

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

July 23, 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 23rd day of July, 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	Secretary
Mike Vandewater	Assistant Secretary
Paul Bland	Assistant Vice President

and all of the above were present.

Also present at the meeting were Matthew Lund, District resident; Kristen Scott of Bob Leared Interests, Inc.; Greg Coleman of Beazer Homes of Texas ("Beazer"); Shirley McLennan of McLennan & Associates; Brian Bare of Si Environmental, LLC ("SI"); Chris Burke of Sander Engineering Corporation ("SEC"); Michael Murr of Murr, Inc.; and Alia Vinson and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENT

Mr. Lund commented regarding billing issues during operator transition, localized flooding during the most recent heavy rain event, District security and proposed consolidation of the District with Harris County Municipal Utility District No. 364 ("No. 364").

MINUTES

The Board considered approving the minutes of the June 14, 2012, special meeting and the June 21, 2012, regular meeting, and the July 11, 2012, special meeting. Upon a motion made by Director Vandewater and seconded by Director Bradley, the Board voted unanimously to approve the minutes of the June 14, 2012, special meeting and the June 21, 2012, regular meeting, and the July 11, 2012, special meeting, as submitted.

TAX ASSESSMENT AND COLLECTION MATTERS

Ms. Scott reviewed the District's monthly tax report, noting that 99.5% of the 2011 taxes had been collected as of the end of June, 2012. Ms. Scott also reported regarding current taxable values. After discussion, Director Vandewater moved to approve the tax assessor/collector's report, and the checks drawn on the District's tax account. Director Bland 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 she received reconciled cash summary reports from SWWC, Inc. from October, 2011 to the present and allocated revenues and expenses in the current budget. 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 next reviewed a draft budget for the fiscal year ending August 31, 2013 and discussed with the Board projected capital reserves.

The Board considered expenses submitted by Board members who attended the summer conference and considered authorizing attendance of the Association of Water Board Directors ("AWBD") winter conference. The bookkeeper noted the expenses are in compliance with the District's travel and reimbursement guidelines.

After review and discussion, and upon a motion made by Director Silverman and seconded by Director Bradley, the Board voted unanimously to: (1) approve the bookkeeper's report; (2) approve payment of the bills, including hand written check nos. 2900 to 2903 for reimbursement of expenses for Directors attending the Association of Water Board Directors ("AWBD") summer conference, check no. 2904 to SEC, check no. 2905 to Murr, Inc., check no. 2906 to Towne Center Landscaping for birdhouse poles and check no. 2928 to Preventative Services for recoating inspection, and with the condition that check no. 2914 is subject to any disputed invoices identified by the District operator; (3) to authorize the District bookkeeper to send the current draft budgets for joint facilities to No. 364 for review; (4) to authorize payment to SWWC, Inc. of invoices upon confirmation by the bookkeeper that sufficient back up was received; and (5) authorize reimbursement of the expenses submitted for the summer conference and authorize attendance by all interested directors at the AWBD winter conference.

RENEWAL OF DISTRICT'S INSURANCE

The Board discussed the August 31, 2012 expiration of the District's current insurance policies placed through SIG/McDonald & Wessendorff and reviewed the boiler machinery premium proposals, including minimum deductibles, from Traveler's

Insurance and Chubb Group. The Board requested that a representative from SIG/McDonald & Wessendorff attend the August 16, 2012, Board meeting.

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

There was no discussion on this agenda item.

OPERATION OF DISTRICT WATER, SANITARY SEWER, AND STORMWATER FACILITIES

Mr. Bare reviewed the operations report, a copy of which is attached. Mr. Bare first discussed transition of documents and billing data from SWWC, Inc. and customer complaints regarding late charges and/or misread meters. Mr. Bare discussed maintenance and repairs completed during the month of June, 2012 and discussed emergency repairs needed to lift pump no. 3 at the Jarvis Road lift station estimated at \$32,800 to repair or \$29,892 to replace, plus labor costs estimated between \$800 and \$1,200. Following discussion regarding insurance deductibles, the Board concurred to file no insurance claim and to repair the lift pump on an emergency basis due to the potential threat to public health resulting from the damage of the lift pump.

No accounts were presented or recommended for termination.

Following review and discussion, Director Silverman made, and Director Bradley seconded, a motion to (1) accept the District operator's report; (2) authorize emergency replacement of lift pump no. 3 at the Jarvis Road lift station for an amount not to exceed \$29,892 and labor costs not to exceed \$1,200; and (3) authorize ABHR to send a letter to No. 364 notifying it of emergency replacement of lift pump no. 3 at the Jarvis Road lift station. 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 and development within The Park at Arbordale. Mr. Coleman also discussed with the Board a trail piece connecting the cul de sacs in Phase 2 to the No. 364 trail, including adjustment of the drainage swales adjacent to the trail to facilitate moving water and reducing ponding on the trail. Director Myers noted that the silt fencing is too close to the trail and needs to be moved back towards the lots.

Mr. Coleman also requested the Board's approval of the utility portion of the Park at Arbordale, Phase 2 contract, awarded independently by Beazer Homes of Texas to Clearpave, LLC in the amount of \$319,835.25, of which \$37,395 is for District items. He also presented Change Order No. 1 in the amount of \$3,110 for additional silt fencing along the trail and costs to cover the vertical adjustment of the existing trash trouper, Pay Application No. 1 in the amount of \$31,349.03, payable to Clearpave, LLC,

Pay Application No. 2 in the amount of \$210,506.36, payable to Clearpave, LLC, of which \$8,212 is the District's portion, and Pay Application No. 3 in the amount of \$26,988.75, payable to Clearpave, LLC, of which \$13,410 is the District's portion.

Ms. Vinson noted that this contract was not bid in the District's name because the District's share of the project is relatively minor and the contract was not competitively bid because the District's share is less than \$50,000. Ms. Vinson stated that the Texas Commission on Environmental Quality will review the construction contract when the District applies for approval to reimburse the developer.

REPORT ON RECREATIONAL AND LANDSCAPE FACILITIES

Mr. Murr reported regarding a missing bollard and recommended that the Board authorize installing a new bollard, with a lock, for \$427.59.

He also updated the Board on replacement of bird housing on the trail, inspection of the beams at the gathering place arbor, trail signage located during clearing at The Park at Arbordale and negotiation with Silversand Services regarding the broken fence on Jarvis Road.

Mr. Murr reported regarding resident calls regarding dead trees outside the fence at the wastewater treatment plant. Mr. Murr said that he would request a proposal to remove the trees.

Director Bradley moved to replace the missing bollard for an amount not to exceed \$427.59. Director Silverman seconded the motion which passed unanimously.

Director Silverman requested that Mr. Murr contact No. 364 to inquire regarding the contractor used to repair cracks in No. 364's 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 Seaback Maintenance mowed in June, 2012. The Board discussed Harris County Flood Control District ("HCFCD") ownership and maintenance of District drainage channels and drainage during recent heavy rain events.

WASTEWATER TREATMENT PLANT TANK CONDITION

There was no additional discussion on this agenda item.

UTILITY AVAILABILITY REQUESTS

The Board discussed project surface water conversion and delivery dates from the North Harris County Regional Water Authority.

Ms. Vinson reported a phone call from a commercial landowner requesting to meet to resolve a fire line issue. She added that the landowner has agreed to reimburse the District for attorney's fees to meet regarding the line.

CORROSION AT WATER PLANT NOS. 1 AND 2

Mr. Burke reported repairs at ground storage tank no. 2 at water plant no. 2 are complete and that the final pay estimate will be submitted at the August, 2012 regular meeting.

Upon inquiry by Director Bland, Mr. Burke said that he will ask SI to tighten bolts on the upper rings at ground storage tank no. 1, but said that the gaskets should seal as they dry. He said that there may be some touch up required on the tank over the winter.

REHABILITATION OF WATER WELL NO. 3

Mr. Burke then updated the Board on the rehabilitation of water well no. 3 and said that the initial well production test shows that the well gained 109 additional gallons per minute through rehabilitation and that the final pay estimate will be submitted at the August, 2012 regular meeting.

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

Following review and discussion, Director Silverman moved to (1) approve the developer's award of the contract to Clearpave, LLC in the amount of \$319,835.25 for paving, including upper stage inlets, to serve the Park at Arbordale, Phase 2; (2) approve Change Order No. 1 in the amount of \$3,110 for additional silt fencing along the trail and costs to cover the vertical adjustment of the existing trash trouser; (3) approve Pay Application No. 1 in the amount of \$31,349.03, payable to Clearpave, LLC (4) approve Pay Application No. 2 in the amount of \$210,506.36, payable to Clearpave, LLC, of which \$8,212 is the District's portion; and (5) approve Pay Application No. 3 in the amount of \$26,988.75, payable to Clearpave, LLC, of which \$13,410 is the District's portion. The motion was seconded by Director Vandewater and passed unanimously.

WASTEWATER TREATMENT PLANT PERMIT

Mr. Burke reported that SEC is preparing a renewal application and requested authorization to submit the application to the Texas Commission on Environmental Quality by August 1, 2012.

VALVE SURVEY AND REPAIRS

Mr. Burke said that he would get a proposal from SI to make the recommended valve repairs.

EMERGENCY INTERCONNECTS

Ms. Vinson updated the Board on water used and credited by Northwest Harris County Municipal Utility District No. 10 ("No. 10"), according to information received from the District's engineer, and the status of valves and meters between the District and No. 10. She noted that No. 10 reported the unauthorized flow of water from No. 10 to the District through the Dundee interconnect and that the amount of water could not be determined. Ms. Vinson reported that No. 10 replaced the meter at the Dundee interconnect and locked its side of the meter and has requested that the District consider replacing the meter at the Spring Cypress interconnect and locking it from the District's side of the meter station. Ms. Vinson added that under the interconnect agreement for the Spring Cypress interconnect, No. 10 would be required to pay for half the cost of meter replacement. Following discussion, Director Bland moved to waive any additional water due from No. 10 in exchange for No. 10 waiving any water due from the District and authorize the District operator to lock the meter on the District side of the Spring Cypress Road interconnect and Dundee Road interconnect. Director Bradley seconded the motion, which passed unanimously. Director Silverman requested pricing for replacement of the meter, as discussed, on Spring Cypress interconnect.

DEEDS, EASEMENTS, AND ENCROACHMENTS

There was no additional discussion on this agenda item.

STOP SIGN ON MONTEIGNE

Mr. Burke said that Harris County Precinct 3 has determined to use traffic survey numbers from two years ago to determine the necessity of placing a stop sign on Montaigne.

U.S. HIGHWAY 290 IMPROVEMENTS

There was no additional discussion on this agenda item.

EMERGENCY PREPAREDNESS PLAN

There was no additional discussion on this agenda item.

Following review and discussion, Director Bland moved to (1) approve the engineer's report; and (2) authorize the District engineer to file application for renewal of the District's permit for the wastewater treatment plant to the Texas Commission on Environmental Quality by August 1, 2012.

SECURITY REPORT

Director Bradley reported recent security issues within the District.

PUBLIC COMMUNICATIONS

Director Bradley discussed new recycling data added on the District website.

EMERGENCY PREPAREDNESS

Director Silverman recommended and the Board concurred that Director Bland assume the responsibilities of coordinator of emergency preparedness for the District. Director Silverman reported on discussions with the District engineer for No. 10. The Board discussed the District's energy demand and Ms. Vinson said that the District's energy broker, Acclaim Energy Advisors, requested a place on the District's agenda to discuss tax credits, rate optimization and demand response.

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

Ms. Vinson reported that the consolidation committee will next meet on August 2, 2012.

UPDATE ON 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.

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.

DEPOSITORY PLEDGE AGREEMENT WITH COMERICA BANK

Ms. Vinson said that the District's tax assessor collector requested that the District enter into a depository pledge agreement with Comerica Bank. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to approve a revised Depository Pledge Agreement with Comerica Bank.

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 (the "Digco matter").

AUGUST REGULAR AND SPECIAL MEETING AGENDAS AND CONSULTANTS ATTENDANCE

The Board concurred to hold a special meeting in the District on August 8, 2012 at 7:00 p.m. and a regular meeting on August 16, 2012 at noon in the offices of ABHR, to remove discussion regarding recreational facilities from the regular meeting agendas and to discuss moving to a consent agenda at the August special meeting.

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

At 2:13 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 REGARDING PENDING OR CONTEMPLATED LITIGATION

Director Myers announced the Board would reconvene in open session at 2:20 p.m. Following discussion in executive session, Director Bland moved to (1) request that the District auditor prepare an estimate of potential claims against SWWC, Inc; and (2) authorize the District operator and engineer to complete the Requests for Disclosures directed to the District in the Digco matter.

There being no additional business to consider, the meeting was adjourned.

(SEAL)




Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

Minutes
Page

tax assessor/collector’s report..... 2
delinquent tax report..... 2
operations report..... 3
engineer’s report 4