

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

April 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 April, 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 Cathy Falke of SWWC Services, Inc. ("SWWC"); Kristen Scott 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.; Joe Espinosa of Accu-Test Laboratories; Tuan Nguyen and Henry Nguyen of BC290 Industries, Inc., on behalf of Dry Clean Supercenter; and Alia Vinson and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENT

Mr. Espinosa discussed services provided to the District by Accu-Test Laboratories.

Mr. Henry Nguyen apologized for the Dry Clean Supercenter's (the "Dry Cleaner") violation of the "Wastewater Services Contract for Commercial Cleaners" between the Dry Cleaner and the District. He said that the Dry Cleaner has discontinued two processes that may result in tetrachloroethylene-level violations and hopes that elimination of those processes will put the Dry Cleaner's tetrachloroethylene-levels back within acceptable levels. Ms. McLennan confirmed that payment for fines assessed by the Board on November 17, 2012, and March 22, 2012, has been made by the Dry Cleaner.

MINUTES

The Board considered approving the minutes of the March 8, 2012, special meeting, and the March 22, 2012, regular meeting. Upon a motion made by Director Lund

and seconded by Director Silverman, the Board voted unanimously to approve the minutes of the March 8, 2012, special meeting, and the March 22, 2012, regular meeting, both as submitted.

TAX ASSESSMENT AND COLLECTION MATTERS

Ms. Scott reviewed the District's monthly tax report, noting that 98.6% of the 2012 taxes had been collected as of the end of March, 2012. Ms. Scott also reported regarding current taxable values. 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.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. McLennan reported that SWWC has not yet reconciled the District's recent cash summary reports. Ms. McLennan then 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. Ms. McLennan also presented an invoice received from Northwest Harris County Municipal Utility District No. 10 ("No. 10") for water delivered through the emergency interconnect. Ms. Falke explained that No. 10 had previously received water from the District through the Interconnect due to a valve that was inadvertently opened. Ms. Falke stated that No. 10 would compensate the District for its water use by repaying in kind, and thus the District should not have received an invoice from No. 10. After review and discussion, and upon a motion made by Director McVandewater and seconded by Director Bradley, the Board voted unanimously to: (1) approve the bookkeeper's report; (2) approve payment of the bills, with the exception of check no. 2804 to No. 10; and (3) authorize ABHR to send a letter to No. 10 disputing the charge for water.

COLLECTION OF DAMAGES FROM CONTRACTOR FOR BARKER-CYPRESS ROAD WATERLINE BREAKS

Ms. Vinson updated the Board regarding the District's claim for damages against Traffic Control Devices, Inc. for Barker-Cypress Road waterline breaks and said that a petition has been filed in Harris County on behalf of the District.

AGREED UPON PROCEDURES REPORT REGARDING CUSTOMER BILLING AND FUNDS ACCOUNTING BY SWWC, INC.

Ms. Vinson said that the District's auditor is preparing agreed upon procedures review/reporting, but that documents requested from SWWC have not been produced.

OPERATION OF DISTRICT WATER, SANITARY SEWER, AND STORMWATER FACILITIES

Ms. Falke 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 March, 2012, including preventative maintenance at water plant no. 3, removal of sand from the ground storage tank, testing at water well no. 3 and preventative maintenance at the wastewater treatment plant. The Board questioned charges for repairs and Ms. Falke said that SWWC invoicing includes repairs made during January and February, 2012. Ms. Falke also said that the reported repairs and totals shown in the report are in error and that she will distribute a revised report matching invoiced repairs and adding language regarding the types of repairs made.

The Board discussed the District's interconnect locations with No. 10 and how the interconnects are operated, and requested identification of the interconnect through which the District delivered water inadvertently to No. 10, as discussed in the District bookkeeper's report.

Ms. Falke provided test results on effluent at the wastewater treatment plant and reported that the Dry Clean Supercenter wastewater samples taken during March, 2012, were within permitted contaminant levels.

Ms. Falke next distributed and reviewed an annual report on the District's Identity Theft Prevention Program ("Program") reflecting the effectiveness of the Program in addressing identity theft risk. She noted that SWWC is required to prepare an annual report as Program Administrator. Ms. Falke stated that the annual report indicates no significant incidents of identity theft detection and recommends no changes to the Program at this time.

The Board next reviewed its Drought Contingency Plan, adopted June 10, 2010, and determined that no changes were necessary.

Mr. Burke and Ms. Falke discussed the results of the SWWC valve survey and reviewed SWWC's repair recommendations. The Board took no action.

Following discussion, Director Silverman moved to (1) accept the District operator's report; and (2) accept the annual report on the Program and direct that it be filed appropriately and retained in the District's official records. Director Vandewater 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 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 Vandewater seconded the motion, which carried unanimously. A copy of the termination list is attached.

HURRICANE PREPAREDNESS

The Board discussed boil water notice signs and other available methods of notification in the event of emergency, including mass messaging and the District website.

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, including proposed trail connections. A copy of the report is attached.

PROPOSED PRIVATE SANITARY SEWER LINE CONVEYANCE TO THE DISTRICT

Ms. Vinson discussed the status of conveyance of a private sanitary sewer line behind Coles Crossing commercial properties and reported regarding a manhole overflow incident discovered by Harris County Flood Control. Ms. Falke said that the overflow was addressed by SWWC and that she will bill the landowners for the repair to the private sanitary sewer line.

RECREATIONAL AND LANDSCAPE FACILITIES

Mr. Murr reported that the trail fountains have been returned to service. He also reviewed pricing for repair of the splitting beams at the arbor and presented a proposed bracket prototype to repair the arbor beams. He also discussed pricing to replace the poles on two bird houses. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to replace two birdhouse poles at a price of \$485 each.

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 mowed in March, 2012, and submitted the March bills for payment. Mr. Burke next discussed the status of grass growth in the areas that were overseeded.

WASTEWATER TREATMENT PLANT TANK CONDITION

Mr. Burke reported regarding seepage at the wastewater treatment plant basin and said that he has contacted two additional contractors for proposals.

UTILITY AVAILABILITY REQUESTS

Mr. Burke updated the Board on the status of the proposed Saltgrass Steakhouse and utilities, including easements, required to serve it. He also reported on swimming pool permits requested.

CORROSION AT WATER PLANT NOS. 1 AND 2

Mr. Burke reported on the status of repairs to the ground storage tank at water plant no. 2 and said that Gemini will move on site Friday to begin repairs authorized at the District's April 11, 2012, meeting.

REHABILITATION OF WATER WELL NO. 3

Mr. Burke then updated the Board on the rehabilitation of water well no. 3 and said that the pump, column assembly, head and motor are installed and that bacteriological testing is underway. He said that the well should be in service next week.

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

No report was given.

WASTEWATER TREATMENT PLANT PERMIT

Mr. Burke reported that SEC is preparing a renewal application due August 1, 2012.

SANITARY SEWER SERVICE TO ENTOUCH FACILITY

Mr. Burke reported that construction of the sanitary sewer line to the Entouch facility on Spring Cypress Road is complete and recommended that the Board approve Pay Estimate No. 3 and Final in the amount of \$6,951.20, payable to Bay Utilities, Inc.,

and accept the project. Upon a motion by Director Bradley and a second by Director Vandewater, the Board voted unanimously to accept the project and to approve Pay Estimate No. 3 and Final in the amount of \$6,951.20, payable to Bay Utilities, Inc.

DEEDS, EASEMENTS, AND ENCROACHMENTS

There was no discussion on this agenda item.

STOP SIGN ON MONTEIGNE

Mr. Burke said that he has calls outstanding to Harris County Precinct 3 regarding the outcome of traffic studies conducted in response to a request for an additional stop sign on Montaigne.

U.S. HIGHWAY 290 IMPROVEMENTS

Mr. Burke reported on pending improvements to U.S. Highway 290 and said that SEC sent comments to the Texas Department of Transportation regarding the location of the District waterline and is waiting on revised drawings.

REQUIRED DOCUMENTATION OF EMINENT DOMAIN AUTHORITY IN TEXAS

Ms. Vinson updated the Board on the District's Required Documentation of Eminent Domain Authority in Texas.

SECURITY REPORT

The Board discussed ongoing patrol issues within the District.

PUBLIC COMMUNICATIONS

The Board discussed the District's available methods for mass communication.

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

Ms. Vinson provided the Board with a summary of financial documents produced by No. 364, discussed the consolidation committee meeting on April 11, 2012, and reported that the next consolidation committee meeting will be held on May 29, 2012.

MAY REGULAR AND SPECIAL MEETING AGENDAS

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

DISCUSS 2012 DIRECTORS ELECTION

There was no discussion on this agenda item.

CONVENE IN EXECUTIVE SESSION PURSUANT TO THE CHAPTER 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION

At 1:52 p.m. Director Myers announced that the Board would convene in executive session to conduct a private consultation with its attorney to discuss pending or contemplated litigation.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION RESULTING FROM EXECUTIVE SESSION

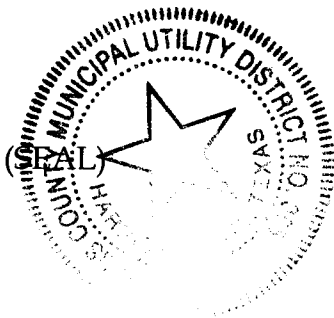
Director Myers announced that the Board would reconvene in open session and that the date and time at the end of executive session was August 19, 2012 at 2:12 p.m.

Director Silverman moved to authorize ABHR to send a letter to SWWC notifying SWWC of the District's claims for reimbursement. Director Lund seconded the motion which passed unanimously.

REQUEST FOR PROPOSAL FOR OPERATING SERVICES

The Board next reviewed a draft request for proposal for operating services. The Board concurred to appoint Director Silverman to finalize the request for proposal with ABHR. The Board discussed a proposed schedule for submission of the proposals and review of same.

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




Secretary, Board of Directors

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