

**MINUTES OF REGULAR MEETING
OF
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365**

September 27, 2007

The Board of Directors of Harris County Municipal Utility District No. 365 met in regular session, open to the public, on the 27th day of September, 2007, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board, to-wit:

Joe Myers	President
Alan Silverman	Vice President
Claudine Pacioni	Assistant Vice President
Kevin Gilligan	Secretary
Megan Bradley	Assistant Secretary

and all of the above were present.

Also present at the meeting were Brian Bare of ECO Resources, Inc.; Michael Keefe of Bob Leared Interests, Inc.; Bill Odle of TBG Partners ("TBG"); Daniel Maxian and Kenneth Martinec of Jones & Carter, Inc. ("J&C"); Shirley McLennan of McLennan & Associates; Michael Murr of Murr Incorporated; Greg Coleman of Beazer Homes; John Barganski of First Southwest Company; Deputy Goree Allen and Deputy Parnell Roy of the Harris County Sheriff's Office; and Susan Edwards and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES

The Board considered approving the minutes of the August 16, 2007, regular meeting and the August 23 and 27 special meetings. Upon a motion made by Director Silverman and seconded by Director Pacioni, the Board voted unanimously to approve the minutes of the August 16, 2007, regular meeting and the August 23 and 27 special meetings, with revisions to the minutes of August 23, 2007, by Director Myers and Mr. Keefe.

TAX REPORT

Mr. Keefe distributed the District's monthly tax report, reflecting that 99.2% of the 2006 taxes had been collected as of the end of August. Mr. Keefe also responded to Director Silverman's inquiry regarding the status of the Heath Clips tax accounts at Harris County Appraisal District. After discussion, Director Silverman moved that the Board approve the tax assessor/collector's report and the checks drawn on the District's

tax account. Director Pacioni seconded the motion, which passed unanimously. A copy of the tax assessor/collector's report is attached to these minutes.

SET PUBLIC HEARING REGARDING TAX RATE

Mr. Barganski distributed a written tax rate analysis, a copy of which is attached. Mr. Barganski recommended a levy of \$0.24 per \$100 valuation for debt service. The Board considered increasing the maintenance tax portion of the levy from \$0.23 per \$100 valuation in 2006 to \$0.31 per \$100 valuation in 2007, noting that the maintenance tax revenues from the \$0.08 rate increase could be set aside as a reserve in the operating fund. Upon a motion made by Director Pacioni and seconded by Director Silverman, the Board unanimously authorized the tax assessor to publish notice of a public hearing on October 18, 2007, regarding the District's proposed adoption of a tax rate comprised of a levy of \$0.24 for debt service and \$0.31 for operations and maintenance.

CONDUCT PUBLIC HEARING REGARDING TAXATION OF TANGIBLE PERSONAL PROPERTY IN TRANSIT UNDER TEXAS TAX CODE SECTION 11.253 AND ADOPT RESOLUTION TO TAX TANGIBLE PERSONAL PROPERTY IN TRANSIT

Director Myers opened a public hearing regarding taxation of tangible personal property in transit and after no comments from the public, the hearing was closed. Ms. Edwards reported that House Bill 621 provides that certain personal property held temporarily in the District ("goods-in-transit") are exempt from taxation unless the taxing jurisdiction acts to continue the taxation of goods-in-transit. After discussion, Director Silverman moved that the Board adopt the Resolution to Tax Tangible Personal Property in Transit ("Resolution"). Director Pacioni seconded the motion, which carried by unanimous vote. A copy of the Resolution is attached.

BOOKKEEPER'S REPORT

Ms. McLennan presented the bookkeeper's report, reviewed the investment report and budget-to-actual comparison, and submitted the bills and checks drawn on the District's accounts for the Board's review. She reviewed checks written since the report was prepared. Ms. McLennan reported to the Board that an invoice had been forwarded to DunnCo Properties, Ltd. ("DunnCo"), for the balance owed to the District for services and expenses associated with DunnCo's previous request for annexation and that payment had been received from DunnCo. She said that, in the interim, additional charges to DunnCo in the amount of \$538 had been incurred and requested authorization to invoice DunnCo for the additional amount. Ms. McClennan said that future bookkeeping reports would include budget comparisons for the District's joint facilities with District No. 364.

Upon a motion made by Director Silverman and seconded by Director Pacioni, the Board voted unanimously to approve the bookkeeper's report and the checks

presented for payment and authorize the District bookkeeper to forward an invoice to DunnCo in the amount of \$538. A copy of the bookkeeper's report is attached as an exhibit to these minutes.

OPERATIONS REPORT

Mr. Bare reviewed the written operations report with the Board, a copy of which is attached to these minutes. He reviewed routine maintenance and repairs. Upon a motion made by Director Pacioni and seconded by Director Gilligan, the Board voted unanimously to approve the operator's report. A copy of the operator's report is attached to these minutes.

HEARING ON TERMINATION OF WATER SERVICE

The Board conducted a hearing on the termination of utility service to delinquent accounts. Mr. Bare reported that the persons on the attached 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 Pacioni moved that, since the customers on the attached 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 Rate Order. Director Gilligan seconded the motion, which carried unanimously. A copy of the termination list is attached to these minutes.

UPDATE ON REQUEST FROM HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 113

Mr. Martinec reported that J&C's analysis of the feasibility of providing long term water supply to Harris County Water Control and Improvement District No. 113 ("No. 113") was marginal. Mr. Maxian added that the District would need to add a ground storage tank at an estimated cost of \$300,000 if the District and Harris County Municipal Utility District No. 364 chose to serve No. 113. The Board concurred to defer action on this agenda item pending receipt of J&C's written report.

ENGINEER'S REPORT

Mr. Maxian reviewed a written engineer's report and updated the Board on the status of various projects in the District as follows in these minutes. A copy of the engineer's report is attached to these minutes.

STORMWATER CHANNEL FACILITIES

Mr. Maxian reported on the status of the drainage channel mowing and maintenance. Mr. Maxian presented an invoice in the amount of \$2,860 for mowing and

handwork of the drainage channels and the Dry Creek detention. He further stated that \$1,505.25 represents the District's share of the work. Upon a motion by Director Silverman and seconded by Director Pacioni, the District moved to approve payment to Seaback Maintenance in the amount of \$1,505.25 and to authorize mowing the tops and sides of the regional detention basin on a monthly basis.

SEWAGE TREATMENT PLANT DRIVEWAY

Mr. Maxian reported that the project plans are pending approval through Harris County and further commented that the delays in this project are attributable primarily to the coordination with Harris County regarding the widening of Jarvis Road. The Board concurred to defer action on this agenda item.

HARRIS COUNTY WIDENING OF SPRING CYPRESS ROAD

Mr. Maxian said that Harris County is requesting that the District relocate a portion of the fence at the water plant site within the planned Spring Cypress Road right-of-way. Mr. Martinec said that the fence could be moved without impacting the waterlines along Spring Cypress. Mr. Martinec said that there was \$16,000 in the construction contract for relocating the fence and that he needed to check the right-of-way agreement with the county to see if there was a provision for fencing. The Board discussed with Mr. Murr and Mr. Odle various types of fencing and estimated costs for materials and installation of same. Following discussion, Director Bradley moved to authorize ECO to obtain proposals not to exceed \$25,000 for an 8 ft. wrought iron fence with a sliding gate as the first choice of the Board, an 8 ft. wooden gate with a sliding gate as a second choice of the Board, and an 8 ft. chain link fence with a sliding gate as a third choice of the Board. Director Silverman seconded the motion which passed unanimously.

DETENTION BASIN EROSION REPAIR

Mr. Maxian reported that the contractor mobilized to the site yesterday to complete the repair to the detention basin.

WASTEWATER TREATMENT PLANT WATERPROOFING/SEALING

Mr. Maxian reported that the contractor had mobilized and that sealing activities would be coordinated with the District operator.

WASTEWATER DISCHARGE PERMIT

Mr. Maxian reported that the permit renewal application is pending with the Texas Commission on Environmental Quality.

PILOT CHANNEL DE-SILTING

Mr. Maxian reported that the contractor mobilized to the site yesterday to complete the de-silting of the pilot channel.

THE PARK AT ARBORDALE

Mr. Maxian next reported regarding the construction of facilities to serve The Park at Arbordale. Mr. Maxian presented three bids to the Board for facilities to serve The Park at Arbordale and recommended that the Board approve and accept the bid of C.E. Barker, Ltd. in the amount of \$1,815,723.72. After discussion, and because the contract would result in the best and most economical completion of the project, Director Gilligan moved to accept C.E. Barker, Ltd.'s bid and authorize execution of the contract documents subject to review of payment and performance bonds. Director Bradley seconded the motion which carried unanimously.

Mr. Maxian also presented a proposal from Stormwater Solutions in the amount of \$5,800 per year for checking the trash troopers twice a month, cleaning it as needed, and handling the annual stormwater permit renewal. The Board concurred to defer action on this item.

Mr. Maxian also presented three utility easements, two waterline easements and a sanitary sewer line easement within The Park at Arbordale for the Board's approval and acceptance. Upon a motion by Director Gilligan and a second by Director Bradley, the Board voted unanimously to approve and accept the easements.

COLE'S 3 CENTER

Mr. Maxian said that he had received final construction drawings from Momentum Engineering on behalf of Satya, Inc., and that the District operator was coordinating the water tap and meter with Momentum.

DISCUSS PHASE II MS4 PERMITTING REQUIREMENTS

The Board deferred action on this agenda item.

TBG REPORT

Mr. Odle updated the Board on the status of various projects in the District as follows in these minutes.

JOGGING TRAIL IMPROVEMENTS

Mr. Odle reported that he met with the contractor last week and that the contractor would begin installation of the abutments next week. He said that he anticipated delivery of the bridge within 2 to 3 weeks and that he would notify the

Board members of the delivery date. Mr. Odle said that he will coordinate with the contractor during installation of the abutments so that interruption of use of the trails will be minimized. Mr. Maxian presented again to the Board a J&C proposal for inspection of the bridge work in the amount of \$4,300. Mr. Maxian said that No. 364 had given him no direction following their request for the inspection and suggested that Mr. Maxian bring the issue before this District. The Board concurred to defer action on the inspection proposal.

FENCING PROJECT AT DETENTION BASIN

Mr. Odle said that he had priced clearing the area near the bridge with a bulldozer at a rate of \$2,000 per day for a minimum of 5 days. Following discussion, the Board concurred that the contractor should begin construction of the fence skipping the bridge area for the present. The Board took no action regarding clearing of the area around the bridge.

HARRIS COUNTY PRECINCT 3 LANDSCAPING AND TRAIL PROJECT

The Board took no action on this agenda item.

MURR INCORPORATED REPORT ON NATURE TRAIL AMENITIES

Mr. Murr said that he had received a quote from Summit Landscaping for \$1,950 per month for maintenance of the trail. Mr. Murr also reviewed plans for the Chalmette Park sidewalk extension, reviewed various alignment proposals with the Board and presented two bids for the sidewalk and retaining wall. Following discussion, Director Bradley moved to approve maintenance of the trail by Summit Landscaping in the amount of \$1,950 per month, approve the proposal for installation of the retaining wall by Summit Landscaping in the amount of \$3,341.50 and approve installation of the sidewalk by Division III in the amount of \$20,975. Director Silverman seconded the motion which passed unanimously.

PROPOSAL FROM HARRIS COUNTY SHERIFF'S OFFICE FOR SECURITY SERVICES

The Board received a presentation from Officers Roy and Allen for patrol services by Harris County Sheriff's Office ("HCSO"). Officer Roy reviewed the procedure for procuring a contract, reviewed the proposed terms and conditions and discussed the various community/security programs offered by the HCSO. Following discussion, Director Bradley moved to approve a contract with the HCSO for a patrolman to cover the 6 a.m. to 2 p.m. patrol shift. Director Silverman seconded the motion which passed unanimously.

VANDALISM WITHIN THE DISTRICT

The Board took no action on this agenda item.

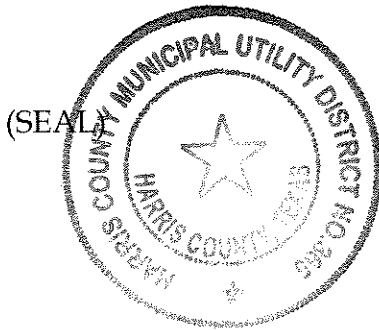
JOINT FACILITIES ADVISORY COUNCIL CONTRACT

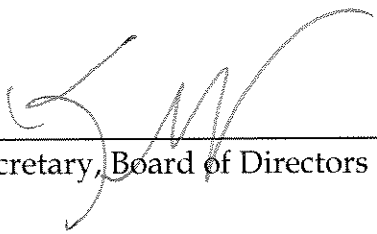
The Board took no action on this agenda item.

**RESIDENT REQUEST FOR TEMPORARY ACCESS THROUGH DRY CREEK
DETENTION BASIN**

Ms. Edwards discussed with the Board a request from District resident Daniel Whitfield for temporary access to his property through the Dry Creek detention basin. The Board took no action regarding the request.

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




Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

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