

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

September 16, 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 16<sup>th</sup> day of September, 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.

Also present at the meeting were Brian Bare of SWWC Services, Inc. ("SWWC"); Greg Coleman of Beazer Homes Texas LP; Michael Keefe of Bob Leared Interests, Inc.; Chris Burke of Sander Engineering Corporation ("SEC"); Greg Lentz of First Southwest Company; Michal Murr of Murr Incorporated; Shirley McLennan of McLennan & Associates; and 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 August 26, 2010, regular meeting. Upon a motion made by Director Lund and seconded by Director Silverman, the Board voted unanimously to approve the minutes of the August 26, 2010, regular meeting.

TAX ASSESSMENT AND COLLECTION MATTERS

Mr. Keefe reviewed the District's monthly tax report, noting that 99.7% of the 2009 taxes had been collected as of the end of August, 2010. Mr. Keefe also reviewed the delinquent tax account report. After discussion, Director Vandewater moved to approve the tax assessor/collector's report and the checks drawn on the District's tax account. Director Silverman seconded the motion, which passed unanimously. A copy of the tax assessor/collector's report is attached.

## 2010 TAX RATE AND NOTICE OF PUBLIC HEARING REGARDING ADOPTION OF TAX RATE

Mr. Lentz distributed a written tax rate analysis, a copy of which is attached. Mr. Lentz presented three debt service tax rate scenarios, all of which required an increase in the debt service tax rate. Mr. Lentz suggested the District levy an operating and maintenance tax of at least \$0.145 per \$100 of valuation. After all discussion, upon a motion made by Director Bradley and seconded by Director Vandewater, the Board unanimously authorized the tax assessor to publish notice of a public hearing on October 21, 2010, regarding the District's proposed adoption of a total tax rate of \$0.52 per \$100 of valuation.

## 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 and discussion, and upon a motion made by Director Silverman and seconded by Director Lund, the Board voted unanimously to approve (1) the bookkeeper's report; and (2) checks presented for payment, including handwritten check no. 2273 in the amount of \$26,940.39 to Millis Development for Pay Estimate No. 9 of the Phase 3 trail project. A copy of the bookkeeper's report is attached.

## ARBITRAGE REBATE STUDY FOR SERIES 2005 BONDS

Ms. Vinson reviewed a proposal from OmniCap, LLP to prepare an analysis to determine if an arbitrage rebate payment is due to the Internal Revenue Service regarding the District's Series 2005 Bonds. She stated that payments, if any, are due to the Internal Revenue Service sixty days after the fifth anniversary of the Bonds. Following review and discussion, Director Bradley moved to approve the proposal from OmniCap, L.L.P., as presented, regarding the District's Series 2005 Bonds. Director Lund seconded the motion, which passed by unanimous vote.

## 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, including resealing manholes, replacing an air conditioning unit at the water well, and replacing the chlorine sensor at water plant no. 1. 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 98.5% and reported regarding follow up to a customer call and correspondence regarding low water pressure. Director Myers requested that SWWC provide the testing results of meters removed as part of the District's routine meter replacement program. 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.

#### REPORT REGARDING DEVELOPMENT IN THE DISTRICT

Mr. Coleman reported on the pace of sales within Park at Arbordale.

#### LANDSCAPE ARCHITECT REPORT

Mr. Murr reported on the Phase III trail continuation, including tree replacement, entrance and exit signage punch list items. Mr. Murr reported on Pay Estimate No. 9 in the amount of \$26,940.39, submitted by Millis Development and Construction, Inc and recommended payment of same. He also discussed Change Order No. 5 submitted by Millis Development and Construction, Inc and representing a \$6,804.71 credit for a Harris County permit and other line items.

Mr. Murr discussed re-grading three existing soccer fields and said that he will have proposals at the next regular meeting.

Mr. Murr next reviewed proposals for trail maintenance and recommended that the Board accept the proposal of Silversand Services for maintenance of the North trail, South Trail and Coles Crossing Drive trail. A summary of the proposals is attached.

Mr. Murr also reviewed proposals for the installation of 4,200' of quick coupler irrigation line to water trees along the new trail. He recommended that the Board accept the proposal of LMS, Inc. ("LMS"). A summary of the proposals is attached.

Following discussion, Director Silverman moved to (1) approve payment of Pay Estimate No. 9 in the amount of \$26,940.39, payable to Millis Development and Construction, Inc; (2) approve Change Order No. 5 representing a \$6,804.71 credit; (3) accept the proposal of Silversand Services for maintenance of the North trail, South trail and Coles Crossing Drive trail; and (4) approve a proposal submitted by LMS for the installation of 4,200' of quick coupler irrigation line to water trees along the new trail, subject to the execution of an agreement between LMS and the District.

Ms. Vinson next reviewed a proposal from P.T. Sprinklers for installation of a rain sensor, if it were provided by the District, for \$75 per installation. The Board took no action on this item.

Ms. Vinson said that ABHR has not yet received a certificate of liability for the Wildcats Right After Prom trail run event (the "event") naming the District as an additional insured and providing a waiver of subrogation. The Board discussed sponsoring a water conservation booth at the event. No 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 July and August, 2010, for mowing and recommended payment of the August, 2010, invoice only. He added that Seaback will begin mowing the downstream channel next month.

#### JARVIS ROAD WIDENING

Mr. Burke updated the Board regarding revision of the drainage analysis prepared by Harris County.

#### UTILITY AVAILABILITY REQUESTS

Mr. Burke reported that no utility availability requests were received during the month of August.

#### PUMP LOWERING PROJECT AT WATER WELL NO. 2

Mr. Burke reviewed current water production data and discussed beginning the lowering of well no. 2 next month.

#### COORDINATION WITH NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY AND REMOTE WELL NO. 4

Mr. Burke reported on the status of identifying feasible sites within the District for the future construction of a fourth water well, if needed. Mr. Burke also updated the Board on recent discussions with the North Harris County Regional Water Authority regarding expected surface water delivery dates.

CORROSION AT WATER PLANT NO. 2, INCLUDING EPOXY COATING OF GROUND STORAGE TANK NO. 2

Mr. Burke reviewed results from additional samples pulled from the wells to test for iron fixing bacteria and said that the second sample confirmed bacteria in well no. 2, traces in well no. 1 and none in well no. 3. Mr. Burke recommended super chlorination of well no. 1 and mechanical cleaning and acid treatment at well no. 2. He said that both processes are included in the contract for the lowering of water well nos. 1 and 2 project as a supplemental bid item.

WATER REUSE PROJECT

Mr. Burke said that SEC would present a cost feasibility analysis at the October Board meeting.

ELEVATED STORAGE TANK WAIVER

Mr. Burke reported that SEC continues to work on the waiver request to be submitted to the Texas Commission on Environmental Quality ("TCEQ").

WARRANTIES FOR LEAK REPAIR AT WASTEWATER TREATMENT PLANT AND DITCH REPAIRS

There was no additional discussion on this agenda item.

PLANS FOR SANITARY SEWER SERVICE TO ENTOUCH FACILITY ON SPRING CYPRESS ROAD

Mr. Burke reported that he received and is addressing comments from the City of Houston regarding plans for extending sanitary sewer service to the Entouch Facility ("Entouch") on Spring Cypress Road and said that easements will be needed from both Coles Crossing Community Association, Inc., and Entouch.

DEEDS, EASEMENTS, AND ENCROACHMENTS

No Board action was taken.

OCTOBER SPECIAL AND JOINT MEETING AGENDAS

The Board discussed agenda items for the October joint meeting agenda and agreed to cancel the October special meeting.

EXECUTIVE SESSION REGARDING ACQUISITION OF REAL PROPERTY

At 1:54 p.m., Director Myers announced that the Board would meet in executive session to deliberate the purchase, exchange, lease, or value of real property.

OPEN SESSION REGARDING ACQUISITION OF LAND

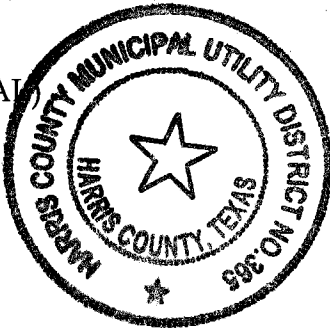
Director Myers announced that the Board would reconvene in open session and that the date and time of the end of the session was September 16, 2010, at 1:59 p.m. No action was taken as a result of discussion in executive session.

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

*Matthew P. L.*

Secretary, Board of Directors

(SEAL)



LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
tax assessor/collector's report.....	1
delinquent tax report.....	1
written tax rate analysis .....	2
operations report.....	2
termination list .....	3
developer's report.....	3
landscape architect report.....	3
engineer's report .....	4