

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

August 28, 2008

The Board of Directors of Harris County Municipal Utility District No. 365 met in regular session, open to the public, on the 28th day of August, 2008, 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
Megan Bradley	Vice President
Alan Silverman	Assistant Vice President
Matthew Lund	Secretary
Claudine Pacioni	Director

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

Also present at the meeting were Brian Bare of SWWC Services, Inc.; Robin Goin of Bob Leared Interests, Inc.; Caleb Franklin of TBG Partners ("TBG"); Chris Burke of Sander Engineering Corporation ("SEC"); Shirley McLennan of McLennan & Associates; Mike Vandewater, a resident of the District; Greg Coleman of Beazer Homes ("Beazer"); Clayton Black of Jones & Carter ("J&C"); Sherri Greenwood of BKD, Inc. ("BKD"); and Alia Vinson and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES

The Board considered approving the minutes of the July 15, 2008, special meeting as submitted, the minutes of the July 24, 2008, regular meeting as amended, and the minutes of the July 31, 2008, joint meeting as submitted. Upon a motion made by Director Bradley and seconded by Director Lund, the Board voted unanimously to approve the minutes of the July 15, 2008, special meeting as submitted, the minutes of the July 24, 2008, regular meeting as amended, and the minutes of the July 31, 2008, joint meeting as submitted.

APPOINT NEW DIRECTOR

Director Bradley moved to appoint Michael C. Vandewater to fill the Board position vacated by Claudine Pacioni. Director Silverman seconded the motion which passed unanimously.

APPROVE SWORN STATEMENT, OFFICIAL BOND, AND OATH OF OFFICE OF NEW DIRECTOR

The Board considered approving the Sworn Statement, Oath of Office, and Official Bond required in conjunction with the appointment of Michael C. Vandewater to the Board position vacated by Claudine Pacioni. Director Silverman moved to approve the Sworn Statement, Oath of Office, and Official Bond for Michael C. Vandewater; that the Oath of Office and Official Bond be filed with the Secretary of State; and that the Sworn Statement, Oath of Office, and Official Bond be filed and retained in the District's official records. Director Lund seconded the motion, which passed unanimously.

REORGANIZE THE BOARD AND AUTHORIZE EXECUTION OF DISTRICT REGISTRATION FORM

The Board next considered reorganization of the Board. Upon a motion by Director Silverman and a second by Director Lund, the Board voted unanimously that Board members retain their current offices with Director Vandewater assuming the vacant office of Assistant Secretary and to authorize execution and submission of the District Registration Form to the Texas Commission on Environmental Quality ("TCEQ") to reflect the newly appointed Director.

OPEN MEETINGS ACT TRAINING REQUIREMENTS

Ms. Vinson distributed and reviewed a memorandum from ABHR regarding the Texas Open Meetings Act Requirements, a copy of which is attached. She stated that each elected public official must complete a course of training regarding responsibilities of the governmental body and its members under the Texas Open Meetings Act, Chapter 551. Ms. Vinson stated that training must be completed within 90 days of taking the Oath of Office.

CONFLICT OF INTEREST DISCLOSURE

Ms. Vinson stated that a director must disclose if he has a current business relationship with any contractor or consultant doing business with the District if that relationship results in either gifts (other than entertainment) in excess of \$250 or taxable income to the Director or his immediate family in excess of \$2,500.

TAX REPORT

Ms. Goin distributed the District's monthly tax report reflecting that 99.2% of the 2007 taxes had been collected as of the end of July. After discussion, Director Silverman moved to approve the tax assessor/collector's report and the checks drawn on the

District's tax account. Director Lund seconded the motion, which passed unanimously. Copies of the tax assessor/collector report and delinquent account list are attached.

DISCUSS 2008 TAX RATE, SET PUBLIC HEARING DATE, AND AUTHORIZE NOTICE OF PUBLIC HEARING REGARDING ADOPTION OF TAX RATE

Ms. Goin confirmed that the certified roll for the District had not been received. Accordingly, the Board concurred to defer action on this agenda item.

ADDENDUM TO TAX ASSESSOR/COLLECTOR'S CONTRACT FOR MILEAGE

Ms. Goin presented to the Board an addendum to the tax assessor collector's contract adding compensation for mileage and parking. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to approve the addendum to the contract.

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. The Board discussed with Ms. McLennan certificate of deposit rates and moving funds from the general and debt service accounts into certificates of deposit. Upon a motion made by Director Bradley and seconded by Director Lund, the Board voted unanimously to approve the bookkeeper's report and the checks presented. A copy of the bookkeeper's report is attached.

BUDGET FOR FISCAL YEAR ENDING AUGUST 31, 2009

Ms. McLennan reviewed a draft District operating budget for the fiscal year ending August 31, 2009. Upon a motion made by Director Silverman and seconded by Director Bradley, the Board voted unanimously to adopt the budget for the fiscal year ending August 31, 2009. A copy of the budget is attached as an exhibit to these minutes.

UPDATE ON COMPASS BANK LETTER OF CREDIT AGREEMENT

Ms. Vinson updated the Board regarding the District's letter of credit agreement with Compass Bank. Ms. Vinson said that Compass Bank no longer requires districts to accept Letters of Credit from Federal Home Loan Bank Atlanta as collateral. She also said that Federal Home Loan Bank Atlanta has advised that while Federal Home Loan Banks are jointly and severally liable for general obligations, they are not jointly and severally liable for letters of credit. Following discussion, Director Silverman moved that the District bookkeeper be directed not to give written authorization for the use of letters of credit as collateral until further notified by the Board. Director Lund seconded the motion which passed unanimously. Director Silverman also requested that the

District's financial advisor attend the September meeting to discuss the use of letters of credit as collateral with the Board.

#### CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY

The Board reviewed the District's Investment Policy and list of qualified broker/dealers to determine if any amendments were necessary. After discussion, the Board determined to make no amendments at this time. Upon a motion made by Director Silverman, seconded by Director Lund, the Board voted unanimously to adopt a Resolution Regarding Annual Review of Investment Policy and not to make any changes to the list of qualified broker/dealers.

#### ENGAGE AUDITOR TO CONDUCT AUDIT FOR FISCAL YEAR ENDING AUGUST 31, 2008

Ms. Greenwood reviewed a proposal for auditing services from BKD. Ms. Greenwood stated the estimated fees are \$14,000 for the District and \$1,500 to audit each joint facility account. After discussion, Director Silverman moved to approve the proposal from BKD, LLP. The motion was seconded by Director Bradley, and passed unanimously.

#### 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 inquiry from Director Vandewater, Mr. Bare discussed SWWC's routine replacement of District meters registering over one million gallons of use. Upon a motion made by Director Bradley and seconded by Director Lund, 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 Bradley 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 Lund seconded the motion, which carried unanimously. A copy of the termination list is attached.

## ENGINEER'S REPORT

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.

## TRANSITION OF DOCUMENTS FROM JONES & CARTER, INC.

Mr. Burke reported that SEC has received files and rolls of drawings from J&C and presented an invoice to the District bookkeeper from Ridgeway's for copying services.

## STORMWATER CHANNEL FACILITIES

Mr. Burke discussed with the Board a request from the resident at 13503 Mount Airy Drive asking that the District clear and/or cut back brush and trees behind the property's fence line along the main ditch. The Board concurred that the homeowner could trim back vegetation excluding trees, and took no action on this request.

Mr. Burke also reported that the temporary irrigation along the upper slopes to establish the trees would be taken out soon and that the excessive water would then cease. Mr. Burke also said that he had requested a proposal from Seaback Maintenance to mow around the top of the detention basin and the area adjacent to Jarvis Road.

## ACCESS ROAD AT WASTEWATER PLANT

The Board next discussed the status of the construction of the access road at the wastewater treatment plant. Mr. Burke presented Change Order No. 1 for a net increase of \$20,978.30 to install 7" reinforced concrete pavement in lieu of 6" concrete pavement. Following discussion, Director Silverman moved to approve Change Order No. 1 for a net increase of \$20,978.30 to install 7" reinforced concrete pavement in lieu of 6" concrete pavement. Director Lund seconded the motion which passed unanimously.

## HARRIS COUNTY WIDENING OF SPRING CYPRESS ROAD

The Board discussed the status of the widening of Spring Cypress Road by Harris County. Mr. Burke said that he and Mr. Bare were working with the paving contractor to coordinate some adjustments.

## REPAIR OF BASIN LEAKS AT WASTEWATER TREATMENT PLANT

Mr. Burke reported that Epoxy Designs made additional repairs to stop leakage and will submit a proposal for additional repairs.

## WASTEWATER DISCHARGE PERMIT

Mr. Burke reported the Texas Commission on Environmental Quality has issued the draft permit.

## THE PARK AT ARBORDALE

The Board next discussed the construction of facilities to serve The Park at Arbordale.

## CANYONLANDS COMMERCIAL PROPERTY

The Board next discussed the status of the water, sewer, and drainage facilities to serve the Canyonlands commercial property. Mr. Black presented and recommended payment of pay estimate no. 2 and final in the amount of \$5,569.04 to Clearwater Utilities. Mr. Black also presented two 15' waterline easements along Highway 290 and requested that the Board abandon a 0.4010-acre waterline easement previously conveyed in 2007 to the District from Canyonlands Corporation by Special Warranty Deed. Upon a motion by Director Bradley and a second by Director Lund, the Board voted unanimously to: (1) approve pay estimate no. 2 and final in the amount of \$5,569.04 to Clearwater Utilities; (2) approve two 15-foot waterline easements along Highway 290; and (3) abandon a 0.4010-acre waterline easement.

## ONE-YEAR WARRANTY FOR LIFT STATION NO. 1 GENERATOR

Mr. Burke said that SEC will schedule the inspections.

## WATER PLANT CAPACITY ANALYSIS

Mr. Burke said that SEC is revisiting the analysis and will consider the impact on the wastewater treatment plant as well.

## DEEDS AND EASEMENTS

Ms. Vinson discussed with the Board two District easements for the regional detention basin and the commercial ditch that also includes the lift station no. 2 site on Barker Cypress. Ms. Vinson explained that subsequent to the District's acceptance of these easements, JDC Greenleaf recorded deeds for these properties in the property records, purporting to transfer fee title to the District. Ms. Vinson stated that the District was unaware of the transfers and has not yet accepted the deeds. The Board also discussed concerns that no title commitments have been provided for the properties in question, nor has the Board received Phase I environmental reports. The Board concurred that ABHR should ask J&C for any Phase I environmental reports, title commitments, and surveys in their possession. The Board deferred action on this agenda item until more information is available.

Mr. Burke also discussed swimming pool approval letters issued and an inquiry from a child care facility on a commercial tract.

Mr. Burke reported that he has been in contact with Weiser Engineering regarding detention for the Jarvis Road improvements and is anticipating a preliminary engineering report from Weiser. Mr. Burke said that there is no excess capacity in the existing pond, but that it may be possible to add volume by further excavation.

#### DEVELOPER'S REPORT

Mr. Coleman updated the Board with regard to construction of facilities to serve The Park at Arbordale. Mr. Coleman presented and requested that the Board approve pay estimate no. 5 in the amount of \$48,971.79 and change order no. 4 for additional work to protect certain trees resulting in a deduction of \$2,257.53 in the contract price. Director Myers requested that the contractor provide proof that the method change for the bore was necessary.

#### TBG REPORT

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

#### PHASE 2 TRAIL IMPROVEMENTS

Mr. Franklin presented and recommended that the Board approve pay estimate no. 9 in the amount of \$14,940 to D.L. Meacham, of which the District's portion is \$7,470. Upon a motion by Director Bradley and a second by Director Vandewater, the Board voted unanimously to approve pay estimate no. 9 and authorize payment of the District's portion in the amount of \$7,470.

#### FENCING PROJECT AT THE DETENTION BASIN

Mr. Franklin next discussed the fencing project at the detention basin and presented and recommended payment of pay estimate no. 5 in the amount of \$33,848.96 and pay estimate no. 6 in the amount of \$5,968.30, both payable to American Wall Systems. Mr. Franklin also presented pay estimate no. 1 in the amount of \$5,000 to American Wall Systems for repair of damage by an unknown vehicle to the fence. Upon a motion by Director Bradley and a second by Director Vandewater, the Board voted unanimously to approve: (1) pay estimate no. 5 in the amount of \$33,848.96 payable to American Wall Systems; (2) pay estimate no. 6 in the amount of \$5,968.30 payable to American Wall Systems; and (3) pay estimate no. 1 in the amount of \$5,000 to American Wall Systems for repair of damage by an unknown vehicle to the fence.

PHASE 3 TRAIL CONSTRUCTION

There was no discussion regarding the Phase 3 trail construction.

TRAIL MAINTENANCE AGREEMENT AND AMENDED EXHIBIT

Ms. Vinson reported that there was no new information or comments from Harris County Municipal Utility District No. 364.

RECREATIONAL EASEMENT TO HARRIS COUNTY NO. 364

Ms. Vinson reported that ABHR had comments on the proposed conveyance document to review with the Board. The Board concurred to consider the conveyance document at its next meeting.

DETENTION BASIN PARK CONCEPTUAL PLAN

The Board discussed holding a special meeting in the District to discuss the detention basin park conceptual plan, splash pad facilities, clearing and grubbing within the Park at Arbordale, GIS hosting, sidewalks connecting Cole’s Crossing to school properties and the Metro Park ‘n Ride and possible grants to construct those sidewalk facilities. Ms. Vinson provided the Board with the resume of a firm that can assist in obtaining local grants for projects such as sidewalks, a copy of which is attached.

CONVENE EXECUTIVE SESSION PURSUANT TO SECTION 551.072, TEXAS GOVERNMENT CODE, TO DELIBERATE THE PURCHASE, EXCHANGE, LEASE OR VALUE OF REAL PROPERTY

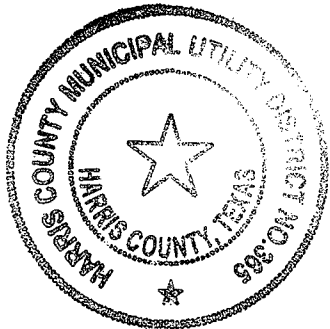
The Board concurred it was not necessary to convene in executive session pursuant to Section 551.072, Texas Government Code.

SUCH OTHER MATTERS

The Board discussed director contact information in the Paper Boy. The directors concurred that no director contact information should be provided to the Paper Boy.

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

(SEAL)



*Matthew R. P.*  
Secretary, Board of Directors



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