND AGREEMENT TO PROVIDE DETENTION CAPACITY

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

## UTILITY COMMITMENT REQUESTS

Mr. Burke reported that he reviewed utility connections for Salinas Steakhouse & Grille. No Board action was taken.

## NO. 364 WATER PLANT CAPACITY REQUIREMENT

The Board discussed No. 364's request to purchase or lease 98,900 gallons per day ("gpd") of water supply capacity and No. 364's options for obtaining additional capacity. Mr. Burke discussed the District's water supply capacity with regard to fire storage regulations and the District's current fire insurance rating. Director Lund requested that the District's water reuse application and fire storage regulation requirements be placed on the April joint meeting agenda.

## PUMP LOWERING PROJECT AT WATER WELL NOS. 1 AND 2

Mr. Burke discussed the status of lowering pumps at well nos. 1 and 2. He recommended that the Board approve \$14,000 in supplemental items, and wire brushing cleaning and jetting of debris in well no. 1. Upon a motion by Director Lund and a second by Director Bradley, the Board voted unanimously to authorize \$14,000 in supplemental items, wire brushing cleaning, and jetting of debris in well no. 1.

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

There was no additional discussion regarding this project.

DEED, EASEMENTS, AND ENCROACHMENTS, INCLUDING ACQUISITION OF STRIP OF LAND ADJACENT TO DETENTION BASIN AND ACCESS EASEMENT TO HARRIS COUNTY

The Board discussed acquisition of the 50-foot strip of land between the regional detention basin and the Jarvis Road right-of-way. Ms. Edwards said that a Phase I environmental survey is pending.

CATHODIC PROTECTION AT WATER PLANT NO. 2

Mr. Burke stated that he is still investigating cathodic protection options and will have more information in March. No Board action was taken.

WATER REUSE APPLICATION

Mr. Burke said that SEC has received a draft water reuse permit from the Texas Commission on Environmental Quality ("TCEQ") and is preparing a response to the TCEQ.

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

Mr. Bare and Mr. Burke reviewed with the Board the District's emergency preparedness plan to be submitted to the TCEQ pursuant to Senate Bill 361. Upon a motion by Director Lund and a second by Director Bradley, the Board voted unanimously to approve the report, as submitted, and authorize the District engineer to file the plan with the TCEQ by March 1, 2010.

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

Mr. Burke next discussed routing options and corresponding easements needed to provide sanitary sewer serve to En-Touch Systems, Inc.'s ("En-Touch") office building on Spring-Cypress Road. Mr. Burke reported that he will continue to consider all routing options and will provide more information to the Board at the March regular meeting.

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

The Board reviewed a written report submitted by Greg Coleman of Beazer Homes regarding home sales and development in The Park at Arbordale. A copy of the report is attached.

## LANDSCAPE ARCHITECT REPORT

Mr. Murr discussed the Phase III trail continuation project and said that the contractor is clearing the green parking area fence line and granite trail along Jarvis Road. He also reported that Beazer Homes has no interest in additional fill from the trail construction project. The Board discussed options for spreading the additional fill within Coles Crossing and Mr. Murr reported that the contractor will be paid to remove the fill, pursuant to the construction contract, if the fill cannot be spread within Coles Crossing. He recommended that the Board approve Pay Estimate No. 2 in the amount of \$33,454.12, to Millis Development and Construction, Inc.

Mr. Murr reported that the public space irrigation analysis is proceeding and that Doug Goodwin will meet with WaterLogic to discuss the irrigation system.

Mr. Murr said that he met with SWWC at the wastewater treatment plant to identify trees to be trimmed. Mr. Murr reported that he received 5 bids for pruning the trees of the wastewater treatment plant and that the low bid is from Houston Landscape Services for \$5,620. Director Lund requested that Mr. Murr survey invasive growth, including trees, in the Dry Creek detention basin.

Upon a motion by Director Lund and a second by Director Silverman, the Board voted unanimously to (1) approve Pay Estimate No. 2 in the amount of \$33,454.12, to Millis Development and Construction, Inc; and (2) approve a proposal submitted by Houston Landscape Services in the amount of \$5,620 for tree pruning at wastewater plant no. 2.

## GENERAL SERVICES AGREEMENT FOR MAINTENANCE OF DISTRICT TRAIL FACILITIES

The Board next discussed a proposal from Association Repairs, Inc., for general maintenance services. Ms. Vinson distributed a draft General Services Agreement between the District and Association Repairs, Inc. The Board agreed to place the agreement on the March special agenda.

## UPDATE ON COORDINATION WITH PRECINCT 3 FOR LANDSCAPING AND TRAIL PROJECT

Director Myers reported that Precinct 3 is drafting an agreement between Precinct 3 and the District in which the District detention capacity in the Coles Crossing

regional detention basin for the Jarvis Road project grants to Precinct 3 in exchange for Precinct 3's installation of a concrete sidewalk along Barker-Cypress Road from Cypress Creek to Jarvis Road. Ms. Edwards reported that ABHR is preparing a list of deal points to be included by Precinct 3 in the agreement.

DISTRICT MESSAGE BOARD/COMMUNITY MESSAGING SYSTEM, INCLUDING REVIEW AND APPROVE LICENSING AGREEMENT WITH TECH RADIUM FOR IRIS ALERT COMMUNITY MESSAGING SYSTEM

Ms. Vinson distributed a Licensing Agreement with Tech Radium for use of the Iris Alert community messaging system and reviewed the costs, termination provision and indemnity provisions. Director Bradley requested that ABHR ask Tech Radium whether the District will own its residents' contact information following termination of the contract. The Board agreed to place the Licensing Agreement with Tech Radium on the March special and April joint meeting agendas.

RECYCLING SERVICES

There was no additional discussion for this agenda item.

INTER-DISTRICT EMERGENCY PREPAREDNESS PLAN

No Board action was taken.

2010 DIRECTORS ELECTION

The Board discussed the May 8, 2010, directors' election. Ms. Edwards reported that the terms of office for Directors Vandewater and Bradley will expire in May of 2010.

PAY FOR ELECTION OFFICIALS

The Board discussed the rate of pay for election officials. After discussion, Director Bradley moved that the Board set the pay for election officials at \$10.00 per hour. Director Silverman seconded the motion, which carried by unanimous vote.

ORDER CALLING DIRECTORS ELECTION

The Board considered adopting the Order Calling Directors Election. After discussion, Director Bradley moved that the Board adopt the Order Calling Directors Election and authorize Director Myers to sign any necessary contracts with Harris County for the election, Director Silverman seconded the motion, which was approved by unanimous vote.



RESOLUTION DESIGNATING AN AGENT OF THE SECRETARY OF THE BOARD OF DIRECTORS DURING THE 2010 BOARD OF DIRECTORS ELECTION PERIOD

No Board action was taken on this agenda item.

VOTING RIGHTS ACT SUBMISSION LETTER TO THE U.S. DEPARTMENT OF JUSTICE

Ms. Edwards stated that the District is required to submit a Voting Rights Act submission letter to the U.S. Department of Justice for any changes to election procedures in the District. Ms. Edwards said that she wasn't aware of any changes, but requested that the Board authorize ABHR to submit the letter if any changes occurred. After discussion, Director Bradley moved that the Board authorize ABHR to submit a Voting Rights Act submission letter to the U.S. Department of Justice, if necessary. Director Silverman seconded the motion, which carried by unanimous vote.

COMMUNITY DISTRICT INFORMATION MEETING, INCLUDING COLES CROSSING COMMUNITY CENTER BUILDING USE AGREEMENT

The Board discussed hosting a District information meeting for the public at the community center on March 27, 2010, to present information concerning water conservation, recycling, North Harris County Regional Water Authority fees, as well as other community issues, and to provide mobile teaching labs offered through the Harris Galveston Subsidence District. Ms. Vinson distributed and reviewed a revised Coles Crossing Community Center Building Use Agreement. Upon a motion by Director Lund and a second by Director Bradley, the Board voted unanimously to approve the Coles Crossing Community Center Building Use Agreement, as revised.

DISCUSS SPECIAL MEETING AGENDA FOR MARCH

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

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

(SEAL)



  
Secretary, Board of Directors

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