

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

June 24, 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 24th day of June, 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 Directors Myers and 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; Claire Bradley, District resident; 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 May 20, 2010, regular meeting and the May 13 and June 10, 2010, special meetings. Upon a motion made by Director Vandewater and seconded by Director Lund, the Board voted unanimously to approve the minutes of the May 20, 2010, regular meeting, and the May 13 and June 10, 2010, special meetings, as submitted.

SECURITY REPORT, INCLUDING REVIEW AND APPROVE CONTRACT FOR SUPPLEMENTAL SECURITY SERVICES

No representative of the Harris County Sherriff's Office was present to give a report.

REORGANIZE BOARD AND ELECT OFFICERS

The Board took no action on this agenda item.

DISTRICT REGISTRATION FORM

The Board took no action on this agenda item.

TAX ASSESSMENT AND COLLECTION MATTERS

Mr. Keefe distributed the District's monthly tax report reflecting that 99.2% of the 2009 taxes had been collected as of the end of May, 2010. He noted certain 2009 tax account values still under protest, including Randall's, and explained that a significant reserve is being held in the tax account pending the resolution of the protests in case significant tax payment refunds are required. He also reported verifying the business listings for the District's Strategic Partnership Agreement with the City of Houston ("City"). After discussion, Director Lund moved to approve the tax assessor/collector's report and the checks drawn on the District's tax account. Director Vandewater seconded the motion, which passed unanimously. A copy of the tax assessor/collector's report is attached.

COLLECTION OF DELINQUENT TAXES

The Board considered authorizing Perdue, Brandon, Fielder, Collins & Mott, LLP to proceed with the collection of delinquent 2009 taxes. Upon a motion made by Director Lund and seconded by Director Vandewater, the Board unanimously authorized Perdue, Brandon, Fielder, Collins & Mott, LLP to proceed with the delinquent tax collection.

FINANCIAL AND BOOKKEEPING MATTERS, INCLUDING SUBMITTAL OF JOINT FACILITIES BUDGET TO HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364

Ms. McLennan reviewed with the Board the bookkeeper's report, investment report, budget comparison, and the bills and checks presented for payment. The Board also reviewed draft joint facilities budgets for the fiscal year ending August 31, 2011. After review and discussion, 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, and to authorize the District bookkeeper to submit the draft joint facilities budgets to No. 364 for review and comment. A copy of the bookkeeper's report is attached.

ASSOCIATION OF WATER BOARD SUMMER CONFERENCE, REIMBURSEMENT OF ELIGIBLE EXPENSES AND ATTENDANCE AT WINTER CONFERENCE

The Board considered expenses submitted by Board members who attended the summer conference and considered authorizing attendance of the Association of Water Board Directors ("AWBD") summer conference. Upon a motion made by Director Vandewater and seconded by Director Lund, the Board voted unanimously to authorize reimbursement of the expenses submitted by the Board members for the summer conference and authorize attendance by the directors at the AWBD winter conference.

OPERATION OF DISTRICT 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, including replacement of 11 meters, replacement of the air conditioning unit at the wastewater treatment plant, preventative maintenance on the auto sampler at the wastewater treatment plant, installation of a 12 inch valve at water plant no. 2, and reported 1 new connection. 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 97.6%. The Board also discussed the results of the valve and sanitary manhole survey and the status of locating nineteen additional valves. The Board then discussed sending notification letters to residents with high water usage notifying the residents of the newly adopted water rates and encouraging conservation. Upon a motion made by Director Vandewater and seconded by Director Lund, the Board voted unanimously to (1) approve the operator's report; (2) authorize valve repairs needed, subject to verification of necessity by the District engineer with regard to the nineteen additional valves not yet located; and (3) authorize the District operator to mail separate notice, as revised by Director Bradley, to residents with high water usage notifying the residents of the newly adopted water rates and encouraging conservation.

TERMINATION OF WATER SERVICE TO DELINQUENT CUSTOMERS

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 Vandewater 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.

DROUGHT CONTINGENCY PLAN

The Board reviewed and discussed a draft Amended and Restated Drought Contingency Plan (the "Plan"). The Board discussed disconnection of water service for non-compliance. Ms. Edwards recommended that the Plan should provide customers with 10 days notice prior to disconnection of service and that the Board of Directors should delegate authority to the District operator to hear and act upon an applicant's request for a variance. Upon a motion by Director Lund and a second by Director Vandwater, the Board voted unanimously to approve the Drought Contingency Plan, as revised pursuant to the above recommendations, and the delegation of authority to the District operator as described.

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 May, 2010, for mowing.

SPRING CYPRESS ROAD PROJECT REIMBURSEMENT

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, AGREEMENT TO PROVIDE DETENTION CAPACITY, LANDSCAPING AND SIDEWALK PROJECT AND ACCESS EASEMENT WITH HARRIS COUNTY (THE "COUNTY")

Mr. Burke reported regarding improvements planned by the County for Jarvis Road, including proposed modifications to the District's regional detention pond and the outlet structure. He said that SEC provided objections to the County's draft analysis of the pond excavation and is waiting for a revised analysis.

UTILITY COMMITMENT REQUESTS

Mr. Burke reported that no utility commitment requests were received during the month of May. 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 said that well no. 1 has been returned to service, but that lowering of well no. 2 will be deferred until the fall of 2010.

COORDINATION WITH NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY ("NHCRWA")

The Board discussed whether and when the District could expect surface water to be delivered by the NHCRWA. As an alternative to delivery of surface water by the NHCRWA, the Board discussed the feasibility and expected capacity of a fourth water well. Following discussion, the Board authorized the District engineer to consider the feasibility of sites within the District for the construction of water well no. 4.

CORROSION 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 live samples from all three wells were sent to Water Systems Engineering.

WATER REUSE APPLICATION

Mr. Burke said that SEC sent letters to Harris County Municipal Utility District No. 364 ("No. 364"), the Coles Crossing Community Association, Inc. ("CCCAI"), the Park at Arbordale's Home Owners Association, and Cypress-Fairbanks Independent School District to determine interest in receiving reclaimed water at a reduced rate for irrigation purposes. He reviewed correspondence received from No. 364's attorney. Upon a motion by Director Vandewater and a second by Director Lund, the Board voted unanimously to proceed with the feasibility study, assuming all contacted prospective users agree to use reclaimed water and with the expectation that if No. 364 were to determine in the future that it is in its best interests to participate in the joint construction of a reclaimed water system, the District would request No. 364 to reimburse the District for a pro rata share of the feasibility study costs at that time.

ELEVATED STORAGE TANK WAIVER

Mr. Burke reported that SEC anticipates the Texas Commission on Environmental Quality ("TCEQ") will require modeling of the water system in support of the request for an elevated storage tank waiver.

SANITARY SEWER SERVICE TO ENTOUCH FACILITY ON SPRING-CYPRESS ROAD

Mr. Burke said that SEC is designing the sanitary sewer line to serve Entouch and discussed an easement from CCCAI that would be necessary for the construction of

the line. Mr. Burke said that he would provide a metes and bounds description for the easement to Ms. Edwards.

DEED, EASEMENTS, AND ENCROACHMENTS

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

Mr. Burke confirmed that the TCEQ has approved the District's emergency preparedness plan (the "plan") and that SEC has distributed the plan to state and local agencies.

REPORT REGARDING DEVELOPMENT IN THE DISTRICT

There was no discussion for this agenda item.

LANDSCAPE ARCHITECT REPORT

The Board reviewed a Phase III trail continuation status report received from Michael Murr, in which Mr. Murr recommended payment of Pay Estimate No. 6 in the amount of \$81,451.12, payable to Millis Development and Construction, Inc.

The Board then discussed the redesign of the "kiss and drop" area and resident concerns.

Upon a motion by Director Vandewater and a second by Director Lund, the Board voted unanimously to approve Pay Estimate No. 6 in the amount of \$81,451.12, payable to Millis Development and Construction, Inc.

RECYCLING SERVICES

Director Bradley reported regarding recycling services.

INTER-DISTRICT EMERGENCY PREPAREDNESS PLAN

No Board action was taken.

NOTICE OF DISTRICT COMMUNITY EVENTS, INCLUDING IRIS ALERT COMMUNITY MESSAGE SYSTEM, AND DISTRICT MESSAGE BOARD

Ms. Miller and Mr. Bare provided an update regarding the number of residents who have provided data for the IRIS Alert Community Messaging System.

Director Lund discussed options for installing a District message board. The Board took no action on this agenda item.

RENEWAL OF INTERLOCAL AGREEMENT WITH SUBSIDENCE DISTRICT FOR WATERWISE PROGRAM

Ms. Edwards presented an Interlocal Agreement with Harris-Galveston Subsidence District for the Water Wise Program, wherein the District sponsors half of the fifth grade enrollment at Sampson Elementary at a cost of \$34.50 per student. Upon a motion made by Director Lund and seconded by Director Vandewater, the Board voted unanimously to approve the Interlocal Agreement with Harris-Galveston Subsidence District for the Water Wise Program.

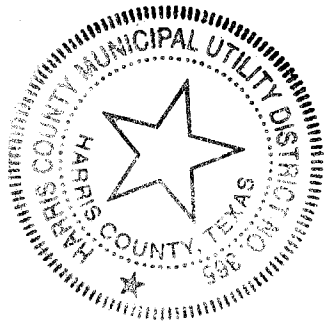
JULY SPECIAL AND JOINT AGENDAS

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

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


Secretary, Board of Directors

(SEAL)



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