

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

September 22, 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 22nd day of September, 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"); Michael Keefe of Bob Leared Interests, Inc.; Sherri Greenwood of BKD, Inc.; Michael Murr of Murr, Inc.; Shirley McLennan of McLennan & Associates; Chris Burke of Sander Engineering Corporation ("SEC"); Greg Coleman of Beazer Homes Texas LP; Greg Lentz of First Southwest Company; and Susan Edwards, Alia Vinson and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENT

No comments.

SECURITY REPORT

The Board discussed the current contract with the Harris County Sheriff's Office for patrol services. Director Bradley commented regarding a possible additional security patrol, specifically for traffic control purposes in school zones.

MINUTES

The Board considered approving the minutes of the August 11, 2011, special meeting, the August 18, 2011, regular meeting and the September 8, 2011, special meeting. Upon a motion made by Director Lund and seconded by Director Bradley, the Board voted unanimously to approve the minutes for the August 11, 2011, special meeting, the August 18, 2011, regular meeting and the September 8, 2011, special meeting.

TAX ASSESSMENT AND COLLECTION MATTERS

Mr. Keefe reviewed the District's monthly tax report, noting that 99.6% of the 2010 taxes had been collected as of the end of August, 2011, and reviewed delinquent accounts. Mr. Keefe also reported regarding historical collections. After discussion, Director Lund 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.

2011 TAX RATE

Mr. Lentz distributed a written tax rate analysis, a copy of which is attached. Mr. Lentz presented and reviewed two debt service tax rate scenarios and the effects of each on the current budget. After all discussion, upon a motion made by Director Silverman and seconded by Director Lund, the Board unanimously authorized the tax assessor to publish notice of a public hearing on October 20, 2011, regarding the District's proposed adoption of a total tax rate of \$0.52 per \$100 of valuation, comprised of a \$0.375 debt service component and a \$0.145 operation and maintenance component. The Board also concurred to post the tax notice to be published in the Houston Chronicle on the District website along with information regarding savings from the District's refunding bonds series.

APPLICATION TO TEXAS COMMISSION ON ENVIRONMENTAL QUALITY ("TCEQ") FOR APPROVAL TO USE SURPLUS FUNDS TO REIMBURSE THE DEVELOPER FOR PARK AT ARBORDALE INFRASTRUCTURE AND DEVELOPER REIMBURSEMENT REPORT AND AUTHORIZE DISBURSEMENT OF FUNDS

Ms. Edwards reported that the TCEQ approved the District's application requesting approval to use surplus funds to reimburse Beazer Homes of Texas ("Beazer") for construction of water, sewer and drainage facilities to serve The Park at Arbordale. Mr. Burke confirmed inspection of those facilities to be reimbursed by the TCEQ and Ms. Edwards discussed a \$700 deduction from the total amount to be reimbursed for repairs required by the TCEQ. Ms. Greenwood reviewed a developer reimbursement report authorizing reimbursement to Beazer in the amount of \$2,076,691, from both surplus funds and general operating funds, a copy of which has been filed in the District's records. Upon a motion by Director Silverman and a second by Director Lund, the Board voted unanimously to approve the developer reimbursement report and authorize reimbursement to Beazer in the amount of \$2,076,691 minus \$700 for required repairs, subject to the execution of a receipt by Beazer.

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 Bradley and seconded by Director Silverman, the Board voted unanimously to: (1) approve the bookkeeper's report; and (2) approve the checks presented for payment, including two wire transfers totaling \$2,076,691 minus \$700 for required repairs to reimburse Beazer for construction of water, sewer and drainage facilities to serve The Park at Arbordale.

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 two new taps in the District and reviewed routine maintenance and repairs in the District, including 8 new taps in the Park at Arbordale, painting of 148 fire hydrants, one tap line repair, a sanitary sewer line repair, vacuuming of the sludge line and preventative maintenance to the generators at the wastewater treatment plant. Mr. Bare also reported that the District's monthly water accountability was 97.2%. The Board discussed water quality issues. Mr. Bare discussed a violation notice from the Harris County Health Department regarding an accidental discharge at a manhole behind 24 Hour Fitness and SWWC's response to the TCEQ and Harris County.

He also reported that TCEQ contacted the Dry Clean Supercenter regarding a lapsed permit for the on-site storage of chemicals and also contacted SWWC. Mr. Bare said he described the District's routine testing of wastewater from the Dry Clean Supercenter, which pleased the TCEQ representative. He provided test results on effluent at the wastewater treatment plant and samples taken this month at the Dry Clean Supercenter. Upon a motion made by Director Silverman and seconded by Director Lund, the Board voted unanimously to approve the District 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 Lund seconded the motion, which carried unanimously. A copy of the termination list is attached.

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 and planning for future phases.

Ms. Edwards discussed the status of conveyance of the privately owned sanitary sewer line within Coles Crossing South. She said that the developer has identified a waterline easement that was conveyed to the District without the District's knowledge or acceptance on an incorrect location. Ms. Edwards said the developer has asked that the District agree to the rescission of the easement and the acceptance of a new waterline easement. Ms. Edwards recommended that the Board defer action pending additional information requested from the developer's attorney and engineer.

REPORT ON RECREATIONAL AND LANDSCAPE FACILITIES

Mr. Murr presented a proposal from Silversand Services in the amount of \$23,000 to repair cracks in the asphalt trails. Mr. Murr reported that repairs to the fencing along Jarvis Road are complete. The Board requested that the District engineer review the proposal. Mr. Murr also presented a preliminary cost estimate over \$10,000 to install a drip irrigation system along the north trail to water trees and reported regarding correspondence received from Jennifer Petras of Coles Crossing Community Association, Inc. regarding tree removal along Jarvis Road and the recreational trails.

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 February and August invoices for mowing of the dry detention pond were submitted by Seaback Maintenance for payment. The Board discussed the commercial ditch and Ms. Vinson said that the commercial ditch belongs to the District and it appears unlikely that Harris County Flood Control accepted the ditch for maintenance, but ABHR is confirming that with the Flood Control District. Director Myers requested that Mr. Burke determine whether or not there are any unauthorized tie-ins to the District's commercial ditch.

JARVIS ROAD WIDENING

Mr. Burke next reported regarding Harris County's schedule for the widening of Jarvis Road and the status of obtaining a written agreement between the District and Harris County.

UTILITY AVAILABILITY REQUESTS

Mr. Burke updated the Board on the status of construction of Texas Furniture Hut and the design and land plan for Saltgrass Steakhouse.

FUTURE WATER SUPPLY

There was no additional discussion on this agenda item.

WELL RUN TIMES AND DROUGHT CONTINGENCY MEASURES

Mr. Burke reviewed well run times provided by the District's operator and reported that the District has not yet reached the criteria necessary to declare stage 1 drought conditions.

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 at the same time the water plant is down for rehabilitation.

REHABILITATION OF WATER WELL NO. 3

Mr. Burke discussed the recommended rehabilitation of water well no. 3 and requested authorization to solicit bids for inspection and repairs mid to late October. The Board discussed deferring notice to proceed until the winter months and Mr. Burke discussed options for supplementing water production during rehabilitation. Upon a motion by Director Silverman and a second by Director Vandewater, the Board voted unanimously to authorize the District engineer to solicit bids for inspection and repairs for the rehabilitation of water well no. 3.

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

Mr. Burke next reported regarding plans to serve the Entouch facility on Spring Cypress Road with sanitary sewer service and requested authorization to advertise for bids for construction. Upon a motion by Director Silverman and a second by Director Vandewater, the Board voted unanimously to authorize the District engineer to solicit bids for the construction of sanitary sewer facilities to serve the Entouch facility on Spring Cypress Road.

DEEDS, EASEMENTS, AND ENCROACHMENTS

Mr. Coleman also presented a Special Warranty Deed from Hearthstone Multi-Asset Entity, LP to the District conveying the lift station for the Park at Arbordale. Upon a motion by Director Bradley and a second by Director Lund, the Board voted unanimously to accept a Special Warranty Deed from Hearthstone Multi-Asset Entity, LP to the District conveying the lift station for the Park at Arbordale.

PUBLIC COMMUNICATIONS

There was no discussion on this agenda item.

POSSIBLE CONSOLIDATION OF DISTRICT AND HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 364

Ms. Vinson distributed and discussed with the Board a memorandum regarding the findings within Attorney General Opinion No. GA-0883. The Board also discussed appointing two members to a proposed consolidation committee to meet with Harris County Municipal Utility District No. 364 to discuss the possible consolidation of the districts and the process details. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to appoint Directors Myers and Lund to serve as the District's representatives on the consolidation committee.

OCTOBER REGULAR AND JOINT MEETING

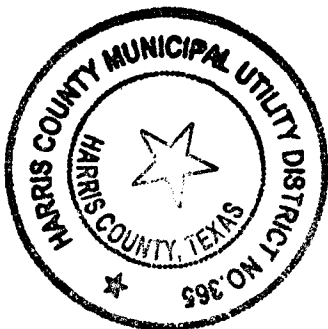
The Board discussed the October joint, special and regular meeting dates and agendas.

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.

(SEAL)





Secretary, Board of Directors

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