

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

July 21, 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 21<sup>st</sup> day of July, 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, with the exception of Director Vandewater, thus constituting a quorum.

Also present at the meeting were Brian Bare of SWWC Services, Inc. ("SWWC"); Brenda McLaughlin of Bob Leared Interests, Inc.; Michael Murr of Murr, Inc.; Shirley McLennan of McLennan & Associates; Chris Burke of Sander Engineering Corporation ("SEC"); Greg Lentz of First Southwest Company; 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 June 8, 2011, special meeting; the June 16, 2011, regular meeting; the July 7, 2011, special meeting; and the July 13, 2011, special meeting. Upon a motion made by Director Bradley and seconded by Director Lund, the Board voted unanimously to approve the minutes for the June 8, 2011, special meeting, as revised; the June 16, 2011, regular meeting; the July 7, 2011, special meeting; and the July 13, 2011, special meeting.

REPORT FROM FINANCIAL ADVISOR ON REFUNDING BOND ISSUE AND  
PRELIMINARY OFFICIAL STATEMENT FOR DISTRICT'S REFUNDING BONDS,  
SERIES 2011

Mr. Lentz reviewed a financial analysis of savings potentially created by the proposed refunding bond issuance, discussed current bond market conditions, issuance costs of the refunding bonds, and scheduling a closing date. Mr. Lentz also discussed the City of Houston's requirements applicable to the District's refunding bonds. Mr. Lentz reviewed the draft Preliminary Official Statement for the District's Series 2011 Refunding Bonds. Following review and discussion, Director Bradley moved to approve the Preliminary Official Statement, subject to final revisions. Director Silverman seconded the motion, which passed unanimously.

DESIGNATE UNDERWRITER

The Board considered designating an underwriter for the Series 2011 Refunding Bonds. Mr. Lentz recommended SAMCO. Following review and discussion, Director Bradley moved to designate SAMCO, as underwriter of the Series 2011 Refunding Bonds. Director Silverman seconded the motion, which passed unanimously.

PAYING AGENT/REGISTRAR

The Board considered appointing a paying agent/registrar for the Series 2011 Refunding Bonds. Following review and discussion, Director Bradley moved to appoint Bank of New York as paying agent/registrar for the Series 2011 Refunding Bonds. Director Silverman seconded the motion, which passed unanimously.

RESOLUTION AUTHORIZING THE ISSUANCE OF THE DISTRICT'S UNLIMITED  
TAX REFUNDING BONDS, SERIES 2011, AUTHORIZE THE BOARD OF DIRECTORS  
TO SIGN ALL DOCUMENTS RELATING TO THE SALE OF THE BONDS AND  
AUTHORIZE THE DISTRICT'S ATTORNEY AND THE UNDERWRITER TO TAKE  
ALL NECESSARY ACTION IN CONNECTION WITH THE ISSUANCE OF THE  
DISTRICT'S UNLIMITED TAX REFUNDING BONDS, SERIES 2011

Ms. Edwards presented and reviewed with the directors a Resolution Authorizing the Issuance of the District's Series 2011 Refunding Bonds. Mr. Lentz also reviewed an engagement letter with First Southwest Company for a financial advisory fee associated with the District's Series 2011 Refunding Bonds. After review and discussion, Director Bradley moved to (i) adopt the Resolution Authorizing the Issuance of the District's Series 2011 Refunding Bonds, (ii) authorize Director Myers to act as the District's authorized representative to approve the sale of the refunding bonds subject to a minimum net present value savings of 4% and a maximum principal amount of \$7,000,000, to select the specific maturities or series of the District's outstanding bonds to be refunded and to perform any actions needed to effect the sale

of the Refunding Bonds, including the execution of the Bond Purchase Agreement and any other necessary documents, and (iii) approve an engagement letter with First Southwest Company for a financial advisory fee associated with the District's Series 2011 Refunding Bonds. Director Silverman seconded the motion, which passed unanimously.

#### TAX ASSESSMENT AND COLLECTION MATTERS

Ms. McLaughlin reviewed the District's monthly tax report, noting that 99.5% of the 2010 taxes had been collected as of the end of June, 2011, and reviewed delinquent accounts. Ms. McLaughlin also reported regarding the status of values under protest and the District's preliminary assessed value for 2011. After discussion, Director Bradley moved to approve the tax assessor/collector's report, and the checks drawn on the District's tax account. Director Lund seconded the motion, which passed unanimously. A copy of the tax assessor/collector's report is attached.

#### REPORT TO CONFIRM DISTRICT REIMBURSEMENTS FOR SPRING-CYPRESS WATERLINE RELOCATION COSTS

Ms. Edwards reviewed a reimbursement report prepared by BKD, LLP documenting the allocation of the Harris County reimbursement between the District and Harris County Municipal Utility District No. 364 for Spring-Cypress waterline relocation costs. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to approve the reimbursement report and authorize reimbursement to No. 364 and to the District's operating account in accordance with the allocation shown in the report.

#### 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 reviewed draft joint facilities budgets for the fiscal year ending August 31, 2012, and a draft District budget for the fiscal year ending August 31, 2012, and discussed proposed revisions. After review and discussion, and upon a motion made by Director Silverman and seconded by Director Bradley, the Board voted unanimously to approve the bookkeeper's report and the checks presented for payment, including check no. 2549 to the Attorney General for bond review fees, check no. 2548 to Seaback Maintenance, check no. 2535 to the District for reimbursement for the Spring Cypress waterline relocation and check no. 2736 to No. 364 for the Spring Cypress waterline relocation. 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 reported 2 new taps in the District and reviewed routine maintenance and repairs in the District, including replacement of 36 meters, preventative maintenance at the wastewater treatment plant and a minor fire hydrant repair. Mr. Bare also reported that the District's monthly water accountability was 94.3%. Mr. Bare also requested authorization to sell as surplus an 8-inch turbine meter assembly previously removed from the Cheddars Casual Café site. Mr. Bare reviewed a customer request received today for relief on a high water bill. Mr. Bare requested authorization to allow the customer to pay a revised billing amount based on the customer's July, 2010, invoice without penalty while SWWC investigate the customer's account information for the Board's consideration. 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 sell as surplus 8-inch turbine meter assembly; and (3) approve a revised interim bill to the customer submitting a request.

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.

## INTERLOCAL AGREEMENT WITH SUBSIDENCE DISTRICT FOR WATERWISE PROGRAM

Ms. Vinson 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 Bradley and seconded by Director Lund, the Board voted unanimously to approve the Interlocal Agreement with Harris-Galveston Subsidence District for the Water Wise Program.

## REPORT REGARDING DEVELOPMENT IN THE DISTRICT

The Board received a report from Mr. Coleman regarding the number of homes sold to date and current sales within The Park at Arbordale.

## REPORT ON RECREATIONAL AND LANDSCAPE FACILITIES

Mr. Murr distributed a monthly report on trail maintenance, a copy of which is attached, and reported regarding repairs needed to the fences along Jarvis Road and the north trail. He presented a quote from Fence Crete in the amount of \$1,400 for repair of the fences along Jarvis Road and the north trail. Mr. Murr updated the Board on plant and tree stress in non-irrigated areas due to the drought. Mr. Murr also reviewed estimates to repair the rock wall on the trails and cracks in the asphalt trails. Mr. Burke recommended that the cracks be filled. The Board requested that Mr. Murr solicit a proposal to have the cracks filled. Following discussion and upon a motion by Director Silverman, seconded by Director Lund, the Board voted unanimously to approve Fence Crete's proposal in the amount of \$1,400 to repair the fences along Jarvis Road and the north trail, subject to review and approval of warranty information by Director Myers.

## APPLICATION TO TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR APPROVAL TO USE SURPLUS FUNDS TO REIMBURSE THE DEVELOPER FOR PARK AT ARBORDALE INFRASTRUCTURE

Ms. Edwards reported on the status of the District's 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 and said that ABHR responded to the TCEQ reviewer's questions and request for additional documents regarding the application.

## 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. Burke said that the June invoice for mowing of the dry detention pond was submitted by Seaback Maintenance for payment.

## JARVIS ROAD WIDENING

Mr. Burke next reported that he has provided a letter of no objection to Harris County with regard to the drainage analysis associated with the widening of Jarvis Road, but also stating that no construction could occur until a written agreement is executed between the District and Harris County.

## UTILITY AVAILABILITY REQUESTS AND DETENTION CAPACITY

Mr. Burke said that SEC reviewed several swimming pool plans during the month of June. He also updated the Board on the status of construction of Texas Furniture Hut and the design and land plan for Saltgrass Steakhouse, including a request for detention capacity in District facilities. Mr. Burke said he has been unable to confirm that the Saltgrass Steakhouse site has capacity in District facilities so far.

## PUMP LOWERING PROJECT AT WATER WELL NO. 2 AND FUTURE WATER SUPPLY

Mr. Burke recommended that the Board approve Pay Estimate No. 5 and Final in the amount of \$39,643.90 payable to Alsay, Inc. for repairs to water well no. 2. Mr. Burke next reported that SEC is preparing a bid package for proposed rehabilitation of water well no. 3 at an estimated cost of \$200,000. Upon a motion by Director Lund and a second by Director Bradley, the Board voted unanimously to authorize payment of Pay Estimate No. 5 and Final in the amount of \$39,643.90 payable to Alsay, Inc. for repairs to water well no. 2.

The Board discussed the North Harris County Regional Water Authority ("NHCRWA") schedule for the delivery of surface water to the District's water plants. Mr. Burke reported that SEC is preparing a response to NHCRWA regarding the District's and No. 364's projected surface water demands.

## WELL RUN TIMES AND DROUGHT CONTINGENCY MEASURES

Mr. Burke reviewed well run times. He reported that the District has not yet reached the criteria necessary to declare stage 1 drought conditions. Ms. Vinson said that a notice has been provided to Classic Messaging to deliver through the emergency notification system in the event drought stage 1 is declared.

## WATER REUSE PROJECT

There was no discussion regarding this agenda item.

## CORROSION AT WATER PLANT NO. 2

Mr. Burke reported that SEC will inspect ground storage tank no. 2 and repair ground storage tank no. 1 in the winter.

## 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.

## SANITARY SEWER SERVICE TO ENTOUCH FACILITY ON SPRING CYPRESS ROAD

Ms. Edwards reported that the Coles Crossing Community Association, Inc. has not yet delivered the requested sanitary sewer easement to the District. Ms. Edwards said that ETS Telephone Company, Inc. has signed an easement, permitting the installation of a sanitary sewer line to serve Entouch. No action was taken on this agenda item.

## LIFT STATION AT PARK AT ARBORDALE

Ms. Edwards reported that the Phase 1 environmental survey by Berg-Oliver Associates for the lift station site at The Park at Arbordale was received on July 15, 2011, and that the deed for the lift station site has been sent to Hearthstone Multi-Asset Entity D, LP for execution.

## SECURITY REPORT

There was no discussion on this agenda item.

## PUBLIC COMMUNICATIONS

Director Bradley discussed updates to the District's website.

## RENEWAL OF DISTRICT'S INSURANCE POLICIES

Ms. Edwards said that the District's current insurance policies expire at the end of August and reviewed the renewal proposal. Following discussion, the Board concurred to request that a representative from SIG/McDonald & Wessendorff attend the August special Board meeting to review the renewal proposal and options.

## REPORT REGARDING LEGISLATIVE MATTERS

Ms. Edwards reported on legislation passed during the State's 2011 Legislative Session impacting special districts in Texas.

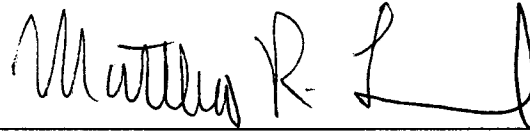
## AUGUST SPECIAL MEETING AGENDA

The Board discussed the August special meeting date and agenda and concurred to schedule the August special meeting for August 11, at 7:00 p.m. at 14114 Spindle Arbor Road, Cypress, Texas 77429, and to include agenda items for insurance renewal and budget issues.

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

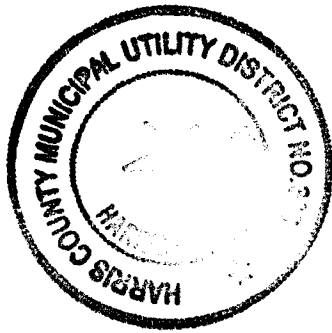
The Board determined that no executive session was necessary.

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



Secretary, Board of Directors

(SEAL)





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