

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

October 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 21<sup>st</sup> day of October, 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"); Michael Keefe of Bob Leared Interests, Inc.; Chris Burke of Sander Engineering Corporation ("SEC"); Michael Murr of Murr Incorporated; Shirley McLennan of McLennan & Associates; Tim Brown and Carl Shaw, District residents; Karen Sears, Rice Lummis and Dennis Vegas of Acclaim Energy Advisors; Bubba Levy, Kiki Dikmen, Jason Scarborough, Nick Altman, Brigitte Frank, and Elisa Kaplan with Choice Energy Services; and Susan Edwards, Alia Vinson, and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENT

Mr. Brown requested a balance sheet and cash flow statement and Ms. McLennan provided him with a bookkeeper's report containing such information. Messrs. Brown and Shaw voiced opposition to a proposed tax increase in the 2010 levy. Mr. Brown additionally requested that the District discontinue its recycling program and hold all meetings in the District.

The Board received an energy program presentation from Choice Energy Services.

MINUTES

The Board considered approving the minutes of the September 16, 2010, regular meeting and the September 24, 2010, special meeting. Upon a motion made by Director Silverman and seconded by Director Lund, the Board voted unanimously to approve the minutes of the September 16, 2010, regular meeting and the September 24, 2010, special meeting, as submitted.

## TAX ASSESSMENT AND COLLECTION MATTERS

Mr. Keefe reviewed the District's monthly tax report, noting that 99.78% of the 2009 taxes had been collected as of the end of September, 2010. Mr. Keefe also reviewed the delinquent tax account report and discussed contested values pending with the Harris County Appraisal District. After discussion, Director Vandewater 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.

## PUBLIC HEARING REGARDING DISTRICT'S TAX RATE, ORDER LEVYING TAXES, AND AMENDMENT TO INFORMATION FORM

The Board opened the public hearing on the District's proposed tax levy. Mr. Keefe confirmed that notice of the proposed levy had been published. Upon receipt of comments from District residents, Tim Brown and Carl Shaw, the Board considered an Order Levying Taxes, reflecting a tax rate of \$0.52 per \$100 valuation consisting of \$0.375 for debt service and \$0.145 for operations and maintenance. Upon a motion made by Director Bradley and seconded by Director Lund, the Board unanimously voted to adopt the Order Levying Taxes as presented.

Ms. Edwards also reviewed the District's proposed Amendment to Information Form to reflect the District's 2010 tax rate. After discussion, Director Bradley moved to approve the Amendment to Information Form and filing it with the Texas Commission on Environmental Quality ("TCEQ") and in the Harris County Deed Records. Director Lund seconded the motion, which passed by unanimous vote.

## 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. Ms. McLennan discussed invoices received from Silversand Services ("Silversand") for inspection of irrigation meters. The Board directed Ms. McLennan to return to Silversand any invoices regarding meter inspection and only to submit payment to Silversand for services provided under the District's contract with Silversand. After review and discussion, and upon a motion made by Director Bradley and seconded by Director Lund, the Board voted unanimously to approve (1) the bookkeeper's report; and (2) checks presented for payment. A copy of the bookkeeper's report is attached.

## ARBITRAGE REBATE STUDY FOR SERIES 2000 BONDS

Ms. Edwards reviewed a proposal from OmniCap, LLP to prepare an arbitrage rebate analysis regarding the District's Series 2000 Bonds. Following review and discussion, Director Silverman moved to approve the proposal from OmniCap, L.L.P.,

as presented, regarding the District's Series 2000 Bonds. Director Vandewater 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 valve repairs, a sanitary sewer line repair on Halperin Falls, repair to lift station 1, repair to the chlorine feed at the wastewater treatment plant and repair to the communication device at water plant no. 2. 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 94%. He said that SWWC is waiting for the testing results of meters removed as part of the District's routine meter replacement program. Director Bradley requested that SWWC prepare a top ten water users report for the November Board meeting so the Board can determine if water rate changes have affected customers' usages.

The Board next considered a water leak adjustment request for 13103 Far Point Manor. After carefully considering the information provided by the District operator and the customer by correspondence, the Board determined that the internal leak presented by the customer is ineligible for adjustment under the District's leak adjustment program.

Upon a motion made by Director Silverman and seconded by Director Bradley, the Board voted unanimously to approve the operator's report and to deny a leak adjustment credit for 13103 Far Point Manor.

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

The Board reviewed a report submitted by Greg Coleman of Beazer Homes regarding home sales within The Park at Arbordale.

## LANDSCAPE ARCHITECT REPORT

Mr. Murr reported on the Phase III trail continuation, including tree replacement, and entrance and exit signage punch list items. Mr. Murr presented Pay Estimate No. 10 in the amount of \$68,917.48, submitted by Millis Development and Construction, Inc., and recommended payment of same.

Mr. Murr next discussed the request by the Coles Crossing Community Association, Inc. ("CCCAI"), for the District to assume responsibility for certain irrigation meter inspections. He reviewed invoices received from Silversand and Ms. Vinson noted that the District has not yet received a formal request from the CCCAI specifically detailing which meters are at issue.

The Board discussed resident participation in the residential irrigation evaluation program and received the public irrigation analysis for review.

Ms. Vinson reviewed a construction contract between the District and LMS, Inc. for the installation of a quick coupler irrigation line to water trees along the new trail.

Director Lund requested that Seaback mow a 3 foot swathe next to the fenceline along Jarvis Road by the wastewater treatment plant.

Following discussion, Director Lund moved to (1) approve payment of Pay Estimate No. 10 in the amount of \$68,917.48, payable to Millis Development and Construction, Inc, subject to receipt of an Affidavit of All Bills Paid; and (2) approve a construction contract between the District and LMS, Inc. for the installation of a quick coupler irrigation line to water trees along the new trail. The motion was seconded by Director Bradley and passed unanimously.

## 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 said that invoices for September mowing from Seaback have not been received. The Board discussed fertilizing and overseeding near the bridge and agreed to wait until spring.

## JARVIS ROAD WIDENING

Mr. Burke updated the Board regarding revision of the drainage analysis prepared by Harris County and the effect upon the District's proposed water reuse project. Ms. Vinson reviewed the response received from Harris County Municipal

Utility District No. 364 pursuant to the Joint Facilities Agreement regarding the District's proposal to allow Harris County to expand the detention basin.

UTILITY AVAILABILITY REQUESTS

Mr. Burke discussed pool permit requests received.

PUMP LOWERING PROJECT AT WATER WELL NO. 2

Mr. Burke reviewed current water production data and the lowering of well no. 2. He said that Alsay, Inc. will begin testing of well no. 2 on November 2, 2010. The Board discussed options for addressing iron fixing bacteria in well no. 1 and plans to monitor well no. 3.

COORDINATION WITH NORTH HARRIS COUNTY REGIONAL WATER

Mr. Burke 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 discussed plans to inspect the ground storage tank when lowering at well no. 2 is complete.

WATER REUSE PROJECT

Mr. Burke said that SEC is working on a cost feasibility analysis for the proposed water reuse project.

ELEVATED STORAGE TANK WAIVER

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

WARRANTIES FOR LEAK REPAIR AT WASTEWATER TREATMENT PLANT AND DITCH REPAIRS

Mr. Burke reported that SEC is monitoring a minor leak at the wastewater treatment plant basin. Mr. Burke stated that the ditches have been inspected and that he is requesting adjustments to the gates only.

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 provided metes and bounds descriptions to ABHR for easements needed from both CCCAI and Entouch.

DEEDS, EASEMENTS, AND ENCROACHMENTS

The Board reviewed a .4010 acre waterline easement from Canyonlands Corporation ("Canyonlands") and considered a partial abandonment of a waterline easement as requested by Canyonlands. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to accept a .4010 acre waterline easement from Canyonlands and to partially abandon a waterline easement in Coles Crossing South, Section 9.

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR USE OF SURPLUS FUNDS

Ms. Vinson reported that Beazer Homes is close to constructing the percentage of homes that will trigger reimbursement by the District for improvements in The Park at Arbordale under the terms of a Development Financing Agreement between Beazer Homes and the District. Upon a motion made by Director Bradley and seconded by Director Lund, the Board unanimously authorized the District consultants to prepare an application to the Texas Commission on Environmental Quality for Use of Surplus Funds to reimburse Beazer for improvements in The Park at Arbordale.

SECURITY REPORT

Ms. Edwards discussed notification received from Harris County regarding security contract rate increases effective January 1, 2011. The Board discussed patrol budgets for 2011 and agreed to continue with the current patrol staffing for 2011.

DISTRICT WEBSITE HOSTING

The Board reviewed a proposal received from Association Voice. Following discussion, Director Silverman moved to request a service contract from Association Voice. Director Vandewater seconded the motion which passed unanimously.

COMMITTEE WITH COLES CROSSING COMMUNITY ASSOCIATION

The Board discussed a proposed joint committee with the CCCAI. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to appoint Directors Bradley and Vandewater to the committee.

2011 JOINT MEETING SCHEDULE

The Board discussed and agreed upon a 2011 joint meeting schedule and requested that ABHR forward the schedule to CCCAI.

NOVEMBER SPECIAL MEETING

The Board discussed the special meeting agenda for November.

EXECUTIVE SESSION REGARDING ACQUISITION OF REAL PROPERTY

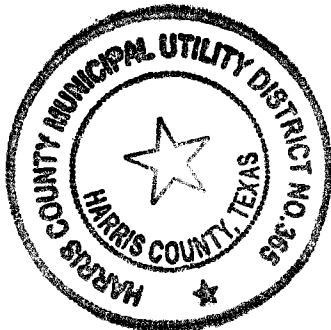
At 2:37 p.m., Director Myers announced that the Board would meet in executive session to deliberate the purchase, exchange, lease, or value of real property.

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 October 21, 2010, at 2:41 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.

(SEAL)



A handwritten signature in black ink, appearing to read 'Matthew R. L.', written over a horizontal line.

Secretary, Board of Directors

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