

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

May 20, 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 20th day of May, 2010, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2400, 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
Michael Vandewater	Assistant Secretary

and all of the above were present, with the exception of Director Lund, thus constituting a quorum.

Also present at the meeting were Brian Bare and Jason Demel 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 Lentz and Anthea Moran of First Southwest Company ("First Southwest"); Rice Lummis of Acclaim Energy Advisors ("Acclaim"); Greg Coleman of Beazer Homes; and Susan Edwards, Alia Vinson, and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENT

There was no public comment.

MINUTES

The Board considered approving the minutes of the April 15, 2010, regular meeting and the April 8, April 14, and April 22, 2010, special meetings. Upon a motion made by Director Bradley and seconded by Director Vandewater, the Board voted unanimously to approve the minutes of the April 15, 2010, regular meeting, and the April 8, April 14, and April 22, 2010, special meetings, as submitted.

INTEGRYS ENERGY SERVICES CONTRACTS

Mr. Lummis discussed locking in current energy supply rates in advance of the April 1, 2011, expiration of the District's contract to take advantage of current market rates. Upon a motion by Director Vandewater and a second by Director Silverman, the

Board voted unanimously to renew the District's energy contracts beginning April, 2011, for a three-year term through Mid American Energy Company and to authorize Director Bradley to approve a daily market rate and execute the contract on behalf of the District.

CERTIFICATE OF ELECTION

Director Silverman moved that the Board approve the Certificate of Election and the distribution of same to Directors Bradley and Vandewater. Director Bradley seconded the motion, which carried unanimously.

DIRECTORS' SWORN STATEMENTS, BONDS AND OATHS OF OFFICE

Ms. Edwards reviewed the Sworn Statements, Oaths of Office, and Official Bonds for Directors Bradley and Vandewater. After review and discussion, Director Silverman moved that the Board approve the Sworn Statements, Oaths of Office, and Official Bonds. Director Bradley seconded the motion, which passed unanimously.

REORGANIZE BOARD AND ELECT OFFICERS

The Board concurred to defer action on this agenda item.

DISTRICT REGISTRATION FORM

The Board then considered authorizing filing of an updated District Registration Form with the Texas Commission on Environmental Quality ("TCEQ") reflecting the new terms of office of Directors Bradley and Vandewater. After discussion, Director Silverman moved that the Board authorize filing of the District Registration Form with the TCEQ. Director Bradley seconded the motion, which carried unanimously.

TAX ASSESSMENT AND COLLECTION MATTERS

Mr. Keefe distributed the District's monthly tax report reflecting that 99.1% of the 2009 taxes had been collected as of the end of April, 2010. He discussed property values currently under protest with the Harris County Appraisal District. He also discussed updating the District's Strategic Partnership Agreement business listings for the City of Houston ("City") upon receipt of the master list from the City. 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

Ms. McLennan reviewed with the Board the bookkeeper's report, investment report, budget comparison, and the bills and checks presented for payment. After review of the invoices and corresponding checks, and upon a motion made by Director Silverman and seconded by Director Bradley, the Board voted unanimously to approve the bookkeeper's report and the checks presented for payment. A copy of the bookkeeper's report is attached.

OPERATION OF DISTRICT WATER, SANITARY SEWER, AND STORMWATER FACILITIES

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 and reported five new connections. He also reviewed test results on effluent at the wastewater treatment plant and wastewater from the Dry Clean Supercenter. Mr. Bare reported the District's monthly water accountability at 97%. The Board also reviewed a valve and manhole survey and the cost to repair and/or replace damaged or missing equipment. Mr. Bare noted that SWWC was unable to locate nineteen valves and would report back to the Board with additional information at the next meeting. Upon a motion made by Director Silverman and seconded by Director Bradley, the Board voted unanimously to approve the operator's report.

The Board then 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

The Board reviewed a draft Amended and Restated Drought Contingency Plan. The Board then requested additional revisions to drought stages, penalties, and methods of public notification. Following discussion, the Board requested that ABHR revise the Drought Contingency Plan as discussed and distribute to Directors Silverman and Vandewater for further review.

The Board next discussed the draft Amended Rate Order. No action was taken by the Board.

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 reported that Seaback Maintenance ("Seaback") mowed this month and will submit an invoice for payment next month.

SPRING-CYPRESS ROAD WIDENING AND WATERLINE RELOCATION

Mr. Burke reported that Harris County has completed widening of Spring-Cypress Road and the relocation of the joint waterline and that SEC is preparing an application to Harris County for reimbursement of the eligible costs.

JARVIS ROAD WIDENING AND AGREEMENT TO PROVIDE DETENTION CAPACITY

Mr. Burke discussed the placement of power poles on the preliminary drawings for improvements planned for Jarvis Road received from Weisser Engineering and Harris County Precinct 3 ("Precinct 3"). He also said that SEC has requested that engineers for Precinct 3 demonstrate that adding volume to the District's regional detention pond on Jarvis Road and modifying the outlet structure will not affect flow upstream.

UTILITY COMMITMENT REQUESTS

Mr. Burke reported that no utility commitment requests were received during the month of April. No Board action was taken.

PUMP LOWERING PROJECT AT WATER WELL NOS. 1 AND 2

Mr. Burke discussed the status of lowering pumps at well nos. 1 and 2 and recommended that the Board approve Pay Estimate No. 1 in the amount of \$124,090.20, of which the District's share is \$64,490.51, payable to Alsay Incorporated. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously approve Pay Estimate No. 1 in the amount of \$124,090.20, of which the District's share is \$64,490.51, payable to Alsay Incorporated.

Mr. Burke said that well no. 1 has been returned to service, but recommended deferring pump lowering at well no. 2 until the fall of 2010. Following discussion, the Board concurred to defer pump lowering at well no. 2 until the fall of 2010.

CATHODIC PROTECTION AT WATER PLANT NO. 2

Mr. Burke reported on iron fixing bacteria test results from the three wells, which could be corroding the groundwater storage tanks. He said that well no. 3 tested positive for the bacteria and recommended taking live samples from all three wells at an estimated cost of \$1,200 per well. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to authorize the recommended tests of all three wells.

WATER REUSE APPLICATION

Mr. Burke reported that a letter inviting participation in the District's proposed water reuse program has been sent to Cypress Fairbanks Independent School District, No. 364, the Coles Crossing Homeowners' Association, and The Park at Arbordale Homeowners' Association.

SANITARY SEWER SERVICE TO ENTOUCH FACILITY ON SPRING-CYPRESS ROAD

Mr. Burke said that SEC is designing the sanitary sewer line and discussed easements that may be necessary for the construction of the line.

DEED, EASEMENTS, AND ENCROACHMENTS

Mr. Burke discussed swimming pool permit applications received during the month of April.

REFUNDING BOND ISSUE

Ms. Moran updated the Board on the District's Series 2010 Refunding Bond Issue, noting that the bond issue will close on June 3, 2010.

REPORT REGARDING DEVELOPMENT IN THE DISTRICT

Mr. Coleman reported regarding home sales and development in The Park at Arbordale. Mr. Coleman also reported on silt and stormwater runoff management activities and equipment. A copy of the report is attached

Ms. Edwards reported on the status of the conveyance of a private sanitary sewer line and easements from commercial property owners at U.S. Highway 290 and Barker-Cypress to the District.

LANDSCAPE ARCHITECT REPORT

Mr. Murr discussed the Phase III trail continuation project, the remaining construction schedule, and the maintenance of trees under warranty. He reported that the north trail is completed and that the contractor is lengthening the extension of the granite trail. Mr. Burke added that the meter for the irrigation controller will be added by CenterPoint Energy because the District's energy carrier will not add the new meter to the District's current service contract due to its relatively low energy demand. Mr. Murr presented Change Order No. 1 for redesign of the "Kiss and Drop" and the parking area along Jarvis Road, Change Order No. 2 for the extension of the granite trail to the asphalt trail, and Change Order No. 3 for the installation of drip irrigation at Section 5 along Coles Crossing Drive. He also presented and recommended payment of Pay Estimate No. 5 in the amount of \$202,838.96, payable to Millis Development and Construction, Inc. The Board discussed use limitations of the green parking area exit and concurred that it should remain as currently designed.

Mr. Murr also presented proposals for residential irrigation analysis. The Board requested that the contractors presenting proposals attend and report at the June special Board meeting. Director Myers requested that Mr. Murr work with Association Repairs to place cages around District back flow preventers and irrigation controllers.

Ms. Edwards confirmed Association Repairs' notification of new effective rates for maintenance.

Upon a motion by Director Bradley and a second by Director Vandewater, the Board voted unanimously to approve: (1) Pay Estimate No. 5 in the amount of \$202,838.96, payable to Millis Development and Construction, Inc.; (2) Change Order No. 1 for redesign of the "Kiss and Drop" and the parking area along Jarvis Road; (3) Change Order No. 2 for the extension of the granite trail to the asphalt trail; and (4) Change Order No. 3 for the installation of drip irrigation at Section 5 along Coles Crossing Drive.

RECYCLING SERVICES

Director Bradley reported regarding recycling services.

INTER-DISTRICT EMERGENCY PREPAREDNESS PLAN

No Board action was taken.

POLICY FOR USE OF DETENTION AREAS

Ms. Edwards distributed a draft District policy for use of detention areas for the Board's review. No additional discussion or action was taken on this agenda item.

CONTRACT FOR SUPPLEMENTAL SECURITY SERVICES

There was no additional discussion regarding this agenda item.

DISTRICT WEBSITE

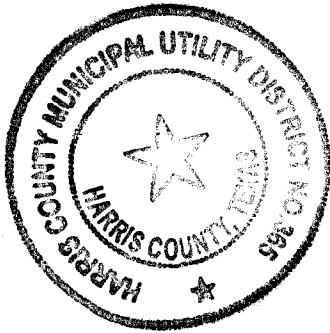
The Board discussed contracting with Globenetix for additional storage capacity. Director Bradley requested that ABHR request pricing for 5 additional gigabytes.

JUNE SPECIAL AGENDA

The Board discussed agenda items to be discussed at the June special meeting and rescheduling the Board's regular meeting for June 24, 2010, at noon.

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

(SEAL)




Secretary, Board of Directors

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