

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

January 19, 2012

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 19th day of January, 2012, 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 and Scott Spidle of SWWC Services, Inc. ("SWWC"); Brenda McLaughlin of Bob Leared Interests, Inc.; Shirley McLennan of McLennan & Associates; Chris Burke of Sander Engineering Corporation ("SEC"); Greg Coleman of Beazer Homes Texas LP; Michael Murr of Murr, Inc.; and 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 December 8, 2011, special meeting, the December 15, 2011, regular meeting and the January 5, 2012 special meeting. Upon a motion made by Director Vandewater and seconded by Director Lund, the Board voted unanimously to approve of the December 8, 2011, special meeting, the December 15, 2011, regular meeting and the January 5, 2012 special meeting, as submitted.

TAX ASSESSMENT AND COLLECTION MATTERS

Ms. McLaughlin reviewed the District's monthly tax report, noting that 57.9% of the 2011 taxes had been collected as of the end of December, 2011, and reviewed delinquent accounts. Ms. McLaughlin also reported regarding historical collections. 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, and the bills and checks presented for payment. Ms. McLennan reported on current interest rates and recommended moving \$700,000 in the debt service fund from TexPool to the Compass Bank account. Ms. McLennan also reported totals paid to Seaback Maintenance during 2011 and from January 1, 2012 to date. 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; (2) approve the checks presented for payment; and (3) authorize the District bookkeeper to move \$700,000 in the debt service fund from TexPool to the Compass Bank account.

The Board then considered accepting Disclosure Statements from the District's bookkeeper and Investment Officer as required by the Public Funds Investment Act. Upon a motion made by Director Bradley and seconded by Director Silverman, the Board voted unanimously to accept the Disclosure Statements from the District's bookkeeper and Investment Officer and to authorize filing with the Texas Ethics Commission.

OPERATION OF DISTRICT WATER AND TERMINATION OF WATER SERVICE TO DELINQUENT CUSTOMERS

Mr. Spidle reported regarding the resignation of Brian Bare as the District's SWWC representative and the status of implementation of a new billing/customer management system at SWWC. Mr. Bare reviewed the written operations report with the Board, a copy of which is attached. Mr. Bare discussed maintenance and repairs completed during the month of December, 2011, including a main line repair on Barker Cypress Road and discussed water delivered through the District's interconnect with Northwest Harris County Municipal Utility District No. 10. Following discussion, Director Vandewater moved to accept the District operator's report. Director Lund seconded the motion which passed unanimously.

Ms. Vinson reported that no response has been received to the District's letter demanding payment of damages from the contractor that broke water lines on Barker Cypress Road. She recommended pursuing collection through a contingency fee collection contract with Mitchell & Duff, LLC, if the contractor does not respond to the initial demand letter. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to engage Mitchell & Duff, LLC, if the contractor does not respond to the initial demand letter within 30 days of the date of the letter.

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 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, current sales within The Park at Arbordale, planning for future phases and renewal of the storm water quality permits for The Park at Arbordale.

Ms. Vinson discussed the status of conveyance of the privately owned sanitary sewer line within Coles Crossing South and the expenses incurred by the District in connection with same. Upon a motion by Director Lund and a second by Director Bradley, the Board voted unanimously to authorize ABHR to send a letter requesting that the developer make a \$5,000 deposit to cover expenses incurred by the District in connection with the proposed conveyance of the private facilities.

REPORT ON RECREATIONAL AND LANDSCAPE FACILITIES

Mr. Murr reviewed with the Board a draft Texas Parks and Wildlife Department Grant Application for Texas Recreational Trails Fund due February 1, 2012, including support letters and administration of the grant, including initial spending and reimbursement of funds. Ms. Vinson noted that the grant maximum is \$200,000 and that the District would bear the full cost of the proposed project, subject to reimbursement of the grant amount.

Mr. Murr next reviewed five proposals for tree pruning and removal along the north trail at the detention basin. Following discussion, the Board concurred to approve the proposal from Silversand Services, LLC in the amount of \$9,250, to be added as an exhibit to the District's existing Services Agreement with Silversand, LLC.

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 Seaback Maintenance did not mow in December, 2011. He also reported that Harris County Public Improvement Department has requested that the District provide an as-built certificate for the regional detention pond on Jarvis Road.

WASTEWATER TREATMENT PLANT LEAKS

Mr. Burke reported regarding seepage at the wastewater treatment plant basin and said that SEC's structural engineer has inspected the basin, but is not prepared to make a recommendation at this time.

UTILITY AVAILABILITY REQUESTS

Mr. Burke updated the Board on the status of the proposed Saltgrass Steakhouse and the utilities required to serve it, including a request for consent to encroach upon a District waterline easement, and a request for a fire line for an existing commercial center on Highway 290.

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 well levels.

CORROSION AT WATER PLANT NOS. 1 AND 2, INCLUDING EPOXY COATING OF GROUND STORAGE TANK NO. 2

Mr. Burke reported regarding ongoing blasting and top coating of the hydro-pneumatic tank interiors at water plant nos. 1 and 2. Mr. Burke discussed a proposal in the amount of \$24,975 to repair the floors of ground storage tanks no. 1 and 2 at water plant no. 2. Mr. Burke said that SEC needs additional information regarding pricing for welding patches on the floors and repairs to the skimmer arm and diffuser pipe. Following discussion, the Board concurred to request that the District engineer separate the hydro-pneumatic tank projects by plant and to request additional proposals for repairs to the ground storage tanks.

REHABILITATION OF WATER WELL NO. 3

Mr. Burke reported on the progress of rehabilitation of water well no. 3, and said that the contractor will move on site to begin wire brushing next week.

EXCAVATION AND POSSIBLE RELOCATION OF WATER LINE AT DUNDEE ROAD

Mr. Burke next discussed excavation and possible relocation of a water line at Dundee Road. Mr. Burke said that SWWC will charge \$800 to dig up the line to confirm the location of the water line for Harris County and that SEC estimates a cost of \$10,500 to relocate the water line, if necessary. Following discussion, Director Vandewater moved to authorize SWWC to dig up and locate the water line for an amount not to exceed \$800 and to approve relocation of the waterline, if there is a conflict and Harris County is not able to adjust plans to avoid the relocation, for an amount not to exceed \$10,500. Director Bradley seconded the motion which passed unanimously.

SANITARY SEWER SERVICE TO ENTOUCH FACILITY ON SPRING CYPRESS ROAD

Mr. Burke said that the construction of sanitary sewer service to the Entouch facility on Spring Cypress Road is substantially complete and recommended that the Board approve Pay Estimate No. 1 in the amount of \$20,852.10, payable to Bay Utilities, Inc. Following discussion, Director Bradley moved to approve Pay Estimate No. 1 in the amount of \$20,852.10, payable to Bay Utilities. Director Lund seconded the motion which passed unanimously.

DEEDS, EASEMENTS, AND ENCROACHMENTS

There was no discussion on this agenda item.

PROPOSED ENGINEERING FEE INCREASE

Mr. Burke next presented to the Board an addendum to the District's engineering contract with SEC increasing the engineering fees. Upon a motion by Director Vandewater and a second by Director Bradley, the Board voted unanimously to approve the increase in engineering fees.

SECURITY REPORT

The Board discussed security patrol within the District, including recent incidents, coordination of patrol efforts, traffic initiatives and patrol of commercial areas.

PUBLIC COMMUNICATIONS

The Board discussed the status of establishing additional sources for distributing public service announcements to District customers and residents.

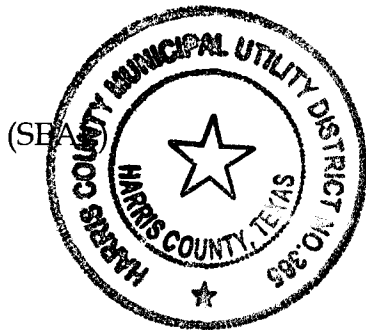
POSSIBLE CONSOLIDATION OF DISTRICT AND HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 364 ("NO. 364")

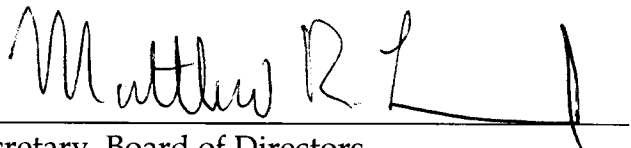
The Board next discussed the status of reconvening the consolidation committee along with each District's attorney. Ms. Vinson said that she called No. 364's attorney to coordinate the next meeting date and the due diligence process.

FEBRUARY REGULAR AND SPECIAL MEETING AGENDAS

The Board discussed the February special and February and March regular meeting dates and agendas.

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




Secretary, Board of Directors

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