

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

May 26, 2011

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 26th day of May, 2011, 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"); Brenda McLaughlin of Bob Leared Interests, Inc.; Greg Coleman of Beazer Homes of Texas ("Beazer"); Shirley McLennan of McLennan & Associates; Chris Burke of Sander Engineering Corporation ("SEC"); and Susan Edwards 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 13, 2011, joint special meeting and the April 21, 2011, regular meeting. Upon a motion made by Director Silverman and seconded by Director Lund, the Board voted unanimously to approve the April 13, 2011, joint special meeting and the April 21, 2011, regular meeting, as submitted.

TAX ASSESSMENT AND COLLECTION MATTERS

Ms. McLaughlin reviewed the District's monthly tax report, noting that 99.1% of the 2010 taxes had been collected as of the end of April, 2011, and reviewed delinquent accounts. Ms. McLaughlin reported that the District's preliminary 2011 taxable value of \$374,406,636 represented a 2% increase over the 2010 value. 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. The Board also discussed receipt of funds reimbursed by Harris County to the District for relocation of a waterline along Spring Cypress Road. The Board concurred to engage an auditor to determine the allocation of the Harris County reimbursement between the District and Harris County Municipal Utility District No. 364. After review and discussion, and upon a motion made by Director Lund and seconded by Director Bradley, the Board voted unanimously to approve: (1) the bookkeeper's report; and (2) checks presented for payment, including check no. 2497 in the amount of \$1,872 to the District tax account as reimbursement for a tax bill erroneously paid by a District taxpayer to SWWC. 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, including replacement of 24 meters registering over 1 million gallons of water use, 14 minor fire hydrant repairs, routine preventative maintenance at the wastewater treatment plant and adjustment of the well controls at well no. 1. Mr. Bare also presented a proposal to wire brush and paint 167 District fire hydrants, which he said is usually needed every three to four years. He provided test results on effluent at the wastewater treatment plant and presented a proposal to change the District's current liquid sludge haul method to a beltpress and dry sludge haul method. Mr. Bare also reported that the District's monthly water accountability was 96.4%. Upon a motion made by Director Silverman and seconded by Director Lund, the Board voted unanimously to (1) approve the operator's report; (2) authorize SWWC to wire brush and paint 167 fire hydrants; and (3) change from a liquid sludge haul method to a beltpress and dry sludge haul method by accepting the Magna-Flow Environmental proposal and to authorize SWWC to install an electrical outlet at the wastewater treatment plant to facilitate same at an approximate cost of \$1,000 - \$2,000.

The Board next reviewed the District's Critical Load Spreadsheet for District facilities and determined that no updates are necessary.

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 Lund seconded the motion, which carried unanimously. A copy of the termination list is attached.

RECYCLING CONTRACT

Ms. Edwards reviewed the District's contract with Residential Recycling of Texas and options for continuing service. The Board concurred to defer action on this agenda item pending further investigation by Director Bradley.

REPORT REGARDING DEVELOPMENT IN THE DISTRICT

Mr. Coleman reported regarding the number of homes sold to date, current sales within the Park at Arbordale, lots sold to Ashton Woods Homes and planning for future phases.

Ms. Edwards and Mr. Burke updated the Board regarding the status of commercial development.

REPORT ON RECREATIONAL AND LANDSCAPE FACILITIES

Mr. Murr presented three proposals from Silversand Services to (1) install moss rock at the end of the nature trail and reposition the step off with filter fabric for \$1,917; (2) treat for poison ivy on the south side of the detention pond for \$485; and (3) replace leaking rotors and replace a controller at irrigation clock no. 9 at the soccer fields for \$510. Following discussion, Director Silverman moved to approve proposals to (1) treat for poison ivy on the south side of the detention pond for \$485; and (2) replace leaking rotors and replace a controller at irrigation clock no. 9 at the soccer fields for \$510. Director Bradley seconded the motion which passed unanimously. The Board concurred to further consider improvements to the nature trail to control the gravel.

Mr. Murr reported that he was still working out the details of the proposed Services Agreement to Monitor Common Areas and asked that the Board consider designating a Board representative with authority to approve work without Board action. Upon a motion by Director Silverman and a second by Director Bradley, the Board moved unanimously to approve a Services Agreement to Monitor Common Areas between the District and Michael Murr, subject to final review by ABHR, and designate Joe Myers to authorize maintenance under the Services Agreement for amounts up to \$1,000 without Board approval, unless the maintenance is atypical, in which case, Board approval would be required.

Mr. Murr said that he continues to work on schedules and budgets for detention area maintenance and construction.

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.

REIMBURSEMENT FOR PARK AT ARBORDALE INFRASTRUCTURE

Mr. Burke reported that the surplus funds application to the Texas Commission on Environmental Quality ("TCEQ") requesting the use of surplus funds to reimburse Beazer Homes for construction of water, sewer and drainage facilities to serve The Park at Arbordale is administratively complete.

REIMBURSEMENT FROM HARRIS COUNTY FOR WATERLINE RELOCATION

Mr. Burke reported that the District's request for reimbursement from Harris County for the costs to relocate the joint waterline along Spring Cypress Road was approved and payment has been received.

STORMWATER CHANNEL MAINTENANCE

Mr. Burke said that the April invoice for mowing of the dry detention pond, which included \$700 for overseeding, was submitted by Seaback for payment.

JARVIS ROAD WIDENING, DETENTION CAPACITY, LANDSCAPING AND SIDEWALK PROJECT, AND ACCESS EASEMENT WITH HARRIS COUNTY (THE "COUNTY")

Mr. Burke reported that SEC drafted a letter to Harris County indicating that the District generally approves the drainage analysis prepared by Dannenbaum Engineering, but does not approve the excavation profile. He said that SEC will continue to work with Dannenbaum Engineering so that the District has input on the excavation of the pond.

UTILITY AVAILABILITY REQUESTS

Mr. Burke said that SEC issued a utility availability letter to Landry's and reviewed several swimming pool plans during the month of April. He also discussed a land plan for Saltgrass Steakhouse.

PUMP LOWERING PROJECT AT WATER WELL NO. 2, COATING OF GROUND STORAGE TANK NO. 2, WELL RUN TIMES AND DROUGHT CONTINGENCY MEASURES

Mr. Burke then reported that SWWC recommended that the ground storage tanks at water plant no. 2 not be taken down for inspection and repair at this time due

to the drought and high water demand. Mr. Burke provided graphs showing current and historical well production for this time of year. Mr. Burke noted that the District can expect to find water use restrictions necessary by late June in the absence of significant rainfall. No action was taken on this agenda item.

FUTURE WATER SUPPLY, INCLUDING WATER CAPACITY ANALYSIS

There was no additional discussion on this agenda item.

WATER REUSE PROJECT

Mr. Burke reported regarding revisions to the reuse feasibility analysis, now including project costs and an analysis of the number of years it will take to recover initial capital costs to construct the facility. Mr. Burke noted that a reuse system may not avoid the need for the construction of a fourth well prior to the time surface water is received based on current usages. The Board considered informally the costs of the reuse system versus the costs of a new well. The Board also discussed possible rates to encourage potential customers to use reuse water. Ms. Edwards reported regarding possible issues regarding reuse water when the District converts to surface water.

ELEVATED STORAGE TANK WAIVER

Mr. Burke reported that SEC continues to work on the elevated storage tank waiver request to be submitted to the TCEQ later this year.

Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to approve the engineer's report.

SANITARY SEWER SERVICE TO ENTOUCH FACILITY ON SPRING CYPRESS ROAD

Ms. Edwards reported on the status of easements to be conveyed by CCCAI, Inc., to install the sanitary sewer line to serve Entouch. She also presented a Phase 1 environmental survey proposal from Berg Oliver Associates in the amount of \$2,150 for the lift station site at Park at Arbordale.

DEEDS AND EASEMENTS

Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to authorize a Phase 1 environmental survey proposal from Berg Oliver Associates for \$2,150 for the lift station site at Park at Arbordale.

SECURITY REPORT

There was no discussion on this agenda item.

PUBLIC COMMUNICATIONS

Director Bradley said that the District's website host submitted a proposal to overhaul the District's website for \$99 per hour. Upon a motion by Director Bradley and a second by Director Lund, the Board voted unanimously to authorize Globenetix to overhaul the District's website for an amount not to exceed \$1,500.

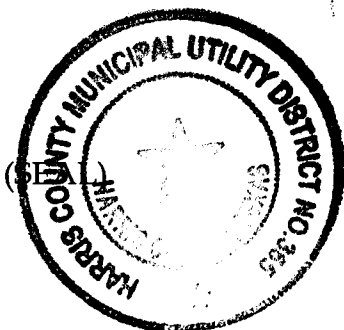
JUNE SPECIAL MEETING AGENDA

The Board discussed the June special and regular meeting dates and agendas and concurred to schedule the June special meeting for June 8, 2011 at 7:00 p.m.

CONVENE IN EXECUTIVE SESSION PURSUANT TO SECTION 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.



Matthew Lund

Secretary, Board of Directors

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