

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

November 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 18th day of November, 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 Bradley, 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; Greg Coleman of Beazer Homes Texas ("Beazer"); 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 October 21, 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 October 21, 2010, regular meeting, as amended.

TAX ASSESSMENT AND COLLECTION MATTERS

Mr. Keefe reviewed the District's monthly tax report, noting that none of the 2010 taxes had been collected as of the end of October, 2010. Mr. Keefe also reviewed the delinquent tax account report, discussed contested values pending with the Harris County Appraisal District and the appraisal valuation process for both real and personal property. 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.

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 updated the directors on Association of Water Board Directors ("AWBD") winter conference registration. The Board discussed surface water fees and the current joint account reserves. The Board requested that ABHR consult with Ms. McLennan regarding appropriate increases to the joint account reserves and communicate the proposed amounts to Harris County Municipal Utility District No. 364 ("No. 364") for consideration. After review and discussion, and upon a motion made by Director Lund and seconded by Director Silverman, the Board voted unanimously to approve (1) the bookkeeper's report; and (2) checks presented for payment, including handwritten check no. 2324 in the amount of \$385, payable to Vepo, LLC and check no. 2325 in the amount of \$8,000, payable to BKD, Inc. A copy of the bookkeeper's report is attached.

ANNUAL REPORT

Ms. Vinson stated that the District is required to file an Annual Report in accordance with the District's Continuing Disclosure of Information Agreement and as required by SEC Rule 15c2-12. Upon a motion made by Director Vandewater and seconded by Director Lund, the Board voted unanimously to authorize the consultants to prepare the Annual Report.

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 a leaking fire hydrant and a sanitary sewer line repair on Halperin Falls. He also reviewed test results on effluent at the wastewater treatment plant and wastewater from the Dry Clean Supercenter. Mr. Bare reported that the District's monthly water accountability exceeds 100%, due to the return of a rental meter reporting several months of usage. He said that testing results of meters removed as part of the District's routine meter replacement program should be available next month. He also said that he would send a top ten water users report by email so the Board can determine if water rate changes have affected customers' usages.

Upon a motion made by Director Vandewater and seconded by Director Silverman, 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 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 Silverman seconded the motion, which carried unanimously. A copy of the termination list is attached.

REPORT REGARDING DEVELOPMENT IN THE DISTRICT

Mr. Coleman reported regarding the number of homes sold to date and current sales within the Park at Arbordale, and the renewal of the development's storm water permit.

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

The Board discussed reimbursement due to Beazer for certain improvements within the Park at Arbordale once 25% of the platted lots have houses constructed on them. No action was taken on this agenda item.

RECREATIONAL AND LANDSCAPE FACILITIES

Director Myers discussed two proposals for trees received from Don Richards and Michael Murr, which included a breakdown of tree types and numbers of trees to be planted along Jarvis Road. Following discussion, Director Lund moved to accept the proposal of Silversand Services for an amount not to exceed \$20,000, subject to the terms and conditions of the District's maintenance agreement with Silversand Services. Director Silverman seconded the motion which passed unanimously. Ms. Edwards and Ms. McLennan noted that no funds were specifically set aside for this project in the current budget.

The Board also discussed the request by the Coles Crossing Community Association, Inc. ("CCCAI"), for the District to assume responsibility for certain irrigation meter inspections and CCCAI's irrigation repairs.

ENGINEERING MATTERS

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. Lund recommended payment of invoices for September and October mowing by Seaback. Mr. Burke also recommended clearing a swath next to the fence line by the wastewater treatment plant, repairing posts in the fence line, and repairing of the gates in the storm water channels.

Ms. Vinson reported on the upcoming expiration of the District's mowing agreement with the Harris County Flood Control District ("HCFCD"). Upon a motion by Director Vandewater and a second by Director Silverman, the Board voted unanimously to authorize ABHR to send a letter to HCFCD requesting renewal of the District's mowing contract with HCFCD.

Mr. Burke also reported on Walgreen's fire line tap tied into the District's abandoned water line and recommended excavation of the line for re-connection to the functioning water line located under Spring Cypress Road. Upon a motion by Director Lund and a second by Director Vandewater, the Board voted unanimously to authorize excavation of the fire line tap for connection to the functioning water line.

JARVIS ROAD WIDENING

Mr. Burke updated the Board regarding Harris County's revision of its drainage analysis.

UTILITY AVAILABILITY REQUESTS

Mr. Burke reported on initiation of service to Cheddars Restaurant and a request from Cypress Kids, which is located outside the District's boundaries, for water and sanitary sewer service. The Board discussed requiring a deposit from Cypress Kids for a feasibility study. Upon a motion by Director Silverman and a second by Director Vandewater, the Board voted unanimously to (1) authorize ABHR to prepare a letter to Cypress Kids requiring a deposit for a feasibility study; and (2) authorize the District engineer to prepare a feasibility study, subject to receipt of a deposit from Cypress Kids.

PUMP LOWERING PROJECT AT WATER WELL NO. 2

Mr. Burke reviewed testing of well no. 2 and addressing iron fixing bacteria in well nos. 1 and 2. Mr. Burke said that SEC recommends super-chlorinating well no. 1 and mechanical cleaning, acid treatment, and chlorine treatment of well no. 2. The Board discussed funds available for the project in the operating budget. Upon a motion by Director Silverman and a second by Director Vandewater, the Board voted unanimously to authorize the additional work.

FUTURE WATER SUPPLY

Mr. Burke updated the Board on recent discussions with the North Harris County Regional Water Authority regarding expected surface water delivery dates, noting that surface water delivery to Coles Crossing is expected in 2 - 3 years.

CORROSION AT WATER PLANT NO. 2

Mr. Burke reported on the plan to inspect the ground storage tank when the pump lowering at well no. 2 is complete.

WATER REUSE PROJECT

Mr. Burke reported on bacteriological testing results on samples taken from the regional detention pond, noting high E-coli counts. Mr. Burke said that SEC does not recommend using the detention pond for storage required by 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").

SANITARY SEWER SERVICE TO ENTOUCH FACILITY AND DEEDS, EASEMENTS AND ENCROACHMENTS

Mr. Burke reported that he received and is addressing comments from the City of Houston on the plans for extending sanitary sewer service to the Entouch facility ("Entouch") on Spring Cypress Road. Mr. Burke explained that the City will not give final approval of the plans until the District owns the necessary easements. Director Myers stated that he will attend CCCAI's next meeting to discuss sanitary sewer line easements needed from CCCAI to install the line to serve Entouch.

SECURITY REPORT AND CONTRACT RENEWAL

Ms. Edwards reviewed with the Board a security contract for 2011 with the Harris County Sheriff's Office for one security patrol officer. She also discussed correspondence from Harris County notifying the District of an increase to patrol fees beginning in 2011. Following discussion, Director Silverman moved to approve the contract. Director Lund seconded the motion, which passed unanimously.

DISTRICT WEBSITE HOSTING AND SERVICES AGREEMENT WITH ASSOCIATION VOICE

The Board reviewed a services agreement with Association Voice. Upon a motion by Director Silverman and a second by Director Vandewater, the Board voted unanimously to approve the agreement, subject to final review by Director Bradley.

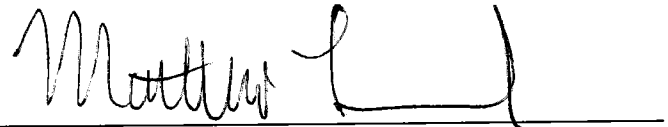
DECEMBER SPECIAL MEETING AGENDA

The Board discussed the special meeting agenda for December.

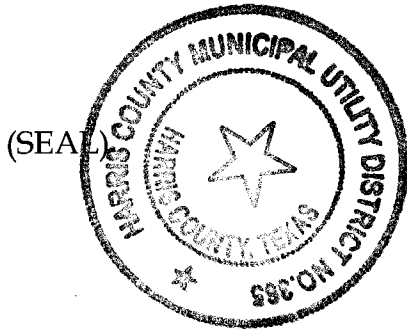
CONVENE IN EXECUTIVE SESSION PURSUANT TO CHAPTER 551.072, TEXAS GOVERNMENT CODE, TO DELIBERATE THE PURCHASE, EXCHANGE, LEASE, OR VALUE OF REAL PROPERTY

The Board determined that no executive session was necessary.

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



Secretary, Board of Directors



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