

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

February 16, 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 16th day of February, 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, except Director Bradley, thus constituting a quorum.

Also present at the meeting were Cathy Falke and Keith Fischer of SWWC Services, Inc. ("SWWC"); Brenda McLaughlin and Lina Louaiza of Bob Leared Interests, Inc.; Shirley McLennan of McLennan & Associates; Chris Burke of Sander Engineering Corporation ("SEC"); Greg Coleman of Beazer Homes Texas LP; 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 January 11, 2012, special joint meeting, and the January 19, 2012, regular meeting. Upon a motion made by Director Vandewater and seconded by Director Silverman, the Board voted unanimously to approve the minutes of the January 11, 2012, special joint meeting, and the January 19, 2012, regular meeting, both as submitted.

TAX ASSESSMENT AND COLLECTION MATTERS

Ms. McLaughlin reviewed the District's monthly tax report, noting that 94.3% of the 2012 taxes had been collected as of the end of January, 2012, and reviewed delinquent accounts. Ms. McLaughlin also reported regarding historical collections and discussed large accounts that have not paid to date. After discussion, Director Silverman moved to approve the tax assessor/collector's report, and the checks drawn

on the District's tax account. Director Vandewater seconded the motion, which passed unanimously. A copy of the tax assessor/collector's report is attached.

ANNUAL REPORT

Ms. Vinson reviewed an Annual Report containing updated financial and operating data to be filed in accordance with the continuing disclosure provisions contained in the District's bond resolutions. Following review and discussion, Director Silverman moved to approve the Annual Report, authorize the attorney to submit the District's updated financial and operating data in compliance with the continuing disclosure provisions contained in the bond resolutions, and direct that the Annual Report be filed appropriately and retained in the District's official records. Director Lund seconded the motion, which passed unanimously.

ANNUAL REVIEW OF INVESTMENT POLICY AND RESOLUTION REGARDING ANNUAL REVIEW OF INVESTMENT POLICY AND ADOPTION OF AMENDED INVESTMENT POLICY

The Board reviewed the District's Investment Policy adopted February 19, 2009, to determine if any amendments were necessary. After discussion, the Board determined to amend and restate the investment policy to reflect recent legislative revisions to the Public Funds Investment Act. Upon a motion made by Director Silverman, seconded by Director Lund, the Board voted unanimously to adopt a Resolution Regarding Annual Review of Investment Policy and Adoption of Amended Investment Policy.

RESOLUTION ESTABLISHING THE AUTHORIZED DEPOSITORY INSTITUTIONS AND ADOPTING LIST OF QUALIFIED BROKER/DEALERS WITH WHOM THE DISTRICT MAY ENGAGE IN INVESTMENT TRANSACTIONS

The Board reviewed the District's list of qualified broker/dealers and authorized depository institutions. Upon a motion by Director Silverman and a second by Director Lund, the Board voted unanimously to adopt Resolution Establishing the Authorized Depository Institution and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. McLennan reported regarding certain issues relating to the cash summary reports presented to the bookkeeper by SWWC subsequent to SWWC's November conversion to its new software and data reporting platform. Mr. Fischer acknowledged that SWWC has experienced problems with its data conversion in connection with its software upgrade and stated that SWWC plans to have the problems resolved and provide revised reports by the end of February. The Board expressed concern

regarding the significant accounting and customer service issues for the District caused by SWWC's new software implementation.

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. After review and discussion, and upon a motion made by Director Silverman and seconded by Director Vandewater, the Board voted unanimously to: (1) approve the bookkeeper's report; and (2) approve the checks presented for payment, including check no. 2744 in the amount of \$41,708.70, payable to Bay Utilities, Inc., check no. 2745 in the amount of \$2,183, payable to Aviles Engineering, and check no. 2846 in the amount of \$1,700, payable to Preventative Services.

The Board discussed the winter AWBD conference. Upon a motion made by Director Silverman and seconded by Director Lund, the Board unanimously authorized reimbursement of the expenses submitted by the Board members for the winter conference and authorized attendance at the summer conference.

OPERATION OF DISTRICT WATER, SANITARY SEWER, AND STORMWATER FACILITIES

Mr. Fischer said that SWWC will engage an independent auditor to review the cash reports that SWWC is reconciling. He added that SWWC's software conversion has not affected the quality of SWWC's field operations, which remain good. Director Silverman said that District residents have complained of poor customer service. Mr. Fischer said that he would address the complaints with Juan Alexander, Director of SWWC Customer Care and that Ms. Falke would pull the recorded calls and review them.

Ms. Falke then reviewed the written operations report with the Board, a copy of which is attached. Ms. Falke discussed maintenance and repairs completed during the month of January, 2012, including a large water main repair, annual commercial meter testing, preventative maintenance on the lift station no. 1 generator, preventative maintenance on the wastewater treatment plant chlorinator and detector, vibration testing on the blowers at the wastewater treatment plant and preventative maintenance at water plant nos. 1 and 2. She also reported that water was received through the interconnect with Northwest Harris County Municipal Utility District No. 10, that water plant no. 3 is currently offline, and that a theft of SWWC's payment drop box at the Sugarland, Texas location that may affect payments made by District customers. Following discussion, Director Vandewater moved to accept the District operator's report. Director Silverman seconded the motion which passed unanimously.

Ms. Vinson reported that the District's engagement letter with Mitchell & Duff, LLP, to pursue payment of damages from the contractor that broke water lines on Barker Cypress Road, has been executed by both parties.

Ms. Falke said that SWWC did not conduct terminations in January, 2012, because notice letters were not sent to delinquent customers due to a printer error. Ms. Falke next discussed with the Board a request from Texas Furniture Hut for a utility bill adjustment due to theft of two backflow preventers. Ms. Vinson reviewed with the Board the District's leak adjustment policy. Following discussion, Director Silverman moved to discount 76,000 gallons on the domestic account by \$0.45 per 1,000 gallons of water used. Director Lund seconded the motion. Further discussion ensued. Director Silverman then withdrew his motion and Director Lund moved to discount the domestic account by 96,000 gallons at \$0.45 per 1,000 gallons of sewer use. Director Silverman seconded the motion which passed unanimously.

The Board then conducted a hearing on the termination of utility service to delinquent accounts. Ms. Falke 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.

Ms. Falke and Mr. Burke discussed with the Board performing a valve and manhole survey to identify valves locations and conditions to minimize impact during a repair requiring line isolation. The Board concurred to have SWWC open all valves, as located, and note those that were previously closed.

Ms. Falke provided test results on effluent at the wastewater treatment plant and reported that the Dry Clean Supercenter wastewater samples taken on November 11, 2011, exceeded state permitted contaminant levels. Ms. McLennan reported regarding fines assessed, paid and unpaid to date and Ms. Falke recommended that the Board consider placing unpaid fines on the utility bill. Director Myers requested that ABHR place on the next agenda an item to discuss a policy for addressing pending fines and penalties.

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 and planning for future phases. Director Myers requested that Beazer consider leaving a buffer between residential lots and the trail when planning Phase 2.

Ms. Miller discussed the status of conveyance of the privately owned sanitary sewer line within Coles Crossing South.

REPORT ON RECREATIONAL AND LANDSCAPE FACILITIES

No report was given and no action was taken on this agenda item.

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 January, 2012. The Board concurred to have Seaback Maintenance mow in February, 2012, with the exception of the south bank of the regional detention pond where wildflowers seeds were spread. Mr. Burke also recommended that the Board consider overseeding some areas bare from the summer drought and said that he would bring to the March, 2012, meeting a map showing areas that need to be reseeded and pricing from Seaback Maintenance.

WASTEWATER TREATMENT PLANT LEAKS

Mr. Burke reported regarding seepage at the wastewater treatment plant basin and presented a proposal in the amount of \$6,670 from Gemini Services to epoxy fill the basin cracks. Mr. Burke also reported regarding spalled concrete on the chlorine contact basin, but said that no repairs are necessary. Following discussion, the Board concurred to request that SEC obtain a proposal from a different contractor to epoxy fill the basin cracks.

UTILITY AVAILABILITY REQUESTS

Mr. Burke updated the Board on the status of the proposed Saltgrass Steakhouse and utilities, including easements, required to serve it. Mr. Burke also reported an inquiry regarding utilities to serve a tract with a medical office building behind Cheddar's Casual Cafe.

FUTURE WATER SUPPLY, INCLUDING WATER CAPACITY ANALYSIS

Mr. Burke reported regarding allocated and available water capacity to serve commercial areas along U.S. Highway 290 ("Highway 290") and Barker Cypress Road.

WELL RUN TIMES AND DROUGHT CONTINGENCY MEASURES

There was no discussion on this agenda item.

CORROSION AT WATER PLANT NOS. 1 AND 2 AND REHABILITATION OF WATER WELL NO. 3

Mr. Burke reported that Gemini Services has completed coating of the interiors of the hydro-pneumatic tanks at water plant no. 2. He next reviewed proposals for repairs to the ground storage tanks at water plant no. 2 and recommended that the Board accept the proposal of the low bidder, Gemini Services. Mr. Burke said that the hydro-pneumatic tanks at water plant no. 2 underwent ultrasonic and magnetic testing and said that the inspector determined that there was no crack in the tank, but that the weld was imperfect. Mr. Burke said that the inspector's report, which is pending, will include recommendations to repair the imperfect weld. Mr. Burke also updated the Board on the status of rehabilitation to water well no. 3. Upon a motion by Director Lund and a second by Director Vandewater, the Board voted unanimously to accept the low bid of Gemini Services in the amount of \$29,500 for repairs to the ground storage tank at water plant no. 2.

EXCAVATION AND POSSIBLE RELOCATION OF WATER LINE AT DUNDEE ROAD

Mr. Burke next reported that SWWC has excavated and located the waterline at Dundee Road and has confirmed that the waterline will not require relocation because the current location of the waterline does not conflict with Harris County's plans to install a traffic signal at Dundee Road.

WATER, SEWER AND DRAINAGE FACILITIES TO SERVE THE PARK AT ARBORDALE, PHASE 2

The Board took no action on this agenda item.

WASTEWATER TREATMENT PLANT PERMIT

Mr. Burke reported that the District's wastewater treatment permit expires at the beginning of 2013 and said that the District should receive a permit renewal notice shortly. He said that he expects that the Texas Commission on Environmental Quality ("TCEQ") will require additional bacterial testing and that the District may be required to install a filter to control the nutrient levels.

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. 2 in the amount of \$41,708.70, payable to Bay Utilities, Inc. Following discussion, Director Lund moved to approve Pay Estimate No. 2 in the amount of \$41,708.70, payable to Bay Utilities. Director Vandewater seconded the motion which passed unanimously.

DEEDS, EASEMENTS, AND ENCROACHMENTS

Mr. Burke next reported regarding Highway 290 improvements which may require the District to make minor adjustments to waterlines along Barker Cypress Road and fire hydrants along Highway 290.

SECURITY REPORT

The Board discussed security patrol within the District, including recent incidents and patrol during officer vacation or sick days.

PUBLIC COMMUNICATIONS

The Board discussed the District's contract with Classic Messaging and renewal of same.

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

The Board next discussed the status of the due diligence process and recent and upcoming meetings of the Consolidation Committee.

MARCH REGULAR AND SPECIAL MEETING AGENDAS

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

2012 DIRECTORS ELECTION

The Board discussed the May 12, 2012, directors' election. Ms. Miller reported that the terms of office for Directors Myers, Lund and Silverman will expire in May of 2012 and that applications for a place on the ballot must be submitted by 5:00 p.m. on March 5, 2012.

PAY FOR ELECTION OFFICIALS

The Board discussed the rate of pay for election officials. After discussion, Director Vandewater moved that the Board set the pay for election officials at \$10 per hour. Director Lund seconded the motion, which carried by unanimous vote.

ORDER CALLING DIRECTORS ELECTION

The Board considered adopting the Order Calling Directors Election. After discussion, Director Vandewater moved that the Board adopt the Order Calling

Directors Election. Director Lund seconded the motion, which was approved by unanimous vote.

VOTING RIGHTS ACT SUBMISSION LETTER TO THE U.S. DEPARTMENT OF JUSTICE

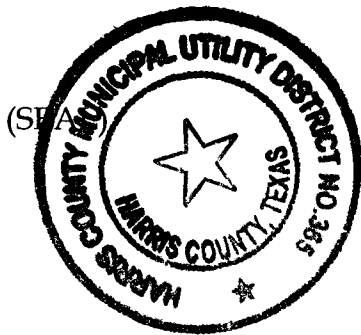
Ms. Miller stated that the District is required to submit a Voting Rights Act submission letter to the U.S. Department of Justice for any changes to election procedures in the District. After discussion, Director Vandewater moved that the Board authorize ABHR to submit a Voting Rights Act submission letter to the U.S. Department of Justice. Director Lund seconded the motion, which carried by unanimous vote.

EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE

The Board determined that it was not necessary to meet in executive session.

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


Secretary, Board of Directors



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