

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

October 18, 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 18th day of October, 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 Kristen Scott of Bob Leared Interests, Inc.; Shirley McLennan of McLennan & Associates; Brian Bare of Si Environmental, LLC ("SI"); Jeff McLellan, District resident; Michael Murr of Murr Incorporated; Karen Sears of Acclaim Energy Advisors; and Alia Vinson and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

CONSENT AGENDA

Director Myers offered Board members and consultants the opportunity to remove items from the consent agenda for individual discussion. The Board concurred to remove agenda item no. 7 from the consent agenda for discussion.

PUBLIC COMMENT

There was no public comment.

PRESENTATION FROM ACCLAIM ENERGY ADVISORS

Ms. Sears reported an error made by CenterPoint Energy concerning the application of gross receipts tax applicable to zip code 77002 only to all CenterPoint Energy customers and said that the District had no misapplied gross receipts taxes. Ms. Sears also discussed current energy markets and the District's current energy contract with Mid American Energy which expires in April, 2014. She discussed Acclaim Energy's load shedding program. Following discussion, the Board concurred to allow Acclaim Energy to access information regarding the wastewater treatment plant to

assess the potential participation reimbursement to the District through the load shedding program.

ADDITIONAL OPERATING MATTERS

Upon inquiry by Director Bradley, Mr Bare discussed major expenses for operations and maintenance, including a fire hydrant survey and repairs made following the survey.

Director Myers requested that the regular agenda include any items requiring approval, including pay estimates.

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 Silverman seconded the motion, which carried unanimously. A copy of the termination list is attached.

The Board also discussed recent break-ins at the wastewater treatment plant and security options. Mr. Bare said that he would compile information regarding security options for the Board's consideration at the November meetings.

ADDITIONAL ENGINEERING MATTERS

Mr. Burke next discussed the condition of the District's drainage ditch along the commercial property at State Highway 290 and recommended repair estimated between \$30,000 and \$50,000 to remove water in the bottom of the ditch. Following discussion, Directors Myers requested that Mr. Burke provide the Board with more information at the next Board meeting.

Mr. Burke also reported a sinkhole on the north trail. Following discussion, Director Myers requested that SEC obtain a proposal to excavate, fill and compact the hole.

Mr. Burke said that Gemini Services requested an increase of \$1,800 to the hydro-pneumatic tank coating contract at water plant no. 1 to cover re-mobilization costs. Mr. Burke said that SEC solicited two additional proposals. Mr. Burke recommended that the Board approve Gemini Services' proposed increase.

The Board next discussed the construction of upper stage and paving facilities in The Park at Arbordale, Section 2. Mr. Coleman requested that, upon the recommendation of Jones & Carter, Inc., the Board approve Pay Application No. 5 and Final in the amount of \$23,900.91, of which \$693.95 is the District's share, payable to Clearpave, LLC, and Change Order No. 2 in the amount of \$10,900 for relocation of sanitary sewer leads to the lot lines, of which \$0.00 is the District's share. Director Myers requested that permit and maintenance transfer of the storm sceptors in The Park at Arbordale be placed on the November regular agenda for discussion.

Upon a motion by Director Silverman and a second by Director Vandewater, the Board voted unanimously, upon the recommendation of Jones & Carter, Inc., to (1) approve Pay Application No. 5 and Final in the amount of \$23,900.91, payable to Clearpave, LLC for The Park at Arbordale; (2) approve Change Order No. 2 in the amount of \$10,900 for The Park at Arbordale; and (3) approve an increase of \$1,800 to the hydro-pneumatic tank coating contract at water plant no. 1 to cover re-mobilization.

Mr. Burke also discussed fall seeding and fertilization, but the Board took no action.

ADDITIONAL BOOKKEEPING MATTERS

Ms. McLennan reported that the sales tax revenue pursuant to the District's Strategic Partnership Agreement with the City of Houston was received for the month of July, 2012. She also reminded the Board of registration deadlines for the Association of Water Board Directors winter conference.

ADDITIONAL TAX ASSESSMENT AND COLLECTION MATTERS

There was no additional discussion for this agenda item.

REPORT ON RECREATIONAL AND LANDSCAPE FACILITIES

Mr. Murr requested that the Board consider a survey of the recreational fields for an estimated \$5,000 and grading and installation of irrigation for an estimated \$36,000 to \$40,000. Director Myers requested that Mr. Murr update the proposal previously submitted to the Board for consideration at the November special meeting.

Mr. Murr said that he continues to request a proposal from Harris County Municipal Utility District No. 364's ("No. 364") asphalt repair contractor for repair of District trails.

PUBLIC HEARING REGARDING DISTRICT'S TAX RATE, ORDER LEVYING TAXES, AND AMENDMENT TO INFORMATION FORM

The Board opened the public hearing on the District's proposed tax levy. Ms. Scott confirmed that notice of the proposed levy had been published. There being no public comment, the Board then closed the public hearing and considered an Order Levying Taxes, reflecting a tax rate of \$0.52 per \$100 valuation consisting of \$0.375 for debt service and \$0.145 for operations and maintenance. Upon a motion made by Director Bland and seconded by Director Bradley, the Board unanimously voted to adopt the Order Levying Taxes as presented.

Ms. Vinson also reviewed the District's proposed Amendment to Information Form to reflect the District's 2012 tax rate. After discussion, Director Bland moved to approve the Amendment to Information Form and filing it with the Texas Commission on Environmental Quality ("TCEQ") and in the Harris County Deed Records. Director Bradley seconded the motion, which passed by unanimous vote.

AMENDMENT TO RECYCLING CONTRACT

The Board next considered a Second Amendment to the District's Residential Recycling Collection Agreement with Residential Recycling of Texas, Inc. Upon a motion by Director Silverman and a second by Director Bland, the Board voted 4 to 0 to approve a Second Amendment to the District's Residential Recycling Collection Agreement with Residential Recycling of Texas, Inc. Director Myers abstained from voting.

ATTORNEY REPORT

Ms. Vinson and Director Silverman updated the Board on the last consolidation committee meeting, the progress of due diligence reviews by the District and No. 364, and the schedule for future consolidation committee meetings.

Ms. Vinson updated the Board regarding the private sanitary sewer line running through the commercial section of Coles Crossing and status of the District's acquisition of the sanitary sewer line and easements and said the developer is assessing the necessity of the conveyance.

NOVEMBER REGULAR AND SPECIAL MEETING AGENDAS, AND JOINT DISTRICT MEETING CALENDAR

The Board concurred to hold a special meeting in the District on November 8, 2012 at 7:00 p.m. and a regular meeting on November 15, 2012, at noon in the offices of ABHR. The Board requested that Michael Murr attend the November 8, 2012 special meeting to report on landscaping issues.

CONSENT AGENDA CONTINUED

Director Silverman moved to approve all remaining items on the consent agenda. Director Bradley seconded the motion, which passed by unanimous vote. Copies of all documents approved as part of the consent agenda are attached.

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

At 1:31 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.

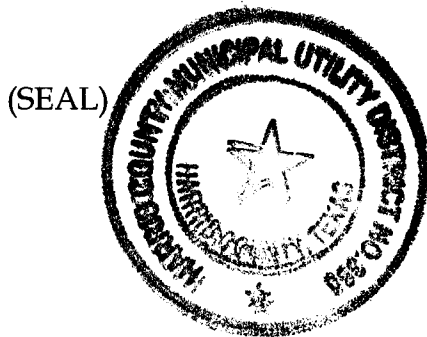
RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION

Director Bradley announced the Board would reconvene in open session at 1:37 p.m. Following discussion, Director Silverman moved to accept the settlement offer of Digco Utility Construction. Director Bradley seconded the motion which passed unanimously.

RESIGNATION OF DIRECTOR VANDEWATER

Director Vandewater submitted his letter of resignation and then moved to accept his own resignation. Director Bradley seconded the motion which passed unanimously.

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




Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

Minutes
Page

termination list	2
Order Levying Taxes	4
engineer's report.....	5
operator's report.....	5
tax assessor/collector report	5