

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

September 25, 2008

The Board of Directors of Harris County Municipal Utility District No. 365 met in regular session, open to the public, on the 25th day of September, 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
Mike Vandewater	Assistant Secretary

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

Also present at the meeting were Claudine Pacioni of SWWC Services, Inc.; Michael Keefe of Bob Leared Interests, Inc.; Jon Wallace of TBG Partners ("TBG"); Chris Burke of Sander Engineering Corporation ("SEC"); Mary Lutz of McLennan & Associates; Greg Coleman of Beazer Homes ("Beazer"); Cliff Kavanaugh of First Southwest Company; and Susan Edwards, Alia Vinson, and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES

The Board considered approving the minutes of the August 28, 2008, regular meeting as submitted and the minutes of the September 15, 2008, special meeting as submitted. Upon a motion made by Director Vandewater and seconded by Director Lund, the Board voted unanimously to approve the minutes of the August 28, 2008, regular meeting, as submitted, and the minutes of the September 15, 2008, special meeting, as submitted.

TAX REPORT

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

Mr. Kavanaugh distributed a written tax rate analysis, a copy of which is attached. Mr. Kavanaugh recommended a levy of \$0.24 per \$100 valuation for debt service. Upon a motion made by Director Silverman and seconded by Director Lund, the Board unanimously authorized the tax assessor to publish notice of a public hearing on October 16, 2008, regarding the District's proposed adoption of a tax rate comprised of \$0.24 for debt service and \$0.29 for operations and maintenance.

BOOKKEEPER'S REPORT

Ms. Lutz 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. Upon a motion made by Director Silverman 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.

Ms. Vinson reported that Compass Bank had altered its initial requirement and now does not require the District to accept a letter of credit as collateral to secure the District's funds. Mr. Kavanaugh advised the Board to continue using the types of eligible securities previously pledged by Texas State Bank to secure the District's funds in excess of FDIC insurance coverage rather than letters of credit. Following discussion, Director Silverman moved to terminate the letter of credit agreement with Compass Bank and to instruct the District's bookkeeper not to approve the use of letters of credit as collateral. Director Lund seconded the motion which was passed unanimously.

OPERATIONS REPORT

Ms. Pacioni reviewed the written operations report with the Board, a copy of which is attached. She reviewed routine maintenance and repairs, including lighting at the wastewater treatment plant and preventative maintenance on pumps and generators.

Ms. Pacioni and Mr. Burke discussed with the Board auxiliary power at the water plant and wastewater treatment plant. The Board discussed a possible upgrade from diesel generators to natural gas generators. Following discussion, the Board concurred to request information from the District engineer and District operator for conversion from diesel auxiliary power to natural gas auxiliary power. Ms. Pacioni discussed water pressure in the District following Hurricane Ike and recommended that the Board purchase public communication signs and store them at the plant for emergency use. The Board also concurred to annually consider hurricane preparedness.

Upon a motion made by Director Lund and seconded by Director Bradley, the Board voted unanimously to approve the operator's report and to authorize the purchase of public communication signs.

Director Bradley discussed heavy debris removal through the Cole's Crossing Homeowners' Association ("HOA") at an estimated cost of \$75,000 and requested that the District pay one third of the total cost. Upon a motion by Director Silverman and seconded by Director Bradley, the Board voted unanimously to reimburse the HOA for one-third of the total eligible costs for heavy debris removal in an amount not to exceed \$25,000.

#### HEARING ON TERMINATION OF WATER SERVICE

The Board took no action on this agenda item in light of the disruptions caused by Hurricane Ike.

#### 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.

#### STORMWATER CHANNEL FACILITIES

Mr. Burke presented a proposal from Seaback Maintenance to mow around the top of the detention basin and the area adjacent to Jarvis Road for \$275 per cut with a finish mower. He added that Harris County Flood Control mowed the area this month, but that he anticipated that two cuts per month would be needed during the growing season.

Mr. Burke reported that SEC walked the detention area and came up with a number of areas needing repair. He recommended either bundling all of the repairs and entering a contract to have the repairs made at once or entering an on-call agreement with a contractor to make repairs from time to time based on approved unit costs. Mr. Burke said he would bring repair information and a cost estimate to the next meeting.

The Board also discussed the northeast guardrail at Dundee where the rail bolts to the ballard. Director Myers said that there are bolts missing, possibly due to the contractor removing them to gain access. Following discussion, the Board authorized SEC to replace the missing bolts.



### 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 said that the contractor is working and SEC is working on some field adjustments.

### HARRIS COUNTY WIDENING OF SPRING CYPRESS ROAD

The Board discussed the status of the widening of Spring Cypress Road by Harris County. Mr. Burke requested authorization to advertise for bids for construction.

### REPAIR OF BASIN LEAKS AT WASTEWATER TREATMENT PLANT

Mr. Burke reported that Epoxy Designs has stopped the leaks after additional repairs and that SEC has requested a proposal for similar repairs needed on the cold joints of the chlorine contact basin.

### WASTEWATER DISCHARGE PERMIT

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

### THE PARK AT ARBORDALE

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

### ONE-YEAR WARRANTY FOR WATER WELL NO. 1 MOTOR

No action was taken by the Board.

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

No action was taken by the Board.

### JARVIS ROAD IMPROVEMENTS

No action was taken by the Board.

### UTILITY COMMITMENT REQUESTS

The Board discussed the submission of requests for pool permits to the District.

### WATER PLANT CAPACITY ANALYSIS

No action was taken by the Board.

## DEEDS AND EASEMENTS

Ms. Vinson discussed with the Board two deeds conveying property to the District for the regional detention basin and for the commercial ditch and the lift station no. 2 site on Barker Cypress. Ms. Vinson stated the deeds were executed and recorded, but the District's Board was never made aware of the conveyances and did not accept the deeds. Ms. Vinson also reported that the District did not have a title insurance commitment or Phase I environmental assessment on the properties. She said that she has contacted Jones & Carter and Wayne Meyer at Jefferson Development Company to obtain information on the tracts in question. The Board deferred action on this agenda item until more information is available.

Upon a motion by Director Bradley and a second by Director Lund, the Board voted unanimously to approve the engineer's report and to authorize the District's engineer to advertise for bids for construction of the water line relocation for the widening of Spring-Cypress Road.

## DEVELOPER'S REPORT

Mr. Coleman updated the Board with regard to construction of facilities to serve The Park at Arbordale. Mr. Coleman said that he obtained an estimate in the amount of \$15,000 for tree restoration and submitted same to the contractor, but has not received a response. He said that he also met with the utility contractor and explained the Board's concerns regarding change order no. 4 for additional work to protect certain trees. He said that the contractor is going to review invoices, clarify, and resubmit the change order.

## TBG REPORT

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

## PHASE 2 TRAIL IMPROVEMENTS

Mr. Wallace reported that the contractor, D.L. Meacham, has agreed to credit the District in the amount of roughly \$1,100 for failed trees. Mr. Wallace said that the contractor has addressed all of the punch list items except a fountain, removal of the temporary irrigation line and some flared pavement. Mr. Wallace said that the District is holding \$35,000 in retainage until these items are addressed. Director Myers noted that two crepe myrtles were temporarily removed during the bridge installation and now the trees have died. The Board requested the contractor replace these trees.

## FENCING PROJECT AT THE DETENTION BASIN

Upon a motion by Director Lund and a second by Director Vandewater, the

Board voted unanimously to authorize TBG to engage American Wall to repair the fence and remove the fallen tree in an amount not to exceed \$1,000.00.

### PHASE 3 TRAIL CONSTRUCTION

There was no discussion regarding the Phase 3 trail construction.

### TRAIL MAINTENANCE AGREEMENT AND AMENDED EXHIBIT

Ms. Vinson reported that no update had been received from Harris County Municipal Utility District No. 364 ("No. 364") regarding the trail maintenance agreement.

### RECREATIONAL EASEMENT TO HARRIS COUNTY NO. 364

Ms. Vinson discussed revisions made by ABHR to the proposed recreational easement drafted by No. 364. The Board concurred to review the revisions and recreational easement further before taking action on this agenda item.

### DETENTION BASIN PARK CONCEPTUAL PLAN

The Board discussed holding a special meeting in the District to discuss the detention basin park conceptual plan.

### PROPOSALS FOR GIS HOSTING

The Board took no action on this agenda item.

### CONSTRUCTION OF SPLASH PAD

Director Bradley reported her conversations with the HOA regarding construction of a splash pad and a proposed site for construction. The Board took no action on this agenda item.

### JOINT MEETING AGENDA

The Board concurred that the following items should be included on the joint meeting agenda in addition to discussion of jointly owned facilities: auxiliary power, GIS hosting, and the recreational easement.

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

At 2:23 p.m. Director Myers announced that the Board would meet in Executive Session to deliberate the purchase, exchange, lease or value of real property.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION  
RESULTING FROM EXECUTIVE SESSION

Director Myers announced that the Board would reconvene in open session and that the date and time at the end of executive session was September 25, 2008, 2:30 p.m.

No Board action was taken as a result of discussions in executive session.

SUCH OTHER MATTERS

Director Bradley discussed community recycling and the anticipated cost per household (per month and annually) with the Board. Directors Lund and Silverman discussed an interest in collecting at a common location. No Board action was taken.

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

(SEAL)



A handwritten signature in black ink, appearing to be "Michael W.", written over a horizontal line.

Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

Minutes  
Page

tax assessor/collector report and delinquent account list .....	1
written tax rate analysis .....	2
bookkeeper's report .....	2
written operations report.....	2
engineer's report .....	3