

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

May 17, 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 17<sup>th</sup> day of May, 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 Paul Bland, District resident; Cathy Falke of SWWC Services, Inc. ("SWWC"); Kristen Scott of Bob Leared Interests, Inc.; Greg Coleman of Beazer Homes of Texas; Shirley McLennan of McLennan & Associates; Eric Thiry, Mike Ammel and Claudine Pacioni of Environmental Development Partners, LLC; Brian Bare, Ross Madia and Keith Swallers of Si Environmental, LLC ("Si Environmental"); Gary Hastings, Greg Dubiel and Lonnie Wright with Municipal Operations & Consulting, Inc.; Greg Pappas, Frank Garcia, Charlie Gasper and Chuck Peterson of Gulf Utility, Inc.; Chris Burke of Sander Engineering Corporation ("SEC"); 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 April 3, 2012, special meeting, the April 10, 2012 special meeting, the April 11, 2012 joint special meeting and the April 19, 2012, regular meeting. Upon a motion made by Director Lund and seconded by Director Bradley, the Board voted unanimously to approve the minutes of the April 3, 2012, special meeting, the April 10, 2012 special meeting, the April 11, 2012 joint special meeting and the April 19, 2012, regular meeting, all as submitted.

ORDER CANVASSING RETURNS AND DECLARING RESULTS OF DIRECTORS ELECTION

Director Myers reviewed the returns of the May 12, 2012, directors election. Ms. Vinson reviewed an Order Canvassing Returns and Declaring Results of Directors Election. After review and discussion, Director Bradley moved to adopt the Order Canvassing Returns and Declaring Results of Directors Election, reflecting that Joe Myers, Alan Silverman and Paul Bland have been elected to the Board of Directors to serve a four-year term, and direct that the Order be filed appropriately and retained in the District's official records. Director Lund seconded the motion, which passed by unanimous vote.

CERTIFICATE OF ELECTION

Director Bradley moved that the Board approve the Certificate of Election and the distribution of same to Directors Myers, Silverman and Bland. Director Lund seconded the motion, which carried unanimously.

DIRECTORS' SWORN STATEMENTS, BONDS AND OATHS OF OFFICE

Ms. Vinson reviewed the Sworn Statements, Oaths of Office, and Official Bonds for Directors Myers, Silverman and Bland. After review and discussion, Director Bradley moved that the Board approve the Sworn Statements, Oaths of Office, and Official Bonds. Director Lund seconded the motion, which passed unanimously.

REORGANIZE BOARD AND ELECT OFFICERS, AND COMMITTEE MEMBERSHIPS

The Board discussed reorganization. After discussion, Director Silverman moved to approve the following slate of officers to serve on the Board:

Joe Myers	President
Megan Bradley	Vice President
Alan Silverman	Secretary
Mike Vandewater	Assistant Secretary
Paul Bland	Assistant Vice President

Director Bradley seconded the motion, which passed by unanimous vote.

Director Bradley then moved to appoint Megan Bradley as the security liason for the District and Alan Silverman to the consolidation committee. Director Vandewater seconded the motion which passed unanimously.

TAX ASSESSMENT AND COLLECTION MATTERS

Ms. Scott reviewed the District's monthly tax report, noting that 99.1% of the 2011 taxes had been collected as of the end of April, 2012. Ms. Scott also reported

regarding current taxable values and the delinquent tax accounts, including suits filed and pending. 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 and delinquent tax report are 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. After review and discussion, and upon a motion made by Director Vandewater and seconded by Director Bradley, the Board voted unanimously to: (1) approve the bookkeeper's report; and (2) approve payment of the bills, including handwritten check nos. 2833 through 2837 to election officials for the 2012 Directors election.

#### AMENDMENT TO BOOKKEEPING SERVICES CONTRACT

Ms. McLennan next reviewed an amendment to the bookkeeping services contract amending hourly fees charged to the District for bookkeeping services. Director Silverman moved to approve an amendment to the bookkeeping services contract. Director Bradley seconded the motion which passed by a vote of 4 to 0, with Director Bland abstaining from the vote.

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

The Board discussed potential loss associated with inaccurate account reporting by SWWC and inability to reconcile District cash accounts. Following discussion, the Board concurred to request that the District auditor attend the June Board meeting or provide an update, including a proposal to calculate estimated loss to the District.

#### OPERATION OF DISTRICT WATER, SANITARY SEWER, AND STORMWATER

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 April, 2012, including flushing at water plant no. 2, installation of a fire tap, cleaning and replacing the controls at the lift station, a blow off valve repair, hydrant repairs and jet cleaning a return line. She said that the rotating screen at the wastewater treatment plant failed and that crews are making the repair today. She also reported that crews are reinstalling the hatches at water plant no. 2 today to return the plant to service.

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

Ms. Falke recommended that the Board take no action to terminate service to delinquent accounts, but said that customers to whom penalties have been charged have been notified. The Board took no action on delinquent accounts.

Ms. Falke reviewed a proposed Consumer Confidence Report with the Board.

Following review and discussion, Director Silverman made and Director Bland seconded a motion to (1) accept the District operator's report; and (2) approve the Consumer Confidence Report, authorize the operator to mail the Consumer Confidence Report to District customers, and to file the Consumer Confidence Report with the TCEQ. The motion carried by unanimous vote.

#### 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. Mr. Coleman said that Beazer is receiving bids for water, sewer and drainage to serve the Park at Arbordale, Phase 2 and will request approval at the June regular meeting.

#### PROPOSED PRIVATE SANITARY SEWER LINE CONVEYANCE TO THE DISTRICT

Ms. Vinson discussed the status of conveyance of a private sanitary sewer line within Coles Crossing South.

#### REPORT ON RECREATIONAL AND LANDSCAPE FACILITIES

No report was given.

#### 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 April, 2012, and included seeding and fertilization.

## WASTEWATER TREATMENT PLANT TANK CONDITION

Mr. Burke reported that SEC authorized Restoration Services, Inc. to proceed with leak repair.

## UTILITY AVAILABILITY REQUESTS

Mr. Burke reported that the North Harris County Regional Water Authority is revising its conversion plan and said that he anticipates that the District's proposed surface water delivery date will be pushed out further.

Mr. Burke reported an inquiry from Peter Piper Pizza regarding the property next to the Saltgrass Steakhouse.

## CORROSION AT WATER PLANT NOS. 1 AND 2

Mr. Burke reported that Gemini Services will move to water plant no. 2 when complete with repairs at water plant no. 1. He also said that Northwest Harris County Municipal Utility District No. 10 has a water plant down for maintenance.

## 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

There was no additional discussion on this agenda item.

## WASTEWATER TREATMENT PLANT PERMIT

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

## VALVE SURVEY AND REPAIRS

There was no discussion on this agenda item.

## DEEDS, EASEMENTS, AND ENCROACHMENTS

There was no discussion on this agenda item.

## STOP SIGN ON MONTEIGNE, INCLUDING HARRIS COUNTY TRAFFIC STUDY

Mr. Burke said that Harris County Precinct 3 will complete collection of data with regard to the Harris County traffic study on Monteigne before school is dismissed for the summer.

## 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 ("TXDOT") regarding the location of the District waterline, is waiting on revised drawings and will meet with TXDOT on May 25, 2012, for a coordination meeting.

Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to accept the District engineer's report.

## UPDATE ON FILING OF REQUIRED DOCUMENTATION OF EMINENT DOMAIN AUTHORITY IN TEXAS WITH THE TEXAS COMPTROLLER OF PUBLIC

Ms. Vinson updated the Board on the District's Required Documentation of Eminent Domain Authority in Texas, stating that the Comptroller's Office had confirmed receipt.

## SECURITY REPORT

The Board discussed ongoing patrol issues within the District.

## PUBLIC COMMUNICATIONS

There was no discussion on this agenda item.

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

Ms. Vinson reported that the consolidation committee will next meet on May 29, 2012, and reported the status of each District's due diligence document review.

## JUNE REGULAR AND SPECIAL MEETING AGENDAS

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

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 stating that the claim is still pending.

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

The Board determined that no executive session was necessary.

PROPOSALS AND RECEIVE PRESENTATIONS FOR OPERATING SERVICES AND EXECUTION OF CONTRACT FOR OPERATING SERVICES

The Board next received proposals and presentations for operating services from Environmental Development Partners, LLC, Si Environmental, Municipal Operations & Consulting, Inc. and Gulf Utility, Inc. Following discussion, and after careful consideration of the information received in the proposals and in presentations, Director Silverman moved to accept the proposal of and engage Si Environmental as the District's operator, effective June 1, 2012. The motion, which was seconded by Director Bradley, passed unanimously.

DISTRICT REGISTRATION FORM

The Board then considered authorizing filing of an updated District Registration Form with the Texas Commission on Environmental Quality ("TCEQ") reflecting the new terms of office of Directors Myers, Silverman and Bland, new positions of each Board member and the new District operator. After discussion, Director Silverman moved that the Board authorize filing of the District Registration Form with the TCEQ. Director Bradley seconded the motion, which carried unanimously.

EMERGENCY PREPAREDNESS, INCLUDING REVIEW AND UPDATE OF CRITICAL LOAD OF DISTRICT FACILITIES AND HOMELAND SECURITY CONTACTS

Ms. Vinson next reviewed the District's Critical Load List and explained that the District is now required to file annually with state and local agencies, whether or not the District has made any facility or personnel changes. Ms. Vinson said that the District engineer, operator and bookkeeper have reviewed the revised Critical Load List and verified that the information is accurate. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to authorize ABHR to file the Critical Load List with Harris County and State agencies and to update the District's Homeland Security Contacts information with the new District operator.

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



Secretary, Board of Directors

(SEAL)





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