

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

February 21, 2013

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 21st day of February, 2013, 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
Jeff McClellan	Assistant Secretary
Paul Bland	Assistant Vice President

and all of the above were present, except Director Silverman, thus constituting a quorum.

Also present at the meeting were Kristen Scott of Bob Leared Interests, Inc.; Mary Lutz of McLennan & Associates; Brian Bare of Si Environmental, LLC ("SI"); Chris Burke of Sander Engineering Corporation; Greg Coleman of Beazer Homes Texas LP ("Beazer"); Michael Murr of Murr Incorporated; and Kerri Dorman, Susan Edwards 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. Director Bradley moved to approve all items on the consent agenda. Director McClellan seconded the motion, which passed by unanimous vote. Copies of all documents approved as part of the consent agenda are attached.

PUBLIC COMMENT

There was no public comment.

ADDITIONAL BOOKKEEPING MATTERS

Ms. Lutz discussed with the Board status of reimbursement to Directors for Association of Water Board Directors winter conference expenses.

ADDITIONAL TAX ASSESSMENT AND COLLECTION MATTERS, INCLUDING
ADOPT RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

The Board considered a request for waiver of penalty and interest from the homeowner at 16214 Bontura for the 2012 tax year. Following discussion and after carefully considering the information provided by the taxpayer and the Harris County Appraisal District through the District tax assessor collector, the Board took no action on the request.

The Board also considered adopting a Resolution Concerning Exemptions from Taxation ("Resolution"), which provides for the exemption from ad valorem taxation of \$20,000 of the appraised value of residence homesteads of individuals who are disabled or are sixty-five years of age or older, but rejects a general homestead exemption as well as any exemption for travel trailers. Upon a motion made by Director Bradley and seconded by Director Bland, the Board voted unanimously to adopt the Resolution as described.

ADDITIONAL OPERATING MATTERS, INCLUDING SECURITY PROPOSALS AND
TERMINATION OF WATER SERVICE TO DELINQUENT CUSTOMERS

Mr. Bare provided test results on effluent at the wastewater treatment plant and reported that the Dry Clean Supercenter wastewater samples taken during January 2013, exceeded permitted contaminant levels.

Mr. Bare also reported location and exercising of valves in section 25 and discussed the schedule for repair of one valve requiring service interruption, including notification to effected customers. The Board requested that Mr. Bare provide an annual valve maintenance plan and budget line item for annual exercise and repair of District valves.

Mr. Bare also reported the power source at water plant no. 3 caught fire, but said the generator kicked in so the plant operated normally. He said the cost to replace the power to water plant no. 3 is \$32,000. The Board concurred that no claim be made on the District's insurance for the incident.

Following discussion, Director Bradley moved to (1) assess a fine of \$2,000 to the Dry Clean Supercenter for violation of the District's Rate Order in January 2013; and (2) authorize repair of the power source at water plant no. 3, as discussed. Director Bland seconded the motion which passed unanimously.

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

INTERLOCAL AGREEMENT WITH HARRIS COUNTY FLOOD CONTROL DISTRICT

Ms. Edwards reported that the Interlocal Agreement with Harris County Flood Control District ("HCFCD") for mowing District channels expires April 30, 2013 and HCFCD requires a letter from the District to prepare the renewal contract. Upon a motion by Director Bradley and a second by Director Bland, the Board voted unanimously to authorize ABHR to send a letter requesting renewal of the Interlocal Agreement with HCFCD for mowing District channels.

ADDITIONAL ENGINEERING MATTERS

Mr. Burke reported on corrosion at water plant no. 2, and repair of ground storage tank no. 1. He noted that ground storage tank no. 1 was patched with temporary patching and has been returned to service. He said there was some initial leaking due to patch failure, but the leaking has been addressed. Mr. Burke recommended permanent patching in the fall.

The Board also reviewed correspondence from Sander Engineering Corporation requesting a 2.74% rate increase, based on the Consumer Price Index ("CPI") increase.

Mr. Burke reported vibration in the pumps, at well no. 2 and said the well work at well no. 2 is out of warranty. Mr. Burke said Alsay, Inc. has agreed to pull and reinstall the pump for \$4,800, ask the manufacturer to replace defective parts, if any, and repair the pump in house at cost if the manufacturer will not replace defective parts. Director Myers requested Mr. Burke to notify Harris County Municipal Utility District No. 364 of the repair.

Following discussion, Director Bradley moved to (1) approve a 2.74% CPI increase for Sander Engineering Corporation; and (2) authorize repair or replacement of the pump at well no. 2, as discussed. The motion, which was seconded by Director McClellan, passed unanimously.

REPORT ON RECREATIONAL AND LANDSCAPE FACILITIES

Mr. Murr updated the Board on the District's grant application submitted to the Texas Parks and Wildlife Department.

Mr. Murr next updated the Board on removal of mildew from trail benches and coordination with the Coles Crossing Community Association. Mr. Murr also discussed pricing to replace benches and add trash receptacles, on the newer trail. Mr. Murr provided a map for the Board's review with proposed placement of new benches and additional receptacles. The Board concurred to request an estimate to install 4 additional trash cans, including concrete pads, stain and installation at the March special meeting and requested a map to show the proposed location of the trash cans only.

Mr. Murr next reported that Hayden Paving has completed repair of cracks, but will defer sealing until the temperature is continuously over 60 degrees.

Mr. Murr reviewed four proposals for installation of 45 gallon trees, or alternatively 30 gallon trees, along the north trail at the Park at Arbordale. Following discussion and review and upon the approval of Mr. Coleman, Director Bradley moved to approve the proposal from HLS, as a subcontractor of Murr, Inc., for installation of 45 gallon trees in the amount of \$9,600. Director Bland seconded the motion, which passed unanimously. The Board concurred that it would offset the costs of the proposal against future reimbursement to Beazer from surplus funds. Mr. Coleman agreed. Director Myers requested that trees be placed ten feet from the fence and not in the middle of a swale.

The Board next discussed repairs requested by the soccer commissioner for Coles Crossing to District detention facilities utilized as recreational fields and future development of the regional detention basin.

ATTORNEY REPORT

Directors Bradley and Myers updated the Board on the progress of consolidation discussions. The Board next reviewed a letter of understanding regarding consolidation terms and conditions and discussed additional concerns. Following review and discussion, Director Bradley moved to approve the draft letter of understanding and authorize ABHR to finalize and transmit the letter to No. 364. The motion, which was seconded by Director McClellan, passed by a vote of 3 to 1, with Director Bland opposing the motion.

The Board next discussed a request from Texas Water Foundation and Averitt & Associates for participation in a water conservation study for Region H, including a \$3,000 annual contribution for 2 years and reviewed a Program Development Agreement. Following discussion, upon a motion by Director Bradley and a second by Director Bland, the Board voted unanimously to authorize participation in and contribution to a water conservation study for Region H, including a \$3,000 annual contribution for 2 years and execution of the Program Development Agreement.

MARCH REGULAR AND SPECIAL MEETING AGENDAS

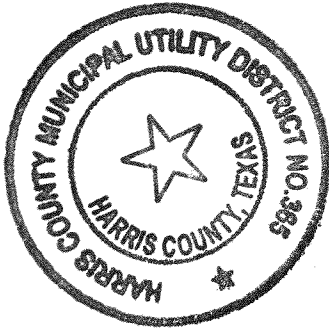
The Board concurred to hold a special meeting in the District on March 14, 2013, at 7:00 p.m. and a regular meeting on March 21, 2013, at noon in the offices of ABHR.

EXECUTIVE SESSION PURSUANT TO SECTIONS 551.071 AND 551.076, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION, OR A SETTLEMENT OFFER, AND TO DELIBERATE THE DEPLOYMENT, OR SPECIFIC OCCASIONS FOR IMPLEMENTATION, OF SECURITY PERSONNEL OR DEVICES

The Board determined that no executive session was necessary.

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

(SEAL)




Secretary, Board of Directors

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