

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

October 17, 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 17<sup>th</sup> day of October, 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 Myers and Silverman, thus constituting a quorum.

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"); Greg Coleman of Beazer Homes Texas LP; Chris Burke of Sander Engineering Corp.; Alia Vinson, Katie Carner and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

CONSENT AGENDA

Director Bradley offered Board members and consultants the opportunity to remove items from the consent agenda for individual discussion. Director Bland then 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.

ENERGY MARKET PRICING

Ms. Sears reviewed with the Board a pricing report for energy supply following expiration of the District's contract with Mid-American Energy on March 31, 2014. Following review and discussion, Director Bland moved to contract with Direct Energy for a 48 month term upon the expiration of the District's contract with Mid-American Energy. The motion, which was seconded by Director McClellan, passed unanimously.

## ADDITIONAL TAX ASSESSMENT AND COLLECTION MATTERS

The Board discussed mailing duplicate tax statements to District residents. Upon a motion by Director McClellan and a second by Director Bland, the Board voted unanimously to authorize the District tax assessor collector to issue duplicate tax statements to District residents.

## 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 McClellan, 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 2013 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.

## ADDITIONAL BOOKKEEPING MATTERS AND BUDGET FOR FISCAL YEAR END AUGUST 31, 2014

The Board discussed amending the budget for the fiscal year ending August 31, 2014 to include maintenance tax revenue for the fiscal year and design and construction of detention area improvements and rehabilitation of the District's soccer fields. Upon a motion by Director Bland and a second by Director McClellan, the Board voted unanimously to amend the budget for the fiscal year ending August 31, 2014, as discussed.

## SECURITY MATTERS, INCLUDING INTERLOCAL AGREEMENT FOR LAW ENFORCEMENT SERVICES BETWEEN HARRIS COUNTY AND THE DISTRICT

The Board discussed current patrol and upcoming renewal of patrol services and agreements for 2014. Following discussion, the Board concurred to request that ABHR notify Harris County that the District will keep the same number of officers under contract and prefers to keep the same personnel.

## RECYCLING SERVICES

The Board discussed recycled tonnage processed and recycling services.

## ADDITIONAL OPERATING MATTERS

Mr. Bare confirmed that a previously discussed proposal of \$16,600 to exercise all District valves would replace previous semi-annual manual inspections. The Board concurred to approve the proposal.

Mr. Bare also reported that tetrachloroethene levels at the Dry Clean Supercenter have remained within acceptable limits for 5 months. Following discussion, the Board concurred that Si should verify that the Dry Clean Supercenter had installed the new equipment, as represented to the Board, and then drop to quarterly inspections only.

## TERMINATION OF WATER SERVICE TO DELINQUENT CUSTOMERS

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 McClellan 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.

## ADDITIONAL ENGINEERING MATTERS

Mr. Burke reported on corrosion at water plant no. 1 and requested authorization to advertise for bids. He said SEC is coordinating with Alsay, Inc. to pull the assembly at well no. 2. Following discussion, Director Bland moved to authorize the District engineer to advertise for bids for repair and rehabilitation of water plant no. 1. Director McClellan seconded the motion, which passed unanimously.

Mr. Burke reported development of a new restaurant and a daycare along U.S. Highway 290 frontage and said the developer of the daycare would be required to relocate a District waterline. Following discussion, the Board concurred that the developer would be responsible for all costs for (i) SEC to design and oversee the relocation of the waterline, and (ii) the District to relocate the water line.

## REPORT ON RECREATIONAL AND LANDSCAPE FACILITIES

The Board discussed pending detention area improvements and soccer field rehabilitation.

## ATTORNEY REPORT

Ms. Vinson discussed correspondence from the North Harris County Regional Water Authority ("NHCRWA") offering to purchase the District's Harris Galveston Subsidence District Water Wise Program Credits. Following discussion, Director Bland moved to authorize ABHR to contact NHCRWA and offer to sell the District's Harris Galveston Subsidence District Water Wise Program Credits. The motion, which was seconded by Director McClellan, passed unanimously.

## NOVEMBER REGULAR AND SPECIAL MEETING AGENDAS, AND JOINT DISTRICT MEETING CALENDAR FOR UPCOMING YEAR

The Board concurred to hold a regular meeting on November 21, 2013, cancel the District's special in-District meeting for the month of November, request that Michael Murr report at the November regular meeting, and defer discussion regarding joint meeting scheduling.

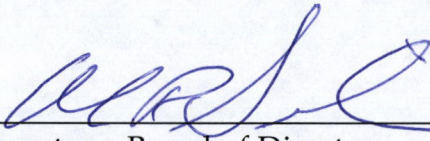
## EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION, OR A SETTLEMENT OFFER, INCLUDING REGARDING SWWC SERVICES, INC., AND ANY DAMAGE INCURRED BY THE DISTRICT

At 1:14 p.m., Director Bradley announced that the Board would convene in executive session to conduct a private consultation with its attorney to discuss pending or contemplated litigation.

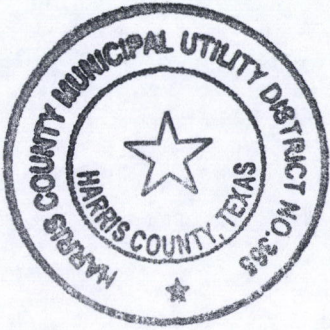
## RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION

Director Bradley announced the Board would reconvene in open session at 1:17 p.m. Following discussion, Director Bland moved to approve a settlement agreement, as discussed in executive session. Director McClellan seconded the motion, which passed unanimously.

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

  
Secretary, Board of Directors

(SEAL)



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